

Staff Policies Manual



<i>Title:</i>	Purchasing Policy	
<i>Policy #:</i>	402	
<i>Sponsored by:</i>	Finance Department	
<i>Approved by:</i>	City Manager	
<i>Date:</i>	Issued: <u>1/6/2017</u>	Amended: <u>11/5/2018</u>

Purpose

It is the policy of the City of San Mateo ("City") to ensure accountability in the management of public funds by providing a clear framework for purchasing. In conformance with San Mateo Charter Chapter 5.21 and Municipal Code Chapter 3.60, this policy defines procedures for the procurement of goods and services. This policy also provides provisions to delegate the responsibility for the purchase of supplies equipment, services and public works projects to various officials of the City. This policy provides guidelines for appropriate methods for purchasing goods and services with City funds.

Policy

1. Municipal Code Chapter 3.60 incorporated herein by reference

The City Council has established in its code, conditions and procedures for purchases and contracts required by the City. This code requires the City to obtain goods and services consistent with the quality needed for the proper operation of the various departments through the use of quotes and competitive bids whenever possible. It is the intent of this policy to obtain the best value when procuring goods by utilizing a competitive environment.

2. Award Authorization Levels

The City Manager has delegated award authority up to \$50,000 to each Department Head. They in turn may delegate to a Division Manager an award authority up to \$25,000. However, in the event the City Manager or a Department Head may be absent for a period of time, s/he may temporarily delegate their full award authority. Award authority level may not be delegated permanently. The award authorization levels are:

DIVISION MANAGER	DEPARTMENT HEAD AWARD	CITY MANAGER AWARD	COUNCIL AWARD
Open Market Procedure	Open Market Procedure	Open Market Procedure	Formal Bid Procedure
Up to \$25,000	Up to \$50,000	\$50,001-\$99,999	\$100,000 and greater

3. Financial Documentation Requirements

- A. Purchase orders are required for purchases of \$10,000 and above, regardless of whether the transaction is for a single item or multiple items. This requirement includes multiple goods and services transactions performed by the same vendor that are individually under \$10,000 but that collectively exceed \$10,000.
- B. Blanket Purchase Orders are generally used for purchases that will have multiple charge accounts used against it. Threshold limits for blanket purchase orders follow the same limits as regular purchase orders. Blanket Purchase Orders are NOT encumbered and only have a one fiscal year life term.
- C. Purchase Order Approval Reports are forms required for all purchases above \$10,000 and serve as the document of record to identify the pertinent information in the transaction. If the purchase is over \$100,000, an Administrative Report to Council should be prepared in lieu of the Purchase Order Approval Report.

4. Authorized Purchasing Alternatives

Certain purchasing and bid alternatives are expressly approved by the City's Municipal Code and may be used at the discretion of the supervising City department. Where bid procedures are designated, either open market or noticed bids are to be used depending on the amount of the contract. Where professional services are designated, they may be used. Please refer to Municipal Code chapter 3.60.070 for specific purchasing and bid alternatives.

5. Exceptions

Exceptions to adhering to the Purchasing Policy outlined in Municipal Code chapter 3.60.050. Any exception must be approved by the appropriate approval level (see Policy section 2). For purchases over \$10,000, the Purchase Order Approval Report should include a reference to the appropriate exception, if applicable. Please refer to Municipal Code chapter 3.60.050 for allowable exceptions.

6. Professional Services or Consulting Agreements

Agreements may be awarded by the awarding authority, as determined according to expected price range of the contract, through a negotiated process and without the requirement for bidding and advertising. Professional services shall, whenever appropriate, be based on negotiations and/or written proposals with at least two

professionals. The awarding authority as designated in Municipal Code Chapter 3.60.020 may consider, in addition to cost, the experience of the professional, the quality of work that the professional has done, the ability of the professional to complete the project in a timely manner, and the insurance carried by the professional.

7. Conflict of Interest

All City Staff making purchases and/or entering into contracts on behalf of the City are subject to California conflict of interest laws. As it relates to procurement decisions, City staff may not have a private, financial interest in any vendor from whom they are procuring goods and/or services. If a City staff member does have a private, financial interest in a vendor that does business with the City, that staff member shall not be involved in any way with the procurement process or decision. Staff with questions about whether they have a disqualifying financial interest in a vendor should consult with the City Attorney's office before participating in any procurement in which they might have a private, financial interest.

Scope

This policy shall apply to all city employees, unless a department policy addresses the same subject. If there is a conflict between the requirements of this policy or the procedures implementing the policy and the department's policy, the more restrictive shall apply, unless compliance with the more restrictive requirement would conflict with state law. Further, purchases made with Federal Grant funds must be made in accordance with the [Code of Federal Regulations: Title 2, Subtitle A, Chapter 2, Part 200, Subpart D, Procurement Standards](#). This document should be reviewed and followed for purchases over \$3,000 made with Federal Grant funds.

Definitions

1. **Best value**: A business decision to purchase goods and/or services that are based on the total cost of ownership and overall performance.
2. **Blanket Purchase Orders**: Generally used for purchases that will have multiple charge accounts used against it. Blanket purchase orders are only valid for one fiscal year.
3. **Bonds**
 - a. **Bid (Surety)**: Any deposit required to be submitted as part of the bid process.
 - b. **Labor & Materials Bond (Surety)**: Any deposit or letter of credit required to be submitted to ensure that suppliers of labor and materials within the contract get paid for their services.
 - c. **Landscape Maintenance Bond (Surety)**: Any deposit or letter of credit required to be submitted to ensure that the newly developed facility is maintained for a specified period.

- d. Performance Bond (Surety): Any deposit required to be submitted to ensure the proper performance of the contract.
- 4. Brand name/compatible products: Brand name or compatible products and furnishings that either match existing City products such as equipment or office furnishings, or have been determined to be the best value based on some type of performance testing.
- 5. Change Order: As contained in this policy, the term “Change Order” includes adjustments to quantities that result in additions to the total purchase order cost, and for any language or account number adjustments.
- 6. Contracts: A contract is an agreement having a lawful object entered into voluntarily by two or more parties, each of whom intends to create one or more legal obligations between them.
- 7. Certificate of Non-Discrimination: A document that is included in all formal bids whereby bidders affirm equal employment opportunity for all qualified persons without regard to race, color, sex, age, religion, ancestry, physical or mental disability, marital status or national origin. Applies to recruiting, hiring, training, promoting, wages, benefits, and all other privileges, terms and conditions of employee.
- 8. Continuing Performance: An activity or service which extends over a period of time not involving solely the delivery of materials or goods.
- 9. Equipment: Mechanical items in a finished state of manufacture.
- 10. Fixed assets: Any asset or set of assets with an original acquisition value of \$10,000 or more and a life expectancy exceeding three years.
- 11. Materials: Basic ingredients in unrefined, semi-refined, unmanufactured or semi-manufactured state.
- 12. Open Market: Purchase of goods, usually in smaller quantities, or in an emergency, without contract or negotiations.
- 13. Piggyback contracts: A process that permits the use of other public agency contracts that have been competitively bid.
- 14. Pre-qualification: A process that determines which prospective bidders possess sufficient experience, resources, bonds or financial ability to complete the contract for the particular type of purchase.
- 15. Professional Services: Specialized services such as those rendered by architects, attorneys, engineers, technicians, and other professional consultants.
- 16. Public legal notice: Advertisement must appear at least once in the official general circulation newspaper.
- 17. Public Solicitation: Active search for competitive providers of services, products, etc.

18. Public Works Project: Creation, improvement, and repair of buildings works and parks; construction and installation of streets and sewers; and works for the general benefit of the citizens.
19. Purchase Order Approval Report: The Purchase Order Approval Report is the supporting document justifying the purchase and the method of purchase. This report is required for all purchases above \$10,000 and should be approved by the person with the appropriate signature authority.
20. Quote: Verbal or written offer of specific goods, supplies, or services at a specified price.
21. Request for Proposals (RFP): An invitational method of acquiring goods or services for which the purpose and/or performance is known but for which no unique specification exists. The maker of each proposal offers his own specification to achieve the desired purpose/performance. The City reviews proposals which may be dissimilar in many respects and selects the one offering the greatest benefit/cost ratio.
22. Request for Quote (RFQ): An informal version of an RFP that does not need to be published. RFQ is used for less elaborate bids that are desired.
23. Requisition: A request to purchase goods or services that is entered into the City's financial software. It provides all necessary information to the user's request, which will go through predetermined approval queues resulting in the generation of a purchase order.
24. Responsible bidder: A bidder who is financially responsible and possesses the resources, judgment, skill, ability, capacity, and integrity necessary to perform the contract according to its terms, and meets the provisions of Municipal Code Chapters 3.60.020 and 3.60.030.
25. Sealed bid: A formal offer to furnish supplies, equipment, or services in conformity with the specifications, delivery terms, and conditions required at a guaranteed maximum cost.
26. Specifications: A detailed written description of the requirements for a proposed purchase.
27. Supplies: Manufactured goods kept in the ordinary course of business.
28. Turnkey proposal: A proposal made by a builder or supplier to provide, at an all-inclusive price, a facility or product which is in all respects ready for intended service. Such proposals typically provide for design, construction, delivery, permits, utilities, essential furnishings, accessories and the "key to the front door."
29. Written quote: A written offer to supply goods or services at a specified price and on defined terms.

Responsibility

1. The City Manager, or officer authorized by the City Manager, shall be responsible to execute such purchases in the manner established by this procedure.
2. The Fiscal Director/City Treasurer shall on a quarterly basis compile and report to City Council the information compiled for the previous quarter per the requirements in Municipal Code Chapter 3.60.090. The Purchase Order Approval Report template contains all of the information required for this quarterly report.
3. Department Heads are responsible for delegating to the appropriate individual the responsibility for:
 - A. Maintaining, managing, monitoring and filing their department level awards purchase orders and contracts, including all insurance and bonds.
 - B. Publishing bid notices at least once in the City's official adjudicated newspaper a minimum of five days prior to the date and time set for opening bids.
4. The Purchasing Coordinator shall:
 - A. Review requisitions for compliance to the policies and procedures contained herein.
 - B. Process requisitions into purchase orders, and release to vendors and provide a copy to departments.

Procedures

The following procedures do not preclude departments from having more limiting procedures.

		Type of Purchase or Contract				
		A	B	C	D	E
1	Specifications or Description of Needs	Standard Construction	Professional Services or Consultant	Fixed/Assets Commodities (Not required if using the piggyback process)	Use Of Other Public Agency Bids (Piggy Backing)	Compatible / Brand Name Products*
	Required for all award authorization levels	<ul style="list-style-type: none"> Up to \$50K – Optional \$50K + - RFP Required 	<ul style="list-style-type: none"> Up to \$50K – Recommended \$50K + Required 	Not required if use of State contract is less than 12 mos. old, or other City / Agency contract is less than 6 mos. old	\$10K + Required to have written justification on file	
2	Bids/Quotes	<ul style="list-style-type: none"> \$10K to \$20K Verbal quotes \$20K to \$100K Written quotes \$100K + Sealed Bids 	<ul style="list-style-type: none"> Not required to accept lowest price No sealed bids required 	<ul style="list-style-type: none"> \$10K to \$20K Verbal quotes \$20K to \$100K Written quotes \$100K + Sealed Bids 	Same as 1D above	<ul style="list-style-type: none"> \$10K to \$20K Verbal quotes \$20K to \$100K Written quotes \$100K + Sealed Bids
3	Public Legal Notice	<ul style="list-style-type: none"> Up to \$100K - Optional \$100K + - Required 	<ul style="list-style-type: none"> Up to \$100K - Optional \$100K + - Required 	<ul style="list-style-type: none"> Up to \$100K - Optional \$100K + - Required 	<ul style="list-style-type: none"> Up to \$100K - Optional \$100K + - Required 	<ul style="list-style-type: none"> Up to \$100K - Optional \$100K + - Required
4	Public Solicitation	Highly Recommended	Highly Recommended	Highly Recommended	Not Required	Highly Recommended
5	Quarterly Report For City Council	Required - \$25K + Submitted with purchase order	Required - \$25K + Submitted with purchase order	Required - \$25K + Submitted with purchase order	Required - \$25K + Submitted with purchase order	Required - \$25K + Submitted with purchase order

*Permitted where the City has already set a standard. Department must indicate basis of criteria and demonstrate comparison.

1. Technical Requirements

- A. When applicable, a clear and accurate description of the technical requirements for the material, product, or service should be incorporated into the bid/RFP/RFQ documentation. This description should not contain features that unduly restrict competition and should instead set forth the minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use.
- B. All requirements that potential respondents must fulfill, as well as the factors considered in the evaluation process, should be identified.

2. Bid Procedures (required for purchases over \$100,000)

A. Pre-qualification of Bidders

This process may be used to determine which potential bidders are deemed capable of fulfilling the requirements of a particular purchase. The pre-qualification process shall require at a minimum that prospective bidders answer questions that are contained in a pre-qualification questionnaire. Please refer to Municipal Code chapter 3.60.060 PRE-QUALIFICATION OF BIDDERS for the specific requirements of the pre-qualification process.

B. Bid Notice Requirements

1. Notice Preparation

- a. The notice inviting bids or proposals will describe the project to be done or the purchase to be made. It will set a date, time and opening of bids or proposals. It will state that the City reserves the right to extend the time for the receipt of bids or proposals by up to 30 days if only one bid/proposal is received by the bid deadline. The notice prepared by the initiating department will be published by the Department in the City's official adjudicated newspaper of general circulation. The approved notice may be distributed also to potential bidders and trade papers.
- b. The length and content of the notice will vary in other respects according to the type or project to be done.

2. Notice Requirements

- a. Faithful Performance Bid Bond (refundable), in the form of cash, cashier's check or certified check, equal to 10% of the aggregate amount of the bid will be required when the expected pricing for the project is \$100,000 or greater, except as follows:
 - i. The bid bond requirement was waived by the City Manager prior to bid solicitation.
 - ii. The bid relates to materials and supplies procurement.

- b. Insurances, indemnity and regulatory requirements
- c. The initiating department will forward to the City Clerk at least 14 days prior to the date and time set for opening the bids, a copy of the approved "Notice Inviting Sealed Proposals".
- d. The initiating department may release the approved notice to reach other interested parties by mail or electronic means and do further advertisement etc., to coincide with the official publication.

C. Bid Openings

All formal bid openings on purchases of \$100,000 or greater will be conducted by the City Manager or his/her representative. This policy hereby delegates the authority for formal bid openings to each department head or his/her management representative.

- 1. All formal bid openings will be set at a time and location specified in the notice.
- 2. The representative authorized to conduct the formal bid opening will be responsible to:
 - a. Ensure that all pre-bid requirements as prescribed in this procedure have been met.
 - b. Ensure that all bids have been stamped by the City Clerk as received by the date and time specified in the "Notice Inviting Sealed Proposals". However, bids received prior to the opening of the first bid will be considered timely.
 - c. Ensure that bid opening occurs at the time and location specified in the notice.
 - d. Will publicly open and declare the content of bids received.
 - e. Will immediately forward a completed copy of the bid that is recommended for acceptance to the City Attorney for review.
 - f. Will make bid results available to all interested parties as soon as possible following the reading.
 - g. Bids received after the specified time and opening will be returned to the bidder unopened.

D. Single Bid Items

In the event only one bid is obtained, the initiating department will consult with the City's Fiscal Director/City Treasurer and may exercise the option to extend the bid period by up to 30 days

without opening the sealed bid submitted, to allow for additional bids. If the determination is made to open the sole original bid, or if no additional bids are received during the bid extension, the Council may choose another procedure, re-advertise, order the work done by City employees, award the contract to the sole bidder based on a cost analysis evidencing the relationship of the one bid to expected market price, or negotiate a contract to the best advantage of the City.

- A. The initiating department will submit an administrative report to the City Manager for presentation to the Council. The report will give the results of the bidding and will recommend appropriate action to be taken by the Council.
- B. The Council as the awarding authority will determine the outcome of the bids and will declare the results as a public session.

5. Requisition Procedures to Generate a Purchase Order (required for purchases \$10,000-\$100,000)

All steps for using the accounting software and forms are available through the Finance Department's intranet site.

- A. Stores Requisitions may be used to obtain supplies (office, janitorial, electrical, safety, etc.) maintained in inventory at the Central Warehouse.
- B. All purchase orders begin as an electronic requisition in the accounting software system and move from entry at the department level to approval through Finance and up to the City Manager, as appropriate, and require the following steps and/or documentation:
 1. Greater than \$10,000 and less than \$20,000
 - a. Two or more verbal quotes, which must be documented in the accompanying Purchase Order Approval Report. If at least two quotes are not received, the explanation for that should be included in that report. EXCEPTION: Purchases with Federal Grant funds require "price or rate quotations be obtained from an adequate number of vendors" for purchases over \$3,000.
 2. Greater than \$20,000 and less than \$100,000
 - a. Two or more written quotes, which should be included as attachments to the Purchase Order Approval Report and to the requisition entry in Eden. If two quotes are not received, the explanation for that should be included in that report.
 - i. For professional services contracts above \$50,000, an RFP should be issued.

- ii. For fixed assets/commodities purchases over \$50,000, the specifications/description of needs should also be submitted with the Purchase Order Approval Report.

6. Purchase Orders and Payment Process

Purchase orders, available from the Finance Department's Purchasing Division, will be used to procure goods and/or services.

- A. The purchase order should be issued to the vendor prior to commencement of the work to be performed, service provided, or goods purchased.
- B. The initiating department will be responsible for ensuring that established procurement procedures, authorizations, and budgetary provisions are complied with before making a purchase.
- C. For goods over \$10,000, the initiating department shall affix the fixed asset decal to the item received. The Fixed Asset Inventory Information form will be completed and returned to Finance, and Finance will issue the decals to the requesting department.
- D. The department making the purchase is responsible for confirmation that goods and/or services are received as expected, and this should be done prior to processing an invoice for payment in the financial system. The packing slip should be attached to the invoice, and if not available, the invoice should be signed and dated by the person confirming receipt. Deposits or pre-payments of any kind must be approved by the Finance Director, unless they are progress payments made on a procurement where the progress can be confirmed by the purchasing department.

7. Emergency Purchasing

- A. Should an emergency arise which necessitates an instant purchase, the department involved should:
 - 1. Call the Purchasing Division
 - 2. Describe the nature of the emergency
 - 3. Give particulars of the item(s) needed, the expected cost, the selected vendor, and competitive pricing, if available.
- B. The Purchasing Division will assign a purchase order number.
- C. The initiating department may then place the order verbally with the vendor pledging follow-up with the purchase order which will bear the previously assigned number.
- D. The initiating department will then continue with the completion of the purchase order in the prescribed manner except that the previously assigned number will be included and the purchase order will be marked "CONFIRMING ORDER ALREADY PLACED (Do Not Duplicate)".

8. Blanket Purchase Order

- A. The City may, when pricing and terms are favorable, and as a convenience for users, establish an account with a vendor by means of a blanket purchase order.
- B. The department will, when satisfied regarding the need, pricing, and terms, issue a blanket purchase order. The blanket purchase order will be "open" in that only the general nature of the purchases will be specified. The annual value limit will be defined (e.g. Not to Exceed \$10,000).
- C. No charge account is to be entered when a blanket purchase order is set up, as the charge accounts will be entered at the time of processing invoices. Blanket purchase orders are NOT encumbered and are only open for one fiscal year at a time. Threshold limits follow the same limits as regular purchase orders and require the same documentation.

9. Change Orders

- A. A change order may be required whenever there is a change in the requirements of a particular project, either for construction, a supply contract, or professional services.
- B. Signature authority thresholds for change order factor in the amount of the original purchase and the amount of the change order. For example, if the original purchase was \$40,000, the department head was the approver. If there is a \$15,000 change order, the original purchase plus the change order totals \$55,000 and now requires City Manager approval. Original purchases plus change orders that total above \$100,000 require Council approval.

Required Documentation

1. For purchases over \$10,000 (or for purchases over \$3,000 utilizing Federal Grant funds), records detailing the history of the procurement should be maintained pursuant to the City's records retention policy. These procurement records should include the rationale for the method of procurement, selection of the contract type, contractor selection or rejection, and the basis for the contract price. All of this information is included in the Purchase Order Approval Report.

Policy History

1. This policy was originally issued on October 2, 2000 as Policy IV.G.1 as the Purchasing Policy and Procedure.
2. It was authorized on March 31, 2004.
3. It was later revised on June 1, 2012.

4. It was reformatted, renumbered as Policy 402, rewritten to remove language related to contract policy and procedures, and approved on January 6, 2017.
5. It was amended in August 2018 to account for changes to the Federal Code of Regulations related to purchases made with Federal Grant funds.

Related Policies

1. Policy 202 – Contract Policy
2. Policy 409 – Petty Cash Funds Policy

Contact for this Policy

Purchasing Coordinator

Approval

This policy was issued on November 5, 2018 and approved by:

LARRY A. PATTERSON
CITY MANAGER