



OTAY WATER DISTRICT PURCHASING MANUAL

Revised August 2, 2017

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Section 1 – Mission and Ethics Statement

1.0 PURPOSE:

To provide an understanding of the basic goal of the purchasing function within the Otay Water District.

1.1 MISSION STATEMENT:

To provide for the procurement, storage and distribution of all supplies, equipment and services for the District using progressive purchasing techniques, methods and stringent controls while seeking the highest cost savings for the customers of the District.

1.2 ETHICS STATEMENT:

The Otay Water District, its governing Board, employees, and agents who are involved at any point in the process to select suppliers, award and administer contracts and approve payments must adhere to high standards of ethical behavior. To this end, the policies and guidelines established in this Purchasing Manual are intended to ensure that purchasing and purchasing related decisions are in accordance with adherence to the high ethical standards of the purchasing community and of the Otay Water District.

Section 2 – Organization

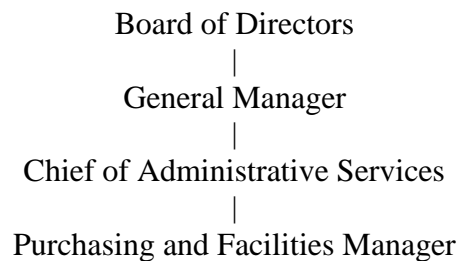
(Rev 2017-05-03) (Rev 2017-08-02)

2.0 PURPOSE:

To provide an understanding of the Purchasing Division’s organization and its relationship within the Otay Water District.

2.1 STATEMENT:

The Purchasing and Facilities Manager directs the Purchasing and Facilities Division. The Purchasing and Facilities Manager reports to the Chief of Administrative Services, who in turn reports to the General Manager. The General Manager reports to the Board of Directors.



2.2 RESPONSIBILITIES:

2.2.1 Board of Directors – Ultimate authority regarding the purchasing policies, practices and guidelines of the District rests with the Board of Directors. It is the Board’s responsibility to establish policy and direction regarding purchasing functions in accordance with the District’s Code of Ordinances.

2.2.2 General Manager – The General Manager is responsible, in accordance with the District’s Code of Ordinances, for ensuring that the District complies with Board direction regarding the purchasing function.

2.2.3 (Deleted)

2.2.4 Chief of Administrative Services – It is the Chief’s responsibility to administer the District’s Purchasing and Facilities Division as directed by the General Manager.

2.2.5 Purchasing and Facilities Manager – It is the Manager’s responsibility to manage the Purchasing and Facilities Division as directed by the Chief of Administrative Services and to:

- a. Develop objectives, policies, programs and procedures for the negotiation and the acquisition of materials, supplies, equipment and services for the District.

- b. Coordinate purchasing policies throughout the District.
- c. Disseminate to other departments purchasing information designed to promote efficient operations.
- d. Negotiate and approve assigned purchase orders in the best interest of the District.
- e. Make purchases for the District in such a manner so as to maximize the value received for monies expended.
- f. Arrange for the sale or disposal of materials and supplies declared surplus by the Board of Directors.
- g. Maintain inventory levels at a satisfactory operating level.
- h. Work with District departments to promote vendor/seller relations.
- i. Work with District Departments and Committees establishing standardization of workmanship, materials and supplies used throughout the District.
- j. Protect the District's interest in matters concerning charges related to the purchasing of materials, supplies and services.

Section 3 – Purchasing Policy

3.0 PURPOSE:

To provide an understanding of the purchasing function and to establish and present the purchasing policies within the Otay Water District.

3.1 GENERAL:

Purchasing is fundamental to the operation of the District. It means the acquisition of goods and services in exchange for an acceptable price or consideration. A purchase may be in the simplest form or it may involve the development of lengthy written agreements. Every purchase involving the transfer of goods or services is a contract. As a contract, there are considerations as to the nature of the purchase, its value, timing, method of payment, delivery, and other conditions that must be addressed. For this reason, it is the District's policy to rest the responsibility and authority to purchase within the Purchasing and Facilities Division (Purchasing Department).

3.2 POLICIES:

- a. General Policy: All purchases and requests for pricing or repair services shall be made in accordance with applicable laws and the District's Purchasing Manual, policies, and procedures.
- b. Open Door Policy: The Purchasing Department shall maintain an "Open Door" policy with all salespeople desiring to sell goods or services to the District.
- c. Interviews with Salespeople: If it is necessary for staff, other than Purchasing Department personnel, to interview salespeople regarding details of their products, requests for such visits should be made through the Purchasing Department. In interviews with salespeople, no one except the Purchasing Department may comment on the preference for any product, or give any information regarding performance or price.
- d. Correspondence with Suppliers: All correspondence with suppliers must be processed through the Purchasing Department unless it is technical in nature and makes no references towards purchasing.
- e. Negotiated Changes: Unless authorized by the General Manager, the Purchasing Department will negotiate all changes to purchases.
- f. Authority to Question: In order to serve the best interest of the District, the Purchasing Department shall have the authority to question all requests for purchases regarding quantity, quality, timing, and specifications.
- g. Approval of Gratis Materials and Samples: The Purchasing Department must approve all gratis materials, supplies or services submitted to the District as samples or tests prior to their acceptance.
- h. Conflict of Interest: Employees are required to disclose to the Purchasing Department any conflict of interest in the selection or recommendation for selection of District vendors, suppliers, or consultants. All contracts shall contain language, as approved by the District's legal counsel, requiring Vendors, Suppliers, and Consultants to disclose any actual and potential conflicts of interest that exist between the Vendor, Supplier, or Consultant and the District, its representatives, agents, Board of Directors, and employees.

Section 4 – Purchasing Guidelines

4.0 PURPOSE:

To provide guidelines and protocol for the standardized application of purchasing activities within the Otay Water District.

4.1 GENERAL:

To a large extent, the Purchasing and Facilities Division's (Purchasing Department) performance will be measured by how well it satisfies the needs of various departments within the District. It is essential that there be mutual cooperation between District departments to ensure that a condition of confidence exists. For this reason the following standardized guidelines and protocols have been established.

4.1.1 Guidelines and Protocol:

- a. Departments will keep the Purchasing Department informed of their current and anticipated activities.
- b. Overlapping duties regarding purchases will be clearly defined in the best interest of the District.
- c. If the material or equipment requested is not readily available or its price is such that significant savings can be realized through alternatives, the alternative that is in the best interest of the District shall be selected.
- d. Policies and procedures of the District's Purchasing Manual will be followed.
- e. The Purchasing Department will notify interested departments on matters related to shortages, new products, discontinued products or anything else that directly affects the performance of the interested department, the Purchasing Department, or the District.

4.2 VENDOR INVOLVEMENT

Through the Purchasing Department's contact with vendors, it is in a position to develop or diminish the District's reputation and/or vendor/District relationships. The District promotes a fair and aggressive purchasing manner that results in positive vendor relationships. To accomplish this, the District has established the following standardized guidelines and protocols.

4.2.1 Guidelines and Protocol:

- a. All competition between suppliers is to be kept open and fair.
- b. Advantages through vendor errors shall be declined.
- c. Revision of bids after submission shall not be accepted.
- d. Materials not strictly up to specification that may be usable without sacrifice shall be reviewed.
- e. Bids shall only be solicited from those vendors with whom the District intends to do business.

- f. The District shall not be obligated to any particular vendor.
- g. Vendor locations may be visited to promote product and vendor knowledge.
- h. Transactions and communications with vendors shall be truthful yet shall not divulge sensitive or confidential information related to competition.
- i. Vendor questions, calls or correspondence shall be answered promptly and in a manner that maintains fair competition.

Section 5 – Legal Considerations Regarding Purchasing

5.0 PURPOSE:

To provide understanding and direction related to legal considerations within the purchasing function of the Otay Water District.

5.1 GENERAL:

The District has designated that the Purchasing and Facilities Manager has the authority to act fiducially as its agent with regard to the purchase of materials, supplies, and services. This designation is referred to as Law of Agency. As such, the Purchasing and Facilities Manager binds the District to whatever buying decision is made and makes the District responsible for any purchase order issued under his/her limits of authority. In addition to acting in the best interest of the District, the Purchasing and Facilities Manager must ensure that various Federal and State statutes governing purchasing and interstate commerce are complied with. For these reasons, consultation with the District's legal counselor shall be made whenever there is a question concerning anti-trust implications, warranty, risk of loss and rights and remedies of the District.

Section 6 – Types of Purchases

6.0 PURPOSE:

To provide standardized procedures for the purchase of consulting, construction, materials, goods, and services within the Otay Water District.

6.1 GENERAL:

The District recognizes the varying levels of complexity within the purchasing function and the need to establish standardized procedures to administer the various types of purchases made within the District.

6.2 PROCEDURES:

6.2.1 Construction Services (Public Works):

The General Manager, or his/her designee, may award purchase orders/contracts for construction services that are within the authorization limit of the General Manager as set by the Board of Directors. Competitive pricing of construction purchases must be in accordance with the bidding and pricing procedures of the District as outlined in Section 7.2.3 (Pricing/Bidding Requirements) of this manual. Award shall be made to the responsive and responsible bidder who has submitted the lowest bid meeting the requirements and criteria set forth in the invitation to bid. For construction contracts exceeding staff's limit of authorization, a summary of bids together with staff's recommendation for award or possible rejection of bids must be presented to the Board of Directors of the District at a board meeting. Should an award be made, the Board of Directors will authorize staff to execute a contract on behalf of the District. After approval as to form and legality by the District's legal counsel, the successful bidder and the District's representative will sign the contract. A copy of the executed contract shall be promptly provided to the Finance Department for proper accounting review. If after notification, the successful bidder fails to execute the contract within ten (10) days, the bid deposit, made in cash, cashier's check, certified check, or bid bond will be forfeited.

6.2.2 Professional Consulting:

The General Manager, or his/her designee, may award purchase orders/contracts for professional consulting services that are within the authorization limits as set by the Board of Directors. Professional Consulting Services are defined as architectural, Engineering, Environmental and any other service as identified within the California Government Code § 4525-4529. Competitive pricing of consulting services must be in accordance with the bidding and pricing procedures of the District as outlined in Section 7.2.4a (Pricing/Bidding Requirements) of this manual. Award shall be made to the consultant whose response to a request for proposal best meets the District's needs. At the discretion of the Board of Directors or the General Manager, the review of submitted proposals may be made by a Committee established by the Board or the General Manager. For professional consulting contracts exceeding the General Manager's limit of authorization, a summary of bids together with staff's recommendation for award must be presented to the Board of Directors of the District at a board meeting. Should an award be made, the Board of Directors will authorize staff to execute a contract on behalf of the District. After approval as to form and legality by the District's legal counsel, the successful bidder and the District's representative will sign the contract. A copy of the executed contract shall be promptly provided to the Finance Department for proper accounting review.

6.2.3 Cooperative/ Joint Purchases:

The Purchasing and Facilities Manager may utilize cooperative/"piggyback" contracts, multiple award schedules and joint power agreements awarded by Federal agencies, any state, municipality

or public agency to purchase goods and services, up to the General Manager's authorized approval limit or subject to Board of Directors' approval when the General Manager's authority is exceeded. These purchases are exempt from the District's competitive solicitation requirements so long as the contracts, schedules and agreements are solicited in a manner substantially consistent with District purchasing policies. (Rev 2017-05-03)

6.2.4 Emergency Purchases:

In the event of a catastrophic emergency, the guidelines and requirements as set forth in California state statute and in the District's Code of Ordinance shall prevail over those stated herein.

6.2.5 Materials, Goods, Services, and General Consulting:

Purchases of materials, goods and services, the value of which are within the limits authorized by the Board of Directors, may be made by the District's General Manager or his/her designee. Competitive pricing for materials, goods and services must be in accordance with the bidding and pricing procedures of the District as outlined in Section 7.2.2, 7.2.4, 7.2.5, and 7.2.6 (Pricing/Bidding Requirements) of this manual as applicable. Purchases shall be made from the bidder whose bid best meets the District's requirements and needs as set forth in the invitation to bid or request for quotation. The Board of Directors of the District must authorize purchases exceeding the General Manager's authorized approval limit. At a meeting of the Board of Directors, a summary of bids together with staff's recommendation for the award of a contract/purchase order or the rejection of bids shall be presented. Should an award be made, the Board of Directors of the District will authorize staff to execute a purchase order/contract on behalf of the District.

6.2.6 Petty Cash:

The primary purpose of petty cash funds is to reduce costs associated with purchases and expenses in accordance with the District's financial policies.

6.2.7 Sole Source Purchases:

Other than contracts for construction, alteration or repair of District facilities, a contract may be awarded for materials, goods, services, or general consulting without competition when the District's General Manager or the Board of Directors determines that either the product is designated to match others in use on a particular public improvement, is a unique or novel product application required to be used in the public interest, or where only one brand or trade name is known. Sole source purchases may be made by the District's General Manager provided the value of the purchase is within the limits authorized for the General Manager by the Board of Directors of the District and the reason for the sole source authorization is documented by the General Manager and retained in accordance with District's record's retention policy. The Board of Directors of the District must authorize sole source purchases exceeding the General Manager's authorized limit. At a meeting of the Board of Directors, staff will present the bid submitted together with a recommendation requesting an award of purchase order/contract to the vendor identified as the sole source. Should an award be made, the Board will authorize staff to execute a purchase order/contract on behalf of the District.

6.2.8 Blanket Purchase Orders:

Blanket purchase orders are issued to reduce administrative and operational costs, inventories and paperwork and may be issued for regularly purchased materials, supplies and services. Should a blanket purchase order be issued, the order shall include a description of each material, supply and/or service requested, a unit price for each, the period of time the order shall be in effect, and a statement obligating the vendor to deliver all or a specified part of the District's usage requirement upon receipt

of an authorized release from the District. Not included on the blanket purchase order are specific quantities. Instead of specific quantities, the blanket purchase order shall list an estimate of the quantity of each item that will be used for the period to which the blanket purchase order refers. Blanket purchase orders may not be issued for a period of time exceeding one year unless authorized by the General Manager.

6.2.8.1 Guidelines for Issuing Blanket Purchase Orders:

- a. Blanket purchase orders may only be issued, changed, or revoked by the Purchasing and Facilities Manager or the General Manager.
- b. Competitive pricing and vendor selection for blanket purchase orders shall be in accordance with the policies and guidelines as set forth in this manual.
- c. The Board of Directors must authorize blanket purchase orders exceeding the General Manager's authorization limit. At a formal meeting of the Board of Directors, a summary of the requested blanket purchase order(s) shall be presented. The summary shall include a description of the materials, supplies, and services required, and total order pricing. Should the Board approve the blanket order(s), they will authorize staff to issue a blanket purchase order on behalf of the District.

6.2.8.2 Guidelines for the Use of Blanket Purchase Orders:

- a. The supervisor of the employee receiving materials, services, and/or goods released against a blanket purchase order will write the account code/work order information, sign (attesting that the release is authorized and that all goods/materials/services were received and accepted) and forward the receiving (packing slips) document to the Finance Department. Processed shipping documents (coded and signed) must be submitted to the Finance Department no later than the end of next workday from the date items were received.
- b. In the event that invoiced unit pricing exceeds the unit price indicated on the blanket purchase order, Purchasing will contact the vendor requesting that a corrected invoice be sent to the District and notify them that payment will be withheld pending the receipt of the corrected invoice.
- c. Should the ordering individual wish the warehouse to take delivery of items released under a blanket purchase order, notification must be given to warehouse staff. Said notification should be made by written memorandum or through e-mail or other electronic form and must include information on the purchase order number assigned to the purchase, what and when goods are to be delivered, and who will ultimately receive the goods.

Section 7 – Pricing/Bidding Requirements

7.0 PURPOSE:

To provide requirements, policies, and guidelines for the pricing/bidding of purchases within the Otay Water District.

7.1 GENERAL:

It is the District's policy to request competitive pricing from responsible vendors for all purchases exceeding \$10,000. Pricing, although important, is not the only factor in determining the overall cost and value of a product. Quality, service and delivery are factors that must also be considered when comparing quotations. It is by weighing these factors that an intelligent decision can be made to purchase the product with the greatest value for the least overall price. (Rev 2017-05-03)

7.2 REQUIREMENTS:

7.2.1 Formal Advertising:

Public works purchases, as defined in the State of California's government and contract code, shall follow the procedure outlined under the California Uniform Public Construction Cost Accounting Act (CUPCCAA) (Sect 22000 et seq. of the California Contract Code and as set by the California Uniform Construction Cost Accounting Commission (CUCCAC). Solicitations must contain a brief description of the goods or services required, state where prospective bidders may obtain plans and specifications and make any required deposits, state the time and place of the bid opening, and state that the District reserves the right to reject one or all bids. (Rev 2016-09-07) (Rev 2016-09-07)

7.2.2 Quotations:

For purchases greater than \$10,000, excluding public works subject to CUPCCAA or formal bidding, a minimum of three competitive quotations must be obtained. Quotations received may be in written or oral form. Should oral quotations be received, written documentation must be made identifying the bidder's name, contact name, telephone number, the date of the quotation and the price bid. Should three quotations not be obtainable, documentation in the form of a notation of memorandum must be provided and attached to the purchase requisition. Where only one price is obtainable, the actions taken to obtain competitive pricing shall be documented and attached to the purchase requisition and the purchase may be made and the requirements of this section shall be satisfied. (Rev 2016-09-07) (Rev 2017-05-03)

7.2.3 Public Works - Construction

Public work purchases equal to or exceeding what is authorized under the California Uniform Public Construction Cost Accounting Act (CUPCCAA) (Sect 22000 et seq. of the California Code and as set by the California Uniform Construction Cost Accounting Commission (CUCCAC) must be formally advertised and sealed bids received. (Rev 2017-09-07)

The Purchasing and Facilities Manager or the General Manager's designee, in conjunction with the project manager, and where appropriate, the District's legal counsel, shall publicly open all sealed bids and tabulate the results. The bid tabulation, along with a recommendation for award contract or possible rejection of bids, shall be forwarded to the District's General Manager.

In the event that the value of the purchase exceeds the General Manager's signatory authority, a summary of bids shall be presented together with staff's recommendation for an award of contract or possible rejection of bids to the Board of Directors of the District during a formal board meeting. The Board of Directors will then authorize the execution of the contract on behalf of the District.

Award shall be made to the responsive and responsible bidder who has submitted the lowest bid meeting the requirements and criteria set forth in the invitation to bid. After approval as to form and legality of the contract documents by legal counsel, the successful bidder and the appropriate District representative(s) shall execute the contract. A copy of the executed contract shall be promptly provided to the Finance Department for proper accounting review.

7.2.4 Request for Proposals:

- a. For the Solicitation of Professional Consulting (Engineering): (Rev 2016-09-07)

The General Manager, or his/her designee, will establish a review panel to evaluate and rank submittals (proposals) using criteria published in the Request for Proposals package. Documents, invitations, and evaluation of submittals for professional consulting services shall be made in compliance with Government Code Section 4526-4529 and District Policy #21 – Policy for Selection of Professional Consultants.

- b. For the Solicitation of General Consulting and Services:

The General Manager, or his/her designee, shall determine the method for soliciting and evaluating proposals for general consulting and services. The request for proposal must be in written form and must provide sufficient information to clearly identify the work required and provide respondents with a clear understanding of the District's needs, work specifications, expectations and the criteria that will be used to evaluate submittals.

7.2.5 Two Step Bidding:

Where it is considered impractical to initially prepare a purchase description to support an award on price, a request for proposals may be issued requesting the submission of not priced technical proposals. This will be followed by an invitation for bids limited to those bidders whose technical proposals meet the requirements set forth in the first invitation.

7.2.6 Purchases Exempt from Competitive Pricing:

The following contract/purchases are exempt from competitive pricing:

1. With Federal, State or Local Agencies,
2. Temporary labor services to fill time-limited employment needs,
3. For the sole purpose of obtaining expert witness for litigation, and
4. That are for legal defense, legal advice, or legal services.

7.2.7 Emergency Purchases:

During times when the General Manager has declared an emergency, where the immediate acquisition of materials, goods, and services is required, the purchase of needed materials, goods, and services shall be made in accordance with California state statutes and per the District's Code of Ordinances.

7.2.8 Board Authorized Purchases Exceeding the General Manager's Authority: (Rev 2017-05-03) (Rev 2017-08-02)

- a. The General Manager or his/her Designee is authorized to exceed his/her delegated purchasing authority under Section 2 of the Code of Ordinance and purchase the following goods and services without Board approval so long as the overall Board Approved District Budget for Labor and Benefits, Materials and Maintenance and Administrative expenses is not exceeded:
 1. Temporary labor services
 2. Fuel, gasoline and diesel
 3. Sewage Transportation and Processing
 4. Water Meters
 5. Service and maintenance of the District's Board adopted sole source Enterprise Resource Planning (ERP) System, Tyler Eden
 6. Service and maintenance of the District's Board adopted sole source Geographic Information System, Environmental Systems Research Institute (ESRI)/GIS
 7. Medical Service Benefits, Property Liability Insurance and other products and services as provided by Special District Risk Management Authority (SDRMA)
 8. Regulatory Fees
 9. Service and maintenance of the District's Board adopted sole source Cityworks® work and asset management system.
 10. Service and maintenance of other Board adopted sole and single source enterprise systems, infrastructure and services.
 11. Mount Miguel Antenna Site Lease Agreement and Addendums

- b. The General Manager or his/her Designee is authorized to exceed his/her delegated purchasing authority under Section 2 of the Code of Ordinances and purchase the following goods and services without Board approval so long as the amounts are commensurate with the District's water revenues for the same time period:
 1. Water
 2. Gas and electric utility for the operation of the District
 3. Chemicals and gasses for the treatment of potable and recycled water.

Section 8 – Change Orders

8.0 PURPOSE:

To provide guidelines for the initiation and approval of contract change orders within the Otay Water District.

8.1 GENERAL:

Change orders may be initiated by the contractor/vendor or by the District. The District's General Manager or his/her designee must approve change orders as defined in the District's Code of Ordinances, Section 2.01e. The Board must approve change orders exceeding the General Manager's authorized limit. Only written change orders are allowed.

Section 9 – Authorization to Purchase – Signatory Authority

9.0 PURPOSE:

To provide guidelines and protocol for establishing signatory authority for the approval of purchases within the Otay Water District.

9.1 GENERAL:

The Board of Directors of the District has sole signatory (ability to sign contracts and approve purchases) authority within the Otay Water District. The Board may, at a regularly scheduled board meeting, establish signatory authorization limit(s) for the General Manager as defined in the District's Code of Ordinances, Section 2.01c-e. The General Manager at his/her discretion may delegate his/her signatory authority, as he/she deems necessary. Other than as identified in Section 7.2.8 of this Manual, "Board Authorized Purchases Exceeding the General Managers Authority", delegated authorization limits may not exceed those established by the Board for the General Manager. Delegated authorization must be documented in the form of a memorandum, signed by the General Manager. Included in the memorandum must be a listing of individuals and/or job classification to whom signatory and purchase approval authority has been delegated and the maximum dollar value(s) of said authority. Copies of the memorandum shall be provided to the District's senior management team and to the Purchasing and Facilities Manager. The General Manager at his/her discretion may allow the Department Chiefs to delegate their signatory authority, as they deem necessary within their departments.

(Rev 2017-08-02)

Section 10 – Documentation of Purchases

10.0 PURPOSE:

To provide standardized guidelines and procedures for documenting the authorization, pricing and award of contracts within the Otay Water District. All purchases exceeding petty cash limit, excluding purchases identified as exempt from this requirement under “Purchases Exempt from Purchase Order Requirement”, shall be required to be documented as prescribed herein.

10.1 GENERAL:

As a public agency, the fundamental practice of documenting purchases must be followed. The documentation must provide a record of vendor name, address, contact and telephone number, pricing, authorized purchase approval(s), terms and conditions, consideration, placement of order, receipt of order and authorization of payment. Documentation will be made on a “purchase requisition” form (printed or electronic) together with a purchase order/contract (printed or electronic).

10.2 PROCEDURE:

- a. A “Purchase Requisition” (requisition) form is an internal control document. It shall be used to record vendor name, address, contact and telephone number, authorized purchase approval(s), pricing, quantities and special terms and conditions. Documentation of competitive pricing may be in the form of a memorandum or note attached to the requisition. For purchases requiring the use of formal bidding/advertising, the bids received will be retained in accordance with the District’s record retention policy. The requisition may be in written or electronic form provided that it is standardized, and immutable.
- b. When complete, the requisition will be used to produce a purchase order/contract. A copy of the completed purchase requisition will be retained in accordance with the District’s record retention policy.
- c. The purchase order/contract represents a written agreement between the District and the Vendor. In addition to identifying the District and Vendor, it is used to document terms and conditions.
- d. The purchase order/contract will be in a form as approved by the District’s legal counsel.
- e. The purchase order form shall be the used as the District’s primary contract document for material, service, and supply purchases. Typically, purchases of professional engineering services, consulting and major construction require contracts in a form other than a purchase order. In the event a contract in a form other than a purchase order is used, the District’s counsel shall approve it as to form. A purchase order may be issued for control purposes to supplement a contract. In this event, the purchase order will reference the contract document as representing the agreement between the District and vendor.

10.2.1 Purchases Exempt from Purchase Order Requirement:

- a. The Board has identified the following purchases as exempt from the requirement of a written purchase order/contract:
 1. Travel and meeting advances and reimbursements
 2. Purchases less than the petty cash limit
 3. Prepaid travel expenses, i.e., airfare and hotel
 4. Utilities
 5. Television and satellite service

6. Meal reimbursements
 7. Telephone usage charges, including wireless telephones and pagers
 8. Postage
 9. Classified, legal, and display advertising
 10. Petty Cash purchases
 11. Mileage reimbursement
 12. Memberships and dues
 13. Subscriptions and books
 14. Permits and fees
 15. Customer refunds
 16. District credit card reimbursements
 17. Employee awards, incentives
 18. Employee educational reimbursements
 19. Seminars and training
 20. Purchases made utilizing Cal Card
 21. Contracts or letters of agreement as approved by the General Manager or the Board of Directors
- b. Completed purchase requisitions may be required, as determined by the General Manager or his/her designee.

Section 11 – Special Considerations

11.0 Exceptions to Purchasing Procedures:

In specific instances, such as Federal Grants and Assessment Districts, there may be specific requirements in the contract or ordinance relating to the expenditure of such funds. The conditions of such agreements and ordinances shall take precedence over the procedures established in this manual.

11.1 Bonding:

- a. In addition to any required bid deposit or bond, all construction contracts in excess of \$35,000 shall require:
 - 1) A PERFORMANCE BOND in the amount of 100% of the contract price, and
 - 2) A LABOR AND MATERIALS BOND in the amount of not less than 50% of the contract price.
- b. For construction contracts under \$35,000, bonding shall be in accordance with District Policy No. 31, Encouraging Disadvantaged Business Enterprise Firms.

11.2 Encouraging Emerging Business Enterprise:

The District's purchasing practices shall reflect the requirements set forth in District Policy No. 31, Encouraging Disadvantaged Business Enterprise Firms.

11.3 Insurance:

- a. General, Automobile, and Errors and Omissions:

All contracts shall have a requirement for general, automobile, and errors and omissions insurance as applicable to the type of service or work contemplated. The amount and type of insurance required for each type of contract shall be at the discretion of the General Manager in an amount so as to indemnify the District from loss.

- b. Workers' Compensation:

All public works contracts shall have a requirement for workers' compensation insurance in an amount as required by law. Additionally, all non-public works contracts shall require workers' compensation insurance coverage in an amount sufficient to indemnify the District from loss.

11.4 Invoicing:

Financial obligations of the District are normally settled on a Net 30 day payment basis. All invoices submitted to the District must include:

- 1) The vendor's name, business address and date,
- 2) The District's purchase order/contract number and the vendor's invoice number,
- 3) The shipment date and/or the date of service,
- 4) The terms of sale and applicable payment discounts,
- 5) An itemized description of materials purchased or services performed, including quantities, unit prices, discounts, extensions, and other charges as specified in the purchase order/contract,

6) Sales and other taxes and freight charges, itemized separately or as specified by the District.

11.5 Receiving, Inspection and Acceptance:

- a. All materials, supplies or services furnished shall be exactly as specified, free from all defects and shall be subject to inspection and testing by the District. The method of inspection to be used in any particular procurement shall be commensurate with the specific quality and specification requirements. The Purchasing and Facilities Manager shall be notified immediately if any materials, supplies or services do not conform to specification. In such cases, the Purchasing and Facilities Manager shall take appropriate action to protect the interests of the District.
- b. Receiving shall be documented on the receiving copy of the purchase order or other electronic form. When all materials, supplies and/or services have been received, the receiving staff will forward the vendor's shipping document(s) to the Finance Department and indicate (in writing or electronically) that the materials, supplies and/or services have been accepted and that the purchase order is authorized for payment.

11.6 Specifications:

- a. All purchases of materials, supplies and services shall meet the requirements as published by the District in "Standard Specifications for Water and Sewer Construction".
- b. The requesting person shall define specifications for materials, supplies and services not addressed by the above referenced publication. The specification shall include information such as brand or trade names, description of material or method of manufacture, description of performance, purpose and use, physical and chemical properties, and any other information needed so as to give the purchasing department enough information to purchase correctly. For purchases requiring a written specification, it shall be the requisitioning staff's responsibility to provide a complete specification document.
- c. All specifications shall be drafted so as to assure the maximum practicable competition for the District's needs.

11.7 Inventory:

General Manager or his/her designee shall identify District property to be inventoried and shall insure that periodic inventory reconciliation is performed.

Section 12 – Disposal of Surplus Property

12.0 PURPOSE:

To provide a standardized method for disposing of materials, supplies and other property, excluding real property, that is surplus to the needs of the District.

12.1 GENERAL:

- a. It is staff's responsibility to keep the District's inventories as low as possible and to standardize materials, supplies and equipment in order to minimize the number of articles carried in stock while
- b. Surplus Items - The General Manager shall develop, on an as need basis, an inventory of properties that are surplus to the District's needs. The General Manager or his/her designee may declare items with a residual value less than \$10,000.00 as surplus to the needs of the District and authorize their disposal. Where the residual value of an item exceeds \$10,000.00, only the Board of Directors may declare the property surplus and authorize its disposal.
- c. Items of Little or No Value – Items that have no value to the District and little or no value in the market place except as scrap or for a purpose other than its originally intended use, the General Manager or his/her designee shall have authority to declare said properties trash or scrap and

12.2 PROCEDURE:

Once property has been declared surplus it shall be the responsibility of the Purchasing and Facilities Manager, in a manner provided herein and approved by the General Manager, to dispose of the surplus property. All property shall be disposed of "as is-where is", with no warranty or guarantee as to serviceability or usability and where applicable, paid in full in U.S. currency prior to delivery. District property tags shall be removed from the surplus property prior to its disposal. District employees, as private individuals, may purchase District surplus property by participating in auction sales as prescribed in Section 12.2.1 Auction Sale.

12.2.1 Auction Sale:

- a. Disposal of surplus property may be accomplished through auction sale.
 - 1) *Through consignment* of items to a vendor, a private auctioneer, licensed and bonded to do business in San Diego County, to sell on behalf of the District. Where authorized by the General Manager, the Purchasing and Facilities Manager shall enter into an agreement with the vendor that has the potential of generating the most market interest and, therefore, the highest net proceeds for the District. The consignment vendor shall, at its expense, advertise the item for sale and shall accept offers for the District, with the District having final acceptance authority.
 - 2) *By advertising* for sale in a newspaper of general circulation or in any other manner approved by the General Manager. Newspaper ads shall be placed at least two (2) weeks prior to the sale date and shall identify the property for sale. Sealed bids will be solicited unless otherwise directed by the Purchasing and Facilities Manager and the property will be sold to the highest bidder.

Bid security shall be provided by requiring that a ten percent (10%) guarantee accompany each bid or aggregated bid. Such bid security shall be in the form of a certified check, cashier's check, or money order payable to the order of the District. Payment of the balance of the total

bid must be made by the successful bidder within twenty-four (24) hours after the award. In the event the successful bidder fails to pay the balance of his bid, the bid security will be forfeited and the award will be made to the next highest responsible bidder.

The successful bidder shall be responsible for all required permits, fees and licenses. The property shall be removed from District premises in a time frame established by the Purchasing and Facilities Manager.

- 3) *By participation in a joint municipal/public agency public auction.* Where authorized by the General Manager, the District may dispose of surplus property through participation in a joint municipal/public agency auction.

12.2.2 Sale to Federal, State, and Local Municipalities and Governmental Agencies:

- a. Where it is in the best interest of the public, surplus property may be sold by the Purchasing and Facilities Manager to municipalities and government agencies in accordance with the follow guidelines. The Purchasing and Facilities Manager shall give preference to local governmental agencies located within the District's boundary.

- 1) If the estimated fair market value, as determined by the Purchasing and Facilities Manager, does not exceed \$10,000, a negotiated sale may be conducted with the governmental agency and sale of the item concluded at the price determined to be a fair and reasonable market price for the item.
- 2) If the estimated fair market value, as determined by the Purchasing and Facilities Manager, is greater than \$10,000 but does not exceed \$50,000, the General Manager's approval shall be obtained prior to any sale. Information provided to the General Manager shall, at a minimum, identify the government entity, the rationale behind the sale at the value, and the manner in which the fair market value was determined.
- 3) If the estimated fair market value, as determined by the Purchasing and Facilities Manager, is greater than \$50,000, Board approval shall be obtained prior to any sale. Information provided to the Board shall, at a minimum, identify the government entity, the rationale behind the sale at that value, and the manner in which the fair market value was determined.

12.2.3 Sale to Republic of Mexico, U.S. Municipalities and Government Agencies:

- a. When the District has declared items surplus to its needs and the Purchasing and Facilities Manager has determined that the item(s) should be sold in accordance with the guidelines contained herein, such item(s) may be sold to Republic of Mexico, U.S. municipalities and/or government agencies under the following guidelines:
 - 1) Prior to consummating any sale to a Republic of Mexico, U.S. municipality and/or governmental agency, the Purchasing and Facilities Manager shall ensure that right of first refusal for known requirements is offered to local governmental agencies.
 - 2) The Republic of Mexico, U.S. municipality and/or governmental agency shall forward to the Purchasing and Facilities Manager, a written official request which provides the following information:
 - a. Name and address of municipality or governmental agency.
 - b. Name and telephone number of responsible official who can consummate a resulting sale agreement and sign appropriate sale documents.
 - c. Description and quantity of surplus property items desired.
 - d. Statement as to how the items requested will be used by the requesting municipality or governmental agency.
 - 3) If the estimated fair market value, as determined by the Purchasing and Facilities Manager, does not exceed \$50,000, the General Manager's approval shall be obtained. Information provided to the General Manager shall, at a minimum, identify the government entity, the rationale behind the sale at that value, and the manner in which the fair market value was determined.
 - 4) If the estimated fair market value, as determined by the Purchasing and Facilities Manager, is greater than \$50,000, Board approval shall be obtained. Information provided to the Board shall, at a minimum, identify the government entity, the rationale behind the sale at that value, and the manner in which the fair market value was determined.

12.2.4 Donation of District Surplus Property to Municipalities, Governmental Agencies, and Charitable Organizations:

- a. Where it is in the best interest of the public, surplus District property of no or De Minimus value, where proceeds of the sale of the property will be less than the cost of the sale of the property, may be donated under the following guidelines to municipalities, governmental agencies, and charitable organizations in lieu of discarding such property:
- b. The District's Purchasing and Facilities Manager shall first assess the value of the item and the cost of disposal and make a determination that the item has no value or De Minimus value.
- c. The requesting municipality, public agency, or charitable organization shall forward to the Purchasing and Facilities Manager a written donation request, approved by its governing board or chief operating officer, which includes the following minimum information:
 1. Name and address of municipality, agency, or charitable organization.
 2. Name and telephone number of responsible official who will accept the donation, if approved, and sign appropriate donation documents.
 3. Description and quantity of surplus property items desired.
 4. Statement as to how the items requested will be used by the requesting public agency.
 5. Proof of charitable status (501 (C)) organizations as applicable.
- d. Donation of surplus items requested shall be made to requesting entities giving priority to entities as follows:
 1. Public agencies within the District's boundary
 2. Public agencies outside of the District's boundary
 3. Charitable organizations within the District's boundary
 4. Charitable organizations outside of the District's boundary
- e. Donation of District owned surplus property of no or De Minimus value may be approved by the Purchasing and Facilities Manager when the estimated total fair market value of the donation, as determined by the Purchasing and Facilities Manager, does not exceed either \$25 per item or \$500 per lot.
- f. Donation of District owned surplus property of no or De Minimus value may be approved by the General Manager when the estimated total fair market value, as determined by the Purchasing and Facilities Manager, does not exceed \$10,000.
- g. Donation of District owned surplus property of no or De Minimus value, where the total estimated fair market value of the donation, as determined by the Purchasing and Facilities Manager, exceeds \$10,000 shall be made by the Board.
- h. For the purpose of this policy, charitable organizations shall mean a non-profit organization exempt from taxation under the provisions of the Internal Revenue Code, 26 U.S.C. 501 (C), whose primary purpose is public service or a Republic of Mexico registered public organization promoting economic and social well-being in the border region.
- i. In consideration for the donation and as a condition of transfer, the recipient of the donated surplus shall execute a release and indemnification agreement satisfactory to the District's General Counsel.

12.2.5 Exchange or Trade-In:

Where deemed by the Purchasing and Facilities Manager to be in the best interest of the District, the surplus property may be exchanged or traded in on new supplies and equipment. Trade-in values must be documented and retained in accordance with the District's records retention policy.

12.2.6 Disposal as Scrap:

In the case of surplus property that has been determined by the General Manager or their designee to be trash or scrap with no or De Minimus value, and where no governmental or non-profit organization expresses interest in the item, the Purchasing and Facilities Manager may dispose of the property in any manner deemed appropriate. Where property is disposed of as scrap, full records of such disposal shall be kept.

Section 13 –Credit Cards

13.0 PURPOSE:

To provide procedures and guidelines for the issuing and use of credit cards and for the administration of the Cal-Card Program within the District.

13.1 GUIDELINES:

- a. The General Manager is authorized to be issued and to issue credit cards and to establish revolving credit accounts with vendors where it is in the best interest of the District, in accordance with applicable statutes and laws.
- b. Where feasible, the issuing of credit cards shall be through the State of California Cal Card Program.
- c. Use of credit cards shall be limited to appropriate purchases as defined herein.
- d. Purchases utilizing credit cards shall be made in accordance with this policy and established purchasing procedures and guidelines as defined in the District's Purchasing Manual. This includes, but is not limited to complying with the District's requirements related to authorization and pricing/ bidding.
- e. The intent of utilizing credit cards, and in particular Cal-Card credit cards, is to:
 1. Reduce costs associated with the accounts payable function,
 2. Reduce payment time to District suppliers,
 3. Provide a means to take advantage of time sensitive price discounts,
 4. Enhance District operations and reduce cost,
 5. Reduce dependency on petty cash disbursements,
 6. Provide for expedient purchases during emergencies.

13.2 DEFINITIONS:

- a. Cal-Card Program: A system developed by the State of California (under Governor Wilson's Executive Order W-73-94) designed to facilitate public credit card purchases up to \$50,000.
- b. I.M.P.A.C. Government Services (IMPAC): Credit Card provider contracted with the State of California, through a Master Service Agreement, to provide Visa Credit Card service; maintain master file and account for each card holder; send monthly statements to each cardholder, approving official, and agency or district accounting office.
- c. District Representative: The District's contact person for program and accounting office functions; determines which District personnel receives cards; establishes card limits including purchase restrictions; establishes District's procedures and guidelines for participation in the Cal-Card Program.
- d. Cardholder: Person(s) designated by the District's Representative as being authorized to make purchases using credit cards and/or the Cal-Card Program within District procedures and guidelines.
- e. Approving Official: Person(s) designated by the District's Representative to review, approve, and/or certify monthly cardholder billing statements and adherence to District purchasing and budgetary procedures; forwards monthly statements to the District's

accounting office.

- f. Accounting Office Representative: Person designated within the District to receive and process credit card statements and documentation.
- g. Credit Card Limit: The transaction and spending limit established by the District Representative for a Cardholder.

13.3 PROCEDURE:

Purchases made utilizing credit cards and/or Cal-Cards shall comply with the District's requirements, guidelines and procedures as defined within the District's Purchasing Manual.

13.4 APPROPRIATE PURCHASES:

- a. The General Manager or his/her designee shall determine which goods and services are appropriate for purchase using credit cards and may, in the best interest of the District, restrict where, when and how credit cards are utilized. The value of a purchase made using credit cards is limited to the signatory authority of the General Manager and must be categorized as one of the following:
 - 1. Exempt from the requirement of a purchase order/contract,
 - 2. Made under the auspices of a blanket purchase order,
 - 3. Documented and approved in a form approved by the General Manager,
 - 4. Made under an emergency declared by authority of the General Manager.

13.5 RESPONSIBILITIES UNDER THE CAL CARD PROGRAM:

13.5.1 District's Representative:

- a. The General Manager or his/her designee is the District's Representative relative to the Cal-Card program.
- b. The District's Representative shall be responsible, for:
 - 1. Completion and processing of State required documentation for participation in the Cal-Card program,
 - 2. Establishment of credit card limits (Credit card limits shall not exceed the purchasing authority of the General Manager as granted by the Board of Directors and those limits established by the General Manager under his/her Signatory Authority Delegation Schedule),
 - 3. Identification of Cardholders, Approving Officials, and Accounting Office Representative,
 - 4. Overseeing of the Cal-Card Program within the District,
 - 5. Insuring adherence to the District's purchasing policies, procedures and practice.

13.5.2 Cardholder:

- a. The Cardholder shall be responsible for:
 - 1. Adhering to the procedures and guidelines set herein,
 - 2. Reviewing his/her monthly statements for accuracy,
 - 3. Retaining, reconciling, and attaching sales slips and, when applicable, approved requisitions to his/her monthly statement,

4. Providing and documenting account code information on monthly statements by transaction,
5. Submitting his/her reconciled statement, with attachments, to his/her Approving Official in a timely manner.

13.5.3 Approving Official:

- a. The Approving Official shall be responsible for:
 1. Adhering to the procedures and guidelines set herein,
 2. Reviewing and approving for payment the monthly statements for those cardholders under his/her supervision,
 3. Insuring that all information required for payment, including account coding, of monthly statements is provided to the Finance Department,
 4. Requesting additional documentation if necessary,
 5. Forwarding all statements to the Finance Department in a timely manner.

13.5.4 Finance Department Representative:

1. The Finance Department Representative shall be responsible for:
 1. Adhering to the procedures and guidelines set herein,
 2. Receiving consolidated monthly statements,
 3. Receiving reconciled statements from Approving Officials,
 4. Reconciling statements in accordance with District procedures and policies governing the accounts payable function.

Appendix

1. Otay Water District Board of Directors Policy No. 21
2. Otay Water District Board of Directors Policy No. 31
3. Otay Water District Memorandum -Signatory Authority Delegation (Revised as necessary by the General Manager)

Revisions

1. Codified October 2009
2. October 2014 –Amend Section 12 - Disposal of Surplus Property by Board action,
3. April 2016 – Amend Section 7.2.8 Board Authorized Purchases Exceeding the General Manager’s Authority by Board action.
4. August 2016 – Correction of minor spelling errors. Board action not required.
5. September 2016 – CUPCCAA adoption. Section 7 – Pricing/Bidding Requirements by Board action.
6. May 3, 2017 - Section 2 – Organization; 6.2.3 Cooperative/ Joint Purchases; Section 7 – Pricing/Bidding Requirements; 7.2.8 Board Authorized Purchases Exceeding the General Manager’s Authority; miscellaneous formatting by Board action.
7. June 7, 2017 – Added: Section 7.2.8, a, 8. Regulatory Fees
8. August 2, 2017 – Modified: Section 7.2.8, a, 7 Liability Insurance and other services added; Added: Section 7.2.8, a, 9. Cityworks, 10. Enterprise Systems, 11. Antenna Lease Agreement; Modified: Section 2 – Organization: Assistant GM deleted; Modified: Section 9 – Authorization to Purchase – Signatory Authority: Assistant GM deleted