



UPDATE:  
SGPWA  
Policies Review

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Board of Directors  
December 4, 2023



# Policies

*“rule or principle that guides decisions”*

|                                    |  |  |  |
|------------------------------------|--|--|--|
| Employee Guide/Manual<br>Approved  | Capitalization Policy – inform<br>Approved | Credit Card Policy - inform              | Investment Policy – inform<br>Approved |
| Invocation Policy - inform         | Medical Reimbursement – inform/review      | Procurement Policy - update<br>Agendized | Records Retention - inform             |
| Reserve Policy - inform            | Social Media Policy – inform/review        | Travel Policy - review                   | Director’s Technology Policy - inform  |
| Purple Boxes - Operations Policies | Green Boxes - Financial Policies           | Black Boxes - Board Policies             |  |

# ***San Geronio Pass Water Agency***

**DATE:** December 4, 2023  
**TO:** Board of Directors  
**FROM:** Lance Eckhart, General Manager  
**BY:** Tom Todd, Jr., Chief Financial Officer  
**SUBJECT: REVIEW AND UPDATE OF PROCUREMENT POLICY**

## **RECOMMENDATION**

Approve the updated Procurement Policy.

## **PREVIOUS CONSIDERATION**

- December 17, 2007: The Procurement Policy was updated.

## **BACKGROUND**

The Board has been charged with the oversight of the Agency. There are a number of aspects of this oversight, including setting the direction of the Agency, making sure its obligations are being met, and reviewing and approving financial activities.

An important aspect of this oversight is the hiring of a General Manager. The Board has given the General Manager the responsibility and authority to manage the Agency in a manner that will fulfill the mission and direction as set by the Board, and to maintain the activities of the Agency in a manner that meets Board approval. As such, many day-to-day decisions have been entrusted to him as described in the contract between him and the Board.

Another important role of the Board is to serve as part of the Agency's internal controls. By reviewing financial activities, such as expenditure reports and invoices, budget reports, and banking reports, the Board serves as an additional safeguard against financial irregularities.

As part of these internal controls, the Board has reserved certain decisions regarding Agency expenditures. The Procurement Policy outlines the specifics of the decision-making responsibilities and sets out procedures to be followed in order to ensure clear interaction between Staff and the Board and transparent reporting to the public.

## **ANALYSIS**

The Agency has a number of policies and procedures in place to procure the necessary goods, services, and capital improvements in order to pursue its mission and to provide on-going business continuity.

In the process of fulfilling its mission, the Agency procures everything from pencils to pipelines. It also needs to pay its employees, hire outside professionals, meet its obligations to the state of California and other governmental agencies, and occasionally build facilities that further the abilities of the Agency to provide water for the communities that it serves.

The Procurement Policy provides the framework that allows Staff to complete these financial activities. It is designed to strike a balance between efficiency and control. In terms of efficiency, it would be cumbersome to require Board approval for every expenditure. On the other hand, having no Board input would hamper some of the oversight function so important for maintaining proper internal controls.

The opening paragraph of the Procurement Policy describes what is and is not covered by the policy. The Procurement Policy does not apply to operating expenses, such as payroll, utilities, employee benefits, water purchases or taxes. It does apply to the procurement of goods, services, and improvements, and specifies who has the authority to approve each item, and the dollar amounts applicable to each category.

It is important to remember that one of the Board tools for oversight is the budget process. By reviewing and approving the budget each fiscal year, the Board gives the General Manager and Staff general approval for much of the day-to-day activity that needs to be accomplished to maintain the Agency. The Procurement Policy outlines how to handle financial activities that fall outside the realm of "day-to-day."

This is a summary of the provisions of the current Procurement Policy:

#### Categories

- Contractors for materials, supplies and equipment: the General Manager may approve up to \$20,000, and must solicit three quotes for anything over \$10,000. Board approval is required for anything over \$20,000.
- Contracts for professional services: the General Manager may approve up to \$40,000. Board approval is required for anything over \$40,000.
- Contracts for maintenance or construction: the General Manager may approve up to \$50,000. For contracts over \$20,000, at least two quotes must be solicited. Board approval is required for anything over \$50,000.
- Public Works construction or improvements over \$50,000: the policy specifies procedures that meet the public contracting code for bidding, accepting, and administering a contract.

The General Manager may approve an increase in a contract that does not exceed 10%, and reports this to the Board. Anything more than 10% requires Board approval.

There is a provision for emergency conditions that allows the General Manager to obtain the necessary equipment and services without prior approval and report to the Board at its next meeting.

This is a summary of the provisions of the proposed updated Procurement Policy:

### Categories

- Goods – materials, supplies and equipment
- Services for maintenance or construction
- Other Services
- Professional Services

Limits: the General Manager may approve any category up to \$35,000. From \$35,000 up to \$50,000 the General Manager must solicit three quotes, and may approve the contract, and will report to the Board when the contract is executed. For everything above \$50,000, three quotes must be solicited, and Board approval is required.

For new construction or improvements (public works projects) over \$50,000, specific procedures must be followed that meet the public contracting code for bidding, accepting, and administering a contract. Board approval is required.

The General Manager may approve an increase in a contract that does not exceed 10%, and reports this to the Board. Anything more than 10% requires Board approval.

There is a provision for emergency conditions that allows the General Manager to obtain the necessary equipment and services without prior approval and report to the Board at its next meeting.

There were two major goals for the update of the policy. One was to update amounts taking into consideration 15 years of inflation; most categories were increased to achieve this. Another was to make the policy easy to administrate; this is accomplished by making the limits the same for all categories. A constraint was the public contracting code, which places a specific limit on public works projects.

### **FISCAL IMPACT**

There is not any fiscal impact with the enactment of an updated policy. Expenditures will still be made, and approvals will still be needed within the framework of the policy. The Board will still have the oversight needed to fulfill its internal control and oversight functions. Budgets will continue to be presented, reviewed, and approved as before.

### **ACTION**

Approve the updated Procurement Policy.

### **ATTACHMENTS**

Draft Procurement Policy Revised

**San Gorgonio Pass Water Agency**

**Procurement Policy**

**Adopted December 18, 2006**

**Revised December 17, 2007**

**Revised December 4, 2023**

**Section 1. Purpose and Applicability:** The purpose of this San Gorgonio Pass Water Agency (“Agency”) Procurement Policy is to establish policies and procedures applicable to the procurement of materials, supplies, equipment, services, bidding and approval of contracts related to the construction of improvements to, new or existing, Agency structures, buildings or facilities for public works projects, including maintenance, pursuant to the provisions of Public Contract Code Section 21510 et seq. pertaining to the Agency, Public Contract Code Section 22050 and Government Code Section 54202. In addition, to establish certain delegations of authority for the General Manager to execute contracts. This Policy does not apply to operating expenses such as payroll, utilities, employee benefits, water purchases or taxes.

**Section 2. Delegation of Authority of the General Manager to Execute Contracts**

The Board of Directors for the Agency delegates to the General Manager the authority to execute contracts as follows without prior approval from the Board:

- A. Contracts for the procurement of materials, supplies and equipment, including vehicles (“Goods”) up to \$35,000, (including cooperative purchasing as set out in Section 4 below) without advertising for bids.

For items where the cost exceeds \$35,000 up to \$50,000, the General Manager shall solicit at least three quotes (where possible) from qualified vendors and shall determine which vendor provides the best value, considering quality as well as price. If the item is not readily available or a specific type is required to fit with existing Agency equipment, the General Manager shall note the justification for sole source acquisition as set out in Section 4. The General Manager shall report the approval of the contract to the Board.

- B. Contracts for services to perform maintenance or construction work up to \$35,000 without advertising for bids.

For contracts above \$35,000 up to \$50,000, the General Manager shall solicit at least three quotes for the work, (where possible) from qualified vendors and shall determine which vendor provides the best value, considering quality as well as price. If at least two quotes are not received, the General Manager shall note the justification for sole source procurement as set out in Section 4. The General Manager shall report the approval of the contract to the Board.

- C. Contracts for other services, not including professional services described in subsections B. and D. of Section 2. in this Policy, up to \$35,000 without advertising for bids.

For such contracts above \$35,000 up to \$50,000 , the General Manager shall solicit at least three quotes for the work, (where possible) from qualified vendors and shall determine which vendor provides the best value, considering quality as well as price. If at least two quotes are not received, the General Manager shall note the justification for sole source procurement as set out in Section 4. The General Manager shall report the approval of the contract to the Board.

- D. Professional services up to \$35,000. Professional services contracts by law do not require bidding, however, the selection of private architectural, landscape architectural, engineering, land surveying or construction project management firms shall be based on demonstrated competence and on professional qualifications necessary for the satisfactory performance of the services required.

For such contracts above \$35,000 up to \$50,000, the General Manager shall solicit proposals from at least three consultants and, based on proposals received, shall determine which consultant provides the best value, has demonstrated competence and experience in the type of services required. If at least two proposals are not received, the General Manager shall note the justification for sole source procurement as set out in Section 4. The General Manager shall report the approval of the contract to the Board.

- E. Emergency contracts as further specified below in Section 4. without advertising for bids and with no limits on amount.
- F. In addition to the authority to execute maintenance, construction or professional services contracts as set out in Section 2, the General Manager shall have the authority to approve increases in all such contracts up to 10% of the contract amount. All such changes shall be reported to the Board.

G. The policies and procedures provided in this Policy are summarized below:

| <b>Purchase Limit</b>   | <b>Minimum Number of Quotes/Bids Sought</b>     | <b>Form of Quotes/Bids</b> | <b>Approval Authority</b> |
|---|---|----------------------------|---------------------------|
| <b>Goods – materials, supplies &amp; equipment</b>  |   |                            |                           |
| Up to \$35,000  | Not required                                    | Verbal or Written          | General Manager           |
| Over \$35,000 up to \$50,000  | 3   | Written                    | General Manager           |
| Over \$50,000   | 3   | Written                    | Board                     |
| Over \$50,000 and for materials, supplies & equipment for use in any new construction or improvement work | Advertise for all bids as provided in Section 3 | Formal in Written Form     | Board                     |

| <b>Services for maintenance or construction work</b> |   |                        |  |
|--|---|------------------------|--|
| Up to \$35,000                                       | Not required                                    | Verbal or Written      | General Manager  |
| Over \$35,000 up to \$50,000                         | 3   | Written                | General Manager  |
| Over \$50,000  | Advertise for all bids as provided in Section 3 | Formal in written form | Board  |
| <b>Other Services</b>                                |   |                        |  |
| Up to \$35,000                                       | Not required                                    | Verbal or Written      | General Manager  |
| Over \$35,000 up to \$50,000                         | 3   | Written                | General Manager  |
| Over \$50,000  | 3   | Written                | Board  |
| <b>Professional Services</b>                         |   |                        |  |
| Up to \$35,000                                       | Not required                                    | Verbal or Written      | General Manager  |
| Over \$35,000 up to \$50,000                         | 3   | Written                | General Manager  |
| Over \$50,000  | 3   | Written                | Board  |
| <b>Emergency Goods and Services</b>                  |   |                        |  |
| No limitation  | Not required                                    | Verbal or Written      | General Manager but with notice to Board at next meeting |

H. All contracts over \$35,000 and up to \$50,000, along with their price, shall be reported to the Board at the earliest practicable time after the contract has been executed.

I. For all contracts over \$50,000, the General Manager shall solicit proposals from at least three vendors, and, based on the proposals received, shall determine which vendor provides the best value, except the General Manager shall follow the procedures for the types of contracts described in Section 3 below. The General Manager shall present his findings to the Board with his recommendations for approval.

**Section 3. Bidding and Procurement Procedures for Public Construction Improvements of Work Estimated to Cost more than \$50,000**



Where any improvement or unit of work is estimated by the General Manager to cost more than \$50,000 or the procurement of the materials and supplies for use in any new construction work or improvement will cost exceeds \$50,000, the Agency shall let the contract to the lowest responsible bidder(s) and in compliance with the following bidding procedures and :

- A. The work may be performed in one or more contracts and the call for bids shall state whether the work shall be awarded as a single unit or divided into severable parts.
- B. The call for bids shall describe the project and shall invite and specify procedures for the submission of sealed bids for such project. The call for bids shall describe how to obtain information regarding the project in order to submit such a bid and shall specify the deadline for submission of bids and the time for their opening.
- C. The Agency shall advertise the work by publishing the call for bids three times in a daily newspaper of general circulation printed and published within the Agency boundaries or two times in a weekly newspaper of general circulation printed and published within the Agency boundaries.
- D. At the time set for the opening of bids, the General Manager shall open and review all bids and shall determine which is the lowest responsible bidder(s).
- E. Contract(s) with the lowest responsible bidder(s) shall be approved by the Board prior to execution.
- F. For any public works or improvement contracts, the Board shall require the successful bidder(s) to file with the Board for its approval good and sufficient labor and materials and faithful performance bonds in in compliance with Civil Code Section 9000 et seq.
- G. The Board may reject any and all bids and may perform the work by force account or by contracting in the open market or may acquire the materials and supplies in the open market.
- H. In the event no bids are received, the Board may direct the General Manager to rebid the project or may proceed under Section (G) above.
- I. Construction change orders may be approved by the General Manager without prior approval of the Board of Directors in amounts up to 10% of the contract cost. In such a case, the General Manager shall inform the Board of this action at the earliest practicable time. Change orders for more than 10% of a contract price must be approved by the Board of Directors prior to execution.

#### **Section 4. Exceptions**

- A. Emergency condition. An emergency is defined as a breakdown in machinery or equipment resulting in the interruption of an essential service, or threat to public health, safety, or welfare. In the case of an emergency requiring the immediate purchase of supplies, materials, equipment or contractual services, the General Manager hereby is authorized to secure in the open market, without bidding, at the lowest obtainable price, any supplies, materials, equipment, or contractual services required, regardless of the

amount of the expenditure and to report such action to the Board at its next meeting, in compliance with Public Contract Code Section 22050.

- B. Limited availability/sole source. Occasionally, required supplies, material, equipment, or services are of a proprietary nature, or are otherwise of such specific design or construction, or are specifically desired for purposes of maintaining cost effective system consistency, as to be available from only one source. After reasonable efforts to find alternative suppliers, the General Manager may make or may recommend making the purchase from the sole source.
- C. Cooperative purchasing. The Agency shall have the authority to join with other public jurisdictions in cooperative purchasing agreements or to buy directly from a vendor at a price established by competitive bidding by another public jurisdiction in substantial compliance with this policy, even if the Agency has not joined with that public agency in a formal agreement. The Agency also may purchase from the United States of America or any state, municipality or other public corporation or agency without following formal purchasing procedures as defined in this policy.

## **Section 5. Review**

The Board of Directors will review this policy annually.