

Summary of Policy Changes
Purchasing Policy Update
As of April 2022

Section		Summary of Change
Introduction		2018 policy references small, selected sections of purchasing Muni Code. 2021 update fully incorporates language to fully explain the Municipal Code language in the policy
Purchasing Division Summary		Updated to more accurately reflect the City's organizational structure as a de-centralized purchasing organization; rather than centralized – as described in the 2018 update.
Exhibit 201A		Added City Attorney in the roles and responsibilities Added Risk Management in the roles and responsibilities Updated job roles and responsibilities Updated the City Engineer role to accurately reflect their position in the purchasing and procurement of Public Projects
202 – Purchase Types		2018 policy had five purchase types 2021 update will simplify and reduce the number of purchase types for goods, professional services, public projects, and JOC
202 A Thresholds		Update to the approval authority thresholds *See accompanying memo in support*
202 A Non-Purchase Threshold	Order	The update provides a non-purchase order allowance of up to \$100
203		The update creates a CIP and Public Project purchases subsection Reference the CIP design manual – maintained by the Public Works Department that governs policies and procedures for CIP and Public Projects
203		Update thresholds to align with UPCCC thresholds (increase)
203		Update thresholds for Construction Contract Change Orders
204		Update the City's main purchase methods to align with the updated thresholds
204		Update to purchase order types

Section	Summary of Change
	<ul style="list-style-type: none"> - Defines purchase order types - Defines criteria for open Fiscal Year purchase orders <p>Update to this section reflects how the City operates in the Oracle ERP system taking into account staff costs in requisitioning / receiving/payment</p>
204	Defines non-purchase order allowance and non-purchase order exceptions
204	<p>Update to further define Emergency Purchasing with reference to the City's Municipal Code</p> <p>Emergency purchase justification forms must be submitted with the purchase</p>
204	<p>Sole Source Purchasing reference to the Municipal Code language</p> <p>The updated thresholds will tighten the scrutiny for sole-sourcing due to the increase in the no-bid thresholds and expanding the three-quote price range before an RFP is required.</p>
207	<p>IT Procurement</p> <p>Reference the City's Information Technology Policy and Procedures.</p> <p>Establish procedures for purchasing IT-related goods and services and contract templates</p> <p>At the end of the project will develop contract templates for each of the IT categories the City purchases. (hardware, software, consulting, SaaS, IaaS, PaaS, and others).</p> <p>Developed a checklist from identifying the need and assessing the risk to making the purchase or signing a contract</p>
255	Establish contract process and procedures
256	<p>Establishes Contract Management Best Practices and Future Training Opportunities</p> <p>Defines authorities to change and/or modify contracts</p>
257	Update to language to clearly define Contract Amendment policy and procedures.

Section	Summary of Change
274	Introduce ‘Risk Management’ policy and procedures to the City’s contracts to ensure the City’s contractual transfer risk procedures and policies are followed by staff procuring goods and services. Every purchase will be evaluated for the risk it presents to the City.
275	Credit Card Policy (updated in Spring 2022) New purchase thresholds, mandatory training for end-users, and ramifications for violation of policy rules.
276	Sustainable purchasing policy – integrated current Municipal Code Language. It will be further developed in collaboration with the Office of Sustainability and will be returned to Council for consideration.
277	SB 1383 – update to introduce the State of CA, SB 1383 mandate for recycled content paper products, 30% post-consumer recycled paper requirement when feasible, and the reporting requirements to the State
278	NIGP code – classification of purchase orders through the National Institute of Government Procurement commodity code for analysis of cumulative spending on different procurement types.
279	Procure to Pay Process – explains the entirety of a procurement cycle – from the sourcing of a product, policies, and procedures for staff to follow, and describes what is expected of each division and department in the process.

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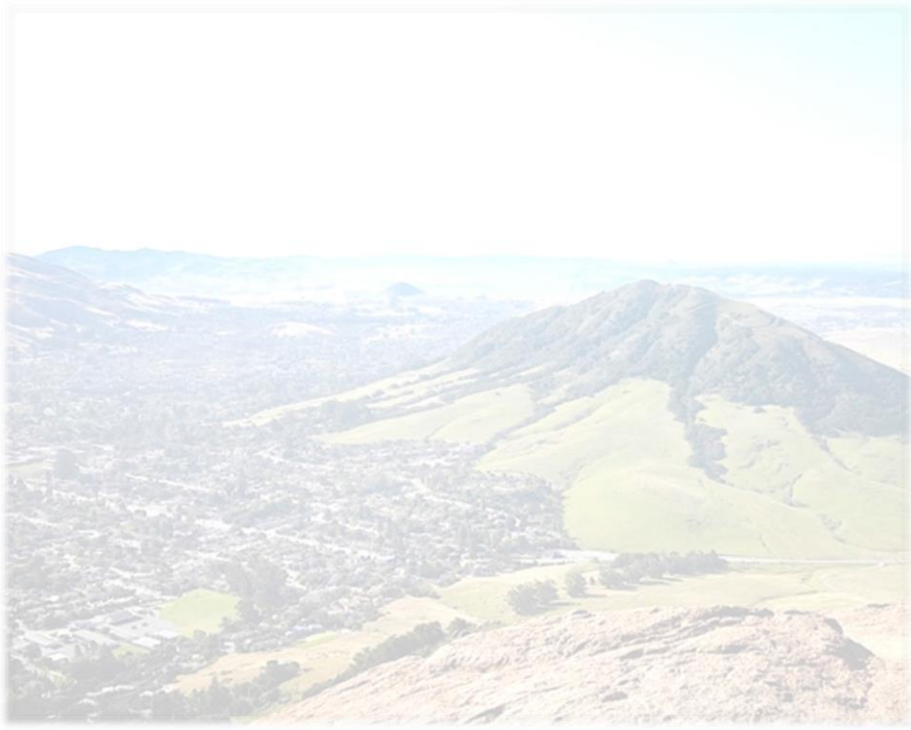
Update to Section 200

Financial Management Manual ~~Financial~~
~~Management Manual~~

Purchasing Policy and Procedures Update—

October ~~2018~~ 2019 2022

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SAN LUIS OBISPO**

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Section 201

Per requirement in Chapter 3.24.040 of the Municipal Code this chapter shall 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~~ and provide sufficient detail to enable City departments to:

- Be fully aware of, and comply with purchasing policies and procedures, and
- Effectively and efficiently participate in the City's purchasing program.

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These guidelines ~~do not 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.~~ Questions Any questions about the City's purchasing system and policies activities or proper purchasing process should contact the be referred to the City's Purchasing Division.

PURCHASING ~~SYSTEM PURPOSE~~ SYSTEM OBJECTIVES

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The City's purchasing ordinance, Chapter 3.24 of the Municipal Code, the ~~delegates purchasing authority to the City Manager as well as any other representatives designated by her or him;~~
Along with three other key policy documents — the City Charter, and purchasing ordinance (Chapter 3.24 of the Municipal Code) and purchasing resolution — the policies and procedures set forth outlined in this manual chapter form the City's purchasing control system.

Commented [CD1]: The 5/1/2018 policy copied in only selected sections of the Muni Code in the Authority section.

I've pasted all of the section language in for accuracy and completeness

The purpose of the purchasing control system adopted in (*Municipal Code 3.24.020*) is:

This system has been developed in order to achieve the following objectives:

- To purchase supplies, services, equipment, and public works projects at the lowest cost commensurate with quality requirements;
- To ensure effective financial control over expenditures;
- To clearly define authority and accountability for the purchasing function;
- To minimize the written documentation, administrative actions and expense of processing purchase transactions;
- To assure the quality of purchases made on behalf of the City; and
- To facilitate accurate forecasting and planning of department needs and expenditures. (Ord. 1618 § 1 (Exh. A (part)), 2015; Ord. 954 § 2 (part), 1983; prior code § 2950.2)

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Commented [CD2]: These bullet points were all in the last policy adopted. Too wordy and too many objectives in my opinion

The 3 policy documents:

AUTHORITY

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The City Manager, or his/her designated representative(s), shall be the purchasing authority whose functions include the following powers and duties (*Municipal Code 3.24.030*)

- To develop and prescribe, for the departments, such administrative policies, forms and files as may be reasonably necessary for the internal management and operation of these

purchasing procedures;

- To purchase or contract for those items listed in Section 3.24.010 and required by departments in accordance with these purchasing procedures;
 - To ensure full and open competition as possible on all purchases;
- To procure the needed quality in supplies, services, equipment and public works projects not controlled by the Charter, at minimum expense;

~~Secure goods and services at the lowest cost possible commensurate with quality requirements and the City's needs:~~

- To develop and maintain department awareness of purchasing and pricing principles, marketing conditions and new products;
 - To consolidate department orders for like items, ensuring discount pricing whenever possible;
 - To inspect supplies and equipment delivered, as well as contractual services performed, to determine their conformance with the specifications set forth in the orders and contracts; and, in this connection, to have the authority to require chemical, physical or other tests of samples submitted with quotations or bids, or of delivery samplings, which may be necessary to determine quality and conformance with specifications;
 - To establish procedures for, and assign duties to, personnel engaged in receiving, storing and issuing purchased supplies, thereby ensuring that supply levels are consistent with usage requirements;
 - Subject to Charter Section 906, to sell or exchange surplus supplies and equipment; provided, that the same cannot reasonably be used by any department. (Ord. 1618 § 1 (Exh. A (part)), 2015: Ord. 954 § 2 (part), 1983: prior code § 2950.3)
- ~~■ 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 suppliers 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.~~

Commented [HM3]: Might want to consider loosening this up a little. All purchases don't have open competition like emergency projects and small dollar purchases (like a cup of coffee)

Commented [CD4R3]: @Horn, Matt This is verbatim language from the muni code – which I don't think we can change without passing a new ordinance

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Commented [HM5]: This seems odd to have in the muni code and purchasing policy.

Commented [CD6R5]: @Horn, Matt This is verbatim language from the muni code – which I don't think we can change without passing a new ordinance

Commented [HM7]: I don't think that we are formally doing this. If we are not doing this, we should remove and include in some future update when necessary storage and inventory space and procedures have been developed.

Commented [CD8R7]: @Horn, Matt This is verbatim language from the muni code – which I don't think we can change without passing a new ordinance

How do we start to develop?

The City has multiple Asset management software systems in place – how are they being used to manage assets, inventory, and work orders?

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Commented [CD9]: Procedure – Delete
Procedure should be department specific – each department has different management structures – procedures should be removed from the 'Policy'

Commented [CD10]: Procedure and internal strategy - Delete

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 DIVISION FUNCTION

The City's purchasing division oversees City-wide purchasing under the direction of the Finance Director. The City operates in a de-centralized procurement model with centralized oversight and auditing conducted by the purchasing division. Purchasing functions is centralized within the Finance Department, Purchasing Division, that coordinates purchasing processes and monitors compliance with the policies contained in this manual shall be independent of other departments as the independent exercise of procurement authority is an important piece of the City's overall system of internal controls. The purchasing division primary objectives include: is managed by the City's Purchasing Analyst under direction of the Finance Director.

- Support the City's strategic goals and purchasing control system adopted in *(Municipal Code 3.24.020)*;
- Be aware of the needs of City departments and acquainted with suppliers that best fulfill those needs to support operations;
- Report on citywide purchasing performance metrics;
- Audit the purchase of goods, services, consulting services, and public works projects to ensure department purchases comply with City policy;
- Assist departments in developing procedures to operate efficiently in the City's Oracle ERP system;
- Analyze purchasing of items to ensure pricing and terms are most advantageous to the City and to consolidate purchases for like items from multiple suppliers *((Municipal Code 3.24.030))*;
- Encourage efficiency in financial operations around the 'procure to pay process'

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Commented [CD12]: Procedural – Each City Dept has different staff that negotiate contracts, source suppliers, etc. City staff are the SME on many of their projects – purchasing staff can ensure compliance with City policies; ensure contract templates are used; negotiate on standard terms; but subject matter experts should be the lead negotiators on work scope; etc.

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Commented [CD13]:

The word 'centralized' is mis-leading. The City's organizational model is de-centralized.

The purchasing division oversees and audits purchasing for compliance to policy, recommends cooperative agreements and alternative suppliers when pricing is not competitive. Purchasing does not carry out the physical act of the purchase – tracking, receiving, etc. The ERP motion project was explained in multiple roadshows that purchasing was moving to a 'centralized' system and led to mis-perceptions amongst the departments. We don't have a centralized system in place, and it may not be the best organizational model for the City.

A discussion with the leadership and fiscal officers would help. What model is best for SLO?

The white paper link below lays out pros/cons of the 3 primary organizational models most public entities follow – currently SLO is between #2 & 3

1. Fully centralized
2. Hybrid
3. Fully Decentralized.

<https://slocitycloud.sharepoint.com/sites/SLOHub/Finance/Shared%20Documents/Purchasing/Policy%20and%20Procedures/Centralized%20v.%20Decentralized.pdf>

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The Purchasing Division shall be independent from other departments as 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.

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Commented [CD14]: Remove – City staff in divisions are the subject matter experts – in a centralized purchasing system – the subject matter expert would sit in the larger 'procurement' office and arrange interviews – SLO is not staffed in this way.

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Commented [HM15]: Council can delegate authority as they deem appropriate right? I would think they can delegate to any staff member no matter what the cost.

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General responsibilities for setting and implementing purchasing system policies and procedures are summarized in Exhibit 201-A, **Exhibit 201A Purchasing Control System Responsibilities**

<u>Voters</u>	<ul style="list-style-type: none">• Approve City Charter
<u>City Council</u>	<ul style="list-style-type: none">• Adopt purchasing ordinance• Adopt resolutions setting purchasing guidelines• Approve <i>Requests for Bids</i> (RFBs) and <i>Requests for Proposals</i> (RFPs) documents for purchases specified in Section 202• Delegate authority to award contracts if they are within budget to the City Manager• Award contracts if they exceed the approved budget from the RFB/RFP
<u>Purchasing Authority / City Manager Designee</u>	<ul style="list-style-type: none">• Implement purchasing policies• Delegate purchasing authority• Approve RFB's / RFP's for purchases specified in section 202• Award contracts specified in section 202
<u>Finance Director / Budget Manager</u>	<ul style="list-style-type: none">• Develop and implement purchasing guidelines• Monitor and evaluate system performance• Set payment schedules• Approve purchase requests in section 202

City Attorney	<ul style="list-style-type: none"> Review City contracts to ensure compliance with the City's policies, rules, and laws
Financial Analyst Purchasing	<ul style="list-style-type: none"> Develop and implement city-wide purchasing policies and procedures Review and approve purchase requisitions, purchase orders, and contracts for proper authority and terms Coordinate and assist departments in the development of competitive bid solicitation on the City's electronic bidding platform (RFB / RFP / RFQ) Route contracts and maintain a complete database for all City contracts Audit city departments for compliance with the City's purchasing policies Coordinate with the risk management to develop risk templates and risk assessment toolkits to enable departments to make good decisions when addressing risk and insurance requirements in contracts
Risk Management	<ul style="list-style-type: none"> Review and evaluate risk and insurance requirements for all City contracts Coordinate with the purchasing division to develop risk templates and risk assessment toolkits to enable departments to make good decisions when addressing risk and insurance requirements in contracts
City Engineer	<ul style="list-style-type: none"> Approve RFB specifications for public projects Approve Job Order Contracts (JOC) task orders for public projects as specified in Section 202
Department Heads	<ul style="list-style-type: none"> Develop and implement department purchasing procedures Delegate departmental purchasing authority Approve departmental purchase requests and award departmental contracts as specified in section 202
Authorized Employees	<ul style="list-style-type: none"> Requisition goods and services in compliance with city purchasing policies Receive (approve) invoices or payment requests for departmental purchases Notify suppliers of business license requirements (when required)

Commented [HM16]: Does it seem odd the the finance director is developing guidelines and analyst is developing policies? Seems like this should be reversed.

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Commented [BJC17]: Should copies of the procedures be provided to Purchasing for records and reference?

Commented [CD18R17]: Good idea. I know Public Works has a CIP design manual which covers their purchasing procedures. I'm not sure of other departments having written procedures – the policy / procedure to follow is the exhibit 202A

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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:Purchasing

purchases

- 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 supplier 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 22002e).
- **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.

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Commented [BJC19]: Maybe a quick comment about contract administration. This is important for service contracts.

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Commented [CD20]: Consider removing the 7 stages of a purchase – I don't think it's adding any value or is necessary

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Commented [CD21]: Remove category – IT systems is an initial 'Goods' purchase usually followed by a contract of 'Services' purchases

Commented [CD22]: Add JOC?

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Purchasing System Responsibilities

Exhibit 201-A

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Voters

- Approve City Charter

City Council

- Adopt purchasing ordinance.
- Adopt resolution setting purchasing guidelines.
- Approve *Requests for Bids* (IFBs) and *Requests for Proposals* (RFPs) documents for purchases specified in Section 202.
- Delegate authority to award contracts if they are within budget to the City Manager.
- Award contracts if they exceed the approved budget from the RFB/RFP.

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Purchasing Authority
(City Manager/Designee)

- Implement purchasing policies.
- Delegate purchasing authority.
- Approve RFB's/RFP's for purchases specified in Section 202.
- Award contracts as specified in Section 202.

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Finance Director/Budget
Manager

- Develop and implement purchasing guidelines.
- Monitor and evaluate system performance.
- Set payment schedule.
- Approve Purchase Requests as specified in Section 202.

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Purchasing Financial
Analyst

- Develop and implement city-wide purchasing procedures
- Review and approve purchase orders and contracts for proper authority and terms.
- Route contracts for signature and maintain complete database for all goods and services contracts.
- Assist departments in development of solicitations (RFB, RFP, RFQ, Quick Quote, etc.).
- Create and manage master agreements and Blanket Purchase Orders for centralized and aggregate purchasing (e.g. office supplies; off-site copying, scanning and document destruction) program

Commented [CD23]: The City Attorney should be within this flow?

Commented [CD24]: The City as it currently is structured is a "hybrid" purchasing model more decentralized then centralized.

The ERP motion project assumed centralized purchasing – for every single type of purchase regardless of specialization - the system flows in a decentralized manner.

We can work centralize certain commodity types (office supplies, furniture, janitorial services, linen, janitorial products, safety supplies, etc.

We can drive departments to consolidate suppliers – ie we don't need 6 different rubber gloves suppliers – but we should also keep decentralized for the more complex purchases which is what is being practiced currently.

The issue is how do we make it flow most efficiently inside Oracle and the larger financial system.

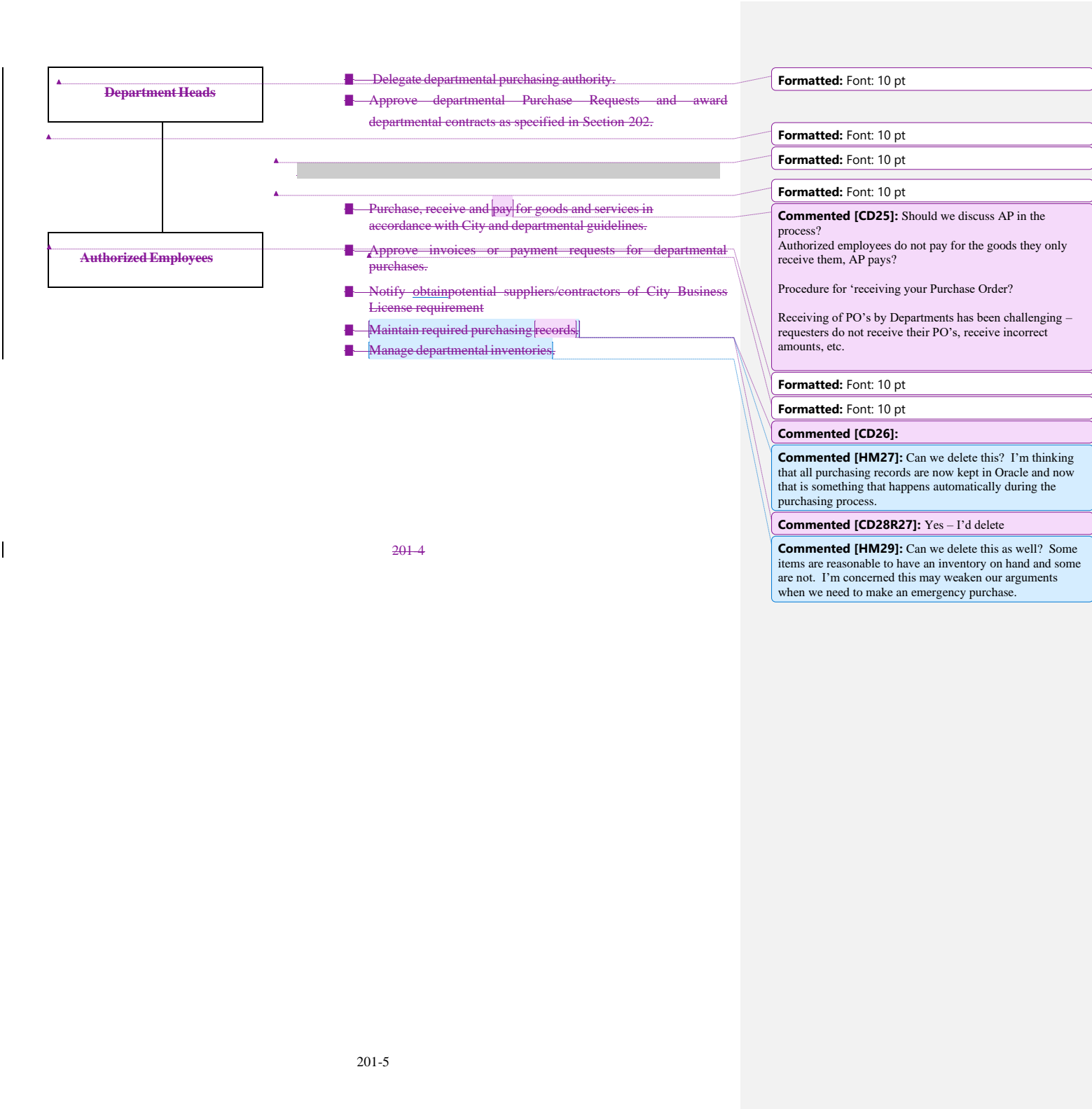
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City Engineer

- Approve RFB Specifications for public projects.
- Approve Job Order Contract (JOC) task orders for public projects as specified in Section 202.

- Develop and implement departmental purchasing procedures.



Section 202

PURCHASING TYPES AND APPROVAL AUTHORITY THRESHOLDS PURCHASING PROCESS PURCHASING PROCESS

Under the policy framework outlined 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 according to these guidelines.

Competitive bidding categories, approval authorization limits, and contract award procedures are based on total purchase cost, and approval authority apply thresholds apply to both a single transaction purchase total, and/or a cumulative series of purchases over the fiscal year.

Staging of purchases to avoid these competitive bidding procedures or authorization limits is prohibited.

The City has three types of purchases:

- General Goods & Services Contracts and purchases for supplies and equipment, including IT equipment, operating and maintenance services, including IT maintenance services.
- 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.
- Public Projects and Job Order Contracts. Construction, reconstruction, erection, alteration, renovation, improvement, demolition, painting, repainting, and repair work involving any publicly owned, leased or operated facility (Public Contract Code 22002c).

The type of purchase and its cost determine the approval authority levels. Exhibit 202A and 203A summarize the authority levels and the approval process flows within the City's Oracle ERP system.

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Commented [CD30]: Remove category – IT systems is an initial 'Goods' purchase usually followed by a contract of 'Services' purchases;

Combine Goods and Services into one – many times a goods purchase has both components – someone fixes something, and installs, parts, etc. Most City's in benchmark research do not separate General Goods vs. General Services and set differing price approval tiers. It leads to staff confusion.

Commented [CD31]: Add JOC?

Commented [CD32]: Job Order Contracts purchase types are not in Oracle

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Commented [CD33]: @Horn, Matt@Elke, Brigitte@Stanwyck, Shelly@Bell Jr., Charles

The 'fiscal officer' does not approve purchases in Public Works in Oracle flow like other departments; we either need to change the policy to allow for division manager approval, or configure Oracle to have designated fiscal officers approve purchase requisitions and remove the division managers as level 1 approvers of their own purchase requests.

Exhibit 202-A

General Goods and Services Purchases

Tier	Price	Approval Authority and workflow in Oracle ERP System
0	Under \$100	<ul style="list-style-type: none">No purchase order required*if you plan to make a series of purchases over the fiscal year over this amount contact the City's Purchasing Division to discuss open purchase order options
1	\$101 - \$9999	<ul style="list-style-type: none">No Bidding Process RequiredRequisition approved by Fiscal Officer*Purchase order approved by Purchasing Division
2	\$10,000 - \$24,999	<ul style="list-style-type: none">Three quotes (if possible)If only one quote? A sole source memo is required for the purchaseRequisition approved by Fiscal Officer and Department Head*Purchase order approved by Purchasing Analyst
3	\$25,000 - \$49,999	<ul style="list-style-type: none">Formal bidding process (RFP – RFB)Requisition approved by Fiscal Officer and Department HeadPurchase order approved by Purchasing Analyst
4	\$50,000 - \$149,999	<ul style="list-style-type: none">Formal bidding process (RFP – RFB)City Manager approval through City Manager ReportRequisition approved by Fiscal Officer *Purchase order approved by Purchasing Analyst
5	\$150,000 or more	<ul style="list-style-type: none">Council approval through Council Agenda ReportFormal bidding process (RFP – RFB)Requisition approved by Fiscal OfficerPurchase Order approved by Purchasing Analyst

Commented [CD34]: Propose merging general goods and general services into one category from the current two

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Commented [CD35]: @Elke, Brigitte@Horn, Matt

Proposing an allowable non-PO amount under \$500 possibly slightly higher but not much, which will mirror the low value amounts on the credit cards. This is in line with other City's in benchmark research

The staff costs to process from requisition to approval to po to receipt to AP match under this level outweigh the value of the data.

We can get the data in other ways than the PO.

1. Pull data from 3 sources and combine for analysis (PO, credit card, and invoices (by charge account))
2. With that data identify volume contract opportunities (prining, off-contract landscaping, off-contract electrician services, etc.)

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Exhibit 202-A

Consulting Services

<u>Tier</u>	<u>Price</u>	<u>Approval Authority and workflow in Oracle ERP System</u>
<u>0</u>	<u>Under \$500</u>	<ul style="list-style-type: none">• <u>No purchase order required</u>• <u>*if you plan to make a series of purchases over the fiscal year over this amount contact the City's Purchasing Division to discuss open purchase order options</u>
<u>1</u>	<u>\$1000 - \$7499</u>	<ul style="list-style-type: none">• <u>No Bidding Process Required</u>• <u>Requisition approved by Fiscal Officer*</u>• <u>Purchase order approved by Purchasing Division</u>
<u>2</u>	<u>\$7500 - \$14,999</u>	<ul style="list-style-type: none">• <u>Three quotes (if possible)</u>• <u>If only one quote? A sole source memo is required for the purchase</u>• <u>Requisition approved by Fiscal Officer and Department HEad*</u>• <u>Purchase order approved by Purchasing Analyst</u>
<u>3</u>	<u>\$15,000 - \$39,999</u>	<ul style="list-style-type: none">• <u>Formal bidding process (RFP – RFB)</u>• <u>Requisition approved by Fiscal Officer and Department Head</u>• <u>Purchase order approved by Purchasing Analyst</u>
<u>4</u>	<u>\$40,000 - \$99,999</u>	<ul style="list-style-type: none">• <u>Formal bidding process (RFP – RFB)</u>• <u>City Manager approval through City Manager Report</u>• <u>Requisition approved by Fiscal Officer *</u>• <u>Purchase order approved by Purchasing Analyst</u>
<u>5</u>	<u>\$100,000 or more</u>	<ul style="list-style-type: none">• <u>Council approval through Council Agenda Report</u>• <u>Formal bidding process (RFP – RFB)</u>• <u>Requisition approved by Fiscal Officer</u>• <u>Purchase Order approved by Purchasing Analyst</u>

Commented [CD36]: \$15,000 is low value for RFP trigger compared to benchmark Cities. Consider upping this limit to \$25,000

And re-evaluating the Tier 3-4 thresholds

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PUBLIC WORKS PROJECTS, CONSTRUCTION CONTRACTS, AND JOB ORDER CONTRACTS

The City awards construction contracts following the Uniform Public Construction Cost Account Act.

Construction contracts bid procedures are managed by the City's Public Works Department with Finance and City Attorney oversight.

The City's Public Works Department CIP Design Manual Guide governs policies and procedures for entering into Construction Contracts, Construction Change Orders and Job Order Contracts.

See CIP Manual at:

https://slocitycloud.sharepoint.com/:w:/s/SLOHub/Public-Works/cipengineering/EXkv0X4GWbRPtKA_2LaCJnQBIK1os0X4LlyHTJHAg2uXQ?e=dN1aqR

Exhibit 203-A

Public Projects

Tier	Price	Approval Authority and workflow in Oracle ERP System
<u>1</u>	<u>Under \$15,000</u>	<ul style="list-style-type: none"><u>No bidding process required</u><u>Requisition approved by Fiscal Officer</u><u>Purchase order approved by Purchasing Division</u>
<u>2</u>	<u>\$15,001 - \$59,999</u>	<ul style="list-style-type: none"><u>Three quotes (if possible)</u><u>If only one quote? A sole source memo is required for the purchase</u><u>Requisition approved by Fiscal Officer*</u><u>Purchase order approved by Purchasing Analyst</u>
<u>3</u>	<u>\$60,000 - \$199,999</u>	<ul style="list-style-type: none"><u>Formal bidding process (RFP – RFB)</u><u>City Manager approval through City Manager Report</u><u>Requisition approved by Fiscal Officer *</u><u>Purchase order approved by Purchasing Analyst</u>
<u>4</u>	<u>\$200,000 or more</u>	<ul style="list-style-type: none"><u>Council approval through Council Agenda Report</u><u>Formal bidding process (RFP – RFB)</u><u>Requisition approved by Fiscal Officer</u><u>Purchase Order approved by Purchasing Analyst</u>

*The purchase thresholds identified in the above section would not apply to purchase orders under \$60,000 for on-call consultants if the on-call consultants were selected from an RFP/RFQ. The reason is Council authorized the Finance Director to execute contracts up to the project budget (i.e. budget per the Financial Plan)

Commented [BJC37]: Always recommend writing out definition before making it an acronym.

Commented [BJC38]: Where is this guide located? Nice to help staff know where to find a document.

Exhibit 203-A

JOB ORDER CONTRACTS

Tier	Price	Approval Authority and workflow in Oracle ERP System
1	<u>Under \$45,000</u>	<ul style="list-style-type: none">Requisition approved by City EngineerPurchase order approved by Purchasing Analyst
2	<u>\$45,001 - \$200,000</u>	<ul style="list-style-type: none"><u>If only one quote? A sole source memo is required for the purchase</u>Requisition approved by Fiscal Officer & Department HeadPurchase order approved by Purchasing Analyst
3	<u>\$175,000 or more within annual limit</u>	<ul style="list-style-type: none">City Manager approval through City Manager ReportRequisition approved by Fiscal Officer *Purchase order approved by Purchasing Analyst
4	<u>\$175,000 or more within annual limit</u>	<ul style="list-style-type: none">Council approval through Council Agenda ReportRequisition approved by City EngineerPurchase Order approved by Purchasing Analyst

Construction Contract Change Orders

When the City awards a construction contract, the need for contract change orders (CCO) is not unusual. A CCO is required whenever the scope of work changes from the original contract or an unknown condition requires a change in the scope of work.

Usually a contingency amount is established when the project is authorized for advertisement or award to accommodate limited CCO's. The purpose of this policy is to establish limits of authority for approving construction project CCO.

GOALS

- Ensure appropriate authority and accountability in the approval of change orders.
- Minimize the time needed to approve a CCO to avoid project delays.
- Establish a system at the organizational level at which the approval is commensurate with the size of CCO and the project.
- Eliminate the potential for approval of a CCO when contingency funds are insufficient.

Commented [CD39]: @Horn, Matt@Nelson, Brian

In Oracle we don't even have JOC's as a purchase type. Not sure why, these tier graph were supposed to mirror approval flows in Oracle.

Should we even have a JOC tier graph at all?

Delete?

Commented [HM40R39]: I think we still need it or it would fall into a public projects purchasing process. I will add recommended dollar amount adjustments.

Commented [CD41R39]: We classify JOC's as a public purchase in Oracle because we have not other type to assign it.

Commented [HM42]: 60k

Commented [HM43]: 200k

Commented [HM44]: This should be deleted

Commented [CD45]: @Horn, Matt@Nelson, Brian Tier 3 and 4 do not make sense in current policy? Both are same \$ amounts with different approval procedures?

Can we discuss?

Commented [NB46R45]: @Clancy, Daniel I Tier 4 should say "outside annual limit", which implies we would be asking Council for additional budget to support the work

Commented [CD47]:

Commented [HM48]: If we are going back to council we should update by reference so we don't get stuck with old limits. Current limits are:
Tier 2: 60k
Tier 3: 200k

I think we should also consider raise tier 1 up as well. 15k sounds about right to me, but we should chat to find out if everyone is comfortable with that.

Commented [NB49R48]: Agree Tier 1 should be increased to allow greater flexibility for minor work. Not much can be accomplished for less than \$7,500 these days. I think an \$10k increase is reasonable for a limit UP TO (not under) \$17,500.

Commented [HM50]: JOC have an existing contract in place. Tier 2 indicates that are getting three quotes. We typically only have one contractor under contract for a specific type of JOC. It doesn't make sense to get quotes if ...

Commented [CD51R50]: @Horn, Matt@Nelson, Brian

In Oracle we don't even have JOC's as a purchase type. N ...

Commented [HM52R50]: @Clancy, Daniel When the system was first implemented, there was a JOC workflow process. Something changed and I believe the Jesus is ...

Commented [CD53R50]: @Horn, Matt Thanks. There was a flow on paper in the policy but never configured in Oracle – so we have been coding JOC's as public project ...

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POLICIES

Conditions for Approval of CCO's by Staff

- Sufficient contingency funds are budgeted and available for the Public Works Director or City Manager (approved designees) to approve a CCO.
- The nature of work in the CCO is not significantly different from that in the contract.
- Authorization limits are based on an individual CCO amount, not the aggregate amount of all CCO.
- Authorization limits apply to CCO for increases in contract amounts only.
- Work will not be broken up into multiple CCO to circumvent this policy.
- All CCO must be in writing and approved by the appropriate contract parties consistent with the authorized limits established in this policy.

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Construction Change Orders

- A copy of each approved CCO will be transmitted to the Finance Department with monthly progress payments.
- The Purchasing Authority may approve CCO over \$199,999 under the following circumstances (all three factors must be present):
 - Immediate approval of the CCO is necessary to avoid delay.
 - The CCO is an integral and mandatory component of the project.
 - The costs associated with the delay of the project would be excessive. The Project Manager is responsible for carrying out this policy.
- The Purchasing Authority is also authorized to approve CCO over \$199,999 related to Job Order Contract Task Orders.

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Authorization Limits

Public Works Director/ Designee

- Not to exceed \$60,000

Purchasing Authority (City Manager/Designee)

- Not to exceed \$200,000

City Council*

- Greater than contract or \$200,000

** See circumstances above where the Purchasing Authority may approve CCO's in excess of \$175,000.*

Originally Approved by the Council on August 3, 1993; Revised by the Council on April 15, 2003 and June 2, 2015.

Commented [CD54]: Tier 4 approval in Oracle is redundant process – purchase already approved by City Manager Report there's no need to have a 7 layer approval flow in Oracle – the purchase was already approved by City Manager Report

SECTION 204

PURCHASING METHODS

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

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

The City's preferred method for securing the majority of its purchases is by purchase order.

For a guide to purchase order types see the [City's Purchasing SharePoint document "what type of purchase order do I need?"](https://slocitycloud.sharepoint.com/sites/SLOHub/Finance/purch/SitePages/Home.aspx)

<https://slocitycloud.sharepoint.com/sites/SLOHub/Finance/purch/SitePages/Home.aspx>

For ~~low value, small or recurring purchase~~ one-time, unforeseen maintenance, emergency, travel, and education-related purchases, the City encourages authorized employees to use the use of the City credit card ~~P-Card~~ (See Section 275).

Summary Guide to Purchase Types:

Purchase Type	Dollar Threshold	Requirements
<u>Purchase Requisition/Purchase Order</u>	\$500 – Unlimited	Must obtain approvals required in section 202; Exhibit 202-A
<u>CreditP-Card</u>	\$0 – \$5,000 (one-month cumulative maximum)	<u>City credit cards may be used for low value (under \$500), one-time, unforeseen maintenance*, emergency, travel, and education-related purchases.</u> Purchases between \$501-\$2500 generally should be done by purchase requisition and purchase order. <u>Purchases that exceed the single transaction purchase limit of \$2500 must have approval before purchasing on the card. P-Card may be used for small or recurring or emergency purchases. P-Card may not be used for Not Permitted for purchases in excess of limits, large purchases, purchases for services, eCapital items</u>
<u>Emergency Purchase</u>	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;

* Single transaction purchases over \$2500 must have approval before being made on the City Credit Card

Commented [CG55]: I too think it would be helpful to have the same tier threshold for goods and services. In maintenance and operation, it's very rare to to contract only services, there is uasually a good (parts) included the contract.

Commented [CD56R55]: @Cruce, Greg I agree with you. I'd like to see 3 purchase types (goods/services; consultant; public projects)

Commented [HM57]: What do you think about setting a lower limit that does not require approval? If I have a credit card I can buy small dollar amounts without fiscal officer or other approvals. If I process an invoice for the same amount or try to get a PO for that same dollar amount, I need concurrence of others and likely multiple vendor proposals.

Commented [CD58R57]: @Horn, Matt I talked with Brigitte this week about this topic – I agree there should be an allowable non-PO limit – that perhaps also matched the credit card 'single transaction limit'

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Commented [HM59]: The credit card section isn't in this document. We should double check that section to ensure that it matches the purchasing process. My recollection (which is foggy) is credit cards are only to be used for emergencies in section 275.

Commented [CD60R59]: It's merged into it now. The current CC policy is vague on defined purchase levels and does not align with the purchasing process.

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Commented [HM61]: We should consider revising the lower limit. Every department violates the PR/PO process by completing a PR after the cost has been incurred.

Commented [CD62R61]: @Horn, Matt@Elke, Brigitte

I'm open to this. But at what dollar limit?

Departments are violating some are violating at a much higher % than others.

The underlying premise should not change that there should be fiscal officer approval of all purchases

Commented [HM63]: Deleted these items because "large" is a subjective term. Deleted services since that will likely lead to violations (if I take a chainsaw to noble saw to have

Commented [CD64R63]: We are going to define more clearly

Commented [CD65]: Delete chart – define in words

* Maintenance divisions small value purchase limits are set a higher low-value limit to allow for operational flexibility
* Monthly spend limits can ~~Limit can~~ be raised with Department Head approval – generally only for Department Cards.
* See Section 275 – Credit Card Policy

PURCHASE REQUISITIONS AND PURCHASE ORDERS

Purchase Requisitions

~~PRP Card or Emergency Purchases~~ Purchase Requisitions are entered into the City's Oracle ERP system. A Purchase Requisition is a 'request' to purchase goods and services and accomplishes an internal document (electronic form) the following:

- Initiates ~~aaa~~ purchase order request; ~~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 suppliers, or leaves supplier selection up to Purchasing;
- Is approved by appropriate City representatives to grant budget authority to make the purchase;
- See ~~e~~Exhibit 202A; 203A; which shows the approval process and the designated City representative that will approve the requisition in the City's Oracle ERP system;
- Upon approval, allocates or pre-encumbers funds to support the purchase.

All purchase requisitions are entered into the Oracle ERP financial system by the purchase requestor. The requestor is responsible for entering and validating the accuracy of the following:

- 1) Item/services description, quantity, amount
- ~~2) If requesting Fiscal Year Open PO, a or if price is not known,~~ budgeted or estimated amount*
- ~~3) NIGP Commodity Code~~ *see NIGP code description document for more detail*
- ~~4) Account code~~
- ~~5) Supplier (if known)~~
- ~~5) List all other required information~~
- 6) 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 tier a specific purchase falls into, which is determined by the purchase type and value. See Exhibit 202-A for purchase tier thresholds.~~

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Commented [CD66]: @Horn, Matt@Elke, Brigitte@Stanwyck, Shelly @Bell Jr., Charles

The 'fiscal officer' does not approve purchases in Public Works in Oracle like other departments; we either need to change the policy to allow for division manager approval, or configure Oracle to have designated fiscal officers approve purchase requisitions and remove the division managers as level 1 approvers of their own purchase requests.

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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

* Quotes and bidding processes are not required for purchases made pursuant to Section 204 of this Manual.

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

Note: The Level 1 Approver is an authorized employee in each department such as a Fiscal Officer.

Purchase Orders

A purchase order is a document that formalizes ~~encumber funds and~~ a purchase transaction with a supplier. It sets forth the supplier's obligations and the City's responsibilities and requirements. Purchase Orders are issued after all required policies and procedures are met. A supplier's acceptance of a Purchase Order constitutes a contract.

Purchase Orders allow the City to communicate its intentions to suppliers and its terms and conditions protect the City from risk. When staff purchase outside of a purchase order and bypass the City purchasing policy, the City and its taxpayers to face undue risk.

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,
- 5) and all supporting documentation submitted by the requisitioner other agreements pertinent to the purchase and its execution by the supplier

Commented [CD67]: Delete Chart

The chart is redundant of the approval thresholds graphic
Purchasing's involvement does not mirror what is on the chart

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- 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

- a. ~~Attached Supporting Documents~~
- b. ~~Incorporated Agreements (City Agreements, Cooperative Agreements)~~
- c. ~~Incorporated Quotes/Proposals~~
- d. ~~Council Action Report (if Council approval is required for award of a contract/purchase order)~~

~~A supplier'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:~~

~~There are three main purchase order types utilized by the City.~~

1) Standard ~~Regular~~ Purchase Order

~~—a one-time PO nonrecurring order, to a written to a supplier for a definite quantity, price, and delivery schedule.~~

- ~~1) of identified item(s) or cost. It is the most appropriate for one-off purchases of goods and services when you know the price, quantity, and delivery date. method used for purchase of supplies and services.~~

2) Open Fiscal Year Not-to-Exceed ~~Blanket~~ Purchase Order

A purchase order not tied to a formal contract that allows for multiple purchases in a fiscal year (more than 12 times per fiscal year)

~~—a Purchase order which authorizes repetitive purchases of goods and services from a specific supplier 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).~~

- Ideal for ongoing services purchases
- PO is an estimated budget amount, not a guarantee the City will purchase the full amount
- Staff must close fiscal year open POs at the end of each fiscal year and choose whether or not to re-open in next Fiscal Year.

3) Open Contract Purchase Order – tied to a multi-year City Contract

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Commented [BJC68]: Repetitive.

Commented [CD69R68]: @Bell Jr., Charles I inserted this language in because staff submit requisitions after the purchase is already made. These purchases violate the policy.

We've communicated to the analysts the violations, they still happen, and this is not uncommon across other City's I've reached out to other procurement directors about it.

For tier 1 purchases (lowest value) we don't challenge every purchase – but for any tier 2 purchase – (higher value) – if the requisition is done after the fact – it's immediately challenged – department staff I believe don't always understand the risks in not having a PO# in place for higher priced purchases.

Commented [CD70]: Matt Horn note: List what requirements you are looking for or reference if documented in policy

Commented [CD71R70]: @Horn, Matt – The requirements are described above in both the requisition and purchase order

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A purchase order tied to a formal contract that allows for multiple purchases for one fiscal year, and/or over multiple fiscal years.

- Upon execution of a contract for a fixed dollar amount – an open PO can be issued for that fixed amount
- Contract open PO's can carry over multiple fiscal years until the end of the contract
~~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.~~

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Commented [CD72]: Contract PO's do not exist in Oracle.

Commented [HM73R72]: Should we take the Contract Purchase Order language and include it under Standard Purchase Orders then?

Commented [CD74R72]:

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NON-PURCHASE ORDER EXCEPTIONS

Below is a list of categories that can be paid without a purchase order

- Bank fees
- Filing fees; used for filing city and county permits
- Training
- Postage
- Travel Reimbursements and Advances
- Tax payments; property taxes
- Instructor and Artist services related to programs offered through Parks & Recreation community programs for art, instructors, tutors, referees, etc.
- PPE (Personal Protective Boot Allowance) – Takken's and Boot Barn reimbursements
- Dues and memberships in trade or professional organizations, fees for trade or career fairs, fees for job-related seminars and training
- Subscriptions, periodicals, newspapers, books and library materials, electronic subscriptions, media maps, or similar publications in printed or electronic form
- Water, sewer, telecommunications, electrical, or other utility services
- Revenue refund or reimbursement payments
- Payments related to fringe benefits (dental, vision, life insurance, employee assistance, CalPERS)
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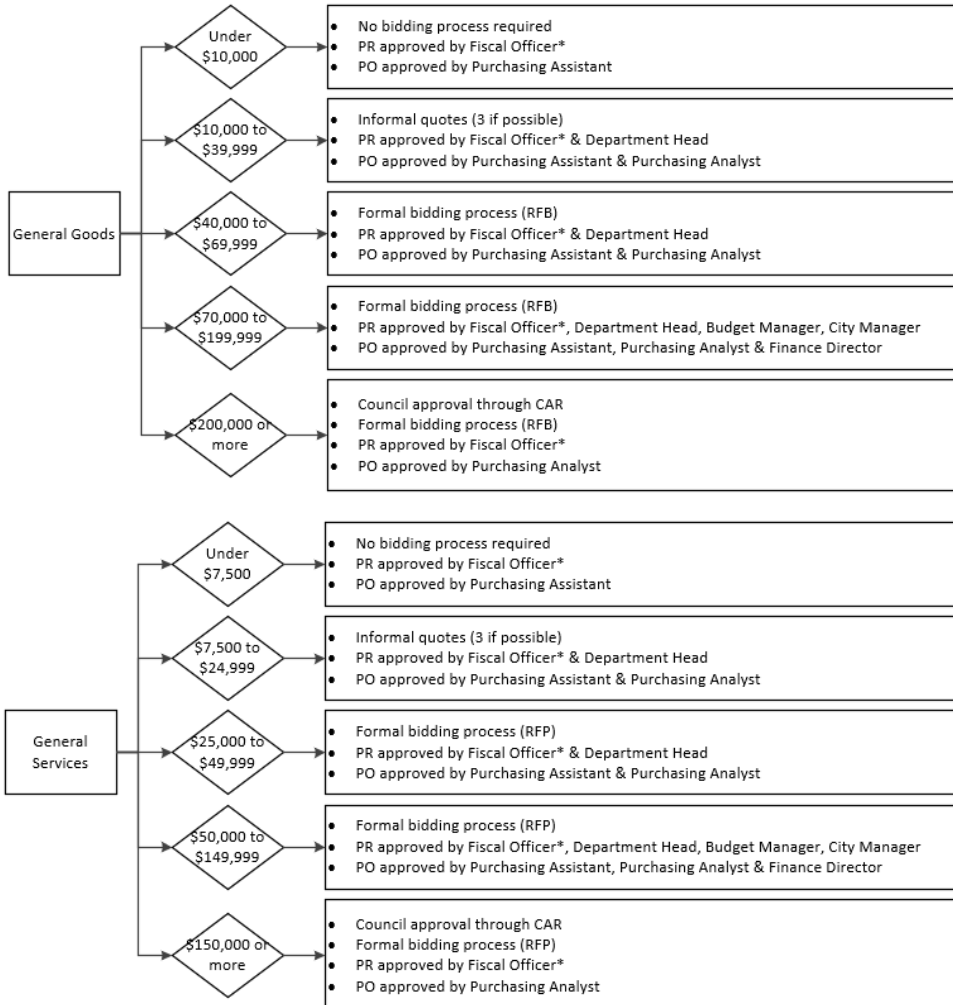
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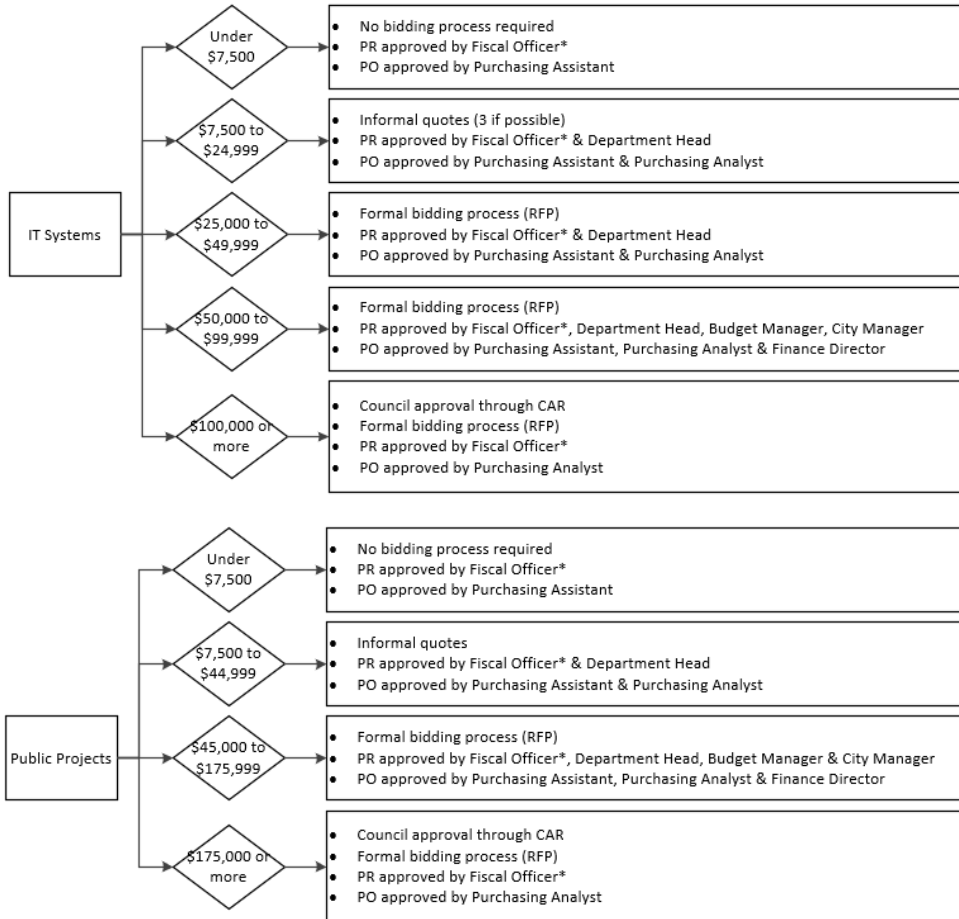
Purchasing Thresholds

Exhibit 202-A



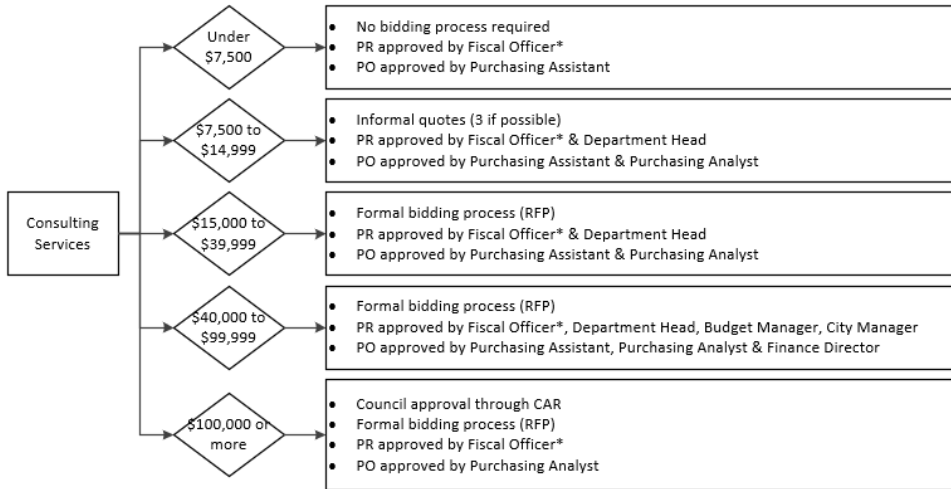
Purchasing Thresholds

Exhibit 202-A



Purchasing Thresholds

Exhibit 202-A



* The system recognizes 1st level approvers to be authorized employees such as Fiscal Officers

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 suppliers 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 suppliers or consultants 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 supplier and the supplier'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 suppliers 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.

Commented [CD75]: Move to Section 250 - Delete all of 203

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Commented [CD76]: Public Projects are considered complex which mostly go out as RFB this ancillary sentence is not needed.

Commented [CD77]: We don't have a quick quote online solicitation program, not sure we need it? I'd consider removing this sentence and just leaving the seeking quotes by verbal or written request

Commented [HM78R77]: Works for me

BIDDING CRITERIA

	RFB	RFPs	RFQ	Quick Quotes
Formal Solicitation	Yes	Yes	Yes	No
Goal	Lowest Price	that provides the best proposal to complete the work 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 suppliers 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

Commented [CD79]: Brigitte, is there language you'd like to include regarding Municipal Code requirements to accept lowest bid for RFB?

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Commented [CD80]: DELETE

The City generally only goes out for RFB on construction and public projects – consider removing the non-construction RFB

Further, the City should not RFB goods and then consider only lowest price. For example: The City issues an RFB for paper products – the winning bid company is from Asia – half-way around the world – the City needs to consider other factors – (local, environmentally preferable product criteria, shipping distances, etc., the City should issue RFPs in most all non-public works circumstances. Government purchasing does not solely consider pricing – social policy, environmental policy, etc. are all factors.

Commented [CD81]:
DELETE THE PROCESS FLOW CHART

The left side of the flow appears to be describing approval flow outside of Oracle and depending on Tier level should involve budget approvals if necessary, or involve budget generally. The 1st question should be 'do we have budget and approval to draft RFB/RFP?

This is not how workflow currently proceeds Citywide. There are dual procedures – one outside and one inside of Oracle.

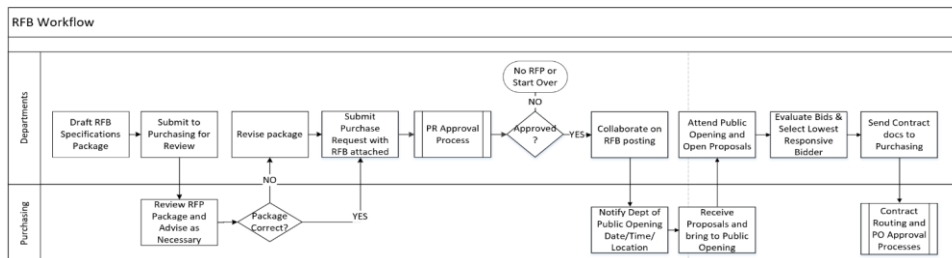
This RFB flow will be different depending on the Tier levels

For Public Works – purchasing should be or at present

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 suppliers (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 supplier after a good faith effort, the award may be given to the next lowest, responsive bid.

203-3

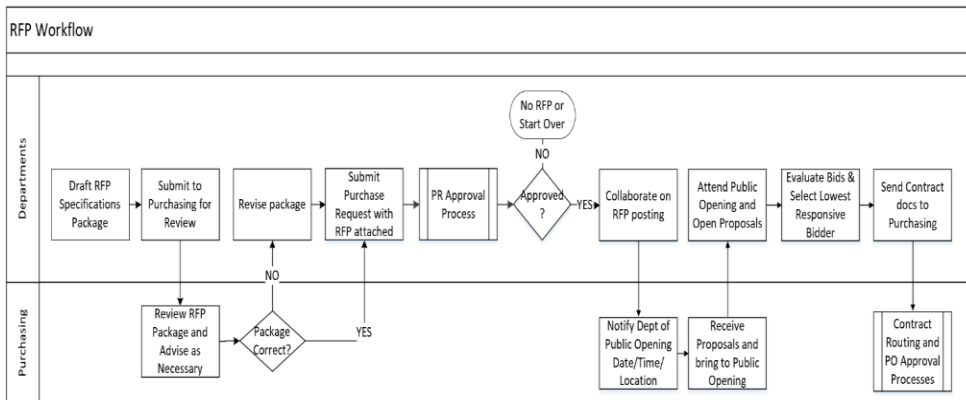
Non-Construction RFP Process

The following process shall be employed when releasing an RFP:

Commented [CD82]: Purchasing has little to no involvement in whether bids are responsive and awarded aside from ensuring the City is in compliance with the Policy. Award determinations are made by department project teams; purchasing functions more on coordinating the process and ensuring compliance to policy

Commented [CD83]: There is no procedure written in the current policy manual

Commented [CD84]: DELETE
Procedural Flow
See RFB notes – same comments



Non-Construction RFP Package

The City's template "Regular RFP Package" must be used to create the RFP document provided to prospective suppliers (See Section 203 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

Commented [CD85]: If a qualified supplier misses the electronic submission – should we automatically disqualify the bidders? I'd argue no. Deadlines are at times missed due to circumstances – The City should not miss out on the potential value of the most qualified proposal and should consider submissions submitted via email perhaps by 5pm the same day the bid ends (our set time for bid endings is 3 pm).

Commented [CD86]: Purchasing has little to no involvement in whether bids are responsive and awarded aside from ensuring the City is in compliance with the Policy.

Award determinations are made by department project teams; purchasing functions more on coordinating the process and ensuring compliance to policy

Commented [CD87]: RFP's are not awarded by lowest bid – consider removing this entire sentence

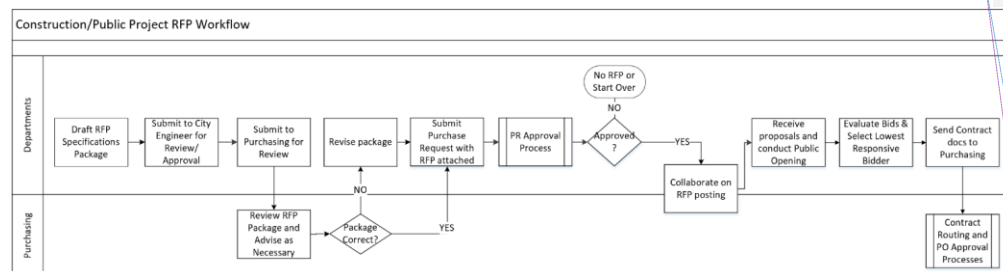
desired. As such, price shall not be used as a criterion in the evaluation and ranking/selection of the most highly qualified firm.

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 supplier 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 250 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 required for submission of proposals, including bid bonds requirements;
- 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.

Commented [CD88]: There is no procedure for approval in the manual

Commented [CD89]: The City generally only goes out for RFB on construction and public projects – consider removing the non-construction RFB

Further, the City should not RFB goods and then consider only lowest price. For example: The City issues an RFB for paper products – the winning bid company is from Asia – half-way around the world – the City needs to consider other factors – (local, environmentally preferable product criteria, etc., the City should issue RFPs in most all non-public works circumstances. Government purchasing does not solely consider pricing – social policy, environmental policy, etc. are all factors.

Commented [HM90R89]: Dan – Based on your understanding of how we process construction related RFBs, does this flow chart follow our practice. I'm thinking that PW doesn't follow this flow, but do others?

Commented [CD91R89]: The flow should be taken out of the policy. This is internal procedure and we should refer to the CIP design manual for PW RFP public construction projects.

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

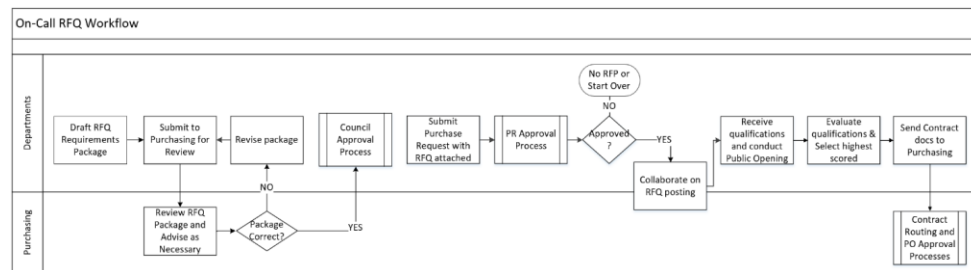
The department will first determine whether proposals are responsive to the RFB. All responsive bids will be tabulate and bid pricing compared. The lowest cost responsive bid will then be recommended for award.

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.



Commented [CD92]: No procedure in manual

Commented [CD93]: The CIP design manual goes into much more detail on this flow chart – consider removing and referring to the CIP design manual.

The City can follow this process for non-public works contractors – I’ve had discussions with IT regarding how to incorporate their services contractors into this flow. Needs more clarification.

RFQ Package

The City's template "RFQ Package" must be used to create the RFQ document provided to prospective suppliers (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 suppliers 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 supplier(s) deemed most qualified will then be recommended for award.

RFP Award

Suppliers 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. **NO BID PURCHASING**

Municipal Code Chapter 3.24.060 sets forth guidelines for when bidding procedures are not required.

TIER 0 and 1 LOW-COST PURCHASING

Section 3.24.060 A – When the purchase amounts are less than the bid requirements. All Tier 1 purchases all within this category, do not require a competitive bidding process (see Exhibit 202A; 203A) Section 202 for thresholds for Tier 1 purchases). However, City staff should seek cost comparisons whenever practical.

Commented [CD94]: The City does not have an electronic solicitation system for Tier 1 and 2 purchases.

Remove? Selecting the lowest quote depends on the type of purchase. If a simple goods lowest price is fine, but if it's services, consultants, factors other than lowest price are to be considered.

Section 295 also specified that staff should write sole source memos for this level if they could not get more than one quote. Given the smaller market size of SLO this requirement warrants further discussion. I'd recommend moving sole source memos to Tier 3-5 levels (individual purchase and cumulative)

EMERGENCY PURCHASING

Section 3.24.060 B – an emergency purchase is made to address a situation that creates 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, public peace, or the health or safety of any person.

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

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).

<https://slocitycloud.sharepoint.com/sites/SLOHub/Finance/purch/SitePages/Home.aspx>

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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 justification backup to the requisition.

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SOLE SOURCE PURCHASING

Section 3.24.060 (C) 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 suppliers 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 can be purchased may only be obtained from a single "sole-source" may be purchased without engaging in bidding procedures.

Examples of legitimate sole source purchases include the following:

- Only one known source exists for the goods or services as determined by documented research and there is no reasonable alternative source that meets the City's needs
- When only one source meets the City's business needs and avoids high switching costs (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 the permitted seller (this includes purchases in which purchasing from a non-designated seller would result in nullification of manufacturer warranties)
- 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 the use of another contractor would result in high switching costs or project delays due to lack of such

Commented [CD95]:

Consider adding to the CIP guide. And, also Purchasing can try to make sure to follow up on emergencies follow up and make sure requisitions happen in a timely fashion.

knowledge.

Examples of non-legitimate sole source purchases include:

- 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)

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. Staff must draft a “Sole-Source” memorandum to justify the purchase. The City’s Sole Source Memorandum template is located in the Purchasing SharePoint page.
<https://slocitycloud.sharepoint.com/sites/SLOHub/Finance/purch/SitePages/Home.aspx>

Sole Source memos explain the basis for suspending the competitive procurement process and provide enough detail so that a person from the public, who has no experience, or info on a purchase, could read the memo and understand the basis for the sole-sourcing of the purchase.

Sole Source memos are public record, and answers to the questions should be accurate, so if the City ended up in litigation, the department staff who drafted the request, and the purchasing analyst, can assert the answers are accurate in a court of law.

The Purchasing Analyst must approve the sole-source before the purchase. Approved Sole Source Justifications should be attached to requisitions when submitted for a purchase order. An approved sole source is effective for the term of the contract, or if no contract, for three years.

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 reseller 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

Commented [CD96]: @Elke, Brigitte I’m not sure the non-legitimate examples add clarity or value? But open to keeping in.

Commented [BJC97]: Random thought. Any benefit in having a definitions section in the manual? One place to go and not have to find definition in the document.

Commented [CD98R97]: Yes. I have one drafted for the credit card section but will expand to the full policy

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~~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.~~

COOPERATIVE AGREEMENT PURCHASING

Section 3.24.060 (E) - City staff may use established cooperative agreements for purchases without a competitive bidding process. Cooperative agreements take advantage of already negotiated competitively bid RFP contracts. ,if those cooperative agreements were competitively bid. City staff in coordination with the Purchasing Division are is responsible for researching cooperative agreements to ensure 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.

For more detail on cooperative agreements, why the City uses them, and a current list of suppliers with cooperative agreements the City can purchase from, refer to the purchasing SharePoint site, <https://slocitycloud.sharepoint.com/sites/SLOHub/Finance/purch/SitePages/Home.aspx>.

Local Dealers Local Preference

If a local dealer, -as defined in Municipal Code 3.24.060 (E) as *being a supplier 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 supplier's cost with the same terms and conditions, City staff may use the local dealer without initiating a separate competitive bidding process.

SECTION 205

ETHICAL CONDUCT

The purpose of this policy is to set forth the ethical standards of professional behavior expected of all officials and employees conducting purchasing activities on behalf of the City.

STANDARDS OF CONDUCT

Every employee or official engaging in purchasing activities on behalf of the City is required to employ the following standards of conduct:

Consider, first, the interests of the City in all transactions.

- Carry-out the established policies of the City.
- Purchase without prejudice, seeking to obtain the maximum value for each expenditure of public funds.
- Subscribe to and work for honesty and truth in buying and selling, and to denounce all forms

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Commented [CD99]: Section 205 was not included in 5/1/18 Council Approved Update

Commented [BJC100R99]: Good add. Just consider updating the formatting before finalization so all part of on document.

i.e. Section ____ Ethical Standards of Conduct

Commented [HM101]: Note there could many different perspectives on this. One staff member may think that buying the lowest cost widget is in the best interest of the City, some may think a widget of higher quality or a widget that can be procured faster is in the best interest of the City.

Commented [CD102R101]: @Horn, Matt

The premise of this is geared towards examples of using a supplier who may be their salesperson friend, and that supplier is inflating their pricing by a large margin over their competition, the manager knows this, but still keeps using their salesperson friend.

*note this particular example I've described has happened this past year, and discovered through the ERP data.

It's hard to include every scenario with Ethics policy.

This ethics policy language is from the 2015 Policy – I haven't changed or edited the language in this update.

- and manifestations of commercial bribery.
- Cooperate with all organizations and individuals engaged in activities designed to enhance the development of purchasing practices.
- Respect obligations to others, and require the same respect from others for their obligations.

PROHIBITED PRACTICES

The following practices are prohibited in performing purchasing activities on behalf of the City:

- Having a financial or personal beneficial interest (directly or indirectly) in any contract or purchase order for supplies, equipment, services, or projects furnished to the City.
- Accepting or receiving (directly or indirectly) from any person, firm, or corporation to whom any contract or purchase order may be awarded (by rebate, gift or otherwise) any money or anything of value, or any promise, obligation or contract for future reward or compensation. Inexpensive advertising items bearing the name of the firm—such as pens, pencils, paperweights or calendars—are not considered articles of value or gifts with this policy.
- Using information available to officials and employees, solely because of their City position, for personal profit, gain or advantage.
- Directly or indirectly furnishing services or information not available to all prospective bidders to any person or firm bidding on, or who may reasonably be expected to bid on, a contract with the City.
- Providing confidential information to persons to whom issuance of such information has not been authorized.
- Using a position or status in the City to solicit (directly or indirectly) business of any kind; or to purchase products at special discounts or upon special concessions for personal private use from any person or firm who sells or solicits sales to the City.
- Serving the interests of any organization (either as an officer, employee, member of the board of directors, or in any capacity for consideration) which transacts or attempts to transact business with the City for profit when such employee holds a City position of review or control—even though remote—over such business transactions.

RESPONSIBILITY

- **Employees.** Each employee is responsible for following these practices. Violation of this policy may result in disciplinary action, termination of employment or criminal prosecution.
 - **Department Heads.** Department heads are responsible for ensuring that all employees of their department who conduct purchasing activities possess a thorough understanding of these standards of ethical conduct and prohibited practices.
-

Section 215

BUSINESS LICENSE AND TAX-FORM REQUIREMENT

BUSINESS LICENSES

The City requires entities that execute contracts with and do business within or transacting with the City to obtain a business license and tax certificate, according to Chapter 5.01 of the Municipal Code.

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.

Consultants and services suppliers who execute contracts with the City for ongoing services, whether or not they travel into the City to perform the services, must have a Business License.

Services providers, who have a business address outside of City limits, and travel into City limits and perform services within the City must have a business license.

Whenever possible, City staff should direct purchases to suppliers who have a valid business license.

A current listing of businesses who have valid business licenses is located in the Purchasing SharePoint page with the City's Revenue Division.

No purchases may be made from any supplier that does not have a valid business license, unless specifically exempted from that requirement, as specified below.

EXCEPTIONS

The following types of suppliers are exempt from the business license requirement (exempted by the Finance Director, according to the adjustment powers outlined in Section 5.01.501)

- ~~Business~~ A 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 violate Federal or State laws or contractual agreements;
- Out-of-state and on-line businesses whose only business conducted is a purchase initiated by the City to supply goods over a cumulative amount of \$100,000 (See *South Dakota v. Wayfair 585 US (2018)* The Court held that out of state sellers were required to collect and remit sales tax if they sold more than \$100,000 of goods or services or engaged in 200 or more transactions)

Commented [HM103]: We should have HR review this section for concurrence.

Commented [BJC104]: Same comment as with Ethics section.

Commented [HM105]: PW Commonly purchase printing for plans and specification which is completed off-site. I just want to make sure that we are still allowed to complete this type of purchase without going through finance.

Commented [CD106R105]: This entire section should be deleted in my opinion; this is old policy language from 2015 policy. Yes, you can still purchase printing for plans, etc. But we may in the future have contracts in place that govern the pricing for your purchases

Commented [HM107]: What does this term mean?

Commented [CD108R107]: I don't know. I think we should delete this entire section; it's from 2015; and it is not followed

Commented [BJC109]: Consider adding when this should not be done. Leaving it wide open can lead to abuse.

Commented [BJC110]: Consider updating the Terms and Conditions Template section since right now it makes it appear that all contracts require a business license. Maybe something like license required unless prior authorization received from Purchasing that an exception to the license applies.

Commented [CD111]: No language on Tax Certificate. Business License and Tax Certificate are together on same application

The Finance Director has the power to waive License only but not Tax (per Municipal Code disconnect)

Commented [CD112]: Coordinate with revenue? Provide an active link of current business license businesses? Not everyone in the City has access to HDL. – I'm concerned about this language since renewals happen all year, but mostly in June.

Commented [HM113]: We should include a link to this document. I'm thinking that folks would actually look at this more often if it didn't require reaching out to other staff located in another work area to determine.

Commented [CD114]: The City needs a stronger definition of "Nexus" to enforce.

Supreme Court decision defines Nexus as out-of-state ...

Commented [BJC115R114]: Where is the memo located?

Commented [CD116R114]: @Bell Jr., Charles
<https://slocitycloud.sharepoint.com/w/s/SLOHub/Finance/EZpeRRJKq8FNhig-4cfdVIIIBodYsvAzCQOvHK-> ...

Commented [CD117]: Examples? What scenarios violate State or Federal Law?

Commented [CD118]: I'm using federal law criteria, I realize the City can make this \$\$ figure what it wants it to be, but must balance it against costs of enforcement. ...

Section 225

CONSTRUCTION CONTRACT CHANGE ORDERS

OVERVIEW in accordance with the Uniform Public Construction Cost Account Act.

~~When the City awards a construction contract, the need for contract change orders (CCO) is not unusual. CCO are required whenever the scope of work changes from that in the original contract or an unknown condition of the site requires a change in the scope of work. Usually a contingency amount is established when the project is authorized for advertisement or award, budget is finalized upon contract award to accommodate limited CCO's. The purpose of this policy is to establish limits of authority for approving construction project CCO.~~

GOALS

- ~~■ Ensure appropriate authority and accountability in the approval of change orders.~~
- ~~■ Minimize the time needed to approve a CCO in order to avoid project delays.~~
- ~~■ Establish a system under which the organizational level at which approval is given is commensurate with the size of CCO and size of project.~~
- ~~■ Eliminate the potential for approval of a CCO when contingency funds are insufficient.~~

POLICIES

Conditions for Approval of CCO's by Staff

- ~~■ Sufficient contingency funds are budgeted and available in order for the Public Works Director or City Manager (approved designees) to approve a CCO.~~
- ~~■ The nature of work in the CCO is not significantly different from that in the contract.~~
- ~~■ Authorization limits are based on an individual CCO amount, not the aggregate amount of all CCO.~~
- ~~■ Authorization limits apply to CCO for increases in contract amounts only.~~
- ~~■ When the aggregate amount of CCO reaches 75% of the contingency, the awarding authority shall be informed of the status of the project and the sufficiency of funding to complete the project.~~
- ~~■ Work will not be broken up into multiple CCO in order to circumvent this policy.~~
- ~~■ All CCO must be in writing and approved by the appropriate contract parties consistent with the authorized limits established in this policy.~~

Construction Change Orders

- ~~■ A copy of each approved CCO will be transmitted promptly to the Finance Department with monthly progress payments Division.~~
- ~~■ The Purchasing Authority may grant approval of CCO in excess of \$175,000 under the~~

Commented [BJC119]: Always recommend writing out definition before making it an acronym.

Commented [BJC120]: Where is this guide located? Nice to help staff know where to find a document.

Commented [HM121]: If we are going back to council we should update by reference so we don't get stuck with old limits. Current limits are:
Tier 2: 60k
Tier 3: 200k

I think we should also consider raise tier 1 up as well. 15k sounds about right to me, but we should chat to find out if everyone is comfortable with that.

Commented [NB122R121]: Agree Tier 1 should be increased to allow greater flexibility for minor work. Not much can be accomplished for less than \$7,500 these days. I think an \$10k increase is reasonable for a limit UP TO (not under) \$17,500.

Commented [HM123]: JOC have an existing contract in place. Tier 2 indicates that are getting three quotes. We typically only have one contractor under contract for a specific type of JOC. It doesn't make sense to get quotes for a JOC purchase.

following circumstances (all three factors must be present):

- ~~Immediate approval of the CCO is necessary to avoid delay.~~
- ~~The CCO is an integral and mandatory component of the project.~~
- ~~The costs associated with delay of the project would be excessive. The Project Manager is responsible for carrying out this policy.~~

- ~~The Purchasing Authority is also authorized to approve CCO in excess of \$175,000 related to Job Order Contract Task Orders.~~

Authorization Limits

- ~~Public Works Director/ Designee — Not to exceed \$6045,000~~
- ~~Purchasing Authority (City Manager/Designee) — Not to exceed \$200175,000~~
- ~~City Council* Greater than contract or \$200175,000~~

**See circumstances above where the Purchasing Authority may approve CCO's in excess of \$175,000.*

- Originally Approved by the Council on August 3, 1993; Revised by the Council on April 15, 2003 and June 2, 2015.

SECTION 250

COMPETITIVE BIDDING CRITERIA AND STANDARD BID DOCUMENTS

BIDDING TYPES AND AWARD CRITERIA

Commented [BJC124]: @Just noting for clean up when doc ready for final. Make title same as other sections.

Commented [NB125]: Check table formatting

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	<u>RFB</u>	<u>RFPs</u>	<u>RFQ</u>	<u>Quotes</u>
	Yes	Yes	Yes	No
<u>Goal</u>	<u>Lowest responsive bid submitted by responsible bidder</u>	<u>Most qualified bidder that provides the best proposal</u>	<u>Most qualified bidder</u>	<u>Lowest price of most qualified bidder</u>
<u>Public Opening Requirements</u>	<u>Opened publicly and read aloud if public or bidders are in attendance</u>	<u>Opened publicly and pricing read aloud if public or bidders are in attendance</u>	<u>Not opened publicly - List of suppliers who submit qualifications made publicly available</u>	<u>Not opened publicly</u>
<u>Response Evaluated By</u>	<u>Department project team</u>	<u>Department project team</u>	<u>Department project team</u>	<u>Department with purchasing assistance</u>
<u>Specific Evaluation Process</u>	<u>Determine whether bid is responsive, then select lowest responsive bid submitted by responsible bidder. No scoring of specification response is involved.</u>	<u>Responses reviewed to determine most qualified bidder. Responsible proposals are reviewed for factors listed in Section 3.24.210 of the Municipal Code</u>	<u>Statement of qualifications evaluated and a score assigned. Some specification responses can be pass/fail only with no associated score.</u>	<u>Determine whether quote is responsive, then select lowest, most qualified responsive quote. No scoring of specification response is involved.</u>
<u>Cost Evaluation Process</u>	<u>Costs for responsive bids are compared to each other to identify lowest cost</u>	<u>Cost for responsive bids are compared to each other to identify most qualified lowest cost bidder</u>	<u>If applicable, costs of labor or services are scored</u>	<u>Costs for responsive quotes are compared to each other to identify lowest, most qualified cost</u>
<u>Negotiation Allowed after Selection</u>	<u>No, unless all bidders are asked for a best and final Offer (BAFO)</u>	<u>Yes</u>	<u>Yes</u>	<u>No, unless all bidders are asked for a best and final Offer</u>
<u>Award Basis</u>	<u>Lowest responsible bidder wins</u>	<u>Lowest most qualified responsible proposal wins</u>	<u>Evaluation Committee Recommendation</u>	<u>Lowest most qualified responsive quote wins</u>

BID DOCUMENT TEMPLATES

With the assistance of the City Attorney, the Purchasing Division maintains the City's contract

agreement templates on the Purchasing SharePoint site. The templates contain the City's standard terms and conditions which are not negotiable unless approved by the City Attorney.

The City advertises its competitive bids electronically via BidSync www.bidsync.com. The preferable method for bid submission is in electronic format (paperless), unless the bid is submitted for Public Work CIP bids.

The advantage of standard templates is to reduce the amount of time required for preparation and administrative review; unless deviations are highlighted, reviewing staff will assume departments have faithfully used the standard documents, and will not review them in detail.

(Bid documents for construction projects are excluded, since Public Works manage all construction projects, and they are responsible for maintaining standard bid documents for construction projects.)

Additionally, these standard specifications can be used for the more price-sensitive Invitation for Bid process (IFB) as well as the Request for Proposal (RFP) process where criteria other than price may be significant factors in making the purchasing decision.

For detailed procedures and descriptions on how to draft RFP's from the standard templates refer to the City Purchasing SharePoint site at "procedures for competitive bidding advertising and BidSync procedures"

Section 255

CONTRACTS, CONTRACT ADMINISTRATION, CONTRACT AMENDMENTS

The City enters into numerous types of contractual agreements with suppliers throughout the fiscal year. This procedure document is written for employees who have responsibility for entering into contracts with suppliers to provide goods and services for their departments.

A contract is a legal instrument that protects the City's interests by clearly establishing the responsibility of all parties and establishes the terms and conditions under which a service is to be performed.

The City's contract templates can be found on the purchasing SharePoint site.-

Examples of City contracts may include, but are not limited to:

1. Professional Services Agreements
2. Professional Services Agreements resulting from an RFP/RFQ
3. Bid Contracts (IFB)
4. Purchase Orders
5. Amendments
6. Parks & Recreation Instructor Agreements
7. Grant Agreements
8. Cooperative Agreements
9. Leases

For Public Works Construction Contracts – routing procedures, and contract administration are outlined in the CIP design manual on the Public Works SharePoint site.

The manual is located on the Public Works SharePoint site.

https://slocitycloud.sharepoint.com/:w:/s/SLOHub/Public-Works/cipengineering/EXkv0X4GWbRPtKA_2LaCJnQBKIos0X4LltvHTJHAg2uXQ?e=dN1aqR

For Goods and Services, Consulting, RFQ on-call contracts, software agreements, instructor agreements, and leases, the following procedure should be followed.

Contact the purchasing department to obtain the City's standard contract template or refer to the purchasing SharePoint site to download the City's contract template at <https://slocitycloud.sharepoint.com/sites/SLOHub/Finance/purch/SitePages/Home.aspx>

- If staff receive a contract from a supplier *not in the City's standard format* contact the City Attorney's office to determine whether the City's standard contract template should apply. _

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- FOR IT / Software contracts staff should notify the City's IT department for their review and approval.
Draft the contract incorporating the supplier's scope of work and proposal and send a Word draft version to the Legal Department for review
- Determine with the City's Risk Management department the required insurance coverage.
- If the contract is from an RFP/RFO/RFB staff should have contacted the Risk Management to determine the appropriate insurance coverages before issuing the RFP
- The required insurance coverage will be an exhibit in the RFP; verify the coverages are what the City asked for in the RFP.
- The City's has boilerplate insurance templates on the Purchasing SharePoint site; but you should still check with Risk Management for appropriate coverage for your scenario. <https://slocitycloud.sharepoint.com/sites/SLOHub/Finance/purch/SitePages/Home.aspx>
- After review by the City Attorney's office; and upon obtaining the supplier's proof of insurance, forward the contract to purchasing or your administrative assistant for electronic signature routing via Docu-Sign, the City's electronic signature software for contracts.
Docu-Sign is the City's mandatory routing software, contracts shall not be routed for wet signatures.
- If the department routes a contract through its Administrative Assistant, the department must cc: the City purchasing department on all contract routings.

Commented [BJC126]: Risk Management is not a separate department.

Commented [BJC127]: [Clancy, Daniel](#) Maybe a statement that DocuSign is the City mandatory system for document execution.

Contract Records Management

Departments and Project Managers should be aware of their contract terms and scope of work and be aware of renewal dates. For more detail on contract routing procedures refer to the Purchasing SharePoint site.

Amendments to Agreements – Non-Construction Agreements

CONTRACT AMENDMENTS ~~SCOPE~~

After contract award—whether by, purchase order or formal contract—amendments may be needed to reflect changes in the scope of goods or services to be provided. The following summarizes what is required to authorize and document contract changes.

~~The City's contract amendment templates are in the Purchasing SharePoint site. Attached is a sample "Amendment to Agreement" that can be used in approving contract changes.~~

Amendments should be numbered.

AUTHORIZING AGREEMENT CHANGES

Construction Contracts

Authorization levels for approving construction contract change orders are ~~set forth~~outlined in Section 203 of this manual.

General Goods and Services

The specific authority for approving contract amendments is usually ~~set forth~~outlined in the agreement itself (Section 5 of the standard agreement template).

General Policy. ~~Staff~~Staff has the authority to amend agreements to the cumulative ~~amended~~ contract amount ~~(original price of the contract plus the price of any amendments)~~ that they are otherwise authorized to award contracts. In those cases where ~~the original contract was awarded by a higher purchasing authority~~a higher purchasing authority awarded the original contract, then they have the authority to amend those contracts by a cumulative amendment amount ~~(price of only the amendment itself)~~ that they are otherwise authorized to award ~~contracts~~.

Budget Constraints. In all cases, however, staff authorization to increase contract amounts is subject to existing budget availability.

Staging of Contract Costs and Amendments. Using the amendment process ~~in order~~ to avoid competitive bidding or higher authorization levels at the contract award stage is prohibited.

The following provides general guidelines for authorization levels in approving changes to purchase orders and agreements.

Commented [CD128]: Thanks! Much more clear

Goods and Services & Consultant Contract / Purchase Order Amendments

For contract ~~and purchase orders purchases at~~ Tier 1 level: (See section 202-A)

A contract or purchase order awarded initially as a Tier 1 amount requires Fiscal Officer approval to a maximum amount of: ~~For a contract originally awarded as a Tier 1 purchase:~~

- \$10,000 for Goods and Services
- \$7500 for Consulting

The Fiscal Officer has the authority to amend at Tier 1 approval authority:

The Fiscal Officer has the ~~authority to amend the cumulative amended contract price~~ authority to amend the cumulative amended contract ~~price~~ or purchase order by an amount not to exceed the maximum cumulative amount of: ~~amount of the maximum by a Tier 1 price of: not to exceed amount of the maximum Tier 1 price of:~~

- ~~Goods:~~ \$10,000 for Goods and Services
- \$7500 for Consulting ~~IT Systems,~~

Amendments or change orders that cumulatively add to the original contract or purchase order to Tier 2 & 3:

- \$10,000 - \$49,999 for Goods and Services
 - \$7500 - \$39,999 for Consulting
 - Requires Fiscal Officer and Department Head Approval
 - Tier 3 levels if not competitively bid through an RFP/RFO or purchased off a cooperative contract the contract or purchase order requires a sole-source memorandum at this amount
- \$15,000 for Public Projects

If the cumulative amended contract amount exceeds a Tier 1 ~~plf amendments beyond these limits are needed, i.e. exceed a Tier 1 purchase price, it will require the approval of a higher purchasing authority according to thresholds set forth in section 202, exhibit 202-A.~~ Amendments or change orders that cumulatively add to the original contract or purchase order to Tier 4:

- \$50,000-\$149,999 Goods and Services
- \$40,000 - \$99,999 Consultant
- Requires City Manager Report
- If not competitively bid through an RFP/RFO or purchased off a cooperative contract, the contract or purchase order requires a sole-source memorandum at this amount

Amendments of change orders that cumulatively add to the original contract or purchase order to Tier 5:

Commented [JM129]: Link to, or include the tiers in this policy

Commented [CD130R129]:

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Commented [VM131]: amount

Commented [VM132]: amount? For consistency in terms

Commented [JM133R132]: Agreed. Dan, let us know whether you'd like to use "price" or "amount" and please update accordingly throughout.

Commented [CD134R132]: Amount? Or delete price

Commented [VM135]: By an amount not to exceed?

Commented [JM136R135]: Agreed. Updated accordingly.

Commented [VM137]: not to exceed a cumulative amended contract amount (original contract price + price of amendment(s)) of the maximum Tier 1 price of:

Commented [JM138R137]: Yes, agreed. We need to define "cumulative amended contract amount" in the body of the text either as a parenthetical like you suggest, or simply saying, "which is defined to mean..."

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Commented [VM139]: amounts don't line up perfectly with flow chart

Commented [JM140R139]: Agreed. Dan, are there updated tier amounts we should be referring to? Also, I'd suggest listing the types of contracts first in each bullet and then : the price.

Commented [CD141R139]: The amounts are for the proposed updated thresholds – I'm proposing merging goods and services together – raising some thresholds

Commented [VM142]: If the cumulative amended contract amount exceeds a Tier 1 purchase price, ...

Commented [VM143]: Use the tier that the Cumulative Amendment Amount falls into, UNLESS the Cumulative Amendment Amount causes the Cumulative Amended Contract Amount to fall into a higher tier than it was approved for, in which case approval from the higher tier is needed.

Commented [VM144R143]: If the Amendment does not push the contract into a new tier, then use the tier the amendment price falls into.

If the Amendment pushes the contract price into a higher tier, then get approval from the higher tier.

- Over \$150,000 Goods and Services
 - Over \$100,000 Consultant
 - Require Council Approval
 - If not competitively bid through an RFP/RFQ or purchased off a cooperative contract, the contract or purchase order requires a sole-source memorandum
- (** PROPOSED LANGUAGE**)

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For contract and purchase orders purchases at at Tier 2 & 3 levels -

For a A contract or purchase order originally awarded as a Tier 2 _purchase amount requires Fiscal Officer and Department Head approval – maximum amounts:

- \$10,000 - \$24,999 for Goods and Services
- \$7500 - \$14,999 for Consulting

A contract or purchase order originally awarded as a Tier 3 purchase amount requires Fiscal Officer and Department Head approval – maximum amounts:

- \$10,000 - \$24,999 for Goods and Services
- \$7500 - \$14,999 for Consulting

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Tier 3 must be competitively bid through RFP/RFO, or purchased off a cooperative agreement; or requires a sole-source

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The Fiscal Officer has the authority to amend at Tier 1 approval authority the contract or purchase order by a cumulative amendment amount not to exceed their tier 1 authority of: ~~maximum Tier 1~~

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- \$10,000 for Goods and Services
- \$7500 for Consulting

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Commented [JM145]: I think we should be more explicit about the process, even if it seems like overkill. I'd suggest saying something like: "The Fiscal Officer has the authority to amend if the amendment cost is within Tier 1..."

The Fiscal Officer and Department Head have the authority to amend the contract or purchase order by a cumulative amendment amount not to exceed their tier 2 & 3 authority of:

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- \$10,000 - \$49,999 for Goods and Services
- \$7500 - \$39,999 for Consulting

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price:

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Amendments or change orders that cumulatively add to the original contract or purchase order to Tier 4:

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- \$50,000-\$149,999 Goods and Services
- \$40,000 - \$99,999 Consultant
- Requires City Manager Report
- If not competitively bid through an RFP/RFO or purchased off a cooperative contract, the contract or purchase order requires a sole-source memorandum at this amount

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Amendments or change orders that cumulatively add to the original contract or purchase order to Tier 5:

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- Over \$150,000 Goods and Services
- Over \$100,000 Consultant
- Require Council Approval
- If not competitively bid through an RFP/RFO or purchased off a cooperative contract, the contract or purchase order requires a sole-source memorandum

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~~The Fiscal Officer and Department Head have the authority to amend the contract by a cumulative amendment amount not to exceed the maximum Tier 2 price to amend at Tier 2 approval authority.~~

~~The Fiscal Officer and Department Head have authority to amend the cumulative amended contract price by a not to exceed amount of the maximum Tier 2 price of:~~

- ~~• Goods and Services : \$25,000~~
- ~~• Consulting:~~
- ~~• Public Projects \$60,000~~

~~If the cumulative amended contract price exceeds a Tier 2 purchase price. If amendments beyond these limits are needed, i.e. exceed a Tier 2 purchase price, it will require the approval of a higher purchasing authority according to thresholds set forth in section 202, exhibit 202 A. (** PROPOSED LANGUAGE**)~~

- ~~■~~
- ~~■ IT Systems: \$24,999~~
- ~~■ Consulting: \$14,999~~

~~For contract purchases at Tier 3 level~~

~~For a contract originally awarded as a Tier 3 purchase:~~

~~The Fiscal Officer has the authority to amend the contract by a cumulative amendment amount not to exceed the maximum Tier 1 price.~~

~~The Fiscal Officer and Department Head have the authority to amend the contract by a cumulative amendment amount not to exceed the maximum Tier 2 price.~~

~~The Fiscal Officer has the authority to amend at Tier 1 approval authority~~

~~The Fiscal Officer and Department Head have the authority to amend at Tier 2 approval authority.~~

~~The Fiscal Officer and Department Head have the authority to amend the contract by a cumulative amendment amount not to exceed the maximum Tier 3 price. at Tier 3 approval authority.~~

~~The Fiscal Officer and Department Head have authority to amend the cumulative amended contract price by a not to exceed amount of the maximum Tier 3 price of:~~

- ~~• Goods and Services : \$50,000~~
- ~~• Consulting: 40,000~~
- ~~• Public Projects \$200,000~~

~~If the cumulative amended contract price exceeds a Tier 3 purchase price. If amendments beyond these limits are needed, i.e. exceed a Tier 3 purchase price, it will require the approval of a higher purchasing authority according to thresholds set forth in section 202, exhibit 202 A. (** PROPOSED LANGUAGE**)~~

~~For contract purchases at Tier 4 level~~

~~-~~

Commented [JM146]: Are these essentially saying the same thing? If so, let's condense. If not, I'd appreciate an explanation as to how they differ. Thanks!

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Commented [JM147]: Similar edit to the tier 2 section above. I think we need to be really clear about how we work down in terms of authority if the original contract required a higher approval authority and the amendment cost falls into a lower tier

Commented [CD148]: @Bell Jr., Charles@Elke, Brigitte

This is older policy language it's hard to follow

If we enter into a contract at \$7500 – it's Tier 1. We amend it one month later to \$15,000– now it's Tier 2. As the current policy reads, we'd treat the amendment approval as a Tier 1 approval flow even though the value of the contract went above into Tier 2 approval authority.

I think we need it to say, if the amendment triggers the total value of the contract to go into the next Tier level it triggers that Tier levels approval authority flows.

The second scenario is when a higher approval authority enters a contract at for example Tier 2 at \$15,000. We amend it by \$1000 (a Tier 1 level), only the Fiscal Officer needs to approve that amendment, which is OK since the cumulative Tier level did not change.

*See proposed new language to Tier 1

*See older language for Tiers 2-5

A contract or purchase order originally awarded as a Tier 4 purchase amount requires a City Manager Report – maximum amounts:

- \$50,000-\$149,999 for Goods and Services
- \$40,000-\$99,999 for Consultants

Tier 4 must be competitively bid through RFP/RFQ, or purchased off a cooperative agreement; or requires a sole-source

The Fiscal Officer has the authority to amend the contract or purchase order by a cumulative amendment amount not to exceed their tier 1 authority of:

- \$10,000 for Goods and Services
- \$7500 for Consulting

The Fiscal Officer and Department Head have the authority to amend the contract or purchase order by a cumulative amendment amount not to exceed their tier 2 & 3 authority of:

- \$10,000 - \$49,999 for Goods and Services
- \$7500 - \$39,999 for Consulting

City Manager Report is required to amend the contract or purchase order by a cumulative amendment amount not to exceed tier 4 authority of:

- \$50,000 - \$149,999 for Goods and Services
- \$40,000 - \$99,999 for Consulting

Amendments or change orders that cumulatively add to the original contract or purchase order to Tier 5:

- Over \$150,000 Goods and Services
- Over \$100,000 Consultant
- Require Council Approval
- If not competitively bid through an RFP/RFQ or purchased off a cooperative contract, the contract or purchase order requires a sole-source memorandum

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For a contract originally awarded as a Tier 4 purchase:

~~The Fiscal Officer has the authority to amend the contract by a cumulative amendment amount not to exceed the maximum Tier 1 price.~~

~~The Fiscal Officer and Department Head have the authority to amend the contract by a cumulative amendment amount not to exceed the maximum Tier 2 price.~~

~~The Fiscal Officer and Department Head have the authority to amend the contract by a cumulative amendment amount not to exceed the maximum Tier 3 price.~~

~~The Fiscal Officer has the authority to amend at Tier 1 approval authority.~~

~~The Fiscal Officer and Department Head have the authority to amend at Tier 2 approval authority.~~

~~The Fiscal Officer and Department Head have the authority to amend at Tier 3 approval authority.~~

~~City Manager Report approval has the authority to amend the contract by a cumulative amendment amount not to exceed the maximum Tier 4 price.~~ is required to amend at a Tier 4 approval authority.

The Fiscal Officer, Department Head, and/or City Manager Report approval have authority to amend the cumulative amended contract price by a not to exceed amount of the maximum Tier 4 price of:

- Goods and Services : \$150,000
- Consulting: \$100,000
- Public Projects \$200,000

~~If the cumulative amended contract price exceeds a Tier 4 purchase price, If amendments beyond these limits are needed, i.e. exceed a Tier 4 purchase price, it will require the approval of a higher purchasing authority according to thresholds set forth in section 202, exhibit 202 A. (** PROPOSED LANGUAGE**)~~

For contract purchases at Tier 5 level- **For contract purchases at Tier 5 level**

A contract or purchase order awarded initially as a Tier 5 purchase amount requires Council approval:

- Over \$150,000 for Goods and Services
- Over \$100,000 for Consultants

Tier 5 must be competitively bid through RFP/RFQ, or purchased off a cooperative agreement; or requires a sole-source

The Fiscal Officer has the authority to amend the contract or purchase order by a cumulative amendment amount not to exceed their tier 1 authority of:

- \$10,000 for Goods and Services
- \$7500 for Consulting

The Fiscal Officer and Department Head have the authority to amend the contract or purchase order by a cumulative amendment amount not to exceed their tier 2 & 3 authority of:

- \$10,000 - \$49,999 for Goods and Services
- \$7500 - \$39,999 for Consulting

Commented [JM149]: Similar edit to the tier 2 section above. I think we need to be really clear about how we work down in terms of authority if the original contract required a higher approval authority and the amendment cost falls into a lower tier

Commented [JM150]: Same comments as above regarding working down. We should use the term "cumulative amendment cost" to help explain this.

Commented [CD151]: @Bell Jr., Charles@Elke, Brigitte

If we enter into a contract at \$7500 – it's Tier 1. We amend it \$15,000– it's Tier 2. As the current policy reads, we'd treat the amendment approval as a Tier 1 approval flow even though the cumulative value of the contract went into Tier 2 approval authority.

If the amendment triggers the cumulative value of the contract to go into the next Tier it triggers that Tier level approval authority flows.

The second scenario

A higher approval authority enters a contract at for example Tier 2 at \$15,000. We amend it by \$1000 (a Tier 1 level), only the Fiscal Officer needs to approve that amendment because the cumulative Tier level did not change.

City Manager Report is required to amend the contract or purchase order by a cumulative amendment amount not to exceed tier 4 authority of:

- \$50,000 - \$149,999 for Goods and Services
- \$40,000 - \$99,999 for Consulting

Amendments of change orders that cumulatively add to the original contract or purchase order to Tier 5:

- Over \$150,000 Goods and Services
 - Over \$100,000 Consultant
 - Require Council Approval
 - If not competitively bid through an RFP/RFQ or purchased off a cooperative contract, the contract or purchase order requires a sole-source memorandum
-

PUBLIC PROJECTS CONTRACT AMENDMENTS AND CHANGE ORDERS

[FILL]

JOB ORDER CONTRACT AMENDMENTS AND CHANGE ORDERS

[FILL]

For a contract originally awarded as a Tier 5 purchase:

~~The Fiscal Officer has the authority to amend the contract by a cumulative amendment amount not to exceed the maximum Tier 1 price.~~

~~The Fiscal Officer and Department Head have the authority to amend the contract by a cumulative amendment amount not to exceed the maximum Tier 2 price.~~

~~The Fiscal Officer and Department Head have the authority to amend the contract by a cumulative amendment amount not to exceed the maximum Tier 3 price.~~

~~The City Manager Report approval has the authority to amend the contract by a cumulative amendment amount not to exceed the maximum Tier 4 price.~~ The Fiscal Officer has the authority to amend at Tier 1 approval authority

The Fiscal Officer and Department Head have the authority to amend at Tier 2 approval authority.

The Fiscal Officer and Department Head have the authority to amend at Tier 3 approval authority. City Manager Report approval is required to amend at a Tier 4 approval authority.

Council has the approval authority to amend the cumulative amended contract price at:-

- Goods and Services: \$150,000 or more
- Consulting: \$100,000 or more

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Commented [JM152]: Similar edit to the tier 2 section above. I think we need to be really clear about how we work down in terms of authority if the original contract required a higher approval authority and the amendment cost falls into a lower tier

Commented [JM153]: Same comments as above.

Commented [JM154]: Let's be sure to include all types of contracts represented on the most updated tier chart

Examples of Amendments

Example 1:

- The City enters into a \$6,500 consulting contract requiring Tier 1 approval by Fiscal Officer (see Section 202, exhibit 202-A, “Consulting Services” bracket).
- ~~We~~The City wants to ~~extend the contract out six months and decides to amend the contract adding \$12,500 to the contract cost.~~
- The cumulative amended contract price is now \$20,000, which requires ~~meaning we~~the City ~~must get~~ Tier 2 approval from Fiscal Officer and Department Head to amend the contract.

Example 2:

- ~~A higher approval authority~~The City enters into a goods and services purchase order contract atfor \$15,000, requiring Tier 2 approval by the Fiscal Officer and Department Head (see Section 202-A).
- ~~, exhibit 202 A, “Goods and Services” bracket).~~ The City~~We~~ wishes to amend ~~it~~the purchase order agreement by \$1,000. The amendment value required Fiscal Officer approval; ~~does not push the cumulative amended amount~~contract price (now \$16,000) (original purchase + amendment) ~~into the ne~~is still Tier 2 – only Fiscal Officer approval is required. ~~at tier, Tier 3, and the amendment value itself is only Tier 1 (i.e., cumulative amendment cost), meaning only the Fiscal Officer needs to approve the amendment.~~ The Fiscal Officer can amend up to a cumulative amount of \$24,999.

Exceptions

~~If a~~ If greater discretionary authority at the Department Head or Purchasing Authority level is desired ~~than indicated above~~greater discretionary authority at the Department Head or Purchasing Authority level is desired than indicated above. In that case, this should be ~~clearly~~ identified in the City Manager or Council Agenda Report approving the bid/RFP documents or awarding the contract.

DOCUMENTATION

Amendment requests (such as the City Manager or Council Agenda Report) should include a cost summary of the original contract amount, ~~any amendments to date, the proposed amendment~~amendments to date, the proposed amendment, and the revised contract total.

Revised September 2, 2003, to reflect changes in the City's Purchasing Guidelines approved by the Council on April 15, 2003, and again on June 2, 2015

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Commented [VM155]: Insert purchasing policy flow chart, amounts need to line up (chart itself needs update?)

AMENDMENT TO AGREEMENT NO.

THIS AMENDMENT TO AGREEMENT is made and entered in the City of San Luis Obispo on [date], by and between the CITY OF SAN LUIS OBISPO, a municipal corporation, herein after referred to as City, and [CONTRACTOR NAME], hereinafter referred to as Contractor.

WITNESSETH:

WHEREAS, on [date] the City entered into an Agreement with Contractor for [generally describe the original agreement workscope] per Specification No. [xxxxxx]; and

WHEREAS, the City desires to amend the scope of services to include [generally describe the proposed change in the workscope] and Contractor has submitted a proposal for this purpose that is acceptable to the City.

NOW THEREFORE, in consideration of their mutual promises, obligations and covenants hereinafter contained, the parties hereto agree as follows:

1. ~~The scope of services and related compensation is hereby amended as set forth in Exhibit A attached hereto. [Attach proposal letter or other itemization of proposed work and agreed upon compensation referencing the Amendment Number]~~

2. All other terms and conditions of the Agreement remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed the day and year first written above.

ATTEST: _____ CITY OF SAN LUIS OBISPO

City Clerk By: _____
Purchasing Authority (City Manager/Designee)

APPROVED AS TO FORM: _____ CONTRACTOR

City Attorney By: _____

Commented [CD156]: Remove template

This is a template form that will change over time this is procedure not policy

CREDIT CARD POLICY

OVERVIEW

To provide secure payment options for employees who travel or at times have to make emergency purchases, the City issues credit cards registered to individuals under the City umbrella.

In this context, it is important to understand the fiduciary responsibility of utilizing a City credit card and the required control over purchases. This policy outlines the use, accounting, and reporting obligations that come with this fiduciary responsibility.

Employees assigned a City credit card will be bound to the criteria outlined in this policy that outlines not only the obligations but also the ramifications of violating the policy. Individual user agreements will be signed to ensure that a contract between the City and the credit card holder exists for reference.

This policy establishes the City's allowable uses, the fiduciary responsibility, the procedures, and reporting obligations when using City credit cards in making **emergency purchases** or paying for travel and training related expenses. Refer to the City's Municipal Code for the definition of an emergency purchase @ [Muni Code](#)

This policy cannot cover every issue, exception, or contingency that may arise in using City credit cards. Accordingly, the primary standard that should always prevail is to use common sense and good judgment in the use and stewardship of City resources.

POLICIES AND PROCEDURES AT-A-GLANCE

A summary document of primary cardholder responsibilities has been made available for easier reference. *See policies & procedures At-A-Glance @ [At a Glance](#)*

A procedure handbook for how to request a card; due dates for reconciliations; how to Oracle guides for expense report submission; and compliance auditing can be found @ [Credit Card Procedure Handbook](#)

The Oracle 'how-to' guide for submitting expense reports can be found @ [Expense Report 'How To' Guide](#)

GENERAL GUIDELINES

Charges can originate in-store, on-line, or by phone. Transactions are audited internally by finance and externally by the City's outside accounting firm.

The primary responsibility for ensuring the appropriate use of credit cards lies with each employee. Acceptance of a City credit card indicates an employee's agreement to follow all policies and procedures, laws, and regulations.

TRAINING

Cardholders are required to attend training on their role and responsibilities outlined in this policy. The City's training module is located on Oracle @ [REDACTED].

Once training is completed and the user agreement has been signed, the program administrator will activate the card. This same process is followed for department cards.

Commented [CD157]: Need to create live PPT training guide and load it to Oracle under 'on-boarding' section or training section

TYPES OF CITY CREDIT CARDS

Standard Credit Card – a card issued to individual City employees similar to a consumer credit card but is paid in full at the end of each month. The card can be used for acquiring goods and services when the purchase requisition process cannot meet the operational needs required. The card does not replace the purchasing guidelines set in section 202 of the Purchasing Policy. The card may also be used for travel and meeting-related expenses, as explained in the Travel & Meeting Policy of the Financial Management Manual Section 350.

Department Card – A multi-user card issued to a division. A department card is issued to a specific employee recognized as the Card Coordinator or Reconciler. A Department card will have the name of the specific department or workgroup that it is assigned to.

LIMITS AND INCREASE REQUESTS

Department Heads and managers have two options for spending limits for employees:

Option 1 - Monthly limit of \$5000 with a single purchase limit of \$2500

Option 2 - Monthly limit of \$2500 with a single purchase limit of \$1000.

Managers are more appropriate for option 1. Employees under a manager's responsibility are more appropriate for option 2. Purchase limits can be increased but must be approved by Finance. Cardholders should send an email requesting the increase to their Department Head, the Program Administrator, and Financial Analyst - Purchasing and include the following:

- Amount requested for the single purchase, or monthly limit and business reason for the increase
- Supplier name for whom the single purchase is requested

If a single purchase, or monthly limit exceeds the amounts outlined, you must obtain approval before making the purchase or use the purchase order process.

Commented [CD158]: New spend limits; open for discussion

COMPETITIVE BIDDING THRESHOLDS

City employees must not piecemeal credit card purchases to circumvent the allotted maximum credit card limit. If the cost of a purchase exceeds the limit and the purchase order process doesn't meet the operational needs required staff must request a limit increase as outlined in this policy.

TRAVEL EXPENSES

The City credit card must be used in paying for travel expenses. However, the City's travel and meeting expenses policy applies to all such credit card payments, including the use of travel authorizations and per diem meal allowances.

Commented [WS159]: Should we include that food CANNOT be purchased on City credit cards? @Clancy, Daniel

PERSONAL USE OF CITY CREDIT CARDS

Employees must not use personal credit cards for City purchases and must not use City credit cards for personal expenses even if the intent is to reimburse the City later. Charging personal expenses on City credit cards is a misuse of City funds and a breach of the City's ethics policy.

FRAUD

Employees are responsible for ensuring that City-issued credit cards are protected from unwarranted use or loss and for ensuring that all purchases are made in accordance with the City's policies. Failure to follow policies and procedures regarding the use of credit cards is no different from failure to follow policies and procedures in any other aspect of an employee's job.

LOST OR STOLEN CARDS

Cardholders are responsible for ensuring that the issuing bank and the Department of Finance are notified immediately if the card is lost or stolen. The cardholder has been set up to directly contact the issuing bank (using the bank's customer service number) to report a lost or stolen card. Failure to do so may result in making the cardholder responsible for any fraudulent use of the card.

DISPUTED CHARGES

Cardholders are responsible for ensuring that the vendor and issuing bank are notified immediately of any of the charges that are disputed. The City pays the statement in full, including any disputed amounts, to avoid finance charges and late fees; when resolved, the amount will be credited to the account on the next monthly statement. Any charge that has not been validated and accepted in Oracle Expense Management within a month is deemed a disputed charge and it is the responsibility of the department to have the dispute resolved before the next billing cycle.

CREDIT CARD FEES

If there is a processing fee or a charge from the issuing bank, this charge, if any, is the department's cost responsibility.

RETURN OF CARD UPON REQUEST OR TERMINATION

Cardholders will immediately surrender their card upon request of their department head. Departments are responsible for retrieving the credit card when an employee separates from the City and returning the card to the Finance Department for cancellation and destruction. The use of the credit card for any purpose after its surrender is prohibited.

DISCIPLINARY ACTION

Conduct in conflict of any of the above standards is a breach of these policies and will result in disciplinary action, up to and including removal of the City credit card and termination of employment. Finance in collaboration with Department Heads and Human Resources are responsible for all disciplinary action surrounding misuse of cards, including cancellation of card privileges.

MERCHANT CATEGORY CODES

The City of San Luis Obispo's Credit Card Program allows for the blocking of 'Merchant Category Classification' (MCC Codes). MCC Codes are numeric, 4-digit codes assigned by banks to vendors. The code identifies the vendor's primary product or service. Some of the examples of blocked MCC codes include, liquor stores, cocktail lounges and nightclubs, spas and massage parlors, and gambling casinos.

The Finance Director has the authority to designate any MCC code as restricted.

ROLES AND RESPONSIBILITIES DEFINITIONS

Credit Card Holder – Employee given responsibility for a City credit card to use for a purchasing role in their job-function

Credit Card Reconciler or Group Reconciler – Cardholder or employee designated to perform the transaction reconciliation process in Oracle for an individual account or a group in a division. If an employee is reconciling more than one account, they are known as a 'Group Reconciler'

Credit Card Approver – The manager responsible for the approval process of charges to an individual card. This process includes not only the physical action of approving the reconciled charge, but also the charge itself. An employee acting as a reconciler for charges cannot be the approver of those charges. A charge must be approved by someone other than the Credit Card Reconciler.

Department Credit Card Coordinator/Reconciler – The individual responsible for a Department Card is called the Department Card Coordinator. The employee is responsible for securing the card and tracking the use/users of the card. The reconciler is responsible for reconciling the transactions in Oracle. The coordinator and reconciler may be two different people.

Internal Credit Card Compliance Auditor – The employee responsible for monitoring credit card transactions, and policy compliance. For the City of San Luis Obispo, this is performed by the Program Administrator & Financial Analyst - Purchasing with oversight from the Finance Director.

Outside Accounting Auditor – External Accounting Auditors or Auditing Firm employed by the City of San Luis Obispo to complete an audit of the City Accounting functions.

Department Head - Department Heads determine the type of card the employee will carry and are responsible for ensuring that their staff are aware of their responsibilities, and for implementing review and payment procedures within their department.

Financial Analyst Purchasing - Manager of the Purchasing Division responsible for internal audit of credit card transactions, compliance to policy, and training

Program Administrator – The designated City employee who serves as the point of contact between the City and the bank. This position has authority over the program in Policy and Procedures with the Financial Analyst – Purchasing and is generally the first stop for any issues pertaining to the credit card program.

Finance Director - The Finance Director is responsible for administering the review of credit card statements to ensure that the proper documentation and purchase approvals have been provided.

SECTION 276

ENVIRONMENTALLY PREFERABLE PURCHASING (EPP)

Municipal Code 3.24.075

It is the intent of the city council that the City of San Luis Obispo take a leadership role not only in recycling its waste products but also in the purchase of recycled products for use in the delivery of city services. It is the purpose of this section to provide direction to the city administrative officer in the procurement and use of recycled products. For the purpose of this section, "recycled materials" are defined as any materials (e.g., glass, paper, plastic, etc.) that are separated by type, reprocessed by industrial methods, and used as raw materials for the manufacture of new products.

It is the policy of the City of San Luis Obispo to purchase and use recycled products whenever possible to the extent that such use does not negatively impact health, safety, or operational efficiency.

It is the policy of the City of San Luis Obispo to encourage the purchase of products which can be recycled or reused.

The City will purchase and use recycled paper for masthead stationery, envelopes and printing purposes. In addition, recycled paper shall be purchased and used in all copy machines which will accept it. City staff will encourage the copier industry to develop high-speed copiers which will accept recycled paper.

City departments shall examine their purchasing specifications and, where feasible, purchase equipment, supplies, and services that result in less harm to the natural environment. This involves the purchase of equipment, supplies, and services in a manner that uses less harmful materials, employs recycled or recovered materials (where appropriate and available), and utilizes techniques intended to result in less impact on the environment than other available methods.

It is the policy of the City of San Luis Obispo that city funds shall not be used to purchase single-use plastic bottled beverages of less than twenty-one ounces or single-use plastic drink containers or single-use plastic beverage containers, as provided in Chapter 8.07.

A ten percent preference, not to exceed one thousand dollars per contract, may be given to recycled products. The fitness and quality of the recycled product must be at least equal to unrecycled products as determined by the City. The preference percentage shall be based on the lowest bid or price quoted by the supplier or suppliers offering nonrecycled products.

Price preferences may be offered in excess of the ten percent ceiling established in this section, if it can be shown that purchase of a recycled product or material will result in greater long-term savings to the City. Award of a bid in excess of the ceiling, however, requires the approval of the city administrative officer or city council as established in the City's purchasing manual. (Ord. 1644 § 2, 2018; Ord. 1618 § 1 (Exh. A (part)), 2015; Ord. 1178 § 1, 1990).

Ord. No. 1178 added § 3.24.080, which the editor has renumbered § 3.24.075 since the chapter already contained a § 3.24.080.

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ENVIRONMENTALLY PREFERABLE PURCHASING (EPP)

The City of San Luis Obispo is committed to efficient use of resources and other sustainable actions.

The purpose of the provisions of this section are to promote the procurement of environmentally preferable products or services throughout all city departments in order to foster the practice of sustainable purchasing choices that reduce impacts on the public health and the environment and support markets for environmentally preferable products or services.

If fitness and quality are equal, and use does not negatively affect health, safety, or operational efficiency, City Departments shall procure environmentally preferable products and services taking into consideration that:

- EPP products or services are available at the same or lesser total cost than competing products or services that serve the same purpose; A ten percent preference, not to exceed one thousand dollars per contract, may be given to recycled products per Municipal Code 3.24.075
- The life-cycle cost of the product or service is determined to be less when taking into consideration quality, performance, range of activities, from the extraction of raw materials from the Earth and the production and distribution of energy, through the use, and reuse, and final disposal of a product.

City Departments should require, when feasible, its janitorial contractors to use third-party green-certified janitorial cleaning products, in particular, Green Seal, or EcoLogo certified cleaning products. (See Green Seal standard GS37 for industrial and institutional cleaners, and Standard GS-8 for general-purpose, bathroom, glass, and carpet cleaners used for household purposes) and EcoLogo (Standard UL 2759- 2777 for hard surface cleaners, and hard floor care products) <https://www.greenseal.org/standards/standards-list/> <https://industries.ul.com/environment/certificationvalidation-marks/ecologo-product-certification>

City Departments, when feasible, shall designate environmentally preferable products or services from contractors or consultants and, if applicable shall require contractors or consultants to specify the minimum percentage of recycled content in the products offered.

City Departments shall require the use of 30% post-consumer recycled paper and/or GreenSeal certified paper on all outside print jobs

To reduce transportation-related greenhouse gas emissions, stimulate the local economy, and support environmentally friendly business practices, all City Departments shall make an effort to procure goods and services from local contractors or consultants – defined in the Municipal Code as businesses within City limits. All City Departments should consider whether its suppliers are engaged in environmentally friendly business practices and/or that demonstrate a high level of environmental, social and governance responsibility (ESG) by:

- Assisting the City in documenting and reporting its environmental and social benefits for the products it sells to the City
- Assisting the City with end of useful life management through free or low cost take back services

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Commented [CG160]: I don't see the cleaning products identified in MC 3.24.075, where did this info come from?

Commented [CD161R160]: @cruce It's a proposed update to the policy –

The Code states “City departments shall...purchase.. products that result in ‘less harm to the natural environment’ it defines recycled products, but not janitorial products, the EPP policy is proposed to incorporate this category and define it further and bring SLO in line with other municipalities across the state and the USA.

The key term is ‘when feasible’ it allows for flexibility for staff but encourages more environmentally responsible products and puts a definition on them.

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References

Sustainable Purchasing Leadership Council. Programs Overview at <https://www.sustainablepurchasing.org/programs/>

Keating, Michael, Socially responsible and environmentally sustainable purchasing at <https://www.americancityandcounty.com/2019/04/10/socially-responsible-and-environmentally-sustainable-purchasing/>

Responsible Purchasing Network, The Buck Starts Here: Sustainable Procurement Playbook for Cities
http://www.responsiblepurchasing.org/purchasing_guides/playbook_for_cities/index.php

City of Santa Monica "Purchasing Decisions Made Easy" Guide to making decisions that bring the greatest value while reducing the negative impacts on our environment. <https://www.smgov.net/Departments/OSF/easyguide/>

City of Portland, Oregon. Sustainable Procurement Policies at <https://www.portlandoregon.gov/bfrs/37755>

Buying Green Guide. California Department of General Services at <https://www.dgs.ca.gov/PD/Resources/Find-EPP-Goods-and-Services>

Environmentally Preferable Purchasing Program. California Department of General Services at <https://www.dgs.ca.gov/PD/About/Page-Content/PD-Branch-Intro-Accordion-List/Engineering/Environmentally-Preferable-Purchasing-Program>

City of Portland, Oregon. Bureau of Revenue and Financial Services. Sustainable Procurement at <https://www.portlandoregon.gov/bfrs/37732>

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Diversity / MWBE / ESG

For the City to adopt a purchasing preference policy to Minority Women Business Enterprise (MWBE) and/or Disadvantaged Business Enterprises (DBE), the City must first conduct a 'disparity analysis' study as per US Supreme Court precedent. *City of Richmond v. J.A. Croson, Co.*, 488 US 469 (1989) at <https://supreme.justia.com/cases/federal/us/488/469/>

In addition, MWBE/DBE businesses must be certified by either the City itself, and/or a third-party agency – it's not enough to simply ask for a supplier to state they are a MWBE; criteria must be met to be certified.

Disparity analysis studies must be carefully designed – and would likely require consultant support. Court's have struck down MWBE policies based on flawed studies.

Local Business Community

The SLO Chamber of Commerce as of June, 11, 2020, does not classify SLO County businesses by MWBE/DBE.

The City can engage in outreach and collaboration efforts with the Mission Community Services Corporation (MCSC) at <https://www.mcscorp.org/>.

MCSC's mission is *"dedicated to enhancing opportunities for potential entrepreneurs and small business owners to become self-sustaining, successful contributors to their communities, with special assistance for women, low-income, minority, veterans, and non-profit businesses in San Luis Obispo, Kern, and Monterey Counties."*

Example of Cities with MWBE policies are below which are generally passed by Ordinance – see example below of the specificity.

City of Ft. Myers, Florida

MBE policy in place in the form of an ordinance since May 19, 2003.

A business whose primary place of business is within Lee County, and who has been certified as a DBE by the Florida Office of Supplier Diversity is considered an MBE and receives a 7% (in dollars) preference on solicitations between \$3,000 and \$25,000 and 6% on solicitations over \$25,000.

Staff adds those percentages to the lowest responsive responsible bidders' bid and then if the MBE's bid falls within that dollar amount, and depending whether the total dollars meet the threshold for going before City Council for approval, the MBE is either awarded the contract, or, the recommendation to award to the MBE goes before City Council as an agenda item.

The Purchasing and Contracts Administrator and Division Manager doubles as the City's MBE Coordinator. The MBE Coordinator, as well as staff members are always available and reach out to the local community to teach business owners, or those who would like to be business owners, how

|

to do business with the City.

Staff participates in the Small Business Development Center events that are held in conjunction with Florida Gulf Coast University, and at workshops held locally in Lee County's South West Florida Enterprise Center.

The City also has a 15% MBE subcontractor goal in its formal bid solicitations.

The City has a Local Vendor Preference policy, in the form of an ordinance. a 5% preference (or \$25,000, whichever is less) is given to City of Fort Myers businesses, and a 3 % (or \$25,000, whichever is less) preference is given to Lee County businesses.

ESG

The City is considering an Environmental, Social, Governance, (ESG) approach to its investment policies.

The City is already leading by example with many ESG type initiatives, Climate Action, Affordable Housing, Energy Efficiency, Open Space, etc.

What can procurement add to ESG?

ENVIRONMENTAL - How a company limits its environmental impact and carbon footprint

What can purchasing do?

- Expand EPP policies to be cleaner in spend (janitorial contracts; paper)
- Consider the supply chain impacts of its purchases – shipping distances
- Consider companies ESG scores and do business with only good ESG ranked suppliers
 1. Sustainalytics <https://www.sustainalytics.com/>
 2. EcoVadis <https://ecovadis.com/plans-pricing/>
 3. TruCost <https://www.trucost.com/>
 4. Carbon Disclosure Project - CDP <https://www.cdp.net/en>
- Direct spend to ‘B Corps’ like SLO local business - Ten Over Studies <https://bcorporation.net/>

Risks - Greenwashing – ESG is a marketing strategy – Exxon Mobil publishes an ESG report; Wal-Mart scores very high in “E” but is well known for paying it’s employees very low wages (low “S” and “G”).

SOCIAL How a company treats its employees, customers, community, and other companies with which it interacts

What can purchasing do?

- Encourage spend to companies and organizations scoring high on ‘social’ metrics in ESG reports
- Develop a MWBE/DBE policy

GOVERNANCE – How a company is led, including executive pay and any internal controls

- Encourage spend to companies and organizations scoring high on ‘social’ metrics in ESG reports
- Internally measure diversity - Human Resources – hiring policies, data on employee

diversity, etc.

References

State and Local Governments Eye ESG Investing Strategies for Returns and Impact at <https://www.plansponsor.com/state-local-governments-eye-esg-investing-strategies-returns-impact/>

PFM Presentation

<https://slocitycloud.sharepoint.com/sites/SLOHub/Finance/Shared%20Documents/Forms/AllItems.aspx?originalPath=/aHR0cHM6Ly9zbG9jaXR5Y2xydWouc2hhcmVwb2ludC5jb20vOmY6L3MvU0xPSHVlL0ZpbmFuY2UvRXZlWGhwX2pUeDlJaVJSWENOMGpWSzRCRW9VWTRZZFB0Z2k4d0hlMU9rUC03UT9ydGltZT01Mllo5bTRVTzJFZW&viewid=d6296557%2Dd8d4%2D42f7%2Db145%2D988093e7d8be&id=%2Fsites%2FSLOHub%2FFinance%2FShared%20Documents%2FPurchasing%2FPolicy%20Update%20%2D%20Master>

SECTION 277

NIGP CODES

Guide to the City of San Luis Obispo Purchasing Classification System

The NIGP Commodity/Services Code classifies products and services in public procurement. The codes are the standard taxonomy for classifying commodities and services for 1000's of government entities across the USA and the world.

The codes are used to track data within strategic sourcing and spend to detail where the money is spent and what kinds of items are purchased most. The City uses these codes to track purchasing activity and expense report purchases for budgeting and management reporting; for tracking capital assets and inventory; and for classifying suppliers by the types of products they provide.

The codes allow the City to look at suppliers spend across all departments and also compare spend across peer governments. Is Utilities paying the same price as Public Works? Is a peer government getting a better rate?

The codes are classified by digit categories, the longer the digits, the more detailed the classification.

The City uses the NIGP 5 Digit code structure to classify ~~its~~ spend.

Structure	Sample Code	Description
3 Digit (Class) Code	918	Consulting Services
5 Digit (Class-Item)	918-43	Consulting Services – Environmental

There are over 98,000 codes and subcodes to choose from. The City *does not* purchase all 98,000 codes.

To increase operational efficiencies and simplify the process for staff choosing amongst the 1000's of NIGP codes, the City has developed a smaller standardized list.

The City's most common NIGP codes are in the below link:

- [SLO NIGP Code Master List](#)

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Section 277

PROCURE TO PAY PROCESS (P2P)

The procure to pay (P2P) process begins with the requisition of goods or services by a requesting department and ends with payment to the supplier.

Between these two points, common practices and procedures must be followed.

A flowchart, as shown in **Exhibit 1 “Procure to Pay Process” (P2P)** diagrams the procedures. The flowchart shows the role each department function plays in the process.

Delivery of goods/services to the City does not constitute acceptance for payment.

Final acceptance for payment shall be given only after delivery and inspection by department requesters that the good/service meets the purchase order conditions.

Final acceptance for payment is verified by departments ‘receiving’ the invoice in Oracle; ensuring the PO# is on the invoice; and sending the validated final received invoice to Finance for payment.

The following activities and department responsibilities form the P2P process.

Department	Responsibility
Requesting Department	<ul style="list-style-type: none">• Determine need• Prepare requisition in Oracle• Attach to the requisition a detailed specification, quote, specification, sole-source, CMR, contract, etc.
Budget	<ul style="list-style-type: none">• Budget approval will auto-approve in Oracle
Purchasing	<ul style="list-style-type: none">• Receive and review purchase requests with attached backup documentation, scope, quote, contract, etc.• Ensure policy requirements are met by requesters• Review terms and conditions with legal for contract agreements and route contracts for departments• Ensure the price is fair and competitive• Coordinate RFP/RFB process with departments and manage public bids on the City’s public bid platform• Work with departments to assess the type of purchase

City Council	<ul style="list-style-type: none"> • Approve purchase request in Tier 5 thresholds (see Exhibit 2)
Supplier	<ul style="list-style-type: none"> • Ship supplies to departments or performs service • Submit the invoice to AP@slocity.org for payment
Requesting Department	<ul style="list-style-type: none"> • Accept and inspect supplies or service for compliance • Resolve non-compliant purchases • Receive purchase in Oracle
Finance Department	<ul style="list-style-type: none"> • Enter invoice for payment into Oracle • Match PO, receiving, and invoice for payment

Commented [CD162]:

For open discussion?

Should department requesters get the invoice 1st?

I think yes. We have a de-centralized organization – requesters send their own PO's so invoice receiving should be mirror that organizational structure.

City of Apsen, CO. Implemented Oracle before SLO – tried sending invoices to AP direct per GFOA recommendation – it didn't work there, and they changed course.

Technology led fix via OCR will not fix the issue of duplicates, lack of receiving, etc.

Certain departments like Park I've had talks with and they instructed suppliers to send them invoices first not AP. Their department is consistently current on the majority of its outstanding invoices.

Responsibilities

Finance Department – It shall be the responsibility of the Finance Department to develop and implement procedures for the following:

1. Notifying departments of improper invoicing within 10 days of receipt of the invoice in AP;
2. Date stamping of all invoices and all other documents for payment;
3. Providing prompt payment of invoices **within 30 days of receipt by the Finance department;**
4. Entering invoices, credit memos, etc. required for payment into the Oracle accounts payable system;
5. Providing payment processing procedures to be followed by all City departments.

Requesting Departments – It shall be the responsibility of the departments to develop and implement procedures for the following:

1. Entering requisition information (with appropriate charge account), price, and descriptions of what is being purchased into the Oracle system;
2. Ensuring that all purchases, except for non-PO exceptions have purchase order numbers;
3. Entering receiving information into Oracle;
4. Identifying and resolving receiving issues;
5. Cooperating with Finance to resolve payment disputes and issues.

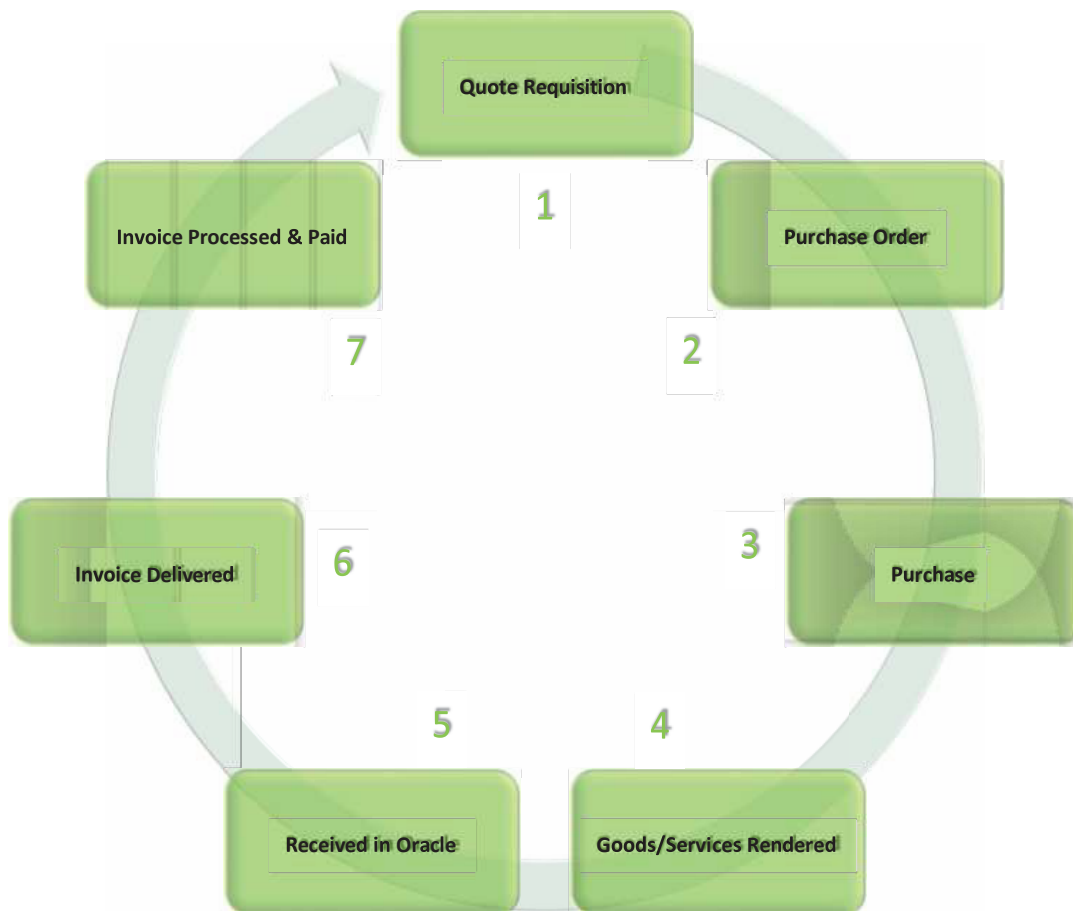
General - The following applies to all external procurement of goods or services for the City:

1. All invoices must be sent to _____.
2. Accounts Payable will pay after delivery and receiving of the goods/services by the departments and matching the supplier's invoice with the purchase order (3-way match)
3. If an invoice is sent directly to the department – the department shall send the invoice to Accounts Payable for date stamping and loading into Oracle.
4. The invoice shall contain:
 - Name of the supplier
 - Date of invoice
 - Invoice number
 - The authorizing City purchase order number
 - The correct quantity, price, and total cost
 - Manufacturer name and item number of the goods
 - Address to which payment should be made
5. After date stamping of invoices invoice reports will be sent to departments for final receiving/approval for payment.
6. Invoices sent back to Accounts Payable must have the purchase order number and receipt number stamped on the invoice.
7. It is the responsibility of the Finance Department (AP) to conduct the 3-way match – match purchase order, receipt, and vendor invoice for final payment.

Commented [CD163]: Open to changing course send invoices direct to department requesters

Exhibit

Procure to Pay Process



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DEFINTIONS



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