

San Geronio Pass Water Agency

DATE: May 28, 2026
TO: Finance and Budget Committee
FROM: Lance Eckhart, General Manager
BY: Jennifer Ustation, Chief Financial Officer
SUBJECT: PROCUREMENT POLICY APPROVAL

RECOMMENDATION

That the Finance and Budget Committee review the proposed updates to the Procurement Policy and recommend approval to the Board of Directors.

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.
- Board Meeting - January 22, 2024: – Board approved current Procurement Policy.

BACKGROUND

The Procurement Policy establishes the framework for purchasing goods and services, including delegation of authority, competitive requirements, and internal controls.

As part of the Agency's Strategic Plan under the Finance & Administration category, staff was directed to *"evaluate the Agency procurement process regularly for opportunities to enhance efficiency."* The proposed updates are a direct result of this effort.

Procurement related to public construction improvements continues to be governed by the San Geronio Pass Water Agency Act and applicable law, and the policy has been updated to further clarify these requirements.

ANALYSIS – NEW CHANGES

The following items represent new additions or substantive clarifications to the Procurement Policy:

1. New Local Vendor Preference Policy

- Establishes a 5% local vendor preference for goods and non-professional services
- Applies only when pricing, quality, and service are otherwise equal
- Does not apply to public works or professional services

- Defines local vendors as businesses within Agency boundaries

This is a new policy addition intended to support the local economy while maintaining fair and competitive procurement practices.

2. Sole Source Verification Requirement

- Requires completion of a Sole Source Verification Form
- Documentation must include justification and market research
- Form must be:
 - Reviewed by the Chief Financial Officer
 - Approved by the General Manager prior to purchase

This formalizes internal controls around sole source procurements.

3. Enhanced Public Works Definitions

- Adds clear definitions distinguishing:
 - Routine maintenance
 - Repair work
 - Public works projects
- Clarifies that work exceeding routine maintenance and materially improving an asset is treated as public works

Provides clearer guidance and reduces ambiguity in procurement classification.

4. Clarified Emergency Procurement Definition

- Establishes a more detailed definition of “emergency”
- Aligns policy language with:
 - Public Contract Code Section 22050
 - Agency Act requirements
- Reinforces requirement to report emergency purchases to the Board

Improves consistency and legal alignment.

5. Task Order Clarification

- Explicitly states that task orders under existing contracts that exceed \$75,000 will be reported to the Board of Directors.

Ensures consistent application of procurement controls.

6. Regulatory Compliance Expenditures

- Clarifies that regulatory compliance costs, including permits, licenses, mitigation requirements, assessments, filing fees, and other mandatory governmental or regulatory expenditures necessary for legal compliance, operational authority, or project implementation, are excluded from standard procurement requirements when appropriate.

Ensures the Agency maintains timely compliance with applicable federal, state, regional, and local regulatory obligations while minimizing delays to critical operations and projects.

*The updated Procurement Policy was previously presented to the Finance and Budget Committee on April 23, 2026. Following that meeting, it was determined that additional clarity was needed within the policy regarding contract change orders, exclusions of

regulatory costs, contract amendments, and task order reporting requirements to the Board of Directors. This item is being presented again for transparency purposes.

FISCAL IMPACT

The proposed updates do not directly impact the Agency's budget. The changes are intended to improve clarity, strengthen internal controls, and enhance procurement efficiency.

ACTION

The Finance and Budget Committee review and recommend approval of the updated Procurement Policy to the Board of Directors.

ATTACHMENT

Draft Procurement Policy (redlined)

San Gorgonio Pass Water Agency

Procurement Policy

DRAFT

Adopted December 18, 2006

Revised December 17, 2007

Revised January 22, 2024

Revised June 1, 2026

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, as well as the 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 applicable law. In addition, this Policy establishes 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. Procurement Methods & 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”), and non-professional services (including routine maintenance)

For items up to ~~\$5,000~~ \$15,000, (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~~ \$15,000 up to \$50,000, Staff shall solicit at least ~~two~~ 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~~ \$50,000 up to \$75,000, 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.

For items exceeding \$75,000, 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. Board approval is required.

Contract change orders/amendments for Board approved contracts 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.

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 3-B.

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. Local Preferences for Goods and Non-Professional Services.

A local business preference allows the Agency to promote local business as well as benefit from enhanced economic activity as dollars re-circulate in the local economy by way of multiplier effects. These effects have been shown to benefit the community in the following ways:

- Direct effects. Benefits the local economy by directly investing money in a local business.
- Indirect effects. Occurs when money awarded to a local business results in inter-industry purchases of materials, supplies, goods and services. Another potential indirect effect is the increase in employment associated with greater workloads/demands.
- Induced effects. Increases in household income as a result of both the direct and indirect effects.
- Local vendors are granted a five percent (5%) differential in lieu of sales and transactions tax loss for the purchase of materials, supplies, equipment and personal property. Prices, functionality, quality, delivery and service being equal, preference will be given to the local vendor, in the purchase of supplies, equipment, and non-professional services.
- This Local vendor preference shall not be granted for contracts involving public works, professional and consultant services, or as otherwise prohibited by law.
- For the purposes of this section, “local vendor” means a business having a bona-fide place of business within the San Gorgonio Pass Waer Agency’s district boundaries.

- For purposes of this section, when the Agency considers a local vendor's bid, quote, or proposal in connection with the purchase of supplies and equipment or non-professional services, the local vendor's bid shall be the bid amount after the applicable percent differential is applied."

C. 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~~-\$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.

For such contracts over ~~\$35,000 up to \$50,000~~-\$50,000 up to \$75,000, 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 on the execution of the contract to the Board.

For contracts exceeding \$75,000, 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. Board approval is required.

Contract change orders/amendments for Board approved contracts 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.

If Staff solicits written proposals from at least three consultants, but does not receive at least two proposals, Staff shall note the justification for moving forward with the sole proposer. The failure to obtain three written proposals will not prevent the procurement of the Professional Services.

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

Task orders covered under existing contracts that exceed \$75,000 will be reported to the Board of Directors.

D. Public Works Contracts

For projects up to ~~\$5,000~~ \$15,000, (including cooperative purchasing as set out in Section 4 below) the Agency may procure public works contracts without advertising for bids, although two verbal and/or internet quotes are recommended.

For Public Works projects where the cost exceeds ~~\$5,000 up to \$15,000~~ \$15,000 up to \$50,000, Staff shall solicit at least ~~two~~ three written quotes (where possible) from qualified vendors and shall determine which vendor provides the best value, considering quality as well as price.

Where any public works project 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:

- 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.
- 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.
- 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.
- 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).
- Contract(s) with the lowest responsible bidder(s) shall be approved by the Board prior to execution.
- For any public works or improvement contracts greater than \$25,000, 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. The Board may require contractors to file these bonds for projects less than \$25,000.
- 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.
- 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.

Construction change orders **for Board approved contracts** 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.

For purposes of procurement and application of the Agency’s public construction threshold, a “public works project” shall be interpreted consistent with the California Public Contract Code and applicable California case law.

- A public works project includes the erection, construction, alteration, repair or improvement of any public structure, building, road, or other public improvement of any kind.
- Routine maintenance is not considered a public works project. Maintenance is defined as recurring, usual, or routine work performed to preserve an asset in its original condition and that does not materially extend the asset’s useful life, increase its capacity, or significantly enhance its value.
- Repair work shall be classified as a public works project when it exceeds routine maintenance and constitutes a material rehabilitation, replacement, or improvement of the asset. Any such work shall be subject to the Agency’s public construction procurement requirements, including applicable competitive bidding thresholds.

The policies and procedures provided in this Policy are summarized below. To the extent any conflict or ambiguity exists between the Policy and the information contained in the table, the express language of the Policy will control:

Purchase Limit	Minimum Number of Quotes/Proposals Sought	Form of Quotes/Proposals	Approval Authority
Materials, Supplies & Equipment, Non-Professional Services (Including Maintenance)			
Up to \$5,000 -\$15,000	2 recommended	Verbal/Internet	General Manager
Over \$5,000 up to \$15,000	2	Written	General Manager
Over \$15,000 up to \$35,000 -\$50,000	3	Written	General Manager
Over \$35,000 up to \$50,000 -\$50,000 up to \$75,000	3	Written	General Manager Inform Board
Over \$50,000 \$75,000	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
Professional Services			
Up to \$35,000 \$50,000	3	Written	General Manager

Over \$35,000 up to \$50,000 -\$50,000 up to \$75,000	3	Written	General Manager Inform Board
Over \$50,000 \$75,000	3	Written	Board
Public Works Contracts			
Less than \$15,000	2 Quotes/Proposals recommended	Verbal/Internet	General Manager
Over \$15,000 up to \$50,000	3 Quotes/Proposals recommended	Written	General Manager
Over \$50,000	See Section 3	Formal Bid Required	Board
Emergency Goods and Services			
No limitation	Not required		General Manager but with notice to Board at next meeting

Section 3. Exceptions to Bidding Requirements

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.

For purposes of procurement under the San Gorgonio Pass Water Agency enabling act, an “emergency” is a situation requiring immediate action to protect public health, safety, or essential public services, where compliance with standard competitive procurement procedures would be impractical due to the urgent nature of the circumstances. In such cases, the Agency may proceed with necessary work without formal bidding to address the emergency condition.

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. The individual requesting a sole source procurement shall complete a Sole Source Verification Form documenting the justification and market research conducted. The form shall be reviewed by the Chief Financial Officer and approved by the General Manager prior to proceeding with the purchase.

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.

D. Regulatory compliance costs, including fees, permits, licenses, assessments, mitigation requirements, filing costs, and other mandatory expenditures imposed by federal, state, regional, or local governmental or regulatory agencies necessary to maintain legal compliance, operational authority, or project implementation.

Section 4. Review

The Board of Directors will review this policy annually.