

SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

POLICIES & PROCEDURES MANUAL

POLICY 51.030 - PURCHASING

Date: July 2021
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POLICY:

It is the policy of the Department to promote competition, impartiality, conservation of funds, and fair and open purchasing completed in a manner that ensures accountability, while seeking to realize the maximum value from every dollar.

Quality Service and Responsible Spending

RESPONSIBILITY:

The Purchasing section ("Purchasing") is dedicated to provide excellent, responsive and courteous service to the Department and community by:

1. following state laws, local ordinances, and administrative procedures, assuring the legality of the purchasing process;
2. coordinating a uniform procurement system to supply Department operations with an uninterrupted flow of materials and services;
3. buying competitively and wisely to obtain maximum value for the ratepayer's dollars;
4. promoting vendor relations, as well as reliable alternate sources of supply; and
5. keeping inventory losses due to deterioration or obsolescence to a minimum.

Purchasing has the sole responsibility for obtaining or contracting for supplies, material, services and equipment. The General Manager and/or the Deputy General Manager, have similar authority.

PURCHASING METHODS:

The following policies are established to provide methods for

purchasing supplies, general services, equipment and special equipment/supplies. A "purchase" shall include renting, leasing, or purchasing the above items.

Part I. PURCHASE ORDER:

Purchases of supplies, general services, special equipment/supplies, general equipment and construction contract or public work specification of \$500 or more shall be made by purchase orders issued by the Purchasing Supervisor. Appropriate documentation on the expected scope of work and contracts are required as part of the purchase order.

Exemptions from the purchasing system include:

- Utility Payments
- Grants
- Payments to Other Governmental Units (Federal, state, county or municipal agencies)
- Law Suit Settlement payments
- Postage
- Payments to temporary agencies for temporary staffing needs
- Memberships, subscriptions, conference registrations, trainings and related travel costs
- Refunds and utility rebates to customers
- Payment associated to CalPERS, health insurance providers, and other routine payments associated with the City's payroll operations
- Debt-related payments
- Insurance premiums
- Legal invoices
- Items paid via a purchasing card or credit card
- Emergency purchases (See Section F below)

Part II. PURCHASE ORDER CHANGES:

A purchase order is a contract between the Department and a vendor. Any change to a purchase order shall be documented appropriately.

Part III. PURCHASING CARDS:

Purchases of goods in the amount of \$500 and under may be procured by Department staff by utilizing their assigned purchasing card. For further information on the use of purchasing cards, please reference Department policy #51.040 Purchasing Card Policy.

Part IV. UNAUTHORIZED PURCHASES:

A purchase order is required for all purchases over \$500, unless specifically identified as exempt in the above section.

1. Unauthorized purchases are void and not considered an obligation of the Department.
2. Invoices without an authorized purchase order may be returned to the vendor.
3. The person ordering the unauthorized purchase may be held personally responsible for the costs of the purchase or contract.
4. Purchase orders shall be issued to a vendor when ordering supplies and services and not "**after the fact**" for work already done or materials already ordered or received.

PART V. HOW TO PURCHASE:

A. Creating a Purchase Requisition:

The following steps will be required of the requesting section to obtain a purchase order:

1. Establish a need for a determined good or service;
2. Determine that budgeted funds are available to support purchase. No purchase order shall be issued without an unencumbered appropriation for such purchase. All requisitions must have a valid account number. The annual budget may be used for a source document in determining the account to be charged. Should an account number not exist for the type of material or service being requested, funds must be located from a similar expenditure within each section's budget or a Budget Transfer Form must be completed and sent to Finance for approval as noted in the Budget Amendment Policy (#51-090);
3. Determine authorization level required:
 - a. Excess of \$5,000; Division Director approval;
 - b. \$2,500 - \$4,999; Superintendent or Manager approval; or
 - c. Less than \$2,500; Section Supervisor approval.
4. Determine type of procurement:
 - a. Stock requisitions for materials and equipment;
 - b. Contractual requisitions requiring contracts, insurance, notices to proceed, completion for construction, demolition and services;
 - c. Other direct requisitions deemed appropriate by the General Manager or Deputy General Manager;

- d. Request for payment purchases (subscriptions, memberships, conferences, etc.) may be made outside the requisition process with appropriate authorization.

All requirements must be completed by the requesting section and submitted with appropriate approvals to Purchasing.

B. Federal/State Funding:

Requisitions for goods or services which involve federal or state funding must be noted as "Federal/State Funding" in the description, and assigned to a specific project number to ensure compliance with appropriate regulations.

C. Preferences:

The Department encourages the maximum opportunity to compete for services and contracts for the organizations listed below. The Department allows a one percent (1%) preference for the following types of vendors:

1. Businesses located in the city limits of San Bernardino;
2. Businesses owned by minorities;
3. Businesses owned by women;
4. Businesses owned by disadvantaged; and
5. Businesses offering an environmental option.

Any certification or license documents provided by vendor will be verified by Purchasing. Upon verification, a vendor file will be created and maintained by Purchasing. This file will be used for granting the one percent (1%) credit on all qualifying bids.

D. Dollar Limits:

1. Purchases in excess of \$50,000 require:

- a. formal written contract;
- b. sealed bids for goods and services;
- c. award by the Water Board; and
- d. purchases may not be divided into small lots to keep individual orders under \$50,000.00.

2. Purchases between \$10,000 and \$49,999 require:

- a. informal, written, open-market purchases;
- b. contact with a minimum of three (3) vendors;
- c. award by Purchasing; and
- d. purchase order prepared and signed by

Purchasing Supervisor.

3. Purchases under \$9,999 require:
 - a. Informal open-market purchases, written price/terms;
 - b. Contact with a minimum of three (3) vendors; and
 - c. award by Purchasing Supervisor.
4. Purchases between \$500 and \$999 require:
 - a. informal open-market purchases, verbal price/terms

E. Exceptions:

1. Intergovernmental cooperative purchases allow governmental agencies to utilize other entities contracts without going to bid when the following criteria is met:
 - a. agreement approved by a governing body and signed by both parties;
 - b. current contract;
 - c. advertised and competitively bid;
 - d. vendor will accept current contract price;
 - e. bid award within eighteen months of Department Purchase Order P/O; and
 - f. contract is available for review by the Department's Purchasing section.
2. Blanket purchase orders allow for the purchase of supplies, materials and services of a routine nature where it is not economical to maintain individual purchase orders. All blanket purchase orders will be approved on an annual basis by the Director of Finance.

Limits on the use of blanket purchase orders:

- a. \$100.00 per purchase for non-supervisory personnel;
- b. \$500.00 per purchase for supervisory personnel, with no one item exceeding \$250.00;
- c. Director may provide signed and dated written authorization as follows "named employee is authorized to exceed the limits for this purchase only".

Tools may not be purchased on a blanket purchase order. Employees must print his or her name; provide his or her signature and date of receipt. The receipt must be delivered to Purchasing no later than the next business day following purchase. Failure to submit the receipts will result in the employee, supervisor or Director being removed from the list

of employees who may use blanket purchase orders.

3. Auction Purchases for Budgeted Equipment: The Purchasing Supervisor has the authority to purchase budgeted equipment items in excess of \$25,000 at public auction, provided the equipment purchase is in the best interests of the Department, based on:
 - a. the condition of the equipment;
 - b. a recommendation from the Department Equipment Supervisor or Director; and
 - c. a comparison to similar equipment in the market; and any items purchased at auction must be reported to the Water Board at their next scheduled Board meeting as an "information only" item.

**Prior to any equipment purchase, the Purchasing Supervisor shall verify with the Environmental & Regulatory Compliance Section that the equipment meets all applicable regulatory requirements.

F. Emergency Purchases:

Emergency purchases are allowed when unforeseen situations arise and remedy must be immediate.

1. Time permitting, Emergency purchases must abide by California Public Contract Code Section 22050.
2. If immediate action is necessary and abidance by California Public Contract Code Section 22050 is not feasible, the General Manager or designee may authorize Purchasing to secure in the open market at the lowest obtainable price any supplies, materials, equipment or contractual services necessary. In all instances, a full explanation of the emergency circumstances will be presented to the Water Board at the earliest possible time.
3. All procurements made under this provision shall be made by:
 - i. Purchase orders signed by Purchasing Supervisor or;
 - ii. Authorized Request for Payment.

G. Sole Source Purchase:

The bid or quote requirements may be waived in the case of a "**sole source**" purchase. One of the following conditions must exist to claim "**sole source**":

1. Vendor is the original equipment manufacturer and there are no regional distributors;
2. Parts or equipment are not interchangeable with similar parts or equipment available from another manufacturer;
3. No other equipment meets the specialized needs that performs the intended function; or
4. Other justification is available which establishes the vendor to be the only source available to provide the item or service requested.

The Water Board must approve all "**sole source**" transactions.

H. Special Purchases:

On occasion, it may be in the best economic interest of the Department not to follow prescribed purchasing procedures. In that event:

1. Purchasing staff must ascertain that the price is fair and reasonable by:
 - H obtaining informal quotes,
 - I comparing to prior purchases, or
 - J reviewing the purchases of other similar agencies.
2. The Water Board must approve these purchases.

I. Negotiated Purchases:

At the discretion of the General Manager, the Purchasing Supervisor may authorize the purchase of technical or specialized supplies and equipment by competitive negotiation when such a method of purchase would be more advantageous to the Department and any one of the following conditions exists:

1. The supplies or equipment are such that suitable technical or performance specifications are not readily available;

2. The Department is not able to develop descriptive specifications; or
3. The quality of the supplies and equipment cannot be accurately determined by reference to their specifications alone.

The Water Board must approve these purchases.

J. Petty Cash Purchases:

Petty cash is established to facilitate the efficient procurement of low-cost supplies, materials or services, unavailable from the storeroom where the purchase requisition process is not practical.

K. Procurement of Professional Services:

Procurement of professional services, such as attorney services, engineering services, and other consultants, is not covered by this policy.

L. Purchases of Goods Less Than \$500:

Purchases of goods less than \$500 are exempt from the purchasing system and are not covered by this policy.

Part VI. SOURCE SELECTION PROCESS:

- A. Delivery, quality and price are selection criteria in the selection of sources.
- B. A list of qualified bidders shall be established by Purchasing in cooperation with the requesting section, by product or service in advance of the procurement. Each source shall be investigated sufficiently to assure that it can deliver quality products within the contract schedule, terms and conditions.
- C. Business enterprises listed in PREFERENCES (above) shall be solicited and be allowed a one percent (1%) preference with other competing businesses.

Part VII. BID PROCESS:

1. Formal Bid:

- A. After the proper approval has been received, the requesting employee, project manager, or designee, shall prepare draft specification(s) for submittal to Purchasing. The Purchasing Supervisor, or designee,

working in cooperation with the requesting employee, project manager, or designee, shall prepare the final fully detailed formal specification(s). The formal specification(s) shall contain, at a minimum, instructions for preparing the Bid; a detailed description of the goods and/or services required, including a statement of work if necessary; a performance delivery schedule; any special contract provisions, general contract provisions, basis of award, and proposed contract terms and conditions; and the type of contract to be awarded. Formal specification(s) shall be as complete as possible so as to provide the bidding contractor or vendor as much information as possible.

For formal bid purchases under \$50,000.00, the purchase order, when completed and signed by the Purchasing Supervisor and other staff as required by this policy, shall meet the requirements of a contract.

Requirements for insurance, performance bonds, warranty bonds and other contractual necessities shall be attached to, and indicated in, the body of the purchase order.

Formal bids must be submitted electronically through the Department's bid management software.

- B. The request for bids or proposals shall be electronically sent to qualified and responsible bidders in sufficient quantity to obtain as much competition as possible and reasonable.

- C. **Notice Inviting Bids:**

Notice inviting bids shall include a general description of the supplies, materials, or services to be purchased, shall state where bid blanks and specifications may be secured, the date and time for electronic bid opening and what type bonds are required, if any.

- D. **Published Notice:**

The notice inviting bids shall be published at least ten days prior to the bid opening date. Notice shall be published at least once in a newspaper of general circulation printed and published in the City. Such notice shall also be posted on the Department's electronic bid management system. The Purchasing Supervisor or designee shall publish the notice inviting bids in newspapers and trade publications outside the City as determined by the scope of the specification, and in addition to publishing in local publications and electronic posting.

E. **Determining Factor:**

When advertising for competitive bids is required, the lowest price bid shall be the determining factor in contract awards, provided the contractor or vendor is qualified, responsible, responsive, meets the quality standards of the specification, and best meets the needs of the Department.

F. **Bidder's Security**

Each bid or proposal may be required to be accompanied by a bidder's bond, a certified check, or a cashier's check in the amount not less than ten percent (10%) of the total bid. A bidder's security shall be required in order to protect the interests of the Department. When deemed necessary by established standards, bidder's security may be prescribed in the public notices inviting bids. When bid security is required, bidders shall be entitled to the return of bid security, provided that a successful bidder has been selected and the contract approved. A bidder shall forfeit his bid security upon refusal or failure to execute the contract within fifteen (15) days after the notice of award of a contract has been mailed, unless and to the extent the Department is responsible for the delay. The Water Board may, on refusal or failure of the successful bidder to execute the contract, award it to the next lowest and best bidder. If the Water Board awards the contract to the next lowest and best bidder, the amount of the lowest bidder's required security shall be applied by the Department to the difference between the low bid and the second lowest bid, and the surplus, if any, shall be returned to the lowest bidder.

G. **Bid Opening Procedure**

Bids shall be submitted electronically via the Department's electronic bid management software. The software tabulates all bids received. The results are automatically posted and made public on the bid deadline date and time, as stated in the public notices.

H. **Rejection of Bids**

At its discretion, the Water Board shall have the power to reject any and all bids presented and re-advertise for bids.

I **Waiver of Bid Irregularities and Informalities**

At its discretion, the Water Board shall have the power

to waive any and all bid irregularities and informalities.

J. **Tie bids**

If two or more bids received are for the same total amount or unit price, quality and service being equal, The Water Board may accept the one it chooses or accept the lowest bid made by negotiation with the tie bidders at the time of bid opening.

K. **Bid Protest Procedure:**

In the event a bid award results in a protest of the award by one or more of the other bidders, the following steps must be followed:

1. The protest must be submitted to the water Board in writing by the protesting bidder within fifteen (15) days of the bid award.
2. The protest letter shall contain the reason for the protest, any evidence supporting the protesting bidder's position, and a request for review by the Water Board.
3. The protest shall be placed on the agenda of the next available scheduled Water Board meeting following receipt of the protest, but no later than two scheduled meetings of the Water Board.
4. The protesting bidder, or representative, shall present to the Water Board their reason for the protest and their evidence supporting their position. This may be presented via written communication or in person.
5. After hearing the protesting bidder, the Water Board may consider the evidence presented, review the bid award and specification requirements, consult with Water Department staff and/or legal counsel, and determine if the bid shall remain as awarded, be awarded to another bidder, or be rejected and re-advertised. The decision of the Board shall be final.

2. **Informal, Written Purchases Over \$10,000.00:**

- A. After the proper approval has been received, the Purchasing Supervisor, designee, working in cooperation with the requesting employee, shall prepare detailed specification (s). Specification(s) shall contain, at a minimum, a detailed description of the goods and/or

services required, including a statement of work if necessary, a delivery schedule, proposed contract terms and conditions, and the type of contract to be awarded. Specification(s) and a request for informal bid shall be as complete as possible so as to provide the proposing contractor or vendor as much information as possible.

For informal bid purchases over \$10,000.00 and under \$50,000.00, the purchase order, when completed and signed by the Purchasing Supervisor and other staff as required by this policy, shall meet the requirements of a formal contract. Additional requirements for insurance, performance bonds, warranty bonds and other contractual necessities may be attached to, and indicated in, the body of the purchase order.

- B. The request for informal bid shall be sent, in writing, to a minimum of three (3) qualified and responsible bidders, when possible. In the event three (3) bidders are not available, the Purchasing Supervisor shall so state in a report to the Deputy General Manager.
- C. When informal bids are required, the lowest price quoted shall be the determining factor in the award, provided the contractor or vendor is qualified, responsible, responsive, meets the quality standards of the items requested, and best meets the needs of the Department.
- D. Upon review of the responses from the bidders, the informal purchase for items or services over \$10,000.00, but under \$50,000.00, shall be awarded by the Purchasing Supervisor, with the approval of a Director, Deputy General Manager and/or the General Manager. All submitted informal bids must be attached to the requisition.

Upon an award, a purchase order shall be prepared and signed by the Purchasing Supervisor. Any and all contractual conditions shall be appended to the purchase order, as necessary.

3. Informal Purchases Under \$10,000.00:

Informal purchases shall be awarded by the Purchasing Supervisor, with the approval of the General Manager, Deputy General Manager and/or a Director when over \$5,000.00 but under \$10,000. When possible, a minimum of three (3) vendors shall be contacted by the Purchasing Supervisor or designee and quotes must be attached to, or noted on, the requisition.

Upon an award, a purchase order shall be prepared and signed by the Purchasing Supervisor.

4. Contract Completion:

1. Upon completion of the contract, Purchasing, in cooperation with the requesting party or Project Manager, shall ensure that all goods and/or services have been delivered as required by the contract, and that any defective materials be repaired or replaced as directed. If required, the Contract Administrator and/or the Purchasing Supervisor shall then obtain affidavits or certificates of payment and/or release from any subcontractor, laborer, or material supplier.
2. Upon the satisfactory completion of a contract, the Contract Administrator, the Project Manager, and the Purchasing Supervisor shall prepare all necessary documents for the final payment to the contractor. Receipts for material and services rendered, signed by the receiving employee, shall be included with the request for payment or purchase order.

Part VIII. Procurement Using Government Funds:

In certain cases, procurement may be made using government funds. In these instances, the following requirements apply:

1. All contracts shall be reviewed by the Water Department Legal Counsel, the Contract Administrator, Purchasing Supervisor or designee and the Project Manager to ensure that all contract clauses and requirements are included.
2. For all negotiated procurement and change orders, in excess of \$100,000.00, the following minimum requirements must be met:
 - A. The contractor must submit a detailed cost and price proposal.
 - B. The contractor must submit a signed Certificate of Current Cost and Pricing Data twice, once at the time of proposal submission, and again at the conclusion of price negotiations.
3. In the source selection process, specific attention shall be given to ensure that small business enterprises, minority business enterprises, and women's business enterprises are encouraged to submit proposals and are given every opportunity to win contract awards. The instructions contained in the federal contract shall be followed.
4. Copies of all documentation and written records shall be provided to the Department maintaining the federally funded project files. This documentation shall be filed, stored and

safeguarded for future reference by federal audit.

Policy Review

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