

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

**DATE:** January 22, 2024  
**TO:** Board of Directors  
**FROM:** Lance Eckhart, General Manager  
**BY:** Tom Todd, Jr., Chief Financial Officer  
**SUBJECT: PROCUREMENT POLICY APPROVAL**

## **RECOMMENDATION**

The Board approve the revised draft of the updated Procurement Policy.

## **PREVIOUS CONSIDERATION**

- Board Meeting – December 17, 2007: The Procurement Policy was updated.
- Board Meeting – December 4, 2023: The Board reviewed the proposed Procurement Policy update and recommended further consideration by the Finance & Budget Committee.
- Finance and Budget Committee – December 14, 2023: The Committee reviewed the updated draft of the Procurement Policy, recommended changes, and approved returning it to the Board for consideration.

## **BACKGROUND**

Additional research has been completed to answer questions posed by the Board about the proposed update to the Procurement Policy. Questions addressed related to inflation, budget levels, comparisons to other organizations, and requirements about bid/quote levels.

The Finance and Budget Committee, which is responsible for reviewing financial matters, recommends written quotes or proposals and requiring documentation of major purchases. This has been incorporated into the updated draft.

Since the Procurement Policy has not been updated since 2007, the Board requested a comparison of the current procurement policy levels to inflation. There are a number of indexes that can be used to estimate the impact of price increases over time. A common one is the Consumer Price Index, similar to the one used by the Agency for review of changes in salaries. Another one is the California Construction Cost Index. Inflation between 2007 and 2023 estimated with CPI is about 50%; the CCCI increase is about 100%.

The Board also requested comparisons to budget levels since 2007. The following information relates to budgets: the General Fund budget for FY 2007-08 was \$3,235,780.

Including the Debt Service budget, the overall budget for FY07-08 was \$17,174,941. The General Fund budget for FY 2023-24 is \$19,279,000. Including the Debt Service budget, the overall budget for FY23-24 is \$49,083,000. The increase in the General Fund budgets is about 500% since 2007. The Increase in overall budgets is about 190% over the same period.

The current Procurement Policy established in 2007 authorizes the General Manager to approve purchases of up to \$10,000 without seeking bids or quotes. Applying the range of estimates listed above would give an updated amount between \$15,000 and \$50,000, using CPI, CCCI and budgetary changes.

Procurement Policy information was sought from other southern California State Water Contractors, specifically Antelope Valley-East Kern Water Agency, Desert Water Agency, Mojave Water Agency, and San Bernardino Valley Municipal Water District and other districts, including Jurupa Community Services District. A chart was obtained from the minutes of a City of Banning staff report they issued that includes information about 25 municipalities in California.

The Agency faces two significant differences from all these other organizations: it has a more modest budget and has fewer staff. The competing goals of efficiency and control need to be balanced, while having the ability to approve purchases 'nimply.' Consideration of the level of staffing and the number and amounts of purchases also needs to be included in the discussion.

## **ANALYSIS**

Combining our research about practices of other municipalities, districts, and agencies, with the expertise and in-depth knowledge of legal counsel, it would appear that the goal of efficiency and ease of administration is met with the proposed policy update by setting similar limits for all categories of expenditures. On the other hand, Board comments suggest that control should be strengthened.

A general conclusion reached after a review of all the above-listed procurement policies shows that while some organizations chose to set similar approval levels for all types of expenditures, many chose separate approval levels for separate types of expenditures. It would be easy to conclude that the process of purchasing 'goods' differs enough from the process of securing a 'service' that different levels of approval would be a worthwhile idea.

Staff would like to propose the following ideas for Board consideration:

- Review by the Chief Financial Officer
- Additional levels of quotes/proposals
- Additional thresholds for Goods
- Quotes or proposals to be written
- Quotes or proposals to be documented

Review by the CFO: All purchases covered by the Procurement Policy will be reviewed by the CFO. This allows for budget alignment, requests for additional information, and/or confirmation of quotes/proposals. No purchasing authority is granted to the CFO, that is reserved for the General Manager.

Additional levels of quotes/proposals: Add a recommendation for verbal and/or internet quotes and add a recommendation of at least two or three quotes/proposals, depending on the threshold.

Additional thresholds: For goods, add a threshold at \$5,000 and \$15,000.

The combination of additional quotes/proposals and additional thresholds could look like this:

- Procurements of goods, materials, supplies, and equipment:
  - up to \$5,000, verbal and/or internet quotes/proposals recommended, not required
  - over \$5,000 up to \$15,000, two written quotes/proposals solicited
  - over \$15,000 up to \$35,000, three written quotes/proposals solicited.

This level aligns with the Agency Capitalization Policy, where an item is capitalized if it costs over \$5,000.

Some potential examples of this recommendation could be:

- The Operations Manager needs a generator, which is estimated to cost \$1,300. He discusses the matter with the CFO and notes that, for example, Home Depot has one in stock. The CFO presents this to the General Manager, who approves the purchase.
- A staff member needs a new laptop. The Agency's IT provider, Lenity IT, is consulted and suggests that the item could be purchased for \$2,400. Internet research for laptops with similar specifications confirms this amount. Staff discusses it with the CFO, who presents it to the General Manager, receives approval, and places the order with Lenity.
- The Operations Manager requests air conditioning service, and Control Temp tells him that the repair will cost \$3,400. The CFO is consulted and notes that Control Temp has a 15-year history with the Agency and is well acquainted with the Agency air conditioning systems. The CFO presents it to the General Manager, receives approval, and gives the approval to do the work.

For all other contracts, a brief summary is listed below:

- Up to \$35,000: three written quotes/proposals solicited; General Manager has authority to approve.
- \$35,000 to \$50,000: three written quotes/proposals solicited; General Manager has authority to approve; Board to be informed upon execution of a contract.
- \$50,000 and above: three written quotes/proposals solicited; Board approval required.
- The General Manager may approve a 10% extension on any contract and needs to inform the Board.

- Board approval is required for anything over a 10% extension.
- Emergency conditions described and excepted.

Working in conjunction with Best, Best and Krieger, Staff believes the new recommended Procurement Policy is consistent with our current Capitalization Policy, has consistent authorization levels for various types of procurements for ease of implementation, and has the appropriate amount of flexibility and control for the size of the Agency.

### **FISCAL IMPACT**

As mentioned in the previous Staff report about the Procurement Policy update, these changes will not have a financial impact on Agency purchases.

### **ACTION**

The Board approve the revised draft of the updated Procurement Policy.

San Gorgonio Pass Water Agency

**DRAFT**

**Procurement Policy**

**Adopted December 18, 2006**

**Revised December 17, 2007**

**Revised January 22, 2024**

**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”)**

For items up to \$5,000, (including cooperative purchasing as set out in Section 4 below) without advertising for bids, although two verbal and/or internet quotes are recommended.

For items where the cost exceeds \$5,000 up to \$15,000, Staff shall solicit at least two written quotes (where possible) from qualified vendors and shall determine which vendor provides the best value, considering quality as well as price.

For items where the cost exceeds \$15,000 up to \$35,000, Staff shall solicit at least three written quotes (where possible) from qualified vendors and shall determine which vendor provides the best value, considering quality as well as price.

For items where the cost exceeds \$35,000 up to \$50,000, Staff shall solicit at least three written quotes (where possible) from qualified vendors and shall determine which vendor provides the best value, considering quality as well as price. The General Manager shall report the execution of the contract to the Board.

If an item is not readily available or a specific type is required to fit with existing Agency equipment, Staff shall note the justification for sole source acquisition as set out in Section 4.

All quotes will be documented in writing. The Chief Financial Officer will review all contracts before presenting them to the General Manager for approval.

**B. Contracts for services to perform maintenance or construction work**

For contracts up to \$35,000, Staff shall solicit at least three written quotes or proposals (where possible) from qualified vendors and shall determine which vendor provides the best value, considering quality as well as price.

For contracts over \$35,000 up to \$50,000, Staff shall solicit at least three written quotes or proposals for the work (where possible) from qualified vendors and shall determine which vendor provides the best value, considering quality as well as price. The General Manager shall report the execution of the contract to the Board.

If at least two quotes or proposals are not received, or if the service or work is not readily available, or if a specific type of service or work is required to fit with existing Agency infrastructure, Staff shall note the justification for sole source acquisition as set out in Section 4.

All quotes or proposals will be documented in writing. The Chief Financial Officer will review all contracts before presenting them to the General Manager for approval.

**C. Contracts for other services, not including professional services described in subsections B. and D. of Section 2. in this Policy**

For contracts up to \$35,000, Staff shall solicit at least three written quotes or proposals (where possible) from qualified vendors and shall determine which vendor provides the best value, considering quality as well as price.

For such contracts over \$35,000 up to \$50,000, Staff shall solicit at least three written quotes or proposals (where possible) from qualified vendors and shall determine which vendor provides the best value, considering quality as well as price. The General Manager shall report the execution of the contract to the Board.

If at least two quotes or proposals are not received, or if the service is not readily available, or if a specific type of service is required to fit with existing Agency services or procedures, Staff shall note the justification for sole source acquisition as set out in Section 4.

All quotes or proposals will be documented in writing. The Chief Financial Officer will review all contracts before presenting them to the General Manager for approval.

**D. Professional services**

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 up to \$35,000, Staff shall solicit written 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.

For such contracts over \$35,000 up to \$50,000, Staff shall solicit written 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. The General Manager shall report the execution of the contract to the Board.

If at least two proposals are not received, Staff shall note the justification for sole source procurement as set out in Section 4.

All proposals will be documented in writing. The Chief Financial Officer will review all contracts before presenting them to the General Manager for approval.

- 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 contracts for goods, maintenance, construction, or professional services 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/Proposals Sought</b>	<b>Form of Quotes/Proposals</b>	<b>Approval Authority</b>
<b>Goods – materials, supplies &amp; equipment</b>			
Up to \$5,000	2 recommended	Verbal/Internet	General Manager
Over \$5,000 up to \$15,000	2	Written	General Manager
Over \$15,000 up to \$35,000	3	Written	General Manager
Over \$35,000 up to \$50,000	3	Written	General Manager Inform Board
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	Written	Board

<b>Services for maintenance or construction work</b>			
Up to \$35,000	3	Written	General Manager
Over \$35,000 up to \$50,000	3	Written	General Manager Inform Board
Over \$50,000	Advertise for all bids as provided in Section 3	Written	Board
<b>Other Services</b>			
Up to \$35,000	3	Written	General Manager
Over \$35,000 up to \$50,000	3	Written	General Manager Inform Board
Over \$50,000	3	Written	Board
<b>Professional Services</b>			
Up to \$35,000	3	Written	General Manager
Over \$35,000 up to \$50,000	3	Written	General Manager Inform Board
Over \$50,000	3	Written	Board
<b>Emergency Goods and Services</b>			
No limitation	Not required		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, Staff shall solicit written proposals from at least three vendors, and, based on the proposals received, shall determine which vendor provides the best value, except Staff 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 the 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.