

RESOLUTION NO. 10888 (2018 SERIES)

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN LUIS OBISPO, CALIFORNIA, UPDATING THE CITY'S PURCHASING POLICY GUIDELINES

WHEREAS, in the course of conducting City operations it is necessary to purchase a broad range of goods and services; and

WHEREAS, in addition to the requirements of the City's Charter, the Council has adopted policies and procedures as set forth in Chapter 3.24 of the Municipal Code that require the Council to specify by resolution the dollar amount of purchases and contracts requiring the use of either open market or formal bidding procedures, and the level of authority required to authorize solicitations, award contracts or approve Job Order Contract Task Orders; and

WHEREAS, the Council adopted Resolution No. 16021 (2015 Series) which set forth existing purchasing guidelines and authority levels; and

WHEREAS, on December 16, 2014, the City Council amended the *Productivity* section of the City budget policies to include, "Maintaining City purchasing policies and procedures that are as efficient and effective as possible;" and

WHEREAS, the City has contracted to implement a new Oracle Cloud Enterprise Resource Planning (ERP) financial system by October of 2018, which will greatly increase transparency and accountability in City purchasing activities; and

WHEREAS, the subject changes to the Purchasing Guidelines will streamline purchasing processes, while maintaining appropriate checks and balances; and

WHEREAS, Council desires to update existing guidelines to reflect current conditions and implement improved procedures, including implementing a purchase requisition process, adjusting approvals procedures and thresholds and adding guidance on procedures for solicitations, sole source purchasing, emergency purchasing and business license compliance related to purchases.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of San Luis Obispo that:


SECTION 1. The City's Financial Manual purchasing guidelines are hereby amended as set forth in Exhibit A which shall be implemented upon the official go-live date for the Oracle ERP System in October of 2018.

SECTION 2. Resolution Number 10621 (2015 Series) is hereby amended and superseded to the extent inconsistent herewith.


Upon motion of Council Member Gomez, seconded by Vice Mayor Christianson, and on the following roll call vote:

AYES: Council Members Gomez, Pease and Rivoire,
Vice Mayor Christianson and Mayor Harmon
NOES: None
ABSENT: None

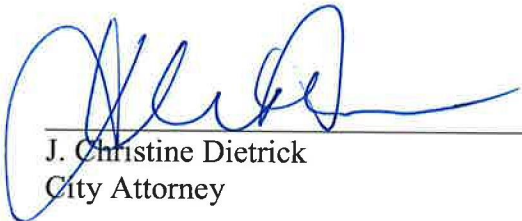
The foregoing resolution was adopted this 1st day of May 2018.


Mayor Heidi Harmon


ATTEST:


Teresa Purrington
City Clerk

APPROVED AS TO FORM:


J. Christine Dietrick
City Attorney

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of San Luis Obispo, California, this 10th day of May, 2018.


Teresa Purrington
City Clerk

Financial Management Manual

Purchasing Policy Update – October 2018



**CITY OF
SAN LUIS OBISPO**

Section 201**INTRODUCTION****OVERVIEW**

The purpose of this chapter is to guide staff members in purchasing goods and services on behalf of the City by establishing responsibilities and authorization levels, outlining statutory requirements, and setting forth the policies and procedures that govern purchasing activities.

These guidelines are not intended to address every issue, exception or contingency that may arise in the course of purchasing activities. Accordingly, the basic standard that should always prevail is to exercise good judgment in the use and stewardship of City resources. Any questions about purchasing activities or proper purchasing process should be referred to the City's Purchasing Division.

PURCHASING SYSTEM OBJECTIVES

Along with three other key policy documents—the City Charter, purchasing ordinance (Chapter 3.24 of the Municipal Code) and purchasing resolution—the policies and procedures set forth in this chapter form the City's purchasing system. This system has been developed in order to achieve the following objectives:

- Secure goods and services at the lowest cost possible commensurate with quality requirements and the City's needs.
- Establish authority, responsibility and accountability for purchasing activities conducted on behalf of the City.
- Ensure appropriate levels of competition and provide an equal opportunity for all qualified vendors to do business with the City.
- Ensure compliance with purchasing policies and procedures.
- Standardize procedures where appropriate to ensure that organization-wide policies and goals are achieved.
- Implement simple yet effective internal control procedures that appropriately support planning, maximize productive use of public funds and protect City assets from unauthorized use.
- Coordinate organization-wide purchasing activities for commonly used items.

Introduction

PURCHASING AUTHORITY

The City's purchasing ordinance delegates purchasing authority to the City Manager as well as any other representatives designated by her or him:

- Developing and prescribing such administrative policies, forms and files as may be reasonably necessary for the internal management and operation of City purchasing policies and procedures.
- Purchasing or contracting for supplies, equipment, services and construction projects as required by the operating departments in accordance with City purchasing policies and procedures.
- Negotiating and recommending execution of contracts.
- Ensuring appropriate levels of competitive bidding for all purchases.
- Ensuring compliance with purchasing policies and procedures.

PURCHASING FUNCTION

The City's purchasing functions is centralized within the Finance Department, Purchasing Division, that coordinates purchasing processes and monitors compliance with the policies contained in this manual. The Purchasing Division is managed by the City's Purchasing Analyst under direction of Finance Director.

The Purchasing Division shall be independent from other departments and the independent exercise of procurement authority is an important piece of the City's overall system of internal controls.

To provide effective purchasing services throughout the City, the Purchasing Analyst shall be tasked with:

- Be aware of the needs of City departments and acquainted with sources and availability of supplies, equipment, and certain services which will best fulfill these needs. This requires an ongoing dialog with City departments in which their needs are discussed and during which Purchasing indicates information required and lead-times necessary to complete procurement transactions.
- Arrange interviews between suppliers and representatives of the various City divisions to discuss specific needs.
- Coordinate bidding processes in compliance with these Policies.
- Purchase all items at pricing and terms most advantageous to satisfy the normal needs of the City for a reasonable length of time.
- Process purchasing requests as expeditiously as possible, in a manner consistent with these Policies.

General responsibilities for setting and implementing purchasing system policies and procedures

are summarized in Exhibit 201-A.

PURCHASING SYSTEM OVERVIEW

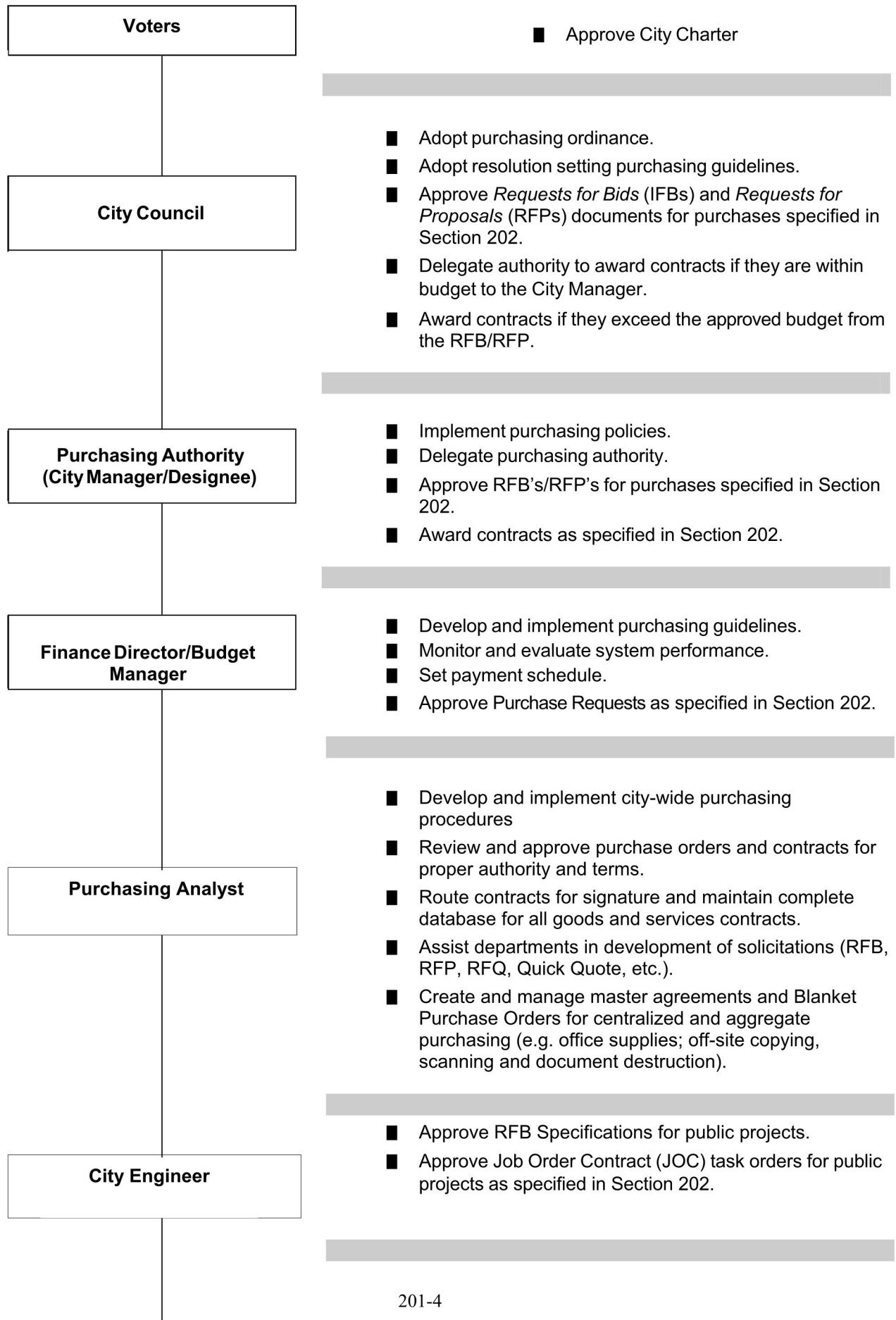
Regardless of the type of item or service being acquired, virtually every purchase transaction goes through seven distinct stages in varying degrees:

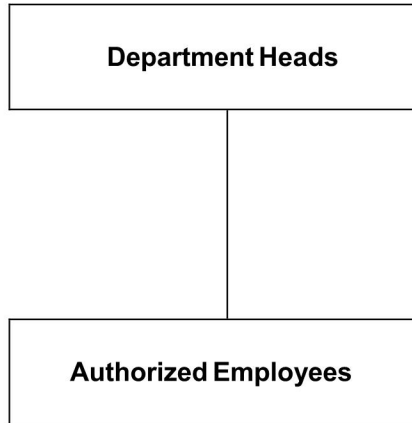
- Assessing and determining resource needs.
- Developing specifications.
- Soliciting and evaluating quotations, bids or proposals.
- Selecting the best proposal.
- Awarding the contract or purchase order and authorizing work to proceed.
- Receiving and inspecting goods or services to ensure they conform with specifications.
- Paying the vendor when contract terms have been met.

The type of purchase as well as its estimated cost determine the formality with which each stage is completed and documented. For this purpose, the City has identified five basic types of purchases:

- **General Goods Purchases.** Contracts and purchases for supplies and equipment, including basic IT equipment.
- **General Services Purchases.** Contracts and purchases for operating and maintenance services, including basic IT maintenance services.
- **IT Systems Purchases.** Contracts and purchases of large-scale IT systems.
- **Public Projects.** Construction, reconstruction, erection, alteration, renovation, improvement, demolition, painting, repainting, and repair work involving any publicly owned, leased, or operated facility (Public Contract Code 22002c).
- **Consultant Services.** Professional work provided to the City by specially trained and experienced individuals or firms regarding economic, financial, engineering, planning, architectural, environmental, legal or administrative matters.

Procedural categories, purchasing authority levels and features for each of these purchase types are summarized in Exhibit 202-A.

Purchasing System Responsibilities**Exhibit 201-A**



- Develop and implement departmental purchasing procedures.
- Delegate departmental purchasing authority.
- Approve departmental Purchase Requests and award departmental contracts as specified in Section 202.

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- Purchase, receive and pay for goods and services in accordance with City and departmental guidelines.
 - Approve invoices or payment requests for departmental purchases.
 - Notify potential vendors/contractors of City Business License requirement
 - Maintain required purchasing records.
 - Manage departmental inventories.

Section 202**PURCHASING PROCESS****PERMITTED PURCHASING METHODS**

There are three methods for departments to use to acquire goods and services:

- 1) Purchase Requisition/Purchase Order
- 2) City Credit Card (Purchasing or P-Card)
- 3) Emergency Purchases

For small or recurring purchases, the City encourages authorized employees the use of the City P-Card (See Section 275). Exceptions to this rule may be set forth by Accounting Procedures Section of the Financial Manual allowing the City Finance Department and/or Fiscal Officers payment with credit card for specific purchases. For all other purchases, departments must use the requisition process defined below:

Purchase Type	Dollar Threshold	Requirements
Purchase Requisition	\$0 – Unlimited	Must obtain all approvals required in this Section below
P-Card	\$0 – \$5,000*	Not Permitted for large purchases, purchases for services, Capital Items
Emergency Purchase	NA	ONLY if there is an immediate and serious need for equipment, supplies, or services that cannot be met through normal purchasing procedures and where the lack of such equipment, supplies or services would seriously threaten the functioning of City government, the preservation of property, or the health or safety of any person;

* Limit can be raised with Department Head approval.

PURCHASE REQUISITIONS AND PURCHASE ORDERS***Purchase Requisitions***

All Purchase Requisitions, with the exception of purchases with a P-Card or Emergency Purchases, must be done through a Purchase Requisition. A Purchase Requisition is an internal document

(electronic form) created in the City's financial system that:

- Initiates an order by one or more departments;
- Identifies the equipment, materials, supplies, goods or services required
- Identifies the specific funds (account codes) that will be used to pay for the order
- If known, identifies recommended or potential vendors, or leaves vendor selection up to Purchasing
- Is approved by appropriate City representatives to grant budget authority to make the purchase
- Upon approval, allocates or pre-encumbers funds to support the purchase.

All purchase requisitions will be entered into the financial system by the purchase requestor. The requestor will be responsible for entering and validating the accuracy of the following:

- 1) Item/services description
- 2) Quantity
- 3) Price, or if price is not known, budgeted or estimated amount*
- 4) Commodity Code
- 5) Account code
- 6) Vendor (if known)
- 7) List all other required information
- 8) Attached Supporting Documents (attach all applicable):
 - a. Quotes/Proposals
 - b. Quote Summaries/Comparisons
 - c. Agreement (Standard Agreement, On-Call Agreement, Cooperative Agreement)
 - d. JOC Task Order
 - e. RFP/RFB package
 - f. Sole Source Approvals
 - g. Council Action Report for Council approval

Purchase Requisition Process

Departments must submit requisitions in the ERP system. Purchase Request approval levels are determined by which tier a specific purchase falls into, which is determined by the purchase type and value. See Exhibit 202-A for purchase tier thresholds.

Purchase Requisition Approvals & Solicitation Requirements

Tier	Solicitation Required	Level 1 Approver	Level 2 Approver	Level 3 Approver	Level 4 Approver	Purchasing Involvement
1	None	Fiscal Officer	None	None	None	None
2	Informal Quotes*	Fiscal Officer	Department Head	None	None	Assist with Quotes when requested
3	Formal Bidding*	Fiscal Officer	Department Head	None	None	Assist with RFP/RFB package when requested
4	Formal Bidding*	Fiscal Officer	Department Head	Budget Manager	City Manager	Assist with RFP/RFB package when requested
5	Formal Bidding*	Fiscal Officer**	None	None	None	Assist with RFP/RFB package when requested

* Note: Quotes and bidding processes are not required for purchases made pursuant to Sections X of this Manual.

** All other approvals will be applied in the external Council Agenda Report process.

Purchase Orders

A purchase order is a document used to encumber funds and formalize a purchase transaction with a vendor. It sets forth the vendor's obligations as well as the City's responsibilities and requirements. Purchase Orders allow the City to clearly and explicitly communicate their intentions to vendors.

Purchase orders may include:

- 1) Price
- 2) Description of the requested item(s) or services
- 3) Delivery terms and transportation mode
- 4) Terms and conditions, and all other agreements pertinent to the purchase and its execution by the vendor
- 5) Attached Supporting Documents
 - a. Incorporated Agreements (City Agreements, Cooperative Agreements)
 - b. Incorporated Quotes/Proposals
 - c. Council Action Report (if Council approval is required for award of a contract/purchase order)

A vendor's acceptance of a Purchase Order constitutes a contract. Purchase Orders shall be issued by the Purchasing Division after all required procedures for selection are met.

There are three types of Purchase Orders:

- 1) Regular Purchase Order - a nonrecurring order, written to a specific vendor for a definite quantity of identified item(s). It is the most appropriate method used for purchase of supplies and services.
- 2) Blanket Purchase Order – a Purchase order which authorizes repetitive purchases of goods and services from a specific vendor up to a maximum, not-to-exceed dollar amount. It is valid from date of issuance until the end of a fiscal year or specific date (unless funds are depleted sooner).
- 3) Contract Purchase Order – a Purchase order with an underlying Agreement that is set up for encumbrance purposes only. This is used when all work descriptions, costs and terms are incorporated in a City Agreement and the Contract PO is not distributed to the contractor.

Purchase Order Process

Upon approval of a PR and after any competitive bidding is completed, the Purchasing Division will create a Purchase Order. Purchase Order approval levels are determined by which tier a specific purchase falls into, which is determined by the purchase type and value. See Exhibit 202-A for purchase tier thresholds.

Purchase Order Approvals

Tier	Level 1 Approver	Level 2 Approver	Level 3 Approver	Purchasing Involvement
1	Purchasing Assistant	None	None	Create PO and issue
2	Purchasing Assistant	Purchasing Analyst	None	Assist with obtaining quotes when requested; Review quote summary; Create PO and issue
3	Purchasing Assistant City Attorney (for contract review only)	Purchasing Analyst	None	Coordinate RFP/RFB process; Coordinate contract routing and execution; Create PO and issue
4	Purchasing Assistant City Attorney (for contract review only)	City Manager	Purchasing Analyst	Coordinate RFP/RFB process; Coordinate contract routing and execution; Create PO and issue
5	Purchasing Assistant City Attorney (for contract review only)	City Manager*	Purchasing Analyst	Coordinate RFP/RFB process; Coordinate contract routing and execution; Create PO and issue

* City Manager approval is only required if the contract/PO award was delegated by Council. If a Council Action Report approving the contract/PO is attached, City Manager approval is not required

PURCHASE CARD/CITY CREDIT CARD PURCHASES

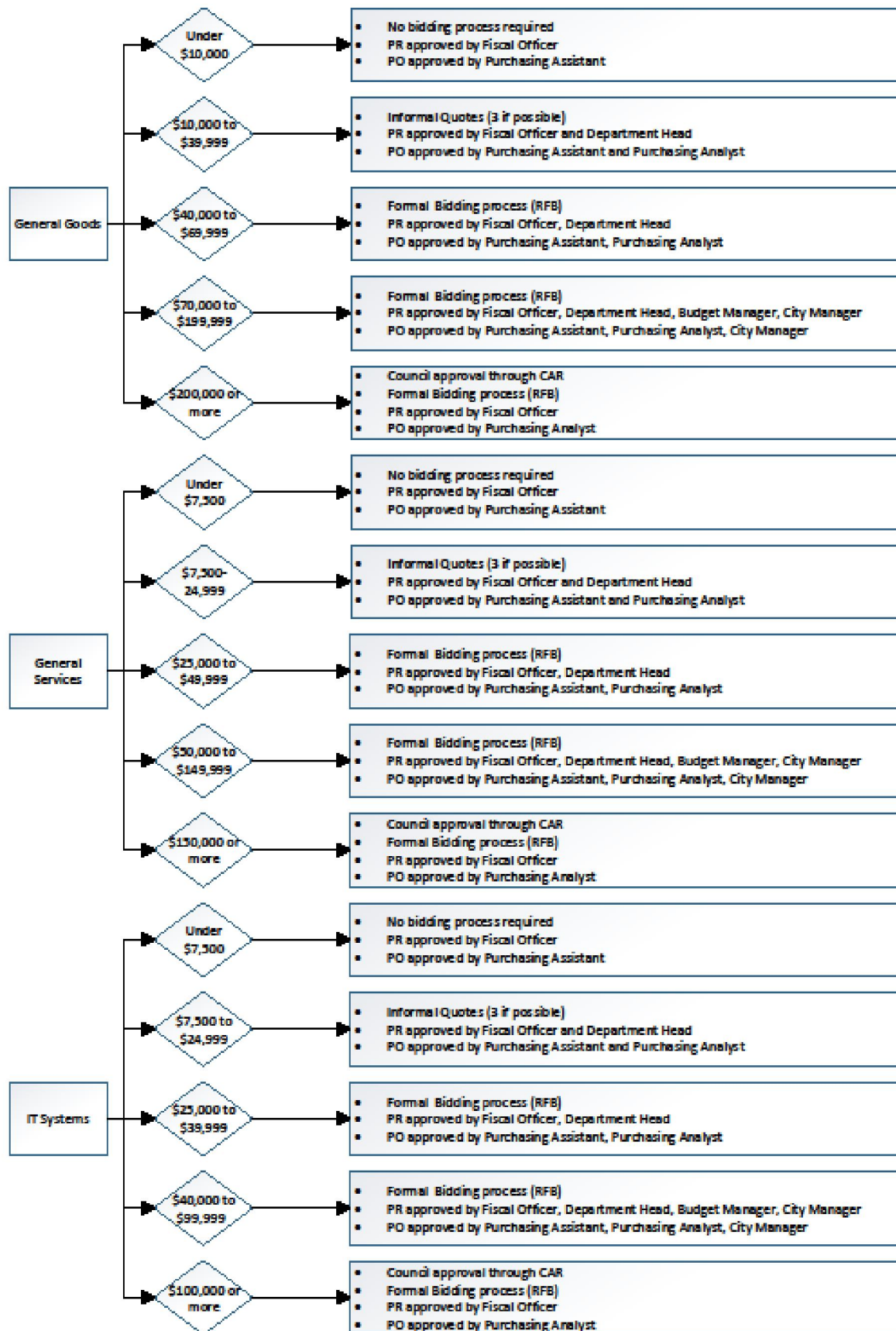
Credit Card purchases are discussed in Section 275 of this manual.

EMERGENCY PURCHASES

Emergency Purchases are discussed in Section 220 of this manual.

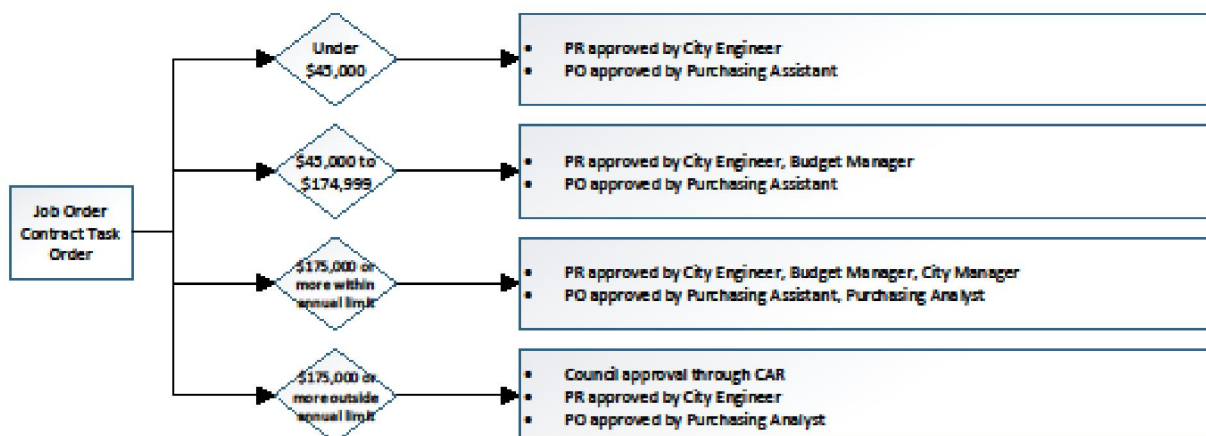
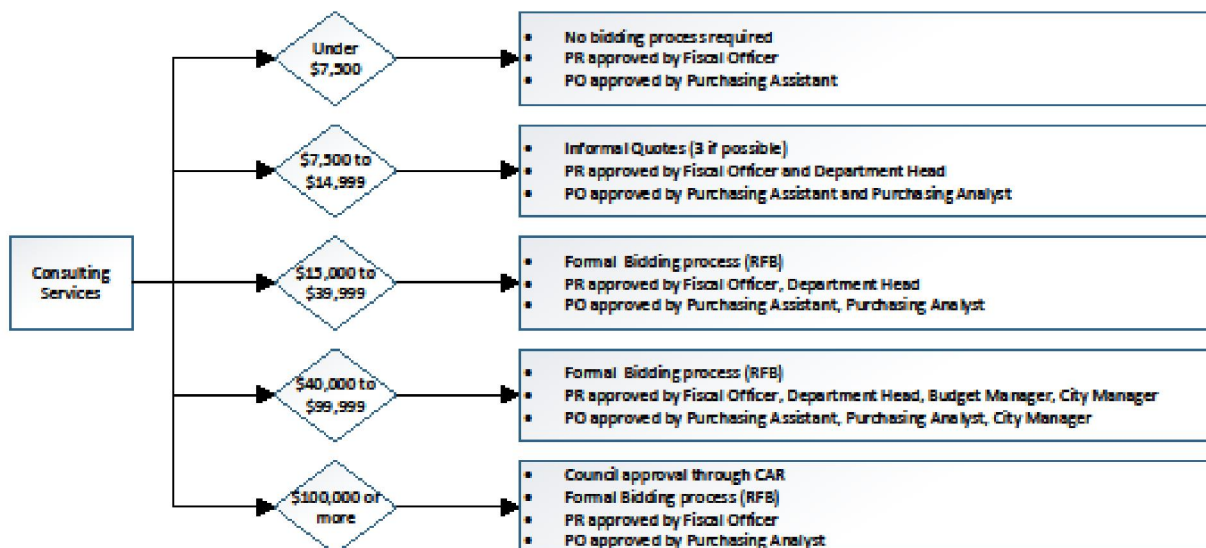
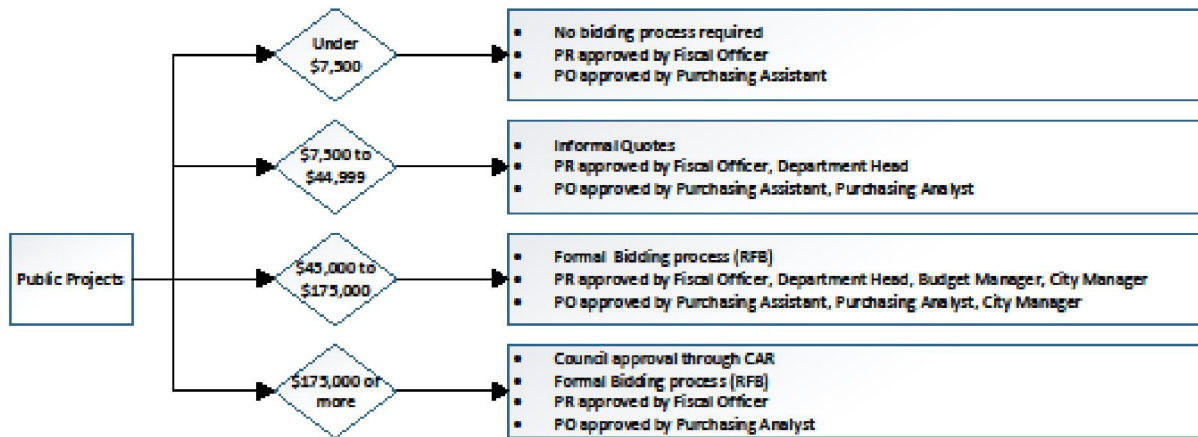
Purchasing Thresholds

Exhibit 202-A



Purchasing Thresholds

Exhibit 202-A



Section 203

BIDDING PROCESS

For purchases exceeding the City's thresholds listed in Exhibit 202-A which do not fall within the exceptions listed in Section 220 of this Manual, City staff must engage in competitive bidding in some form, as required by the Municipal Code. Departments should work with the Purchasing Division for competitive bidding processes.

TYPES OF SOLICITATIONS

Requests for Bids (RFB)

An RFB is a request to vendors to submit an offer or quote for specific, defined goods or products. An RFB should be used when seeking a fixed price for goods with known specifications (e.g. Dell XPS 13 laptops). RFBs are used for Construction of Public Project and when setting up a Job Order Contract (discussed in Section 250 of this Manual). RFBs must be posted on the City's designated solicitation site.

Requests for Proposals (RFP)

An RFP is a request to vendors to submit a proposal for goods or services for which the exact specifications or methodology of providing the desired goods or services is not defined. An RFP is generally used for more complex goods or services purchases. RFPs allow for consideration of factors other than price, including the qualifications of the vendor and the vendor's ability to perform. RFPs must be posted on the City's designated solicitation site.

Requests for Qualifications (RFQ)

An RFQ is a request for a statement of qualifications for a certain class of vendors or consultants. RFQs are used to develop On-call or Master Agreements. RFQs must be posted on the City's designated solicitation site.

Informal Quotes/Quick Quotes

When formal bidding is not required by the City's purchasing policy (see Section 202 of this Manual), staff may seek informal quotes either by posting a Quick Quote request on the City's online solicitation program or by seeking quotes by verbal or written request. An informal or quick quote is a simple request for pricing on simple, low-cost goods or services. If quotes are sought by verbal or written request, staff must create a quote summary to record the quotations received.

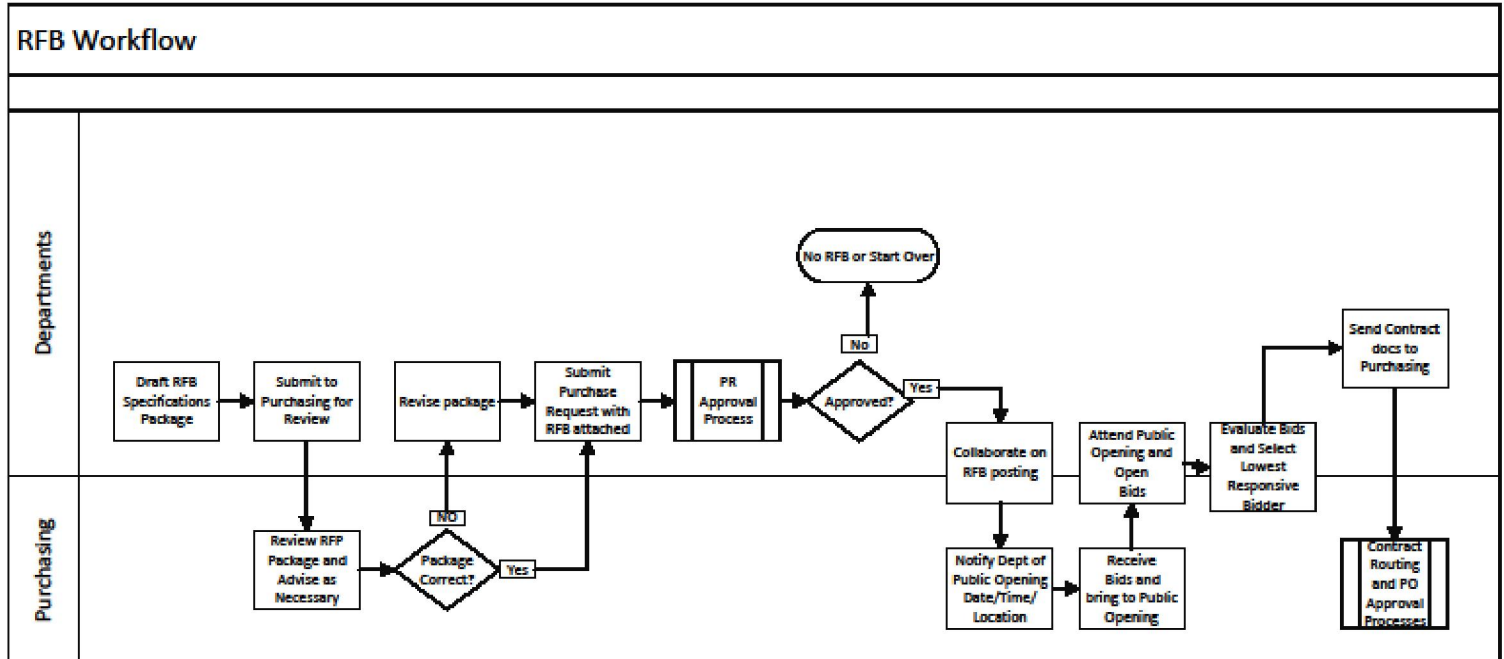
BIDDING CRITERIA

	RFB	RFPs	RFQ	Quick Quotes
Formal Solicitation	Yes	Yes	Yes	No
Goal	Lowest Price	Lowest Responsible Bidder	Most Qualified Bidder	Lowest Price
Public Opening Requirements	Opened publicly and read aloud	Opened publicly and pricing read aloud	Not opened publicly - List of vendors who submit Qualifications made publicly available	Not opened publicly
Response Evaluated By	Department with Purchasing assistance	Department project team	Formal Evaluation Committee with numerous participants	Department with Purchasing assistance
Specific Evaluation Process	Determine whether Bid is responsive, then select lowest responsive Bid. No scoring of specification response is involved.	Responses reviewed to determine responsibility of proposals. Responsible proposals are reviewed for factors listed in Section 3.24.210 of the Municipal Code	Statement of qualifications evaluated and a score assigned. Some specification responses can be pass/fail only with no associated score.	Determine whether Quote is responsive, then select lowest responsive Quote. No scoring of specification response is involved.
Cost Evaluation Process	Costs for responsive bids are compared to each other to identify lowest cost	Cost for responsible bids are compared to each other to identify lowest cost	If applicable, costs of labor or services are scored	Costs for responsive quotes are compared to each other to identify lowest cost
Negotiation Allowed after Selection	No, unless all bidders are asked for a Best and Final Offer (BAFO)	Yes	Yes	No, unless all bidders are asked for a Best and Final Offer (BAFO)
Award Basis	Lowest responsible bidder wins	Lowest responsible proposal wins	Evaluation Committee Recommendation	Lowest responsive quote wins

BIDDING PROCESSES

RFB Process

The following process shall be employed when releasing an RFB:



RFB Package

The City’s template “RFB Package” must be used to create the RFB document provided to prospective vendors (See Section 250 of this Manual). When posting the RFB, the following should also be included:

- 1) A precise description of the desired goods;
- 2) The time and place of public opening of sealed Bids;
- 3) The location and deadline for submission of Bids;
- 4) The deadline for submission of questions (if applicable).

RFB Submission and Opening

All RFB submissions (bids) must be sealed (whether in a sealed, unopened envelope for paper bids or with electronic encryption for electronic bids) and must be opened publicly at a designated location, date and time.

Bids or proposals which are received after the date and time specified or in a different format than that requested in the solicitation may not be considered.

RFB Evaluation/Bid Tabulation

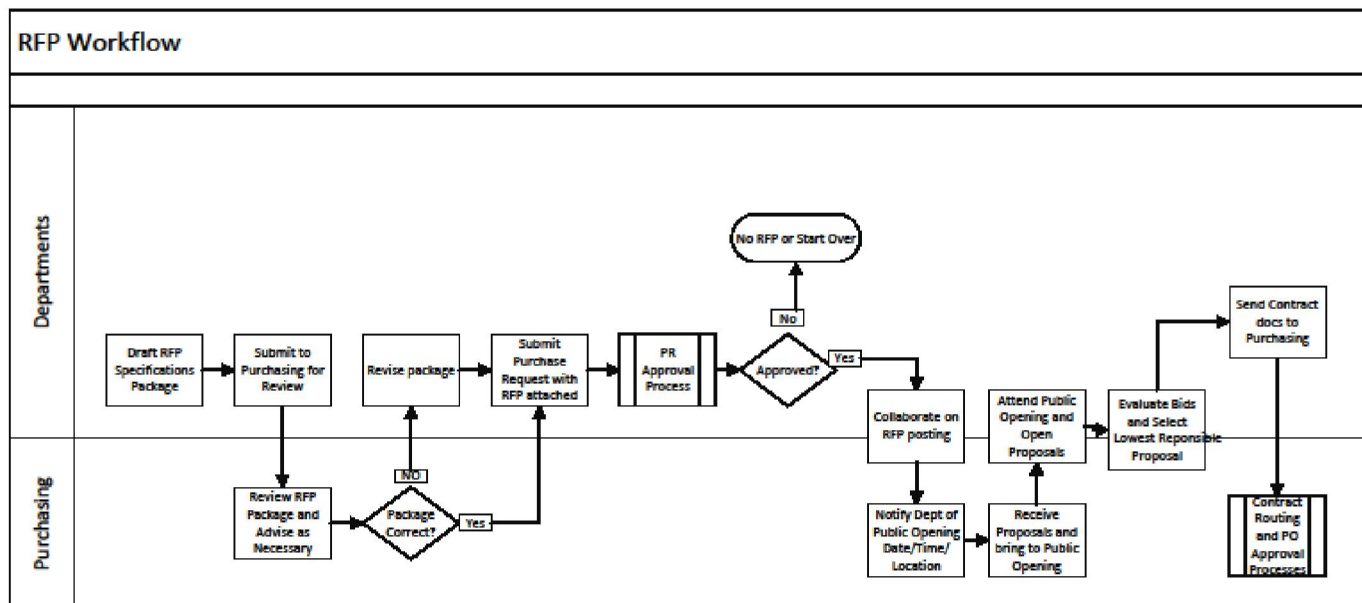
Departments, in cooperation with Purchasing, must determine if the submitted bids are responsive (i.e.: did the bid provide quotes for the specified goods, as requested). Then, the lowest responsive bid must be selected for award.

RFB Award

Bidders should be notified when a bid has been selected for award and that award has been approved (see procedure for approval of contracts/Purchase Orders in Section 202 of this Manual). If the City is unable to agree to contract terms with the selected vendor after a good faith effort, the award may be given to the next lowest, responsive bid.

Non-Construction RFP Process

The following process shall be employed when releasing an RFP:



Non-Construction RFP Package

The City’s template “Regular RFP Package” must be used to create the RFP document provided to prospective vendors (See Section X of this Manual). When posting the RFP, the following should also be included:

- 1) A general description of the desired goods or services to be purchased;
- 2) The desired qualifications of proposers;
- 3) The information or documentation required for submission of proposals;
- 4) The date, time and location of public opening of sealed Proposals;
- 5) The location and deadline for submission of Proposals;
- 6) The deadline for submission of questions (if applicable);
- 7) The date, time and location of the pre-bid conference (if applicable).

Non-Construction RFP Submission and Opening

All RFP submissions (proposals) must be sealed (whether in a sealed, unopened envelope for paper bids or with electronic encryption for electronic bids) and must be opened publicly at a designated location, date and time.

Proposals which are received after the date and time specified or in a different format than that

requested in the solicitation may not be considered.

Non-Construction RFP Evaluation/Bid Tabulation

The department in cooperation with Purchasing will first determine whether proposals are responsive to the RFP. Then, a designated evaluation team (subject matter experts, department stakeholders) will review responsive proposals using the criteria listed in Section 3.24.210 of the Municipal Code. The lowest responsible proposal will then be recommended for award.

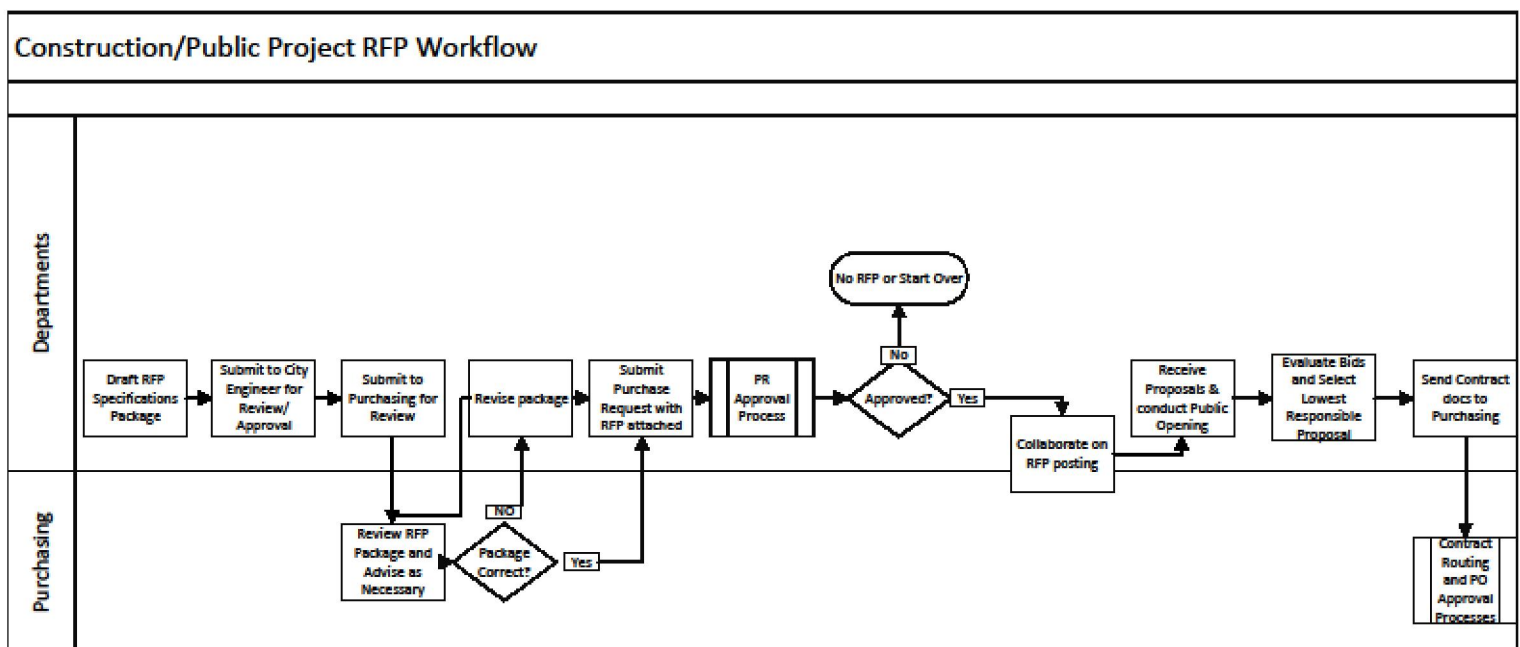
For professional services related to project management, construction management, design, engineering, surveying, mapping, landscape architecture, or architectural related services are to be evaluated based on demonstrated competence and qualifications for the type of professional services desired. As such, price shall not be used as a criterion in the evaluation and ranking/selection of the most highly qualified firm.

Non-Construction RFP Award

Proposers should be notified when a proposal has been selected for award and that award has been approved (see procedure for approval of contracts/Purchase Orders in Section 202 of this Manual). If the City is unable to agree to contract terms with the selected vendor after a good faith effort, the award may be given to the next highest scored, responsive bid.

Construction/Public Project RFB

The following process should be employed when releasing an RFP related to construction or public projects:



Public Project RFB Package

The City’s template “Public Project RFB Package” must be used to create the RFB document provided to prospective bidders (See Section X of this Manual). When posting the RFB, the following should also be included:

- 1) A general description of the desired work, goods, or services to be purchased;
- 2) The desired qualifications of proposers, including licensing requirements;
- 3) The information or documentation ~~-----~~ 1 for submission of proposals, including bid bonds requirements; 203-5
- 4) Information regarding applicable prevailing wage laws;
- 5) The date, time and location of public opening of sealed Proposals;
- 6) The location and deadline for submission of Proposals;
- 7) The deadline for submission of questions (if applicable);
- 8) The date, time and location of the pre-bid conference (if applicable).

Public Project RFB Submission and Opening

All RFB submissions (bids) must be sealed (whether in a sealed, unopened envelope for paper bids or with electronic encryption for electronic bids) and must be opened publicly at a designated location, date and time.

Bidders which are received after the date and time specified or in a different format than that requested in the solicitation may not be considered.

Public Project RFB Evaluation/Bid Tabulation

The department will first determine whether proposals are responsive to the RFB. All responsive bids will be tabulate and bid pricing compared. The lowest cost responsive bid will then be recommended for award.

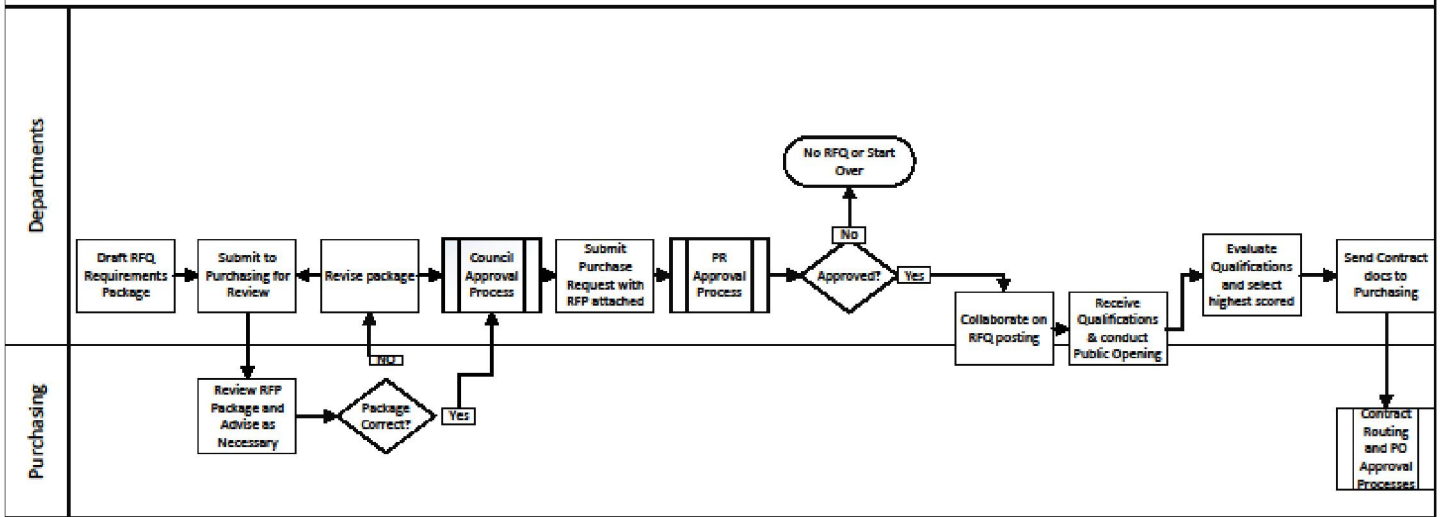
Public Project RFB Award

Bidders should be notified when a bid is recommended for award and that award has been approved (see procedure for approval of contracts/Purchase Orders in Section 202 of this Manual).

RFQ Process

The following process shall be employed when releasing an RFQ for On-Call or Master Agreements:

On-Call RFQ Workflow



RFQ Package

The City's template "RFQ Package" must be used to create the RFQ document provided to prospective vendors (See Section 250 of this Manual). When posting the RFQ, the following should also be included:

- 1) A general description of the type of services to be included in the On-Call Contract or Master Agreement;
- 2) The desired qualifications of proposers;
- 3) The information or documentation required for submission of qualifications;
- 4) The date, time and location of public opening of sealed Qualifications;
- 5) The location and deadline for submission of Qualifications;
- 6) The deadline for submission of questions (if applicable).

RFQ Submission and Opening

RFQ submissions (qualifications) do not need to be before opening. City Staff shall make the list of vendors who submit Qualifications in response to an RFQ available to the public upon request.

Qualifications which are received after the date and time specified or in a different format than that requested in the solicitation may not be considered.

RFQ Evaluation

The department will score the Qualifications submitted in response to the RFQ. The vendor(s) deemed most qualified will then be recommended for award.

RFP Award

Vendors who submit Qualifications should be notified when an award has been approved (see procedure for approval of contracts/Purchase Orders in Section 202 of this Manual). Resulting On-Call Contracts and Master Agreements must be re-bid every 5 years.

Quick Quote (Informal Quote) Process

Tier 2 purchases may be made utilizing an informal quotation process. Staff should seek at least three quotes either in writing, by phone or utilizing the City's electronic solicitation system. Staff must then select the lowest responsive quote.

Section 204

NO-BID PURCHASING

LOW COST PURCHASING

Tier 1 purchases do not require a competitive bidding process (see Section X for amount thresholds for Tier 1 purchases). However, City staff should seek cost comparisons whenever practical.

SOLE SOURCE PURCHASING

General Rules

Generally, it is the policy of the City to solicit quotations or bids for purchases of commodities or services for specified dollar amounts and to select vendors on a competitive basis. However, pursuant to San Luis Obispo Municipal Code Chapter 3.24.060 (C), certain acquisitions in which the products or services may only be obtained from a single source may be purchased without engaging in bidding procedures.

A “sole source” purchase may be entered into without a competitive process because only one known source for the desired goods or services exists, only a single provider can fulfill the requirements to meet the City’s needs, or the purchase constitutes an upgrade to an existing system adopted by the City. In such circumstances, competition is not feasible and, therefore, the competitive process is waived.

Some examples of legitimate sole source purchases include the following:

- Purchases in which only one known source exists for the goods or services as determined by documented research
- Purchases in which there is no reasonable alternative source that meets the City’s needs
- Purchases in which only one source meets the City’s business needs (e.g., compatibility with existing systems, unique features that serve the desired goals of the City, etc.).
- Purchases of proprietary items which only the manufacturer, owner, or designated re-seller is permitted sell (this includes purchases in which purchasing from a non-designated seller would result in nullification of manufacturer warranties)
- Upgrades to existing systems where purchasing a different solution or product would result in significant additional costs (e.g., data conversion, re-training of staff, new system implementation costs)
- Purchases of services from a contractor with specific and unique knowledge of existing City systems, procedures or historical data that is critical to the project or city goals where use of another contractor would result in significant costs or project delays due to lack of such knowledge.

Some examples of non-legitimate sole source purchases include the following:

- Purchases of proprietary goods or services that may be sold by more than one source (i.e., multiple resellers may sell one proprietary piece of software)
- Brand name preferences
 - Exception: If a specific line of products was previously chosen through a proper process and has been adopted citywide (e.g.: Dell computer products)
- Preferred vendors (i.e., vendors with whom the purchaser has a prior relationship)

Procedure

Sole Source purchases must be justified in sufficient detail to explain the basis for suspending the usual competitive procurement process and approved by the approving authority before such a purchase is made. The City's Sole Source Justification form (located in the Purchasing SharePoint page) must be submitted to and approved by the Purchasing Analyst prior to any sole source purchase.

Approved Sole Source Justifications should be attached to Purchase Orders when submitted for a sole source purchase.

Once approved, a sole source is effective for one-year (so, multiple purchases may be made under one sole source approval if a department makes multiple purchases of the same products or services throughout the year). The Purchasing Analyst shall maintain copies of approved sole sources.

EMERGENCY PURCHASING

General Rules

Generally, it is the policy of the City to solicit quotations or bids for purchases of commodities or services for specified dollar amounts and to select vendors on a competitive basis. However, pursuant to San Luis Obispo Municipal Code Chapter 3.24.060 (B), purchases that address an immediate and serious need for equipment, supplies or services may be purchased without engaging in bidding procedures, if:

- 1) The City's need for the equipment, goods or services cannot be met through the time constraints of the normal purchasing procedures; *and*
- 2) The lack of the equipment, goods or services would seriously threaten the functioning of City government, the preservation of property, or the health or safety of any person.

City staff must not use the emergency purchase process to circumvent general purchasing policy or vendor licensing requirements. City staff should seek quotes and determine reasonableness of pricing when making an emergency purchase whenever possible. Contracts for frequent as-needed emergency services should be established with competitive bidding procedures.

Procedure

Emergency purchases must be justified in sufficient detail to explain the basis for suspending the usual competitive procurement process. Whenever possible, City staff in need of an emergency purchase should receive prior approval from the Purchasing Division by submitting the City's Emergency Purchase Justification Form (located in the Purchasing SharePoint page).

If prior approval is not feasible, City staff should submit the Emergency Purchase Justification Form to the Purchasing Analyst as soon as possible and at least within 24 hours after the purchase has been made.

Unless a City credit card is used for the purchase, City staff must enter a Purchasing Requisition for the emergency purchase as soon as possible and should attach the Emergency Purchase Justification Form to the requisition.

COOPERATIVE AGREEMENT PURCHASING

City staff may use established cooperative agreements for purchases without a competitive bidding process, if those cooperative agreements were competitively bid. City staff is responsible for researching cooperative agreements to insure the bidding process complies with City competitive bidding rules.

City staff should research the pricing for the goods or services being sought and compare the pricing set forth in the cooperative agreement is reasonable. If the pricing set forth in a cooperative agreement is not reasonable, City staff should initiate a competitive bidding process rather than leveraging the cooperative agreement.

Local Dealers

If a local dealer within City limits can provide the same brand, model and configuration of any item in a cooperative purchase agreement at or below the cooperative agreement vendor's cost with the same terms and conditions, City staff may use the local dealer without initiating a separate competitive bidding process.

Section 215

BUSINESS LICENSE REQUIREMENT

The City requires most entities doing business within or transacting with the City to obtain a business license, pursuant to Chapter 5.01 of the Municipal Code. Therefore, for most purchases, City staff *must* notify the vendor of the requirement and/or ensure that the vendor has a business license before making the purchase. No purchases may be made from any vendor that does not have a valid business license, unless specifically exempted from that requirement, as specified below.

Businesses that have a place of business within City limits must have a business license. City staff may not transact with such businesses who have failed to maintain a business license.

Whenever possible, City staff should direct purchases to vendors who already have a valid business license. A current listing of businesses who have valid business licenses is located in the Purchasing SharePoint page.

EXCEPTIONS

The following types of vendors are exempt from the business license requirement:

- Business that are owned and operated solely by minors under the age of 18;
- Charitable, religious and nonprofit organizations;
- Any business for which requiring a business license would violated Federal or State laws or contractual agreements;
- Out-of-state businesses (exempted by the Finance Director, pursuant to the adjustment powers set forth in Section 5.01.501);
- Businesses which are not located in the City and for which the only transaction or business with the City is an online purchase initiated by the City (exempted by the Finance Director, pursuant to the adjustment powers set forth in Section 5.01.501).

POSSIBLE EXEMPTIONS (CASE-BY-CASE DETERMINATION)

Businesses who do not have a place of business within the City and do limited, low-cost (less than \$5,000) and/or one-time transactions with the City *may* not be subject to the business license requirement. This is determined on a case-by-case basis by the Purchasing Analyst, as the Finance Director's designee, after a determination of whether the business has a sufficient nexus with the City.

City staff should contact Purchasing *prior to making a purchase* if there is any uncertainty as to whether a business license is required.

Section 295

PURCHASING GUIDELINES

In accordance with the policy framework set forth in Chapter 3.24 of the municipal code, City purchases and contracts (including those for rentals and leases, but excluding those for real property) will be made pursuant to these guidelines. Applicable competitive bidding categories, authorization limits or contract award procedures will be based on unit cost, total purchase cost for consolidated bid items or fiscal year aggregates in the case of blanket purchase orders or similar ongoing purchasing arrangements. Staging of purchases in order to avoid these competitive bidding procedures or authorization limits is prohibited.

Purchases and contracts for supplies, equipment, operating or maintenance services will be made pursuant to the following guidelines (see Tier Structure in Section 202 of this Manual and Approval Dollar Thresholds in Exhibit 202-A of this Manual):

- A. **Over-the-Counter.** Purchase Requisition with cumulative costs which fall into the **Tier 1** approval structure may be authorized by the Fiscal Officer. Purchase Orders for these purchases may be authorized by the Purchasing Assistant. Although no specific solicitation requirements are established for this level of purchase, competitive bidding should be used whenever practical and City staff should ensure that pricing is reasonable.
- B. **Open Market.** Purchase Requisitions with cumulative costs which fall into the **Tier 2** approval structure must be approved by the Fiscal Officer and Department Head. Purchase Orders for these purchases must be approved by the Purchasing Assistant and Purchasing Analyst.
- C. **Formal Bids or Proposals.** Purchases which fall into the Tier 3, Tier 4 or Tier 5 approval structure will be made pursuant to the formal bidding requirements established in Chapter 3.24 (Article III) of the municipal code. Authority to approve specifications, invite bids or request proposals and award contracts will be as follows:
 - 1. Purchase Requisitions with cumulative costs which fall within the **Tier 3** approval structure must be approved by the Fiscal Officer and Department Head. Purchase Orders for these purchases must be approved by the Purchasing Assistant and Purchasing Analyst.
 - 2. Purchase Requisitions with cumulative costs which fall within the **Tier 4** approval structure must be approved by the Fiscal Officer, the Department Head, the Budget Manager and the City Manager. Purchase Orders for these purchases must be approved by the Purchasing Assistant, the Purchasing Analyst and the City Manager. The City Attorney will also review specified Purchase Orders by request of the Purchasing Analyst when contract review is required.
 - 3. Purchases with cumulative costs which fall within the **Tier 5** approval structure must have prior approval of the City Council attached (the Council Agenda Report process will be used to obtain Council approval). Purchase Requisitions for these purchases must be approved by the Fiscal Officer. Purchase Orders for these purchases must be approved by the Purchasing Assistant and the Purchasing Analyst. Purchase Orders for which the award was delegated to the City Manager by Council will additionally be approved by the City Manager. The City Attorney will also review specified Purchase Orders by request of the Purchasing Analyst when contract review is required.

PUBLIC PROJECTS

Contracts for public projects are governed by the Public Contract Code including the Uniform Public Construction Cost Accounting Act (Section 22000), which allows alternative bidding procedures and job order contracting (Council Ord. 1435, 2003).

Job Order Contracts. Under the Job Order Contract provisions of Chapter 3.24.145 of the municipal code for maintenance-related construction projects, individual Task Orders may be approved as follows:

1. Purchase Requisitions for Job Order Contract **Task Orders under \$45,000** must be approved by the City Engineer. Purchase Orders for these Task Orders must be approved by the Purchasing Assistant and Purchasing Analyst.
2. Purchase Requisitions for Job Order Contract **Task Orders between \$45,000 and \$174,999** must be approved by the City Engineer and the Budget Manager. Purchase Orders for these Task Orders must be approved by the Purchasing Assistant.
3. Purchase Requisitions for Job Order Contract **Task Orders with a cost of \$175,000 or more** must be approved by the City Engineer, the Budget Manager and the City Manager if the purchase is **within the annual limit**. Purchase Orders for these Task Orders must be approved by the Purchasing Assistant and Purchasing Analyst.
4. If the **Task Order cost is \$175,00 or more and in excess of the annual limit** must have prior approval of the City Council attached (the Council Agenda Report process will be used to obtain Council approval). Purchase Requisitions for these purchases must be approved by the City Engineer. Purchase Orders for these purchases must be approved by the Purchasing Assistant and the Purchasing Analyst.

Adopted by the Council on September 4, 2007, Resolution No. 9926, and amended by Council on May 1, 2018, Resolution No. X.