

## ARTICLE 140 Regulations Governing Purchases, Contracts, and Sales

Sec. 140.1 General. Purchasing of all items required by the District shall be made in such a way as to provide the maximum benefits to the District with minimum expenditure. This will require that purchases be made in economical quantities with uniform bidding by suppliers wherever possible. The regulations set up in this Article have been devised for this purpose and must be followed.

Quality, reliability, and availability of products and services are important factors which may cause rejection of an inferior product offered at the lowest quoted or bid price when that product or service is determined to be not in the best interest of the District.

Contracts for public works shall be made in conformance with the California Public Contracts Code Sections 20640 through 20645.

The provisions of this article shall apply to Professional and Consulting Services (Article 135) except for Section 140.2 and where they may conflict.

Sec. 140.2 Selection of Vendors. Approval and bid requirements are summarized as follows:

Amount	\$0 to <\$1,000	\$1,000 to <\$5,000	\$5,000 to <\$15,000	\$15,000 to <\$50,000	\$50,000 and more
Document	Small purchase order	Large PO or contract	Large PO or contract	Large PO or contract	Large PO or contract
Process	Best price	Best price	3 informal quotes	3 informal quotes	Formal bid process
Approval	Department Head	Dept. Head - in advance	Dept. Head, Finance Director	Dept. Head, Finance Director, General Manager	Dept. Head, General Manager, Board of Directors

All materials, supplies, and equipment to be purchased by the District shall be approved by the respective Department Head. Purchases where the estimated cost is more than \$1,000 shall be approved in advance of purchase.

Article 140    Regulations Governing Purchases, Contracts, and Sales (Cont'd.)

Sec. 140.2    Selection of Vendors (Cont'd.)

- (a) Purchases in Excess of \$5,000 and Less than \$50,000. All materials, supplies, equipment, and services to be purchased by the District, the estimated cost of which is less than \$50,000 but more than \$5,000 shall be procured from the lowest responsible vendor after obtaining three informal quotations on the articles required to be purchased, except:
- (1) Miscellaneous services such as telephone, telegraph, light, power and water, where rates or prices are fixed by legislation or by Federal, State, or County regulations.
  - (2) Whenever it is impossible or impractical to secure three quotations, as in the cases of emergency or where the article or articles are not readily obtainable on the open market, in which case the reasons for not securing such three quotations shall be noted on the request for purchase.
  - (3) Whenever the particular technical expertise or proprietary material is available from only one source.
  - (4) Quotations or bids on inventory items or open purchase orders (used for recurring small purchases) will be required annually unless price changes are reported in excess of twice of the consumer price index.
  - (5) Ongoing support services, such as advertising, printing, and Internet access, involve a direct and ongoing working relationship between the District and the service provider. Quotations or bids on these services will be required only annually even though the provider may perform several different tasks during the year.

Purchases shall be approved in advance by the respective Department Head and by the Director of Finance or his designee for compliance with this article. Purchases of \$10,000 or more shall also be approved by the General Manager.

- (b) Purchases in Excess of \$50,000. All materials, supplies, equipment, and services to be purchased by the District, the estimated cost of which will exceed \$50,000, shall be purchased from the lowest responsible bidder. Bids shall be requested in a manner to ensure competition. Public works contracts shall be published in a manner determined by the General Manager. Proposals received shall be presented by the General Manager to the Board, together with his recommendation as to who is the lowest responsible bidder and such recommendation shall be approved by the Board prior to purchase of items on which bids were received. The Board may reject any and all bids.

**Article 140 Regulations Governing Purchases, Contracts, and Sales (Cont'd.)**

**Sec. 140.3 Bid Security and Bond Requirements for Public Works Contracts.** Bid security and bonds for public works contracts shall be required of the contractor in accordance with the following table:

<b>Contract Amount</b>	<b>\$0 to &lt;\$25,000</b>	<b>\$25,000 to &lt;\$35,000</b>	<b>\$35,000 and More</b>
Bid Security <sup>(1)</sup> (10%)	Not Required	Not Required	Required
Payment Bond (100%)	Not Required	Required	Required
Performance Bond (100%)	Not Required	Required	Required

<sup>(1)</sup>Cashier's check, certified check or bid bond

**Sec. 140.4 Change Orders.** During the course of work, changes or additions may be required. Change orders shall be approved as follows:

<b>Change Amount</b>	<b>≤\$5,000</b>	<b>&gt;\$5,000 to &lt;\$15,000</b>	<b>\$15,000 to &lt;\$50,000</b>	<b>\$50,000 and more</b>
Approval	Department Head	Dept. Head, Finance Director	Dept. Head, Finance Director, General Manager	Dept. Head, General Manager, Board of Directors

The employee responsible for the project will negotiate an agreement with the contractor or vendor and obtain approval of the Department Head, and others as required below.

- (a) Cumulative Change Orders in Excess of \$5,000 and Less Than \$50,000. Change orders which are less than \$50,000 but more than \$5,000 shall be approved by the respective Department Head and by the Director of Finance. Change orders of \$15,000 or more shall also be approved by the General Manager.
- (b) Change Orders Exceeding 10% of Original Contract Value. Change orders, irrespective of the amount, which cause the cumulative amount of Change Orders to exceed 10% of the value of the original contract amount, shall be approved by the General Manager and the Board of Directors.
- (c) Change Orders Resulting in Contract Exceeding \$35,000. Where the original contract was under \$35,000, change orders increasing the total contract amount to more than \$35,000 and up to \$50,000, approval by the General Manager shall be obtained. For Change Orders increasing the contract amount beyond \$50,000, approval of the Board of Directors shall be obtained.

Article 140    Regulations Governing Purchases, Contracts, and Sales (Cont'd.)

Sec. 140.4    Change Orders (Cont'd.)

- (d) Change Orders Modifying Project Scope. When approved by the Board, Change Orders which modify the original project scope shall also result in an equivalent modification of the original contract value.
- (e) Timely Approval of Change Orders. The required approval for change orders shall be obtained before the additional work commences. However, if it would cause a significant work delay or cost impact, the General Manager may obtain approval of the President of the Board of Directors and report the action to the Board for ratification at the next regularly scheduled meeting of the Board of Directors.
- (f) Change Order Report at the Conclusion of Each Project. At the conclusion of each project, the Board will be provided a comprehensive listing of all project change orders approved by District staff and the Board of Directors.

Sec. 140.5    Procedures. The General Manager or his designee shall establish such procedures as necessary to facilitate the purchase and sale of property and equipment in an efficient manner in accordance with accepted standards and this article.

Sec. 140.6    Emergencies. (California Public Contract Code Section 22050) In the case of an emergency, the Board of Directors may repair or replace any facility, take any directly related and immediate action required by that emergency, and procure the necessary equipment, services, and supplies for those purposes, without giving notice for bids to let contracts.

Before doing so, it shall make a finding, based on substantial evidence, that the emergency will not permit a delay resulting from a competitive solicitation for bids, and that the action is necessary to respond to the emergency.

In Article 225, the Board has delegated this authority to the General Manager, within limitations.

If any action is taken under this section, the Board shall review the emergency situation at its next regularly scheduled meeting (but no more than 14 days after the action) and every regularly scheduled meeting thereafter until the action is terminated, and determine that there is a need to continue the action.

The Board shall terminate the action at the earliest possible date that conditions warrant so that the remainder of the emergency action may be completed by giving notice for bids to let contracts.

All actions by the Board of Directors under this section shall require a four-fifths vote of the Board.

Article 140    Regulations Governing Purchases, Contracts, and Sales (Cont'd.)

Sec. 140.7    Nepotism. It is recognized that vendors may be related by blood, marriage, or other close personal relationship to District employees. Such vendors will not be given positive or negative bias in the selection process. All transactions with such vendors are to be subjected to at least three quotations, even if the transaction is under the dollar threshold otherwise required, and must be approved in advance by the General Manager.

Sec. 140.8    Surplus Property and Equipment. Property and equipment which no longer meets the needs of the District will be declared surplus by the Department Head and approved by the General Manager.

- (a) Trade-in. When appropriate, surplus property may be exchanged in the transaction purchasing new equipment. The trade-in price shall be considered in selecting the lowest responsive vendor and must be approved by the General Manager or his designee.
- (b) Negotiated Sale. Where published price guides are commonly available, as with licensed vehicles, the property may be advertised for sale in an appropriate periodical and sold at a price which is reasonable considering the price guide.
- (c) Auction. Except as provided for in this section, property shall be disposed of by sale at public auction. The County of San Diego public auction may be used for this purpose, or the District may conduct its own auction if economically feasible.
- (d) Donation. When the cost of disposal would exceed the proceeds received, property may be donated to other public agencies.
- (e) Scrap and Core. Scrap parts and cores, and equipment when repairs are not cost effective, may be transferred to vendors, liquidators, or scrap dealers at the best price, if any. If no one will accept the property it will be destroyed and disposed of as refuse.
- (f) Terms of Sale. All property is sold "as is - where is." The successful purchaser is responsible for all required permits, licenses, and fees. Property shall be paid for and removed from District premises within 48 hours of the award of purchase.

In the event that two or more bidders make identical offers for any or all of the items offered for sale, the decision shall be determined by lot.

Employees of the District shall be permitted to participate in the sale, but no sale shall be made to an employee of the District unless the price received from such employee exceeds the highest offer received from other bidders.

Article 140     Regulations Governing Purchases, Contracts, and Sales (Cont'd.)

Sec. 140.8     Surplus Property and Equipment (Cont'd.)

- (g) Fund Accounting. The proceeds of the sale of any surplus property of the District purchased with money from a specific fund of the District shall be credited to the fund from which the property was purchased.
- (h) Real Property. Real property shall be declared surplus only after approval by the Board of Directors and disposed of in accordance with California statutes.