



Purchasing

Administrative Policy - Finance

November 29, 2016

Rev: 11/29/2016

Rev: 5/4/2016

Adopted: 8/8/2006

A. Purpose and Scope

To establish policy and procedures for the purchase of goods and services in the most efficient, effective, economical, environmental, ethical and responsible manner possible.

B. General

Purchases of goods, materials, equipment, supplies, professional services, and maintenance and repair services are regulated by Title 3, Division 6, of the Laguna Niguel Municipal Code (LNMC). Purchases related to public projects are regulated by Title 3, Division 7 of the LNMC. Requirements for each purchase depend on its type. The types of purchases are listed below and procedures related to each follow.

Departments are responsible for including all ancillary costs (i.e. sales and use tax, freight, etc.) when reviewing a vendor's quote in order to determine the applicable quoting/bidding requirements.

The Finance Department has the authority to review and audit any purchase order (PO), contract, and professional services agreement to ensure compliance with the City's procurement procedures. The Finance Department may require Departments to solicit bids or request proposals for goods and services that are repetitively purchased throughout the fiscal year.

Employees shall not make multiple purchases and/or split multiple purchases of less than \$1,000 from the same vendor or from different vendors with the intent to avoid the PO or contract requirement. Except in an emergency, with the approval of the City Manager, no employee of the City shall request a supplier to deliver goods, material, equipment, supplies, professional or non-professional services to the City unless a PO or contract has been issued by the Finance Department according to the requirements of this Policy.

C. Procedures

1. Local Merchant Preference

City of Laguna Niguel (City) staff shall make every attempt to purchase supplies and equipment from City businesses whenever practicable. LNMC 3-6-2(b)(1), establishes a local merchant purchasing preference in the form of a one-percent (1%) price advantage in the evaluation of bids or proposals for the purchase of goods, supplies, and equipment subject to sales and use tax.

2. Environmental Preference

City staff shall make every effort to purchase goods that are environmentally responsible. Per LNMC 3-6-2(b)(4), departments shall purchase and use goods made of recycled and/or recyclable materials whenever practicable. Departments shall be aware of the following environmental guidelines when purchasing goods, materials, equipment or supplies:

- a. Equipment that meets Energy Star specifications.
- b. Products that contain non-hazardous materials.
- c. Products that will not emit harmful air emissions.
- d. Products that are readily bio-degradable and non-persistent in the environment after its use.
- e. Keep informed of current developments in market conditions and new products, per LMNC 3-6-2(b)(2).

3. Purchases **NOT REQUIRING** a PO

A PO is not required for purchases less than \$1,000; however, such purchases must be approved by the appropriate department head before the order is placed. Soliciting competitive bids is not required; however staff is encouraged to seek competition when possible to support the effort of obtaining optimum pricing for the City.

- a. Purchases of \$100.00 or less, per LNMC 3-6-4(1): Departments may utilize petty cash for purchases up to \$100; however, employees shall make every attempt to use their City-issued procurement card. Justification for the use of petty cash must be documented on the cash receipt.

- b. Purchases of \$100.01 to \$999.99, per LNM 3-6-4(2): A department head may authorize purchases over \$100 and less than \$1,000 without issuing a PO. Employees may use their City-issued procurement card to make the purchase, or may request that the City be invoiced through its existing accounts payable/cash disbursement process.

4. Purchases **REQUIRING** a PO

A PO or contract is required for all purchases of goods, materials, supplies, and equipment purchases of \$1,000 or greater. POs are obtained from the Finance Department by filling out the PO Control Log. A PO must be filled out in its entirety, include any appropriate supporting documentation, and must be signed by the requesting employee and appropriate department head prior to being submitted to the Finance Department for approval. POs must be signed by the Director of Finance and the Purchasing Officer prior to authorizing the purchase.

Funding for a PO or contract is verified by the Finance Department; however, responsibility lies with the department head to ensure that adequate funding is available and that the total annual expenditure does not exceed the authorized budget appropriation.

- a. Purchases of \$1,000.00 to \$2,499.99, per LNM 3-6-4(3): Purchases of goods, materials, supplies, and equipment of an estimated expenditure of \$1,000 and less than \$2,500 do not require competitive bids; however, staff is encouraged to solicit bids when possible.
- b. Purchases of \$2,500 to \$24,999.99, per LNM 3-6-4(4): Purchases of goods, materials, supplies, and equipment of an estimated expenditure of \$2,500 and less than \$25,000 requires soliciting at least three (3) competitive bids prior to submitting the PO or contract to the Finance Department for approval. Verbal bids are acceptable; however, written bids are strongly recommended. Written bids and documentation for verbal bids shall be attached to the PO. Documentation for verbal bids should include the following:
 - i. Vendor information such as business name, contact person, phone number, etc.

- ii. Quote details such as the total amount proposed, shipping information, and the date the quote was received. (For reorders, the Purchasing Manager shall review and confirm verbal and written bids.)
- c. Purchases of \$25,000.00 or more, per LNM 3-6-4(5): Purchases of goods, materials, supplies, and equipment of an estimated expenditure of \$25,000 and greater require City Council approval of the PO or contract and explicit authorization from the City Council allowing the City Manager or Purchasing Officer to execute the PO or contract. The requesting department must solicit at least (3) written competitive bids and attach those bids to the City Council Agenda Report.

5. Cumulative Purchase Threshold

- a. If the average annual expenditures for any vendor is equal to or exceeds \$25,000, the requesting department is required to issue a multi-year agreement with such vendors. City Council approval will be required prior to contract execution.
- b. Departments should utilize budget requests to anticipate the need for a contract. If a budget amount requested exceeds \$25,000, departments should explore the option of obtaining competitive bids and award a contract prior to issuing multiple purchase orders to avoid exceeding the cumulative purchase threshold.
- c. For vendors that do not have average annual expenditures of \$25,000 or greater, a multi-year agreement is not required; however, if such vendors reach annual expenditures of \$25,000 or greater in a particular fiscal year due to an unforeseen demand in the goods or services provided, City Council approval of a PO or contract will be required.
- d. The PO or contract resulting in the annual expenditures of such vendors to equal or exceed \$25,000 will require City Council approval. All previous purchases must be identified in the City Council Agenda Report.

- e. The Finance Department will track vendor's annual expenditures utilizing a vendor detail report. This report will be printed bi-monthly to identify vendors who are approaching or have exceeded \$25,000. Departments shall be notified of vendors approaching or exceeding the cumulative purchase threshold amount and shall evaluate if a multi-year agreement is needed.

6. Cooperative Purchasing Agreements

Purchases to vendors who have been awarded contracts by another public agency for the same supplies or equipment, may be authorized by the purchasing officer without soliciting competitive bids, per LNMC 3-6-6, if the following conditions are met:

- a. The public agency who awarded the contract to the vendor utilized competitive bidding procedures similar to that of the City's.
- b. The amount of the purchase shall be based on the vendor's price bid to the other public agency.

7. Exemptions from Bidding

The requirement to solicit competitive bids can be waived at the discretion of the City Manager if any of the exemptions listed in LNMC 3-6-7 applies to the purchase.

Exemptions must be identified in the 'Justification' section of the PO or in an inter-office memorandum accompanying the contract. Any additional information or supporting documentation to support an exemption from bidding shall be attached to the PO or contract.

- a. Sole Source
 - i. Bidding requirements shall be exempt if purchasing materials, supplies, equipment or services are unique and only available from one source.
 - ii. Sole source purchases may include proprietary items, which can only be purchased directly from the manufacturer or a single authorized

distributor, or a specified product that is proven and justified to be the only product that is acceptable.

b. Emergency Purchases

An EMERGENCY purchase means unforeseen circumstances beyond the City's control. Only the City Manager has the authority to approve an emergency purchase. Examples of emergency circumstances, which would require the City Manager to authorize an emergency PO are as follows:

- i. Circumstances presenting a real, immediate threat to the proper performance of essential functions.
- ii. Circumstances that will likely result in material loss or damage to property, bodily injury, or loss of life if immediate action is not taken.

The City Manager or person(s) designated by the City Manager to act in the event of an emergency may declare an emergency situation exists, waive competitive bidding requirements, and award contracts and POs to address the emergency situation.

If the City Manager deems a situation to be an emergency and authorizes an emergency purchase, a PO is required to be submitted to the Finance Department within two (2) days of authorizing the purchase. At the earliest opportunity, the requesting department shall submit an agenda report to City Council for approval of the emergency purchase.

8. Professional Services

POs shall not be utilized for the purchase of professional services. The requesting department shall issue a contract with consultants and/or contractors providing any professional services as defined in LNMC 3-6-8(a).

Professional services contracts shall not be awarded on the basis of cost alone; rather, they shall be awarded based upon the competence, qualifications, and a fair and reasonable cost per LNMC 3-6-5(b).

When obtaining professional services, the department head should always consider soliciting competitive proposals from qualified consultants taking into account the uniqueness of the professional service and the timing of the need to have the service provided.

- a. Professional services of \$24,999.99 or less, per LNMC 3-6-8(d): The purchasing officer may execute contracts for professional services less than \$25,000.
- b. Professional services \$25,000.00 or more, per LNMC 3-6-8(d): City Council approval is required, prior to contract execution, for professional services contracts equal to \$25,000 or greater.
- c. Professional services contracts are subject to the cumulative threshold policy described above in paragraph 4, with the exception of professional services that will be paid for by a developer.

9. Maintenance and Repairs

POs shall not be utilized for the purchase of maintenance or repair services. The requesting department shall issue a contract with contractors providing any maintenance and/or repair of City facilities. The purchasing officer may execute such contracts less than \$25,000.

- a. Maintenance and repairs of \$9,999.99 or less, per LNMC 3-6-9(2): For maintenance and repair service contracts less than \$10,000, competitive bids are not required, but are strongly recommended. Such contracts shall be awarded based on the contractor's qualifications, experience, and cost.
- b. Maintenance and repairs of \$10,000.00 to \$24,999.99, per LNMC 3-6-9(1): For maintenance and repair contracts of an estimated expenditure of \$10,000 and less than \$25,000, the requesting department must prepare a request for proposal (RFP) and submit to potential bidders. Contracts shall be awarded based on the contractor's responsiveness to the RFP, qualifications, experience and, cost.

- c. Maintenance and repairs of \$25,000 or more, per LNMC 3-6-9(3): For maintenance and repair contracts of an estimated expenditure of \$25,000 and greater, the requesting department must prepare a request for proposal (RFP) and submit to potential bidders. Contracts shall be awarded based on the contractor's responsiveness to the RFP, qualifications, experience and, cost. City Council approval is required, prior to contract execution, for maintenance and repair contracts equal to \$25,000 or greater.
- d. Maintenance and repair contracts are subject to the cumulative threshold policy described above in paragraph 4.

10. Public Projects

Public projects are defined by Public Contract Code § 22002. Per LNMC 3-7-2, a list of contractors shall be developed and maintained in accordance with the provisions of Public Contract Code § 22034 criteria promulgated from time to time by the state uniform public construction cost accounting commission.

- a. Public Projects of \$30,000.00 or less, per LNMC 3-7-1(a): Public projects of an estimated expenditure of \$30,000 or less may be performed by employees of the City by force account, by negotiated contract, or by purchase order. Per LNMC 3-7-4, the City Manager is authorized to award such contracts.
- b. Public Projects of \$125,000.00 or less, per LNMC 3-7-1(b): Public projects of an estimated expenditure of \$125,000 or less must be made under contract. Informal bidding procedures as defined in LNMC 3-7-3 are required to let the contract. Per LNMC 3-7-4, the City Manager is authorized to award such contracts.
- c. Public Projects of \$125,000.01 or more, per LNMC 3-7-1(c): Public projects of an estimated expenditure exceeding \$125,000 must be made under contract. Formal bidding procedures, except as otherwise provided in article 3 of chapter 2 of part 3 of division 2 of the Public Contract Code (commencing with § 22030) are required to let the contract. The City Council is authorized to award such contracts.

11. Disposal of Surplus or Obsolete Property

Per LNMC 3-6-10(a), department heads that identify any supplies or equipment as surplus may declare such property surplus or obsolete by sending a memo to the purchasing officer listing such property.

- a. If another department identifies a need for any listed property, the department head may request reassignment of such property. Reassignment of any property shall be approved by the purchasing officer.
- b. If no department has use of any listed property, the purchasing officer shall dispose of the surplus property by auction or sale per LNMC 3-6-10(c)(1) and LNMC 3-6-10(c)(2).
- c. Per LNMC 3-6-10(d), surplus property may be donated or sold to City employees if the purchasing officer has determined the auction or sale of surplus property will result in minimal return to the City.

12. Violations

Employees that violate any purchasing procedures established in this Policy and LNMC Division 6, Title 3 a Division 7, Title 3, shall be subject to disciplinary action.

D. Exceptions

There will be no exceptions to this Policy.

E. Authority

By authority of the City Manager.