



SUBJECT	PURCHASING POLICY
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CITY OF HANFORD PURCHASING POLICY

TABLE OF CONTENTS

A. INTRODUCTION TO PURCHASING AND CONTRACT PROCEDURES – (PGS 6-8)

1. Purpose
2. Purchasing System
3. Purchasing Authority and Responsibilities
4. Other Purchasing Duties
5. Purchasing Agent Authority
6. Delegation of Authority
7. Coordination with City Departments
8. Goals and Objectives of the Purchasing Division

B. ETHICAL CONSIDERATIONS – (PGS 8-11)

1. Code of Ethical Conduct
2. Ethical Conduct
3. Municipal Purchasing Standards
4. Conflict of Interest Regulations
5. Purchasing for Personal Use
6. Gifts, Gratuities and Kickbacks
7. Unethical Use of Confidential Information
8. Recovery of Kickbacks by the City
9. Sanctions for Ethical Violations

C. SPECIFICATIONS – (PGS 11-16)

1. General Specifications Guidance
2. Department Responsibilities
3. Types of Specifications
4. Specifications Checklist
5. Sole Source Specifications
6. Value Analysis
7. Standardization
8. Use of Recycled Products

D. METHODS OF ACQUISITION – (PGS 17-21)

1. Overview
2. Acquisition Process
3. Requisitioning of Goods and Services
4. Requisitioning Fleet Equipment
5. Requisitioning Communications Equipment
6. Direct Purchases by User Departments
7. Claim Policy
8. Invoice Procedures
9. Petty Cash

E. BID REQUIREMENTS AND PROCEDURES – (PGS 21-29)

1. Overview
2. Fair and Open Competition
3. Procurement Opportunities
4. Bidding Requirements
5. Competitive Bids
6. Informal Bid Process
7. Formal Bid Process
8. Sole Source Purchases
9. Inspection and Testing of Supplies and Equipment
10. Cooperative Purchasing Contracts

F. GOODS AND SERVICES CONTRACTS – (PGS 29-32)

1. Types of Contracts
2. General Requirements
3. Contract/Agreement Preparation and Processing
4. City Council or City Manager Approved Contracts
5. Purchasing Agent Contracts

G. CONTRACT ADMINISTRATION, ENFORCEMENT AND LEGAL REMEDIES – (PGS 32-35)

1. Overview
2. Contract Monitoring
3. Contract Administrator
4. Amending Contracts
5. Renewal of Contracts
6. Closing out or Terminating the Contract
7. Vendor Requests for Changes or Cancellation of Contract
8. Breach of Contract
9. Contract Administration – Files

H. VENDOR RELATIONS AND PERFORMANCE – (PGS 35-37)

1. Vendor Relations
2. Unauthorized Vendor Contracts with City departments
3. Vendor Visits
4. Vendor offers of Free Trials and Samples
5. Competitive Electronic Uploaded Bids
6. Releasing Bid Results
7. Local Vendors
8. Vendor Protests

I. INSURANCE AND BONDS – (PGS 37-39)

1. Overview
2. General Insurance Requirements

3. Limits of Insurance
4. Insurance Certificates
5. Subcontractors
6. Indemnification Clauses
7. Bonds

J. INVENTORY CONTROL, FIXED ASSETS AND SURPLUS ITEMS – (PGS 39-40)

1. Overview
2. Citywide Notice of Availability of Surplus Property
3. Negotiate to Remove Non-Surplus Property
4. Trade-Ins of Equipment
5. Sale at Public Auction

K. COST CONTROL METHODS – (PGS 40-41)

1. Planned Purchases
2. Specifications
3. Competition
4. Freight and Shipping Charges

L. RECEIVING PROCEDURES – (PGS 41-42)

1. Authorized Receiving Points
2. Receiving Goods from the Carrier
3. Inspecting goods after Delivery
4. Lost and Damaged Goods
5. Incorrect Goods
6. Delivery of Goods and Services

M. PAYMENT PROCEDURES – (PGS 42-45)

1. Overview
2. Vendor Responsibilities
3. Payment Process
4. Regular Purchase Orders
5. Purchasing Card
6. Travel Claims
7. Blanket Purchase Orders
8. Department Purchase Orders
9. Emergency Purchases
10. Check Runs

N. FEDERAL, STATE AND LOCAL TAX REQUIREMENTS – (PGS 45-46)

1. Sales and Use Tax on Transportation Charges
2. Liability for Sales and Use Tax
3. Items Exempt from Sales and Use Tax
4. Minimizing Sales and Use Tax

5. Showing Sales and use Tax on Purchase Orders
6. Federal Excise Taxes

O. GENERAL PUBLIC WORKS GUIDELINES – (PGS 47-48)

1. Adherence to Public Works Rules and Regulations
2. Prevailing Wages Rates Requirement
3. California Uniform Cost Accounting Bid Requirements

P. GENERAL FEDERAL PROCUREMENT GUIDELINES – (PGS 48-49)

1. Federal Grant Procurement Standards
2. Federal Procurement Method and Thresholds

A. INTRODUCTION - PURCHASING AND CONTRACT PROCEDURES

1. PURPOSE

The purpose of this manual is to provide a set of policies and procedures that comply with applicable Federal, State, local, and general laws and regulations to promote cost-effective procurement of goods and services. In the event the provisions of this manual directly conflict with Federal, State, or local law, the latter shall govern.

This manual has been compiled to assist employees in understanding their responsibilities in the purchasing process by clearly specifying an applicable set of procedures to be used in obtaining the goods and services necessary to carry out their responsibilities to the City, community, and its citizens.

2. PURCHASING SYSTEM

A purchasing system is used for the purchase of all city goods and services. The system is to aid in establishing efficient procedures for positive financial control, to clearly define authority, and for recordkeeping of the details related to all purchases.

3. PURCHASING AUTHORITY AND RESPONSIBILITY

The Purchasing Agent, under the administrative direction of the Finance Director, shall have delegated authority to oversee general supervision of the Purchasing Division. The Purchasing Agent has the authority and responsibility to carry out and/or delegate applicable procurement laws and develop policies with regard to purchasing and related contractual agreements for goods and services.

The Purchasing Agent has the authority to assist with Public Works projects to contract for various services including construction, alteration and repair and architectural, engineering, and design consulting services.

In summary, the Purchasing Agent processes purchase requisitions for all City departments; obtains and evaluates competitive bids, quotes, estimates and proposals; awards and contracts; creates, distributes and centrally files all purchasing documents; administers purchase orders and contracts and monitors vendor performance.

4. OTHER DUTIES OF PURCHASING AGENT

Additional authority and responsibilities to:

- Redistribute, sell or otherwise dispose of personal property no longer required by the using department, i.e. surplus property.
- Establish standard specifications, with department input, for items commonly used by City departments.
- Coordinate lease-purchase agreements and consultant agreements.
- The Purchasing Agent may organize and establish standards of type, design, quality or brand of purchases. The Purchasing Agent shall receive recommendations from the City Manager, City Council, Department Heads, or any other authorized City employees to purchase goods and services for special needs or particular uses. The Purchasing Agent shall consult with and give consideration to the recommendations received from all City departments regarding their requirements.

5. PURCHASE AUTHORITY LEVELS

- Purchasing Agent/Department – \$1 - \$9,999:
- City Manager - \$10,000 - \$49,999:
- City Council – \$50,000 or greater:

Departments must complete all the necessary required staff reports and any other documentation applicable and secure a scheduled date to be listed on the City Council Agenda.

Architectural, engineering, construction management, land surveying, specialized and design services shall be procured in accordance with the Uniform Public Construction Cost Accounting Act if not subject to other state or federal funding requirements.

6. DELEGATION OF AUTHORITY

The Finance Director may delegate any of the duties listed above to the Purchasing Agent or other City employees. Those individuals shall follow all the requirements of this Purchasing Policy and shall consult with the Finance Director or Purchasing Agent on technical aspects of the purchasing process.

PROCURING GOODS AND SERVICES ON BEHALF OF THE CITY OF HANFORD WITHOUT THE PROPER AUTHORITY CAN RESULT IN THE INDIVIDUAL BEING HELD PERSONALLY RESPONSIBLE FOR CHARGES INCURRED.

7. COORDINATION WITH CITY DEPARTMENTS

While City departments have the primary responsibility for the determination of goods and services, which they requisition, the Purchasing Agent will evaluate quality, quantity and type selected to ensure that the best interests of the City are served. Departments are encouraged to consult with the Finance Director or Purchasing Agent concerning materials specification or other general information. The Purchasing Agent will arrange demonstrations of products and equipment and obtain other information when requested to do so by the departments. Information on new products, services or procedures should be shared with the Purchasing Agent as soon as any purchase is contemplated.

8. GOALS AND OBJECTIVES OF THE PURCHASING DIVISION

Internal management and operation of the Purchasing Division shall, with respect to the purchase or contract for goods and services required by departments, conform to: (i) the purchasing procedures prescribed by Federal, State, and local laws and ordinances; and (ii) other administrative rules and regulations prescribed by the Finance Director and/or the City Manager that contribute to the following objectives:

- To provide City departments with quality and timely service that allows them to fulfill their obligations effectively.
- To ensure that the City receives the best value obtainable for each tax dollar expended.
- To promote free and open competition and equal opportunity for all qualified and responsible bidders. The following are four (4) fundamental elements of the procurement process:
 1. Buying the proper goods and services for the purpose required.
 2. Having material available at the proper time.

3. Securing the proper amount.
4. Paying the proper price.

B. ETHICAL CONSIDERATIONS

1. CODE OF ETHICAL CONDUCT

The primary mission of City Government is to serve the citizens of the City of Hanford. To perform its mission effectively, the City must have the trust and confidence of the public it serves. That trust is dependent upon City employees discharging their duties honestly, forthrightly, objectively and with personal integrity.

To secure and maintain the trust and confidence of the public, the City of Hanford is committed to upholding the highest standards of ethical conduct. Of key importance in determining whether a particular action is proper or improper, is how the action is perceived. The full measure of ethical review is not limited to the narrow confines of a specific job, task or department. The review must also determine whether the action gives the appearance of wrongdoing, inequity, impropriety or the perception of misconduct when viewed by the public.

2. ETHICAL CONDUCT

All City employees, including elected officials, shall:

Adhere to the highest moral principles and demonstrate loyalty to coworkers, the public and government departments.

Uphold the Constitution, laws and legal regulations of the United States, Federal, State, local laws and all governments therein and never be a party to their evasion.

Give a full day's labor for a full day's pay: giving to the performance of one's duties, one's earnest effort and best thought carrying out responsibilities.

Seek to find and employ more efficient and economical ways of getting tasks accomplished.

Never discriminate or act unfairly by the dispensing of special favors or privileges to anyone, whether for remuneration or not; and never accept, for oneself or family, favors or benefits under circumstances that might be construed by reasonable persons as influencing the performance of employee governmental duties.

Accept no money, commissions or thing of value of any kind, in exchange for, or as quid pro quo for City services.

Work related gratuities (example - Promotional items/swag, Christmas/holiday gifts) are only to be accepted if they constitute a gesture of goodwill toward the agency or if the primary purpose furthers a legitimate City interest, as opposed to the personal interest of the recipient. These are allowed if given to a division or department and not limited to specific individuals. Any doubts about the propriety of accepting a particular gratuity should be resolved by refusal of the gratuity. Work related gratuities shall, in addition to the terms contained herein, be subject to the California Political Reform Act and associated Fair Political Practices Commission regulations.

Make no promise of any kind binding upon the duties of office, since a city employee has no private word, which may be binding upon public duty.

Engage in no business with the government, either directly or indirectly, which is inconsistent with the conscientious performance of employee's governmental duties and policies. A City employee who seeks

to do business with the City is subject to the restrictions and limitations of Government Code Section 1090, *et seq.*, regarding employees contracting with their own agencies.

Never use any confidential or non-public information received in the performance of employee's governmental duties as a means for making private profit.

Treat all individuals encountered in the performance of employee's duties in a respectful and professional manner.

Uphold these principles, ever conscious that a public office is a public trust.

3. PUBLIC PURCHASING STANDARDS

City Employees should endeavor to promote loyalty to your organization, justice to those who you interact with, and faith in your profession by:

- A. Avoiding the intent and appearance of unethical or compromising practice in business relationships, actions and communications. Avoid delivery of goods and services to employee's personal residential address. Regarding all business interactions, communications and practices, City employees are advised to display a professional work attitude, appearance and demeanor.
- B. Conducting international purchasing in accordance with the laws, customs and practices of foreign countries, consistent with federal, state, and local laws and this Policy. Demonstrate loyalty to the employer by diligently following the lawful instructions, rules and policies of the employer, using reasonable care and only authority granted. Acknowledge and obey the letter and spirit of laws governing the purchasing practices and remain alert to the legal ramifications of purchasing decisions. Refrain from reciprocal agreements that restrain competition.
- C. Refraining from any private business or professional activity that would create a conflict between personal interests and the interests of the employer and discourage purchasing involvement in employer-sponsored programs of personal purchases that are not business related. Refrain from soliciting or accepting money, loans, credits or prejudicial discounts and the acceptance of gifts, entertainment, favors or services from present or potential suppliers that might influence or appear to influence purchasing decisions. Encourage all segments of society to participate by demonstrating support for local, small, disadvantaged and minority-owned businesses.
- D. Handling confidential or proprietary information belonging to employers or suppliers with due care and proper consideration of ethical and legal ramifications and governmental regulations and City policies.
- E. Promoting positive supplier relationships through courtesy and impartiality in all phases of the purchasing cycle and avoid favoritism to exclusive vendors and practices, giving all qualified vendors an equal opportunity. Extend vendor representatives professional treatment and being conscious they are important sources of information and assistance with City procurement activities and cooperate with all organizations and individuals engaged in enhancing the development and maintaining the purchasing profession. To conduct ourselves with fairness and dignity and to demand honesty and truth in buying and selling.
- F. Regarding public service as a sacred trust, giving primary consideration to the interests of the governmental unit by whom we are employed. Enhance the proficiency and stature of the purchasing profession by acquiring and maintaining current technical knowledge and the highest standards of ethical behavior.

G. Purchasing from responsible vendors for the best value obtainable, securing the maximum benefit for each tax dollar expended and cooperate with all organizations and individuals engaged in enhancing the development and maintaining the purchasing profession.

4. CONFLICT OF INTEREST REGULATIONS

Conflicts of interest occur when a conflict exists between the public interest and the private monetary interest of a public official or employee. Conflicts of interest can also occur with regards to individuals who have left government employment, when former public officials are able to exert undue influence over the purchasing process because of their past personal connections inside government.

City employees and officers are prohibited from having any financial interest, direct or indirect, in any City contract.

No member of the Council or of any board, nor any officer or employee of the City shall be or become interested in any contract for which bids are or may be required for the furnishing of labor or materials to or for the City, nor shall any of them receive any gratuity or advantage from any contract or from the contractor furnishing any labor or material under any contract, the cost or consideration of which is payable from the City treasury. Any such contract with the City, in which any such officer or employee is or becomes interested, shall be declared void by the Council.

Generally speaking, an employee should not participate directly or indirectly when the following conditions apply:

- A. The employee or any member of the employee's immediate family has a financial interest in the purchase.
- B. A business or organization, in which the employee or any member of the employee's immediate family has a financial interest, is involved in the purchase.
- C. Any other person, business or organization, with which the employee or any member of the employee's immediate family is negotiating or has an arrangement concerning prospective employment, is involved in the purchase.

Regarding Purchasing Bidding process:

No officer or employee of the City shall aid or assist a bidder in securing a contract to furnish labor or materials or supplies at a higher price or rate than that proposed by any other responsible bidder, or shall favor one bidder over another, giving or withholding information, or shall willfully mislead any bidder in regard to the character of the materials or supplies of a quality inferior to that called for by contract, or shall knowingly certify to a greater amount of labor performed than has actually been performed or to the receipt of a greater amount of material or supplies than has actually been received.

5. PURCHASING FOR PERSONAL USE

City of Hanford employees shall not use their official capacity or City time to negotiate or make personal purchases for themselves or others. Employees must act purely in the best interest of the public at all times and avoid the introduction of personal factors. This section shall in no way be interpreted to allow the violation of Government Code Section 1090, *et seq.*

6. GIFTS, GRATUITIES AND KICKBACKS

City of Hanford Council members and other officials or employees are prohibited from accepting any gift or gratuity that may give advantage to any contract or contractor, however, a gift or gratuity is allowed subject to Fair Political Practices Commission (FPPC) rules. This policy is designed to prohibit actions that

may tend to unduly and improperly influence officers and employees in the discharge of their duties, or grant, in the discharge of their duties, any improper favor, service or thing of value.

The City recognizes the responsibility of its employees to maintain good relations with all members of the community and believes this can be accomplished in a professional manner without gifts or gratuities interfering and influencing employees. Should a gift be accepted by an employee who is required to file FPPC Form 700, they must disclose on Form 700 gifts from a single source if the cumulative value is \$50 or more (or as otherwise determined by the FPPC) and may not accept gifts from any single source totaling more than \$590 in a calendar year (or as otherwise determined by the FPPC).

As opposed to gratuities, which up to a financial limit are not illegal, kickbacks are always illegal. Kickbacks are "financial payment for receiving a contract".

It shall be illegal for any payment, gratuity, or offer of employment to be made by or on behalf of a subcontractor under a contract to the prime contractor or higher tier subcontractor or any person associated with contracting, as an inducement for the award of a subcontract or order.

7. UNETHICAL USE OF CONFIDENTIAL INFORMATION

City employees are frequently made privy to confidential information (information not subject to disclosure under the Public Record Act) in the course of their duties, and the prohibition against the misuse of confidential information is just as fundamental to ethical purchasing as it is to any other sphere of government. It shall be unethical for any employee, or former employee, knowingly to use confidential information for actual or anticipated personal gain, or for the actual or anticipated personal gain of any other person.

8. RECOVERY OF KICKBACKS BY THE CITY

Upon showing that a subcontractor made a kickback to a prime contractor or a higher tier subcontractor in connection with the award of a subcontract or an order, it shall be conclusively presumed that the amount discovered was included in the price of the subcontract or order and ultimately borne by the City and will be recoverable from the recipient. In addition, that amount may also be recovered from the subcontractor making such kickbacks. Recovery from one offending party shall not preclude recovery from other and all offending parties.

9. SANCTIONS FOR ETHICAL VIOLATIONS

Any employee who violates ethical standards may be disciplined in accordance with the City of Hanford disciplinary procedures as outlined in the employee's applicable bargaining group Memorandum of Understanding.

C. SPECIFICATIONS

A specification is a purchase description, and it is at the heart of the procurement process. A specification means any description of the physical or functional characteristics, or of the nature of the goods and services. It may include a description of any requirement for inspecting, testing, or preparing a supply, service or construction item for delivery. It may also include drawings or samples.

A specification identifies what the buyer is to buy, informs prospective suppliers what is specifically required, provides the basis for the resulting purchase order or contract and establishes the standard against which inspections and tests are made.

1. GENERAL SPECIFICATIONS GUIDANCE

All specifications shall seek to promote overall economy and functionality for the purposes intended and to encourage competition in satisfying the City's needs and shall not be unduly restrictive.

In order that the City receive the best quality of goods and services at the most advantageous price, the Purchasing Division will not issue bids for any article of a specific brand, nor any patented apparatus or appliance, when such requirements would prevent competition on the part of dealers or manufacturers of other articles of equal value, utility or merit. This means simply that Purchasing will not exclude competition by insisting on a particular manufacturer's product when other products of equal quality and functionality are available. Purchasing may ask for bids on approved equals. If a specific product is required, the requisitioning department must justify in writing, using a Sole Source Justification to the Purchasing Agent, that the product desired has significant features which are lacking in other goods or services marketed by competitors.

2. DEPARTMENT RESPONSIBILITIES

It is the responsibility of the requisitioning department to write and justify specifications for goods and services of a technical nature or those requiring engineering. Purchasing has the authority to question any specification which seems unreasonably restrictive, excessive, inordinate, or otherwise inappropriate. Requestors should contact Purchasing if assistance is needed with departmental specifications.

Vendors can be valuable sources of information, but care must be taken not to obligate the City to a particular vendor and not to tailor a specification to a particular vendor's product.

3. TYPES OF SPECIFICATIONS

- A. Standard Specifications are a result of standardization. Standard specifications describe the quality of materials to be purchased and are developed after carefully considering the requirements of the City and the various types of products and supplies purchased by the organization. Examples of items lending themselves to standardization are office supplies, computer supplies, paper towels, toilet tissue and public safety equipment such as ammunition, ballistic vests, light bars, mobile radios and even fire apparatus.
- B. Brand Name Specifications are the most restrictive type of specification. This specification lists trade names, catalog numbers and model numbers of a particular manufacturer. Ideally, more than one brand name should be specified. When listing brand names, vendors should always be given the opportunity to submit bids for "equal" products. Brand name products typically cost more because specifying those limits competition.
- C. Qualified Products Lists can be generated with the help of vendors. During initial specification development, the specifications are sent to several vendors who are asked to comment on the specifications. Adjustments are made to the specifications based on the vendor comments and products are tested to determine suitability. Once a Qualified Products List is generated, additional tests may not be required. Qualified Products Lists are typically used for construction materials.
- D. Design Specifications detail how a project is to be constructed or equipment is to be built. These specifications are typically used in public works construction projects.
- E. Performance Specifications are less concerned with how a product is made and focus more on how well it performs. They describe a product by its capacity or operation, not by its physical characteristics. The vendor must show acceptable performance of his product as demonstrated by testing.

4. SPECIFICATION CHECKLIST

The description of the item should be written out unless it is common industry terminology or if there's a potential for an abbreviation to be interpreted incorrectly. As part of the description, the following should be included:

- A. Size - dimensions, weight, volume, etc.
- B. Color
- C. State an estimate of requirements, i.e., quantity.
- D. If known, a satisfactory make, model and part number. List all necessary features and do not list unnecessary ones. This information will be used to determine "equal" makes, models and part numbers.
- E. Drawings or photographs, when useful.
- F. Packaging - describe how the units are packaged. For instance, case, totes, containers, packages.
- G. Purpose - briefly describe the intended use(s) of the item. For instance, mention the make and model of equipment when buying a supply item for that equipment. Mention other significant information or anything else that may be unique to your use of the item.
- H. Goods and services brochures or literature.
- I. State estimated cost, if applicable.
- J. List known source(s), include company name, address and phone number.
- K. State purchase order number to aid in clarification and reduce mix-ups.

5. SOLE SOURCE JUSTIFICATION

Sole source purchases must be well documented and provide verification that a good faith search for alternatives has been made. Sole source justification shall be provided by the using department and subsequently verified by the Purchasing Division/Finance Department. If a department believes that only a specific vendor, specific make and model of equipment or type of material will meet its needs, it must attach to the requisition, a Sole Source Justification. The justification should explain why it is in the City's best interest to select a vendor without competitive bidding.

If other brands and models have been tested or previously used and determined to be unsuitable, the department should specify the brands and models used, the dates used, and why they are not acceptable.

A contract may be awarded without competition after departments have conducted a good-faith review of the available sources and confirmed that there is only one source for the required goods and services.

Departments may conduct negotiations and secure, as appropriate, as to price, delivery and terms subsequently resulting in a purchase order, contract or agreement. The Sole Source justification shall include the vendor's name, amount, pricing, agenda, staff report, lists of the items, equipment, services, bid or proposal procured under each purchase order, contract or agreement. A record of the sole source procurement process will be maintained in the Purchasing system as a public record and/or audit document.

6. VALUE ANALYSIS

Value analysis involves analyzing the intended function of a product and then specifying only the features that are actually needed.

The goal is to eliminate the purchase of unnecessary features and functions, thereby reducing cost and buying the most basic product capable of doing the job required. For example, if a mid-size automobile meets your requirements, the specifications should not be written for a larger vehicle. The requesting department should employ value analysis when writing specifications.

7. STANDARDIZATION

It is the policy of the City of Hanford Purchasing Division that goods and services may be standardized when the Purchasing Agent has determined that it is the best interest of the City of Hanford or when required for the health, safety or welfare of the public or of the employees of the City of Hanford. Standardization may occur when significant cost savings can be demonstrated. Standardization may limit the purchase to a single brand, trade name or sole source provider.

Standardization involves the creation of a specification through value analysis that will economically perform the needed function for multiple end users and departments of the product.

Standardization can result in cost savings because the purchase of fewer unique type items in larger quantities earns better discounts. Also, by calling for industry standard rather than custom features, availability is increased, and cost is decreased and reduces maintenance and training costs.

Standardization Process

The factors to be taken into consideration in standardization of goods and services are as follows:

- A. Repair and maintenance costs would be minimized if the product does not have an inherent defect.
- B. User personnel training would be minimized.
- C. Supplies or spare parts would be minimized.
- D. Modifications to existing equipment would not be necessary.
- E. Training of repair and maintenance personnel would be minimized.
- F. Match to existing supplies, materials and equipment is needed for efficient operation of a function or program.

Standardization is a collaborative effort between Purchasing and the departments. If standardization is deemed necessary, a department should prepare a memo to the Purchasing Agent requesting standardization, outlining the reasons for such action, based on one or more of the factors listed above.

8. USE OF RECYCLED PRODUCTS

Its purpose is to promote and reach out to markets (when applicable) for recycled products by establishing preferential purchase programs for City departments and contractors resulting in diverting materials from the solid waste organizations and local landfills.

Purchasing shall conform to the state's mandates regarding recycled product procurement and recordkeeping (See Public Contract Code Section 22150, *et seq.*, and California of Regulations Title 14, Sections 18993.3 and 18993.4). Such requirements include, without limitation:

- If fitness and quality are equal, the City must purchase recycled products, as defined in Public Contract Code Section 12200, instead of nonrecycled products, whenever recycled products are available at the same or lesser total cost than nonrecycled items.
- Public Resource Code Section 12209(c) requires that recycled paper products utilized by the City consist of at least thirty percent (30%), by fiber weight, of postconsumer recycled content fiber; provided however, subsection (c)(2) of that statute identifies distinct fiber content requirements for toilet paper, paper towels, facial tissue, toilet seat covers, general purpose paper wipers, and food service ware.
- The City must require all businesses from which it purchases paper products and printing and writing paper to certify in writing the minimum percentage, if not the exact percentage, of postconsumer material in the paper products and printing and writing paper offered or sold to the jurisdiction. The certification shall be furnished under penalty of perjury in a form and manner determined by the City; provided however, the City may waive the certification requirement if the percentage of postconsumer material in the paper products, printing and writing paper, or both can be verified by the product label, catalog, invoice, or a manufacturer or vendor Internet website.

The provisions of this Section 8 shall supplement, and do not supersede, the requirements of state law, including, without limitation, the Public Contract Code and the California Code of Regulations.

The City will also purchase paper products and printing and writing paper that meet Federal Trade Commission recyclability standards as defined in 16 Code of Federal Regulations (CFR) Section 260.12. Vendors will certify in writing, on invoices or receipts provided, that paper products and printing and writing paper offered or sold to the City are eligible to be labeled with an unqualified recyclable label as defined in 16 CFR Section 260.12.

Buying recycled products benefits the City in the following ways:

- A. Buying recycled products conserves resources by reducing our dependence on virgin raw materials whose cost will continue to climb as sources are depleted. The growth in recycling results in the creation of jobs and economic development opportunities.
- B. Buying recycled products is a proactive, rather than reactive approach to our waste management.
- C. Reflects the City's image as an agency who promotes environmental stewardship.
- D. Many recycled products are competitively priced or less expensive than their non-recycled counterparts.

Definitions:

Recycled Material – Waste material and by-products that have been recovered or diverted from solid waste and that can be utilized in place of raw or virgin material in manufacturing a product. Recycled material may consist of materials derived from post-consumer waste, manufacturing waste, industrial scrap, agricultural wastes and other items, all of which can be used in the manufacture of new products.

Post-consumer Recycled (Recovered) Materials – A material or product that has served its intended use and has been discarded for disposal or recovery by a final consumer. Examples of post-consumer recovered materials include, but are not limited to, used newspaper, office paper, yard waste, plastic bottles, aluminum cans, oil, asphalt, concrete and tires.

Recycled Product Preference – To provide for the purchase of products by the City that, price, and quality being equal, preference shall be given to recycled products or vendors utilizing them.

General Policies:

- A. All City departments shall use recycled products and recyclable products in accordance with state law. Special emphasis shall be placed on the purchase of products manufactured with post-consumer recycled material.
- B. All departments may, at their option and with Purchasing's concurrence, require procurement of designated recycled products or recyclable products above the levels required by state law and this policy.
- C. The City shall require its contractors and consultants to use and specify recycled products and recyclable products in fulfilling contractual obligations as required by state law, and, if not required by state law, whenever practicable.
- D. The City shall promote the use of recycled products and recyclable products by publicizing its procurement program whenever practicable.

Designated Recycled Primary Products

1. Paper and Products

- A. Paper for printing and writing must be selected and purchased containing at least thirty percent (30%) post-consumer material, if that paper is available at a cost equal to or less than paper made of virgin material and meeting the quality and specifications of the virgin material paper.
- B. Vendors will certify in writing, under penalty of perjury, the minimum percentage of postconsumer material in the paper products and printing and writing paper offered or sold to the city. This certification requirement may be waived if the percentage of postconsumer material in the paper products, printing and writing paper, or both can be verified by a product label, catalog, invoice, or a manufacturer or vendor internet website.
- C. City departments and agencies shall use for their letterhead stationery, envelopes and business cards, recycled paper whenever applicable that includes the required post-consumer content.
- D. City departments shall ensure that, for all printing, Invitations to Bid, Requests for Proposals, etc., departments shall:
 - Use recycled paper with required postconsumer recycled content fiber satisfying state requirements for all printed or photocopied material whenever practicable.
 - Use both sides of paper sheets for reports, bids, proposals, etc., whenever practicable.
 - Purchasing shall purchase copiers and printers capable of using recycled paper of the appropriate grade.
- E. Vendors shall provide records to the City's recovered organic waste product procurement record-keeping designee regarding all paper products and printing and writing paper purchases within thirty (30) days of the purchase (both recycled-content and non-recycled content, if any is purchased) made by any division or department or employee of the City. Records shall include a copy (electronic or paper) of the invoice or other documentation of purchase, written certifications as required herein for recycled-content purchases, purchaser name, quantity purchased, date purchased, and recycled content (including products that contain none), and if non-recycled content paper products or printing and writing papers are provided, include a description of why recycled-content paper products or printing and writing papers were not provided.

2. Lubricating oil with refined oil content

Oil for use in all City vehicles must be selected and purchased that is re-refined oil, if that re-refined oil is available at a cost equal to virgin oil and meets the quality, performance and specifications of the virgin oil, for intended use and such use does not void manufacturer warranties.

Responsibilities of Departments

Evaluate each designated recycled product regarding its particular application. Determine when to use standard products or required recycled products. Reach out to Purchasing if the recycled products are not achieving necessary performance standard or that the product will negatively impact health, safety or operational efficiency. Ensure that contracts are issued by the City for recycled products whenever required, and, if not required, when practicable, and that vendors and contractors provide recycled product certification.

D. METHODS OF ACQUISITION

1. OVERVIEW

This chapter summarizes the methods and means for procuring goods and services.

Procurements are not approved until all guidelines, procedures and policies are satisfied and approval from the City Council, City Manager, Finance Director, Department Head and other levels is/are obtained.

When a requirement is determined, the item and its purchase price will determine the procurement method that will be used to purchase the City's supplies, services and equipment. The following will assist in determining the procurement method to be used and reach out to Purchasing if assistance is needed.

Is the item available on an existing City contract?

Should petty cash be used for the purchase?

Is the item below the \$2,500 transaction limit of the Purchasing Card (P-Card)?

Is the item above the \$2,500 transaction limit requiring minimum of three (3) competitive quotes and the department to select the lowest quote and attach quotes for claim processing?

Is the item above the \$5,000 and below \$10,000 transaction limit requiring department to generate a requisition for Purchase Order, including three (3) bids or quotes and requiring Department Head approval?

Is the item above the \$10,000 and below \$50,000 transaction limit requiring department to generate a requisition for Purchase Order, including three bids or quotes, requiring City Manager Approval?

Is the item above \$50,000 transaction limit requiring department to generate a requisition for Purchase Order, including three (3) bids or quotes, inclusion on City Council Agenda, staff report, contract or agreement, grant documents, requiring City Manager and City Council Approval?

If none of the above methods are applicable, contact the Purchasing Division for guidance and assistance with the most efficient method to procure the goods or services. Competitive bids or quotations will be secured for all contracts, \$2,500 or over, except Sole Source and Emergency procurement methods.

GENERAL BID REQUIREMENT

Bidding is required at a minimum for purchases of goods and services having a total value of \$2,500 or more. Three (3) quotes or bids are required. Less than three (3) quotes or bids will require documentation of attempt and/or sole source justifications. In most cases, the department shall award to the lowest responsible vendor, however there may be instances where uniqueness of products/service, delivery time, credentials, proprietary goods modify the general bid requirement. Modifications will require documentation and/or sole source justification documenting the necessity to deviate from lowest cost.

2. ACQUISITION PROCESS

The City of Hanford has several methods for acquiring goods and services. The method used is determined by the dollar value of the final award. The following is a list of various purchasing options and thresholds to consider, if applicable, which may require different processes:

Purchases Less Than or Equal To \$2,500

Annual Contract

Informal Bid Process

Formal Bid Process

Purchasing Card

Department Purchase Order
Blanket Purchase Order
Petty Cash
Claim for Purchase less than \$5,000
Purchases Greater than \$2,500
Purchases Greater than \$2,500 but less than \$5,000
Purchases Greater than \$5,000 but less than \$10,000
Purchases Greater than \$10,000 but less than \$50,000
Purchases Greater than \$50,000

The department should obtain bids first and then process a requisition. Departments may secure bids, quotes, proposals and informal estimates via telephone (and subsequently documented), bid invitation, facsimile or by email. A minimum of three (3) vendors are to be contacted when soliciting bids and proposals.

Local and disadvantaged vendors who can supply the commodity requested will be included in solicitations for bids and proposals.

The City will notify potential bidders of bid information via the City's Bidnet Website and advertisement in trade journals, newspapers or other media as required. Projects over \$50,000 shall have a notice inviting bids published in a newspaper of general circulation within the city by one or more insertions, the first of which shall be at least seven (7) days before the date for opening bids.

3. REQUISITIONING OF GOODS AND SERVICES

All requirements for goods and services with an estimated cost of \$5,000 or more shall be confirmed within the Purchasing system in the form of a Purchase Requisition. The requisition requires account numbers and hierarchy approvals. The Departmental fund manager and Department Head shall authorize expenditure funds from the account number listed on the requisition. The requisition is a request for an order and originates in the user department. The requisition will identify the goods and services required, provide recommended or potential vendors and will be approved in the Purchasing system's hierarchy of workflow approvals, authorized management or their designated representative. (see Purchase Workflow and Requisition Workflow in appendices)

Purchasing will review the requisitions to see if the information provided is accurate and complete and approve, reject or contact department to add additional information. The Purchasing system provides a feature titled "Notes" where employees may insert justification and clarification of the purchase at the time of entry if the backup information attached is not clear. This feature should be used whenever possible.

Requisitions must have quotes, estimates, proposals, or bids attached, but not an invoice. If an invoice is present, that demonstrates that departments are not following the purchasing policy procedures. When applicable, include a copy of the Council Agenda item, a Staff Report, a Contract, an Agreement, or Grant documentation. Include any other information or documentation that will assist in clarification, explanation, or justification of purchase.

Special Circumstances – Goods or services related to data processing systems, communications equipment, legal services, grant-funded programs and emergency procedures require special processing as follows:

Data Processing Systems – Departments requesting Information Technology processing systems shall refer such requests to the Information Technology division for assistance with recommendation prior to generating a requisition in the Purchasing system. Information Technology equipment shall describe the hardware or software items and any installation of computer cabling will be managed by the Information Technology Division.

Lease or Rental – Acquiring equipment through lease or rental is not to be used to circumvent purchasing policy and procedures. Lease or rental contracts will be reviewed by Purchasing Agent and subsequent hierarchy of approvals. Leased Equipment is used when there is a long-term need (greater than 12 months) for items and must be appropriately budgeted and approved at the department level. Rental equipment is used when there is a short-term need (12 months or less) for items and must be appropriately budgeted and approved at the department level.

Grant-Funded Programs – State or federally funded grant programs have special requirements covering the acquisition of goods and services. It is the department's grant manager's responsibility to adhere to the grant agreement, to ensure compliance, and to make the Purchasing Division aware of these provisions so any required procedures may be followed.

Federal Grants – All grant procurement and related expenditures must adhere to the procurement guidelines of the Uniform Guidance (UG), formally Code of Federal Regulations (C.F.R.) Title 2-Grants and Agreements, Part 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards. Such procurement standards in the UG are covered in paragraphs 200.317 to 200.327.

All City agreements, which expend federal grant award funds, must adhere to Appendix II to CFR Part 200, which outlines contract provisions to be included in agreements expending federal awards.

Emergency Purchases – In the event of a bona fide emergency, the Purchasing Agent shall be contacted (if possible) to discuss the matter. If Purchasing is not available, the department head or designated representative may contact the Finance Director or City Manager for approval regarding making the purchase. In all instances, report the purchase and immediately prepare a requisition. When selecting purchase order type, select emergency. Each emergency purchase shall be submitted on a separate requisition and shall not be mixed with routine items being requisitioned in the regular manner.

An emergency purchase requires the subsequent approval and confirmation of Purchasing. If the purchase is over the specified dollar limits, it may also require the approval of the City Manager. Check with Purchasing as soon as possible after the obligation has been made.

Emergency purchases that are not approved and confirmed by either the Purchasing Agent, Department Head or the City Manager shall be deemed improper and may be subject to further investigation, resulting in suspension of purchasing privileges, reimbursement, disciplinary or legal actions.

Competitive bids or proposals are not required in an emergency when goods or services are immediately necessary for the preservation of the public health, welfare, or safety or for the protection of City property. In such case, the City Manager may determine and declare that the public interest or necessity demands the immediate expenditure of public money to safeguard life, health or property, and thereupon they may proceed, without advertising for bids, to expend or enter into a contract involving the expenditure of any money required in such emergency.

Per Public Contract Code Section 20168, with respect to projects subject to bidding requirements of the Public Contact Code, in the case of emergency, the City Council may pass a resolution by a four-fifths (4/5ths) vote its members declaring that public interest and necessity demand the immediate expenditure of public money to safeguard life, health, or property. Upon adoption of the resolution, the City may expend the sum required in the emergency without complying with statutory bidding requirements; provided however, the City will comply with the emergency contracting procedures of Public Contract Code Section 22050.

4. REQUISITIONING FLEET EQUIPMENT

Vehicles and equipment are crucial to City operations. Consequently, the development of specifications for both should take into consideration the function for which the equipment or vehicle will be operated;

additional aftermarket required equipment and associated acquisition process; operating and maintenance costs; and other relevant factors.

The acquisition of new vehicles or equipment requires review of the Fleet Services Division. Draft specifications including initial operating requirements of the equipment, vehicles and heavy equipment, in most instances, will be prepared by the Fleet Services who may request assistance regarding the initial operating requirements from the department and Purchasing for bid process.

Non-Budgeted Items: Departments requesting additional or mid-fiscal year vehicles or equipment shall identify additional funding for the purchase of the vehicles or equipment. The purchase and/or appropriation may require City Manager or City Council approval prior to purchase.

5. REQUISITIONING COMMUNICATIONS EQUIPMENT

All requests for communications equipment and service, such as mobile and portable phones and pagers, applications, programs, and software that may impact the City's network infrastructure, require Information Technology review, assessments and recommendations prior to purchase.

6. DIRECT PURCHASES BY USER DEPARTMENTS

Nearly all purchases will be reviewed by Purchasing. Purchases can be made from a local merchant within the City limits or nearby such as Home Depot, Lowes, and Chevron. Departments are advised to scan receipt detail with required ORG & OBJ and/or PO and submit copies to the AP email at billing@hanford.city.

Purchasing Card (P-Card): Purchasing Cards facilitate small-dollar purchases while reducing the administrative costs associated with authorizing, tracking, paying and reconciling those purchases. Employees must enter every P-Card transaction receipt into the Purchasing system. If food is bought for a public event, include the event flyer. If a transaction receipt is lost, fill out a Lost Receipt form and include, as an attachment, to the transaction. Habitual lost receipts may result in the suspension, revocation, or termination of the cardholder's purchasing privileges. In addition, noncompliance may further subject the cardholder to disciplinary action, up to and including termination of employment.

Blanket Purchase Order (BPO): The BPO is a multi-purpose contract serving the ordering, receiving and payment functions. The BPO procedure is intended to facilitate the economical, timely and limited procurement of goods and services by City departments for an indefinite period of time. A Blanket Purchase Order number is given to Vendor prior to order. Departments can view vendor Blanket Purchase order in the Purchasing system under Module titled "Purchase Order Central." Particular situations may or may not require bids or quotes. When preparing BPO for next new fiscal year, review expenditures of the previous year to confirm if more or less funds are required and reflected on the next fiscal year BPO to be completed by July 1st. Departments are encouraged to provide justification and to obtain competitive pricing when economically practical.

Purchase Order (PO) – A Purchase Order is a contract serving the ordering, receiving and payment functions. Purchase Orders are intended to facilitate the economical, timely and limited procurement of goods and services by City departments. A Purchase Order number is given to Vendor prior to order. Departments can view vendor Purchase Orders in the Purchasing system under the Module titled "Purchase Order Central." Purchase Orders are to be used for those goods and services having an aggregate value of \$5,000 and above. Purchase Orders must be accompanied by an itemized quote or formal bid that is clear and readable. If applicable, attach Agenda Item, Staff Report, Contract/Agreement, Grant documents and any other information that will assist in explaining, clarifying and justifying the purchase.

Purchase Order Acceptance/Rejection by Vendor– In instances where a purchase for goods or services is over \$5,000 dollars and the vendor does not accept a purchase order, departments are still required to generate a requisition for a purchase order to the vendor prior to making payment with their P-Card.

Finance, by use of the Purchasing system, requires tracking and regulating and, for auditing purposes, must record purchases above \$5,000 and can liquidate a purchase order when purchased and paid with P-Card.

7. CLAIM POLICY

A single purchase below \$5,000 to a vendor may be processed by claim. A Claim form must include ORG & OBJ, authorized department representative signature and printed name.

Authorized payments by claim of \$5,000 and above are membership dues, software/subscription renewals, periodicals, books, conference preregistrations and travel. Another alternate payment option for the items listed is a P-card.

8. INVOICE ENTRY PROCEDURE

After a vendor has completed their contract obligation for goods and/or services, vendors should email invoices and statements to billing@hanford.city or mail to 315 N. Douty St. Hanford, CA. 93230. Invoices may also be emailed or mailed directly to the department.

Invoices without purchase orders will be emailed to the department to research and enter into the Purchasing System. Each department is advised to review invoice entry to verify vendor, amount, remittance address, invoice date, and that the ORG & OBJ are correct. All purchases will include an invoice as an attachment. Confirm the invoice scan is clear and readable, in PDF format or format acceptable to the system.

9. PETTY CASH

Finance maintains a petty cash fund to accommodate purchases of a minor amount (less than \$25) that cannot be effectively made by Purchase Order or Direct Payment (Accounts Payable claim). As authorized, an employee may make a necessary purchase and be reimbursed from petty cash or may draw an advance to cover a purchase. In either instance a receipt from the vendor is required by Finance.

The following conditions apply to utilization of petty cash.

- A. The total item cost of such purchases, including sales tax, does not exceed \$25.
- B. The item represents an unusual or infrequent purchase.
- C. An appropriate department supervisor must approve any such procurements.

E. BID REQUIREMENTS AND PROCEDURES

1. OVERVIEW

This chapter includes policies and procedures for the use of each authorized source selection method. In addition, it states policies and procedures on contracts, appeals, plant inspection, audit of vendor records, reporting suspected antitrust practices and retention of procurement records.

2. FAIR AND OPEN COMPETITION

Healthy competition is at the heart of efficient purchasing. Competition is directly related to the prices the City pays and the quality of the goods and services it obtains.

The foundation for effective, fair, and open competition is equal treatment of each vendor, inclusive of Local Vendor Preference and Disadvantaged Business Enterprise goals. It is imperative that no vendor is given an undue advantage over the others. Therefore, vendor offers will be kept confidential during the bidding process. A vendor is not entitled, nor should they ever be given the opportunity to know the bids

of the competitors that would allow a bidder to undersell its competition. In addition, vendors will not be allowed to dictate the specifications and thereby limit the bidding to only their company's product.

A consultant to the City who makes a needs assessment shall not be allowed to bid on a project except when full disclosure is made to the City and if allowed by state law.

Subject to the provisions of "Exceptions to Competitive Bids", no department shall draft, or cause to be drafted any invitation to bid or request for proposal, in such a manner as to limit the bidding, directly or indirectly, to any one bidder.

3. PROCUREMENT OPPORTUNITIES

The City of Hanford encourages businesses located inside and outside the City of Hanford to participate in the City's procurement process. Any fixed business within City limits may be eligible for local vendor preference.

The City will ensure a wide dissemination of bid information by use of the City's solicitation service via the Bidnet Website, the Tulare-Kings Builders Exchange, Central California Builders Exchange of Fresno and advertisements in local newspaper such as the Hanford Sentinel as required.

Bids are normally open for two or more weeks. Potential vendors are encouraged to frequently review the listing of open bids on the City's proposal and bid website. Copies of the specific bids will be made available upon request.

4. BIDDING REQUIREMENTS

Exemptions to Competitive Bids: The City of Hanford requires that competitive bids be secured whenever possible for all contracts for goods and services that are proposed to be acquired by the City except in the following cases:

Goods or services are valued at \$2,499 or less.

In an emergency when goods or services are immediately necessary for the preservation of public health, welfare or safety or for the protection of City property (see Emergency Purchases).

When in unusual or extraordinary circumstances, the City Council or the City Manager determines that the best interests of the City would not be served by securing competitive bids or issuing a request for proposal. In instances which departments or Purchasing does not conduct the competitive bidding process, solicitation of bids or proposals cannot be secured, provided a full explanation with sufficient reasons and detail as to why no bids are required, justification and reasons from department or department head requesting a sole source for goods or service are in the City's best interests and not seek competitive bids or proposals. (see Sole Source Purchases).

5. COMPETITIVE BIDS

The City of Hanford requires that competitive bids be secured for all contracts for goods or services \$2,500 and above. This is done to ensure that the goods or services acquired by the City of Hanford are at the lowest cost to the taxpayers.

There are two types of competitive bids - informal and formal. Informal bids consist of phone and fax quotes e.g. verbal (subsequently documented in writing) and written quotes. Formal bids consist of Requests for Proposals, Requests for Qualifications and Invitations to Bid, to be submitted in sealed envelopes. Normally, goods and services being procured under \$50,000 may utilize informal procedures and goods and services being procured over \$50,000 require formal procedures.

6. INFORMAL BID PROCESS

Purchases from \$2,500 to \$49,999 will be subject to the informal bid process. All requests for quotes, bids, estimates, proposals, offers, oral costs or prices solicited by the Purchasing Agent and departments may be in writing, via facsimile or by phone. They should be documented (in writing) and attached to the requisition when generated in the Purchasing system. Finance and Purchasing will have the ultimate responsibility to verify all price quotation information obtained by other City personnel. If the departments are soliciting the product or price information, they may not commit the City with regard to preference for any product or vendor. In addition, vendor pricing shall not be disclosed to any of the prospective vendors until a decision for award has been made. An award is to be made to the most responsive, responsible bidder via a Purchase Order. If the award is to be made to other than the lowest bidder, a written statement justifying the award must be attached to requisition in Purchasing system. In instances of appeal, City Council may become involved and accept or reject solicited quotes, bids, estimates and proposals.

7. FORMAL BID AND PROPOSAL PROCESS

Purchases \$50,000 or greater shall be subject to the formal bid process which may consist of Requests for Proposal or Requests for Bid. Formal bids include complete specifications, contractual terms and conditions applicable, distinctly describe the project, state the time and place for receiving bids or proposals and submission instructions. The solicitation will be publicized online and as required with the Tulare-Kings Builders Exchange, Central California Builders Exchange of Fresno, advertisements in local newspaper at least thirty (30) calendar days before the bid opening date.

The following conditions apply to the formal Bid process:

Formal Sealed Bidding: Formal competitive bidding to the extent consistent with State and Federal law is required for the procurement of supplies, equipment and any item, or group of items and services. Additionally, certain requirements must be met in the formal contract process, including advertising requirements, bid opening procedures and award of contract. Professional Service Contracts are generally exempt from the formal sealed bid process.

Public Notice of Bid Advertisements: Bids that have not closed will be available for public inspection on the City's Bidnet Website.

Public Notice of the Request for Bid shall be a minimum of ten (10) calendar days prior to the date set for the opening of bids. Such notice may include publication in a newspaper, trade publication or other printed matter of general circulation and Bidnet Website. The public notice shall state the bid item and the place, date and time of the bid opening.

Notification of Potential Bidders: The Purchasing Agent shall solicit bids from prospective vendors, companies and firms by written request, facsimile request, online and as required with Tulare-Kings Builders Exchange, Central California Builders Exchange of Fresno, advertised in local newspaper such as the Hanford Sentinel.

The City's online bid management software (BidNet) is the preferred method of solicitation and will forward bids to registered vendors. The Purchasing Agent shall solicit bids from all responsible, prospective suppliers whose names are on the Bidder List. In addition, the use of trade journals, City department email lists forwarded to Purchasing, and website search engines should be used to locate additional vendors to obtain the widest possible circulation of the bid.

Bidding Time and Due Date: The bidding time will be determined by the Purchasing Agent or department, consistent with their requirements, but should be no less than (10) calendar days after the bids are advertised online and as required in the local newspaper. All bid solicitations shall provide sufficient time for bidders to prepare and submit their bids.

Purchasing may change the bid due date. Such changes will be issued in writing in the form of an addendum to all mediums used to disseminate bid notices inviting bids. Any oral interpretations of contract specifications, terms and conditions shall be confirmed in writing by the Purchasing Agent in the form of an addendum.

Form of Bid – To receive consideration, bids shall be made on the Bid form provided within the bid solicitation. Bids must be signed by an authorized representative of the vendor. Invitations for bids shall state that the City reserves the right to waive any informality or irregularity in the bids and the right to reject all bids.

Bid Bonds and Contract Bonds: Bids for construction work shall be presented with the bidder's security required under the Public Contract Code. For matters in which state law does not require bid security, when deemed necessary, a bidder's security payable to the City may be required. Such a requirement will be included as a part of the Request for Bids. Bid security may be in the form of cash, a certified check payable to the Hanford City Council, cashier's check payable to the Hanford City Council, or surety bond payable to the Hanford City Council. The amount of security shall be not less than ten percent (10%) of the contract price. The bid security will be retained by the City until the related contract is executed. Upon an award to the lowest bidder, the security of unsuccessful bidders shall be returned in a reasonable period of time, but in no event shall the security be held beyond sixty (60) calendar days from the time the award is made. A successful bidder shall forfeit bid security upon refusal or failure to execute the contract within fifteen (15) days after written notice of award of contract. If the successful bidder fails to enter into the contract when offered, the City Council may direct City staff to rebid or may award the contract to the next lowest responsive responsible bidder. If the City Council awards the contract to the next lowest bidder, the amount of the lowest bidder's bid security shall be applied by the City to the difference between the low bid and the second lowest bid, and the surplus, if any, shall be returned to the lowest bidder. The Purchasing Agent shall require the contractor or consultant to supply the City with bonds covering faithful performance and labor and materials as required by state or federal law, and, if not required by such law, the Purchasing Agent may require such bonds if he or she believes that security is reasonably required to protect the City's interests.

Discussion with responsible responsive competitors, for the purpose of clarification and to assure full understanding of responsiveness to the solicitation requirements, may be entertained through the City's online question and answer tab. During the discussion process, there shall be no disclosure of any information derived from the proposals of the competitors.

Bid Opening: Bid results will be publicly available for viewing soon after the bid opening deadline on the City's Bidnet Website. Bids will be opened publicly in the presence of one or more witnesses at the time and place designated. Online bid viewing is the alternate method currently being used by the City. The amount of each bid and other relevant information, together with the name of each bidder shall be recorded and each bid result shall be viewable and open to public inspection online. After the bid submission deadline, the apparent lowest bid will be viewable.

Late Bids – All bids must be received by the time specified in the bid solicitation. Late bids will not be considered and shall be returned unopened to the bidder.

Tie Bids – All other things being equal, tie bids shall be granted to the responsible local vendor. If tie bids of two responsible bidders are neither local vendors, the bid shall be awarded by the flip of a coin by the Purchasing Agent in the presence of witnesses.

In accordance with Public Contract Code Section 20167, the City Council may reject any or all bids presented and may, at its discretion, re-advertise for other bids, or the City Council may, after rejecting bids, determine and declare by a four-fifths vote of all of its members, that the work in question may be more economically or satisfactorily performed by day labor, or the labor and materials purchased at a lower price in the open market, and after adoption of a resolution to that effect.

Notice of Cancellation or Rejection of Bids: In the event of a cancellation of the bid, all participating bidders will be notified. If all bids are rejected, the reason(s) will be documented in the bid file.

Appeals – Because it is essential that bidders, offerors and contractors have confidence in the procurement procedures for soliciting and awarding contracts, it is the policy of the Purchasing Division to offer all bidders, offerors and contractors the opportunity to appeal award of purchases or contracts. The following procedures shall apply with regards to appeals by prospective bidders, offerors or contractors: Any proposer, or contractor who is allegedly aggrieved in connection with the solicitation or award of a contract may protest. Proposers are to be advised that protests of the process, terms, conditions or any other aspect of the solicitation must be made prior to the proposal due date. Proposers may not protest the contents of the specifications of the proposal, nor the award based on the use of the Local Vendor Preference. Protests must be transmitted by facsimile, email or by mail to the attention of the Purchasing Agent.

Award protests must be made immediately, and in no event later than five working days after the close of proposal due date and time. All protests must include the following information:

1. The name, address, telephone number and email address of the protestor.
2. The signature of the protestor or protestor's representative.
3. The solicitation or Proposal number.
4. A detailed statement of the legal and/or factual grounds of the protest and all documentation supporting the proposer's position at the time of the initial protest.
5. The form of relief requested.

In an effort to limit frivolous protests, vendors who file two (2) protests within twelve (12) calendar months, whose protests are not resolved in their favor, may be prohibited from submitting future bids.

Award – The contract shall be awarded by notice with reasonable promptness. Unless bids are rejected, award shall be made to the most responsive, responsible bidder whose proposal meets the requirements and criteria set forth in the Request for Bid. The contract file shall contain a written explanation of the award decision.

A responsible bidder is one who has the capability, financial capacity and integrity to perform the contract. A responsive bidder is one who commits to all the material terms (e.g., price, quantity, quality and delivery) of the Request for Bid.

Request for Proposals (RFP): Detailed procedures for obtaining the services of engineers, architects, land surveyors, planners and other specialized professions. In some cases, the competitive bidding process may not be the best method of acquisition. A viable alternative is the competitive sealed proposal, generally called a Request for Proposals process.

Request For Qualifications (RFQ) - The City may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitors' qualifications are evaluated, and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in procurement of A/E professional services. It cannot be used to purchase other types of services though A/E firms are a potential source to perform and provide other services.

The RFP and /RFQ processes will be utilized when:

- Staff resources are not sufficient to perform these services and when the services are not of an on-going nature that would require a full-time employee
- Staff does not possess the required expertise
- The nature of the services requires third party objectivity
- State or Federal law prohibits assigning such services to staff
- The required services cannot be provided more economically by staff
- There exists an emergency or urgent need for services to preserve public health and safety

Competitive bidding for specialized services is not in the best public interest because it may lead to employment of the least qualified, rather than the best qualified, as should be the objective. The objective of competitive bidding is low cost. Only when services or a product can be described in sufficient detail, where all parties can bid on the same basis for comparison, should bidding be considered. Professional services in engineering, law, architecture, medicine, land surveying, and planning, to name a few, are not recognized as being amenable to detailed specifications.

The RFP process is the process used when the City cannot precisely set forth its needs. The Request for Proposals process is a form of soliciting an offer by one party to another with reference to some unique or technical task or equipment. An RFP is primarily used for professional and specialized services such as engineering and architectural services, or for equipment that is complex or highly technical in nature. Instead of specifications, a statement or scope of work is written, and the vendors are asked to propose solutions. This process may be used as a basis for acquiring goods or services or entering into a contract when specification and price will not necessarily be the predominant award criteria. The process may subject to the competitive sealed bid process and the following requirements:

- When there is no clearly established quantifiable standard associated with the service or asset being requested.
- When evaluation factors involve relative technical or professional ability of the offerors to perform.
- When the evaluation process involves weighing artistic and aesthetic values.
- When price or cost may be a secondary consideration.
- When it is likely to best serve the City's interest if a contract award were made to the most advantageous proposal rather than the lowest price submitted.

The award of the contract shall be subject to City Council approval if the contract resulting from the RFP is expected to exceed \$50,000.

If the RFP process is used for a public project, as defined in Section 20161 of the California Public Contract Code, the proposal shall be subject to City Council approval regardless of the cost of the project.

The "General Conditions" of the RFP details what information vendors are to submit and in what form, the cost of their proposals, how the City will evaluate the proposals, select the vendor and develop the contract.

Under normal conditions, the time for processing an RFP is ninety (90) days. This allows vendors enough

time to develop their proposals and City departments enough time to schedule and conduct interviews or demonstrations. Departments shall specify any required time frame less or greater than the ninety (90) day period. Complete and acceptable proposals shall include:

- A clear description of the specifications or scope of services.
- Specifically identify, in realistic terms, what the proposer is to accomplish.
- Description of the items to be delivered or services to be performed.
- Format and number of copies if any required.
- Established timeline schedules, including dates for award of contract, commencement of service performance.
- Pre-Proposal Conferences and Equipment Demonstrations.
- The relative importance of each evaluation criteria item
- If deemed appropriate, known or estimated budgetary limitations on the specification or service.
- The professional qualifications of the personnel that the firm will commit to the assignment.
- An overall description of the techniques to be used in solving the problem.
- Amount of time and staff to be expended.
- Facilities and equipment to be utilized.
- Description and percentage of work to be performed by subcontractors.
- Indemnification
- Insurance and bonding requirements
- Data security
- Warranties
- Compliance with applicable City, State and Federal laws, rules and regulations
- If grant-related, compliance with applicable rules and regulations as required by the funding source.

If a sample contract is included, RFP disclaimer language will be included stating that it is a sample contract and may or may not reflect final terms and conditions of the contract.

Amendments to the RFP: Amendments allow for any changes to the RFP, i.e. quantity, descriptions, schedules and opening dates, correct defects or ambiguities. Amendments to the RFP shall be identified as such and shall require that the offeror acknowledge all amendments issued.

Evaluation of Proposals: Selection of the evaluation should consist of knowledgeable individuals from the requesting department, representatives from other involved City departments, and, if deemed desirable, a recognized expert from the private sector. The evaluation committee shall compile scores of participating firm(s) or individual(s) submitting the most responsive proposal(s), price and all other factors considered.

Proposals must be evaluated based on the stated proposal criteria. A public agency in response to an RFP is not subject to disclosure under the California Public Records Act until the agency has completed negotiations with proposers. A major component of an RFP includes determining and specifying the evaluation criteria and the process for selection and award. The evaluation criteria should be tailored to the specific services and concerns and should reflect what matters most for a particular procurement. The evaluation criteria should be sufficiently detailed to enable meaningful comparisons. For a major, high-profile procurement, the City may appoint a panel of evaluators that includes experts in the field from outside the City. For more routine, small-scale procurements, City staff can usually handle the evaluation. When the evaluation is complete, the city must rank at least three entities based on a determination of value provided. The award must be made to the responsible consultant whose proposal is determined by the City to have offered the best value to the City and public.

Evaluation Factors may include but are not limited to:

- General quality and responsiveness of the offeror to terms and conditions and times of performance.
- Completeness and thoroughness of the proposal.
- Grasp of the problem or of the work to be performed and of the approach to be used.
- Evidence of good organizational and management practices.
- Qualifications of personnel.
- Experience and past performance
- Financial condition of the offeror.
- Price and cost breakdown, or price range and cost schedule.

Methods of Evaluation: Utilizing a scoring method, proposals shall be reviewed to determine those that meet the RFP requirements. The evaluation committee shall evaluate and score the proposals using the evaluation criteria specified in the RFP and shall prepare a priority list of offerors. The project manager or requesting department representative shall meet with the most responsive offeror to seek a clear understanding of the contract provisions and agreement to a fair and reasonable price. Offerors shall be accorded fair and equal treatment with respect to any opportunity for discussion and revision of proposals, specification, work or services. Such revisions may be permitted after submission, yet prior to award, for the purpose of obtaining the best and final offer. The last page of the City's Professional Service Agreement "Exhibit A" is for incorporating negotiated, revised, and modified contract provisions or Scope of Services within the RFP. This process may be repeated until agreement of scope of work, timeline and costs are established with a capable firm or consultant.

Double-tiered proposal: The RFP may require that proposals be submitted with price and/or price breakdown in a separate sealed envelope. The evaluation committee shall review all proposals and score each proposal. After the evaluation committee has decided which vendor best fulfills the proposal requirements, sealed costs for only the chosen vendor will be opened and negotiated to come to an agreed upon contract amount.

8. SOLE SOURCE PURCHASES

Invitations to Bid, Requests for Proposals and Requests for Qualifications shall be secured for all contracts for goods or services acquired by the City which are \$2,500 or greater in value. However, in rare instances where bids or proposals cannot be secured for a unique or particular good or service and/or would not benefit the City, a full explanation shall be included in the requisition or Agenda Item, as appropriate. A Sole Source Justification memo shall be included stating reasons as to why the goods or services should not be subject to bid, or the reasons there is a single source request for the service, or that the City's interests are better served by the exemption. Such recommendation shall contain information in sufficient detail to support and justify the decision not to seek competitive bids or proposals.

Discuss with Purchasing, the specific performance or functional intent that justifies a sole source. Typically, sole source criteria are "match existing in place" or possessing a functional or performance characteristic that is, in the opinion of the requesting department, essential to performance of its mission and available from a single manufacturer or distributor.

The City shall search for alternative sources to ensure equal opportunity is extended to all potential vendors and competition is maximized. Multiple distribution for the identical manufacturer and/or functional equivalents of the requested item as determined by the requesting department or technical expert will not be considered sole source and shall be subject to open competitive bidding.

If a sole source decision is reached, the requesting department shall provide Sole Source Justification as supporting documentation with their requisition, contract/agreement into the Purchasing system. Purchasing will review the Sole Source for approval in the Purchasing system.

9. INSPECTION AND TESTING OF SUPPLIES AND EQUIPMENT

All City departments receiving orders shall inspect supplies and equipment to determine their conformance with the specifications set forth in the Purchase Order. The Purchasing Agent shall have the authority to require chemical and physical tests of samples submitted with bids and samples of deliveries that are necessary to determine their quality and conformance with specifications.

10. COOPERATIVE PURCHASING CONTRACTS

Purchasing may use State of California Cooperative Purchasing Contracts if the item on the state contract meets the City's needs and if it is unlikely that a separate City bid would result in more favorable prices, terms and/or conditions. Contracted buying groups are considered to take the place of competition if, in Purchasing's opinion, it is in the best interest of the City. This shall not, however, be interpreted to exempt the City from bidding requirements of the Public Contract Code.

F. GOODS AND SERVICES CONTRACTS

City employees do not have the authority to procure goods and services or make any purchases on behalf of the City without the proper authorization. Failing to obtain the proper authorization can result in the individual being held personally responsible for the obligation.

1. TYPES OF CONTRACTS

- A. Service Contracts – A contract between the City and a public or private entity that provides for the contracting of municipal services.
- B. Consultant, Professional, Personal Services – A contract between the City and a private firm that provides services of an advisory nature. A service generally provided by individuals or organizations who possess specific knowledge, technical skills or unique abilities not usually available within our City staff or to supplement staff services. The product may include services from attorneys, physicians, architects, engineers, accountants, consultants, specifically anything from answers to specific questions of design of a system or plan and include workshops, seminars, retreats, and conferences for which paid expertise is retained by contract.
- C. Grants – A transfer or irrevocable commitment of money from the Federal Government to State or local government (our City), to be expended on particular programs to for the performance of certain duties under the grant specifications. These duties become contractual obligations once the grant is accepted.
- D. Lease and Lease Purchase Contracts – A contract by which the City (lessee) enters into a contract with a second Vendor (lessor) for possession and use of equipment for a specified period of time at a negotiated cost.
- E. Equipment/Maintenance and Supply Contracts – A contract that outlines the responsibilities the vendor will undertake to ensure the upkeep, repair, and serviceability of equipment listed in the contract. Terms to consider are response time, equipment performance, parts, supplies, reports, networking and consumables.

F. Capital Project/Public Works Contracts – Contracts for such items as the construction, alteration or repair of public buildings, roads, bridges, or other improvements are considered Public Works contracts and are bound by separate regulations. Public Works contract bidding and award procedures comply with the California Public Contract Code, the Municipal Code, and various State and Federal codes and regulations as indicated by the individual project.

Capital projects threshold of \$10,000 may require obtaining an asset number prior to generating a requisition. Asset numbers may be obtained from the Finance department. Asset numbers are required for items such as equipment, vehicles and capital improvement projects.

G. Procurement Contracts, Supply Agreements, Annual Contracts – Price agreements for various standard goods and/or services utilized by City departments, executed by the Purchasing Agent and vendor only.

H. Purchase Orders are contracts for goods and services. Typically, its terms and conditions are very simple in nature and require minimal auditing.

I. Lease Contracts – A contract for limited use of real or personal property at an agreed price and for a limited term, i.e., specified period or month-to-month.

J. Blanket Purchase Order – Issued by Purchasing for the purchase of specific goods or services over a set period of time, with general terms and conditions.

K. Emergency Contracts – Contracts where the item or items to be purchased or rented are immediately necessary. Such contracts must later be approved and confirmed by the Purchasing Agent, or the City Council as provided by law.

L. Contracts under \$10,000 require signature from the Department Head or Purchasing Agent. If the contract amount is over \$10,000 it will require the City Manager's signature. It is advised to attach a copy of a contract to Requisition, Blanket Purchase Order or Purchase Order and keep the file at department level.

2. GENERAL REQUIREMENTS

A. Retroactive Contracts – No City contract shall commence prior to approval by the City Council, City Manager, Finance Director or the Purchasing Agent, as required under the Municipal Code and this Policy. Contractors and vendors shall be advised by the responsible department head that performance under the contract may not commence prior to such approval. No payment shall be made prior to this approval. Any variation of this policy must be justified in writing to the Purchasing Agent for approval.

B. Contract Periods – Contracts for services shall normally cover not more than one to three (1 to 3) years with the option of one (1) extension for a designated timeframe. Normally, multiple-year contracts must include provisions for early termination and must be contingent upon available funding. Unless exempted as provided for above, no contract shall extend, either by original contract or by renewals or amendments, for more than a total period of five (5) years (60 months) unless competitive bids have been sought or an RFP has been processed, or there is a distinct and particular advantage to the City of Hanford to contract for longer periods of time.

C. Compensation for Contracts – 1) A total lump sum or total fixed price for the total project. This avoids detailed accounting and is a contract for a given result. The City's concern is not with the cost incurred by the contractor, but with the end product. 2) Hourly rate plus cost reimbursement, with

a ceiling on the total project or contract amount. The contractor agrees to charge only for the hours utilized at an agreed rate of compensation and reimbursement of costs. This method is also a contract for a given result. Payments by the City in advance are legally permitted, but discouraged and shall be made only when necessary. So that the City may realize income through investment of temporary excess monies, contracts or agreements containing provisions for advance payment by the City shall provide for small, periodic payments which are tied to deliverable goods or services, rather than total contract price or lump sum advances, whenever it is advantageous for the City to do so.

- D. Contract Splitting – It is never permissible to split a contract or project in order to evade contract dollar limitation or bidding requirements.
- E. Contracts for Approval That Have Not Been Competitively Bid – It is the policy of the City of Hanford that Requests for Bid or Requests for Proposals shall be secured for contracts for goods or services which are proposed to be acquired by the City. Any department head who submits a contract to the City Manager or the Purchasing Agent for approval that has not undergone the competitive bid process for selection of a contractor, shall submit with that contract, in a Staff Report a complete explanation of how the recommended vendor was selected. That explanation shall include the names of those prospective contractors contacted and their proposed fee for service; why the negotiated approach for selecting a contractor was used instead of the competitive bid process; and any other comments that support the recommendation.
- F. Contract Award – During the process of obtaining contractor signature of contract, all individuals involved are advised that the contract is of no force and may not commence performance until all required certificates of insurance and endorsements and required binding authoritative signatures are shown on contract and recorded with the City.
- G. Retention of Contract – In all cases, an original copy of the fully executed contract must remain on file in the office of the Purchasing Agent for no less than four (4) years from the date of completion of the work under the contract. In cases of litigation or other special circumstances (i.e., grant requirements), the contract is to remain on file until those special circumstances have been satisfied.

3. CONTRACT/AGREEMENT PREPARATION AND PROCESSING

Negotiation – The successful vendor has been identified and it is necessary to negotiate a contract. A working draft document is necessary. The Professional Services Template containing mandatory clauses may be obtained from the Purchasing Division. Purchasing and the City Attorney are available to assist in contract drafting and negotiations.

All contracts must contain the vendor's name, address, telephone number, Federal Tax I.D. Number or Social Security Number. Should the contract language differ from standard language or alterations be proposed for insurance clauses, the Department Head and Finance Director will be required to review and approve the proposed changes. Contracts may be accepted or rejected by the City Attorney due to incomplete or otherwise unacceptable language, terms, conditions and clauses.

City departments are not contracting entities. Contracts must be issued in the name of the **City** and service contracts having an aggregate cost exceeding \$2,500 but not to exceed \$9,999 must be approved by the Finance Director or Purchasing Agent. Contracts having an aggregate cost exceeding \$10,000 must be approved by the City Manager and contracts having an aggregate cost exceeding \$50,000 must be approved by City Council. Some or all of the following information is required and must be included with contracts being submitted for approval: the City's Service Agreement, Staff Report, Agenda, Contract, proposal, bid and any pertinent documentation.

4. CITY COUNCIL OR CITY MANAGER APPROVED CONTRACTS

Preparing, processing and monitoring contracts are the responsibilities of the department entering into the contract. Adequate time shall be given to the departments to review, approve and make any necessary changes to the contract. The City Manager or City Attorney may also require changes to be made to the contract or request additional information. Contracts with specific execution or renewal dates shall be handled in a timely manner to assure approval prior to such dates. No work shall commence prior to the contract.

5. PURCHASING AGENT CONTRACTS

Procurement contracts for various standard goods and or services utilized by the City departments, where conditions are very simple in nature and delivery of that service can clearly be recognized and defined for purposes of knowing when completion has occurred, are executed by Purchasing and the vendor only. Often, the purchase order will substitute as the contract.

Purchasing may require approval by the City Manager, City Attorney, Finance Management or other departmental authority, as deemed necessary. Contracts may be generated at the department level and in conjunction with the assistance of Purchasing. An original copy of the contract will be signed by an authorized City representative, City Manager, City Finance Manager or Purchasing and the duly authorized vendor representative. The original will be digitized and retained by Purchasing and electronic copies will be provided to the department, City Risk Management Division and the vendor.

G. CONTRACT ADMINISTRATION, ENFORCEMENT AND LEGAL REMEDIES

1. OVERVIEW

The procurement process does not end with the award of contract. The contractor's performance must be appropriately monitored. The contract itself may be amended in response to unforeseen problems and the contract must eventually be closed out or terminated, if not renewed. In performing these tasks, departments are requested to assure a mutual understanding of the rights, obligations, and responsibilities of both the contractor and the department under the contractual agreement and initiate any contract changes desired by the department. The goal is to protect the City's interests in the event of default by the contractor or contract termination and evaluate the performance of the contractor for future use by other City departments.

2. CONTRACT MONITORING

Contract monitoring allows the department to diagnose problems that may lead to work change orders, schedule slippages, cost overruns or unacceptable product quality. Departments should designate a Contract Administrator at the department level receiving the goods or services and establish administrative controls, monitor work progress regularly and establish cost controls. Vendor performance monitoring is a joint undertaking, and City personnel are active participants.

3. CONTRACT ADMINISTRATOR

The department head or designee shall formally begin contract negotiations with the consultant and request a Professional Service Agreement from Purchasing as a draft to forward to consultant, firm, contractor, or vendor for authorized signature. The department may also request that Purchasing attach the consultant's proposal to the agreement as Exhibit A of the City's Professional Services Agreement template.

After the contract/agreement is returned by the consultant with authorized signatures, the department may obtain the appropriate City signature resulting in a Fully Executed Contract/Agreement. The Department

may keep a copy, if desired, but Purchasing will keep a copy and forward a copy of the Fully Executed Agreement to City Risk Management Division.

4. AMENDING THE CONTRACT

Unforeseen problems, circumstances and events may make a contract amendment necessary. To protect the City's interests, the department head or designee shall supervise all discussion with the contractor regarding amendment and if assistance is needed, contact Purchasing. All amendments must be in writing and executed in the same manner as the original contract. The dollar amount of the amended contract must not exceed the signatory's limitations. If necessary, obtain appropriate City signatures. For purposes of approval, a copy of the original contract must accompany the proposed amendments. All change orders, amendments to contract and supplemental agreements must be signed by a City representative authorized to bind the City financially (generally the City Manager).

5. RENEWAL OF CONTRACTS

Contract for services shall usually not cover a period of more than one (1) year, although longer periods may be approved. Unless exempted from competitive bidding procedures, contracts for goods and service should not extend, either by original contract or by extension, beyond five (5) years unless competitive bids/proposals have been sought or approval is obtained from the Purchasing Agent.

Contracts shall not be renewed without thorough consideration of contract performance, availability of new or better contractors, changing circumstances and other factors which could affect the existing contract to determine whether its renewal is the most appropriate and cost-effective option.

Any decision to renew a contract must be made prior to the termination date of the existing contract. It is recommended that planning for renewal or a new contract begin no later than sixty (60), nor earlier than one hundred twenty (120) days prior to the existing termination date depending on the complexity of the contract and renewal. Prior to any renewals, department heads or contract managers at the department level may consult with Purchasing. Renewal shall not be used to circumvent any required bidding processes.

6. CLOSING OUT OR TERMINATING THE CONTRACT

All contractual relationships must eventually either be closed out upon completion of all the work or terminated prior to completion. A contract closeout is an administrative procedure involving formal acceptance of all contract deliverables and payment of the contractor's final invoice. A contract termination is generally a unilateral action that stops work on all or part of the contract for cause or convenience; termination for convenience may only occur if allowed under the contract. A contract can also be terminated by mutual agreement in the same way that a contract is executed and/or amended.

Close out of a contract should not occur until the City is satisfied that all contractual obligations have been met by the contractor. Confirmation that the required products or services have been delivered and compliance with corresponding technical specifications or scope of services is required prior to close-out. Where appropriate, the City shall formally notify the contractor, in writing, of the department's final acceptance of the services and the contractor's final invoice can now be processed.

When deemed necessary and appropriate, all or part of the contract may be terminated for cause whenever the contractor refuses or clearly fails to meet contractual performance requirements. Common causes for default include failure to deliver acceptable products or services; failure to meet scheduled delivery dates or contractual milestones; failure to resolve disputes or offer explanations on disputed terms, conditions or requirements; or demonstrated lack of progress that is harmful to the City. Prior to terminating a contract for cause, consult with Purchasing.

7. VENDOR REQUESTS FOR CHANGES OR CANCELLATIONS OF CONTRACT

General Policy is that a vendor's request for a change or cancellation to a purchase order or contract, which will result in additional cost to the city, shall be denied, unless denial of such request for a change or cancellation will cause documented undue hardship to the vendor or unless there is no reasonable alternative. If the vendor refuses to perform according to the original contract, they will be in breach of contract.

8. BREACH OF CONTRACT

Actual breach of contract is defined as a failure to perform on time and in the manner required by the contract. This includes failure to perform at all, as well as delivering the wrong goods or defective goods. In the case of breach, the City must have actual evidence of the breach before employing legal remedies.

A vendor shall be offered the opportunity to remedy a breach of contract. The vendor may notify the City of its intention to remedy delivery within the contract time or have further reasonable time to substitute a conforming requirement.

Departments should notify the vendor and Purchasing if a vendor has breached contract and how the breach has occurred. Reach an understanding with the vendor as to what their process is for remedy. If a vendor intends to remain in default, alert vendor of the City's legal rights, which is the right to obtain comparable goods elsewhere and charge the vendor the difference between the contract price and the comparable goods price that may be higher. The City may obtain this reimbursement for damages by deducting it from any money due the vendor or by accepting another form of vendor payment.

Document the verbal understanding, including a summary of the City's legal rights, as appropriate, in writing, and mail to the vendor. Additionally, send a copy to the Purchasing Department and attach a copy of the contract or agreement. The letter should set forth a date by which the vendor must reply or remedy default in order to avoid legal action by the City. Notice should also state that a failure to resolve this problem may result in removal from the City's Purchasing bid list. Preparation of this letter must be coordinated with Purchasing and must be approved by the City Attorney prior to mailing to the vendor.

If the vendor fails to fulfill contract requirements and has not replied in writing with an alternate proposal which is acceptable under the circumstances, Purchasing shall issue a written cancellation, signed by Purchasing, and approved by the City Attorney citing the vendor's breach of contract and shall proceed to obtain comparable goods elsewhere. It is assumed at this point that the City has exhausted all reasonable expectations of obtaining contract performance and cannot wait any longer for the goods.

9. CONTRACT ADMINISTRATION – FILES

It is imperative, from a legal perspective, that contract files, especially those pertaining to construction projects, are detailed and complete. The following is a list of the types of correspondence and documents that should be kept, as originals or copies depending upon the circumstance. This list is by no means exhaustive and merely reflects those documents that would be critical in the event of litigation or disputes.

Copies of All Contracts Pertaining to the Project

Architect

Construction

Consultants

Interlocal/Cooperative Agreements

Grants

Notice of Award Letters

Copy of the Purchase Order

Requests for Insurance and Bonds

Memos/Letters/Emails/Reports
Field Reports
Meeting Notes
Correspondence
Daily Diaries
Orders of Materials
Copies of Bonds and Insurance Certificates
Change Orders and Change Order Correspondence
Notices of Breach
Notice of Completion

H. VENDOR RELATIONS AND PERFORMANCE

1. VENDOR RELATIONS

It is essential that a professional, business-like relationship of mutual trust and confidence exist between the City and its suppliers. The primary responsibility for establishing this relationship for the City rests with Purchasing.

All City representatives and employees are to demonstrate business-like professionalism when interacting and speaking with vendors and their representatives.

Vendors soliciting sales are to be received and if deemed necessary, forwarded to Purchasing. Purchasing shall not make, nor be asked to make unreasonable or unnecessary demands on suppliers.

2. UNAUTHORIZED VENDOR CONTACT WITH CITY DEPARTMENTS

Once the bid has been issued, prospective bidders are prohibited from contacting any City department during the bid process unless approval is received from Purchasing. Failure to comply with this policy will be considered cause to reject the vendor's bid. This does not preclude the vendor from contacting City departments concerning other ongoing business.

3. VENDOR VISITS

Visits by appointment are preferred since drop-in visits can lead to inconvenience for both parties. Buyers may be in a meeting or away from the office at the time of the unscheduled visit.

When a using department requires information from a vendor, these requests normally will be handled by department in case technical detail or preliminary information is required. If this occurs, keep copies of all supporting documents, especially correspondence that includes pricing.

Departments are advised to refrain from accepting vendors specific brands, products and supplies when legitimate competitive quotes are required and applicable. Visits with City departments may be made upon the recommendation of Purchasing. Purchasing will direct the vendor to the correct person and phone number. City employees should notify Purchasing if they receive a visit from a vendor with useful products and price information and should also encourage the vendor to contact Purchasing to schedule an appointment with the Purchasing Agent. Purchasing can assist vendors in using their sales time more efficiently by informing them about expiration dates of existing contracts, upcoming bids and where similar products are used throughout the City.

4. VENDOR OFFERS OF FREE TRIALS AND SAMPLES

In some industries it is common for vendors to offer free loaners, demonstrator equipment, trial use, free supplies or other promotional items. These offers are sales tactics and acceptance of such "free" equipment, supplies or services may or may not be in the City's best interest.

Any department that receives a "free" offer should contact Purchasing for assistance. The offer will be evaluated, and other alternatives will be considered which may better meet the department's needs. If the offer is in the best interest of the City, Purchasing will advise the department.

Occasionally, the City requires bidders to submit production samples of products that the City intends to purchase. For example, samples may be required for new, untried products where workmanship might be a significant factor or in cases when most of the bidders are expected to be distributors who may offer a wide variety of similar products. Failure to comply with a request for submission of a sample may be cause for the bid to be declared non-responsive and subject to rejection.

The most responsive and responsible bidder's sample is retained to compare with the vendor's shipment of the purchased goods. This sample will be returned at the request of the chosen lowest bidder following acceptance of the total shipment. All other bidders wishing to have samples returned must pick them up at Purchasing within thirty (30) days following award of the bid. Samples not claimed within that period become the property of the City to be disposed of as the City sees fit. Bidders desiring to have samples returned by mail or parcel post must furnish return mail cartons, packing, postage, insurance, etc.

5. COMPETITIVE ELECTRONIC UPLOADED BIDS

When electronic bids are used for goods and services, all bids shall be publicly revealed, and the dollar amount of each bid shall be released and displayed on the City's Bidnet Website. It is to be understood that a bid containing irregularity or minor informality may be waived by the Purchasing Agent when it can be determined that such waivers will not adversely affect the bidding process.

6. RELEASING BID RESULTS

During the bidding process, each vendor's bid is kept confidential and is not shared with anyone. However, any vendor or member of the public is entitled to review Bid Results after the bidding process has been completed. Bid Results will become available to all interested parties by registering for an account with Bidnet Website. Bidnet registration is free and after a Bidnet account is established, access to the City's Bidnet Website will become available to review the bid results.

7. LOCAL VENDORS/ LOCAL VENDOR PREFERENCE

The use of vendors who have a fixed business location within the city limits provides certain benefits to the City and its citizens, including, without limitation, the following:

- A. Receipt of sales tax revenue from sales made within the city limits
- B. Cost savings resulting from local maintenance, repair, pick-up and delivery
- C. Use of the local labor force

When multiple bids are received, the Purchasing Agent under the direction of the City Finance Director will determine if a submitted bid is from a "local vendor" and eligible for the Local Vendor Preference. Therefore, any local responsible vendor maintaining a fixed business location within the City limits who submitted a bid within five percent (5%) of the lowest nonlocal bidder will be deemed eligible for local vendor preference and awarded the bid.

The local vendor preference shall not cumulatively be greater than \$150,000 (per Public Contract Code § 2002).

8. VENDOR PROTESTS

The procedures for protesting, both before and after an award, are stated herein. Protests must be made in writing to Purchasing within five (5) working days so that an objective decision can be made by the City and costly delays in the acquisition process can be avoided.

The Purchasing Manager or designee shall respond in writing within five working days to the protestor. If the protestor wishes to appeal the decision rendered by the Purchasing Agent, such appeal must be made in writing to the City Manager within five (5) working days of the Purchasing Agent's response. The City of Hanford City Manager, Finance Director and Purchasing Agent shall have the authority to settle and resolve a protest of an aggrieved bidder.

Public Records Act (PRA) –All PRA requests shall be forwarded to the City Clerk for processing.

I. INSURANCE AND BONDS

1. OVERVIEW

City policy is to require contractors providing services, materials or construction to the City to indemnify, defend, and hold the City harmless for claims arising from their performance of the contract and supply proof of insurance coverage to the City. The proof the City requires is usually in the form of certificates of coverage and endorsements provided by the contractor's insurance broker or carrier. All insurance requirements made of the contractor must appear in the City agreement, and in the case of a competitive bid, they must also be in the Request For Bid or Request for Proposal.

2. GENERAL INSURANCE REQUIREMENTS

Most agreements require general liability and workers compensation coverage. In addition, automobile liability, professional liability, crime coverage, and/or some form of bond coverage may be required. As a rule, the insurance must be underwritten by a carrier admitted to transact business in California. The carrier must be able to demonstrate sufficient financial strength to provide the protection the City seeks. Generally, insurers with an A rating in A.M. Best's Guide and a financial size designation of VII or higher will meet the City's requirements. If departments need to determine the Best's rating on a carrier, contact the Risk Management Division. Per the requirements of the City's insurer, PRISM, the City must also be named as additional insured on the general liability and automobile liability coverage; the contractor's insurers must waive subrogation rights; the contractor's insurance must be primary and non-contributory with respect to coverage maintained by the City; and the contractor's coverage may not be modified or canceled without prior written notice to the City. This provision must be stated in the Request For Bid or Request for Proposals.

3. LIMITS OF INSURANCE

Purchasing will assist departments obtaining insurance from vendors, firms and contractors and consultants. Purchasing will include Certificates of Insurance and endorsements with Fully Executed Agreements and forward them to our Risk Management Division.

Commercial General Liability – The rule for minimum limits for general liability coverage is \$2 million, per occurrence, combined single limit for bodily injury, personal injury and property damage, with an annual aggregate, if any, of at least \$4 million. Any substantial, ongoing business shall carry insurance with these limits. In some instances, insurance requirements may vary (\$5 million per occurrence and \$10 million aggregate for construction projects with increased risk).

Automobile Liability – Contractors who will drive in the course of performing the service or who deliver and maintain a product must maintain auto liability insurance. The limits must be a minimum of \$1 million per occurrence, combined single limit for bodily injury and property damage. Coverage shall include any autos, owned autos and hired autos.

Professional Liability – Contractors who are required to be licensed by the State of California or by an agency designated by the State to perform their work must maintain professional liability insurance. Examples include doctors, nurses, psychologists, licensed clinical social workers, engineers, architects and attorneys. As a rule, the City requires limits of a minimum of \$2 million per incident and an annual aggregate of at least \$4 million.

Workers Compensation Coverage and Employer’s Liability – Insurance with a limit of no less than \$1 million per accident for bodily injury or disease. In accordance with the Labor Code of the State of California, every employer must provide workers compensation coverage for their employees. Therefore, all contracts with individuals or organizations who have employees must require workers compensation coverage. Many contractors are sole providers and have no employees. These contractors are not required to cover themselves with workers compensation.

4. INSURANCE CERTIFICATES

Insurance certificates and endorsements providing evidence of coverage must be provided by the following categories of persons:

- Any individual or non-City organization using a City facility.
- Any individual performing a service or delivering a product under contract to the City.
- Any individual or organization constructing something for the City.
- Any agency required to provide such evidence as a condition of participating with the City in any endeavor, such as a joint powers authority.

Responsibility for obtaining Insurance Certificates and endorsements – The department designated as contract administrator for each agreement is responsible to forward any insurance certificates and endorsements on to Purchasing for review and approval. Utilize the current insurance specifications in all contract agreements. Note the expiration dates of the policies. If any expire during the term of the contract, replacement certificates and endorsements must be obtained to assure continuity of coverage. It’s recommended vendor insurance certificates and endorsements are filed with the agreement so they can be available for inspection and to use as evidence of coverage in the event of a loss. Copies should also be placed in the bid file in Purchasing, the department designated as contract administrator, and City Risk Management Division. Notify Risk Management immediately in the event of claims or accidents arising from the work performed under the contract.

5. SUBCONTRACTORS

Vendors shall include all subcontractors as insured under its policies or shall require subcontractors to maintain the coverage required under this Policy. If subcontractors maintain their own coverage, the prime contractor shall provide its subcontractors’ certificates and endorsements to the City when the prime contractor submits its certificates of insurance and endorsements.

6. INDEMNIFICATION CLAUSES

Defense and indemnification clauses require the contractor to reimburse the City for any costs the City may incur to defend and/or pay damages to a third party because of the contractor’s actions or omissions. The City is not permitted to require the contractor to assume responsibility for the City’s actions, but the City can require the contractor to defend it and reimburse it for any loss arising out of the contractor’s performance of the contract. Occasionally, a contractor will demand that the City defend and indemnify the contractor against losses arising from the City’s acts. Risk Management must be consulted in these instances.

7. BONDS

Bonds are policies issued by surety companies which guarantee that the contractor will meet the stated obligation. Types of Surety Bonds the City may use are:

Fidelity Bond – Reimburses an employer for loss sustained because of dishonest acts of employees covered by the bond.

Bid Bond – Guarantees that a contractor will enter into the contract under consideration if consultant is awarded and consultant will comply with all terms and conditions of the bid or proposal.

Payment or Labor and Materials Bond – Guarantees contractors will pay their subcontractors, employees and suppliers for labor, services and goods provided in performance of contracts for "public projects".

Payment bonds should be required for all contracts involving public works or which are valued at more than \$50,000.

Performance Bond – Guarantees performance by the contractor of all work under the contract, including replacement or repair of any defective materials or faulty workmanship and compliance with all the terms and conditions of the contract or agreement.

J. INVENTORY CONTROL, FIXED ASSETS AND SURPLUS ITEMS

1. OVERVIEW

Disposition of surplus City property will be accomplished through the Purchasing Division. Property will be disposed of by the following methods:

Citywide notice of available surplus items.

Negotiate with vendor to remove non- surplus property.

Trade-in on new equipment.

Sale at public auction.

Sale as scrap.

Donation to non-profit organization.

2. CITYWIDE NOTICE OF AVAILABLE SURPLUS PROPERTY

Each Department shall communicate or e-mail the availability, including necessary details of property designated as surplus, to the Purchasing department. In some instances, Purchasing may send out a citywide announcement that surplus furniture or items have become available. The goal is to repurpose the surplus items by a different City department that may be in need of the surplus items. The disposition or disposal of City property may only be authorized by the City Manager and Finance Director.

3. NEGOTIATE TO REMOVE NON-SURPLUS PROPERTY

In some instances, departments may need to purchase, replace and/or upgrade assets. As a result, the property which is being replaced is classified as surplus . Surplus property that is non-functional or no longer required, cannot be reused, and is no longer considered an asset, may be disposed of at the department level by negotiating with the vendor to include a fee in their quote to remove and dispose of the property.

4. TRADE-INS OF EQUIPMENT

Departments are encouraged to trade in equipment that is being replaced at the time of the new equipment acquisition. Trade-ins earn credits against the purchase of the new item, it minimizes transfer, moving and storage costs and results in faster, less costly disposition of unwanted equipment or auction processes. Trade-ins may be negotiated at the department level and must be processed through Purchasing. To trade in a unit, the department should attach supporting documentation to the requisition for new equipment purchase.

5. SALE AT PUBLIC AUCTION

The Purchasing Agent is responsible for the management of surplus property. Only the City Council, City Manager, City Finance Director and Purchasing Agent have the legal authority to sell or otherwise dispose of personal property owned by the City.

Departments managing surplus property that is no longer useful may notify Purchasing of items, furniture, materials and equipment to determine if it may potentially be sold at a Public Auction. The Department is to also send an email to Purchasing describing the equipment or material, including serial number, location, date available, contact person, their phone number, fixed asset identification number (if applicable) and if Public Works involvement is required for assistance with moving or transportation of item to be sold at public auction. Purchasing will also assist departments with information regarding selling recyclable materials to local scrap dealers.

K. COST CONTROL METHODS

1. PLANNED PURCHASES

Departments are advised to check if funds are available when considering purchases and prior to generating a requisition for purchase order. The department's designated employee should check the ORG & OBJ in the Purchasing system. If the Purchasing system queries an amount that is over budget, contact the Finance Director and Finance Manager for funding alternatives.

Departments are advised to monitor project accounts frequently to ensure it is not going over budget. If the project incurs unexpected or unanticipated costs above the original budget, if the incurred overrun costs are \$10,000 to \$50,000, City Manager approval is required in order to expense the additional unanticipated incurred costs and does not authorize appropriation for additional money.

Departments that do not have enough budget funds to cover a large purchase or are over-budget on a line item may request a budget amendment to transfer money between object lines within the same fund. However, it's not necessary for small purchases or if the overall net budget is anticipated to be positive at the fiscal year end. Department Heads should send budget amendment requests to the Finance Director including the amount and transfer object lines. The Finance Director does not have the authority to transfer money between different funds or transfer money between salary and operating accounts.

The City Manager does have authority to transfer money between different funds and transfer funds between salary and operating accounts.

Planned purchases save money, and departments are advised to receive, evaluate competitive bids, quotes, estimates, proposals and select the lowest bid. There may be case by case circumstances allowing departments to select other than lowest quote or bid with acceptable justification and proper approval.

2. SPECIFICATIONS

Prepare descriptive specifications for material, supplies and equipment that are sufficiently broad enough to promote competitive and uniform bidding and to attract and develop a group of responsible bidders able to offer the best prices consistent with the required quality, delivery and service.

3. COMPETITION

Procurement transactions must be conducted in a manner providing full and open competition. The basic principle of public purchasing is to promote free and open competition and to incorporate a clear and accurate description of the technical requirements for material, product or service to be procured. Competition is enhanced by non-restrictive specifications, by allowing adequate time for bidding and by inviting an adequate number of interested vendors to bid. The bidding process allows each vendor a chance

to submit their best price for the item without knowledge of other vendor offers. It's imperative that departments identify all requirements that the offerors must fulfill and all other factors to be used in evaluating quotes, estimates, bids and proposals. Favoritism toward any vendor is strictly prohibited.

4. FREIGHT AND SHIPPING CHARGES

During ordering processes, freight, handling and other related costs incurred to place the purchased item in working order should be included when determining total bid price. In determining freight charges, the cost of transporting an item from its "shipping point" or "point of origin", to the City receiving point or "destination" must be considered during the bid process in order to determine the total actual bid. There are two main methods used in determining freight charges. FOB (Free on Board) Destination and FOB Shipping Point. FOB Destination indicates that title does not pass to the City until we receive the goods at the delivery address stated on the purchase order. FOB Shipping Point indicates that title passes to the City when the vendor delivers the goods to the carrier. Usually, the party holding title bears the risk for loss or damage to the goods and bears the responsibility of filing claims, if any, for such loss or damage.

As a rule, the City requires that materials and equipment purchased be delivered "FOB Destination". This means the purchase price includes delivery of the item and the City takes title to it when it is received on City premises. If a seller insists on shipping "FOB Shipping Point" the City takes title to it when it leaves the seller's dock and assumes the risk of loss during transit.

In the rare case where Purchasing accepts a "price in effect at time of shipment" offer, the purchase order should so state and the quote or bid file should document the necessity of accepting such an offer. If the price increases between the date of order and date of shipment, the vendor should supply the buyer with documentation, generally in the form of old and new published price lists.

If both buyer and vendor have agreed to a specific shipping mode, this should be noted on the purchase order in the description area. The shipping instructions, along with the particulars of the terms, should be included.

L. RECEIVING PROCEDURES

1. AUTHORIZED RECEIVING POINTS

Each department is responsible for receiving goods. Each department is responsible for staff authorized to sign for receipt of delivery. Departments are advised to physically inspect all goods prior to signing for the goods received.

The ordering department is obligated to accept delivery of any merchandise which has been ordered in accordance with purchasing procedures. If there is a change regarding the need for the items, the department should immediately execute a Purchase Order Change Order into the Purchasing system. It should be realized that there may be a restocking charge if the items must be returned through no fault of the supplying vendor. The City's failure to accept and pay for ordered goods is a breach of contract.

2. RECEIVING GOODS FROM THE CARRIER

Avoid accepting delivery of any merchandise until adequate identification from the packaging or delivery tags is obtained. A purchase order number or other suitable identification indicating that the merchandise should be delivered to the department, must be in evidence before the shipment is accepted. Sign only for the number of boxes or parcels which are received from the carrier listed on the delivery tag (carrier's receipt), delivery information on the boxes or parcels, or delivery driver digital handheld computer.

3. INSPECTING GOODS AFTER DELIVERY

Inspect the merchandise promptly after receipt. Inspections of items received and determination of compliance with the ordering description or specifications are the responsibilities of the ordering

department. Check merchandise received against the packing slip and the purchase order. Importantly, if copies of invoices are received, they should be immediately forwarded to the person in the department who is authorized to process invoices.

4. LOST AND DAMAGED GOODS

Document any partial deliveries received on a copy of the purchase order. The receiving department should keep all packing materials and merchandise and report damage to the vendor immediately. Importantly, do not destroy damaged item(s) or any packaging materials. In cases of known damage (apparent at the time of delivery), put a note on copies of the delivery tag (carrier's receipt) "case damaged in shipment" and, if the item is visible and the damage is visible, also include "item visibly damaged." Obtain any type of tangible data stating the damage including delivery driver acknowledgement and signature. If possible, take a picture of the damaged box or parcel. Departments may communicate to vendor regarding remedy of damaged shipment. If the department is unsuccessful regarding remedy, forward all pertinent information to Purchasing for assistance. Purchasing will also alert company representative of the damaged shipment and request remedy.

5. INCORRECT GOODS

If the goods shipped do not comply with the purchase order, the receiving department will ask the vendor to bring them into compliance. If the vendor fails to do so within a reasonable time, the receiving department will notify Purchasing. Purchasing will notify the vendor of the breach of contract. It is the receiving department's responsibility to notify Purchasing of the need to charge the defaulting vendor with any additional cost experienced by the City due to the breach of contract.

6. DELIVERY OF GOODS AND SERVICES

Under the Uniform Commercial Code, as a rule, the City requires that goods and services purchased be delivered "FOB Destination". This means the purchase price includes delivery of the item, and the City takes title to it when it is received on City premises. If a seller insists on shipping "FOB Shipping Point" the City takes title to it when it leaves the seller's dock and assumes the risk of loss during transit. Should that occur, Purchasing and/or Risk Management should be consulted to determine the prudence of securing transit insurance.

M. PAYMENT PROCEDURES

1. OVERVIEW

Due to the large number of documents processed by the Finance Department, it is extremely important to promptly verify all goods received at the department level and forward all required information to Finance so they can begin to prepare payment processes as soon as possible. Payment documents that include discounts should be specially handled by both the department receiving the goods and the Finance Department to ensure that payments will be processed in time to receive the discount.

Generally, invoices are sent by the vendor to the ordering department or Finance Department. The requesting department verifies that all goods have been received and compares any packing slips or shipping documents with the purchase order. If the goods received match the purchase order, the department shall approve the invoice in the workflow approval. If there is a problem with the merchandise, i.e., damaged items, an incomplete order, incorrect items received or any other problem, the vendor should be notified, and the problem corrected before the payment document is prepared.

2. VENDOR RESPONSIBILITIES

Packing Slip – A packing slip should be included with each shipment. The related purchase order or contract number and the purchase order line-item numbers should be referenced.

Invoices – Invoices should refer to the purchase order number. Invoices which do not show a valid purchase order number should be directed to the vendor. Invoices may be mailed to the "Billing Address" shown on the purchase order, emailed or downloaded from vendor online portal. Invoice pricing, terms and conditions must be consistent with the purchase order. Incorrect invoices should be credited by the vendor in their entirety and re-issued. Contact the Finance Department Accounts Payable Division or Purchasing for assistance.

3. PAYMENT PROCESS

Advance payments by the City are legally permitted and require contacting the Finance Department to coordinate payment process. Contracts or agreements containing provisions for advance payments shall provide for small periodic payments which are tied to delivered goods or services, rather than total contract price or lump sum advances.

4. REGULAR PURCHASE ORDERS

Purchase Orders generated in the Purchasing system serve as contracts for goods and services. After the Purchase order has been printed, departments may mail, email, or call the vendor and communicate the purchase order number over the phone. A Purchase order is a legally binding document for the city financially. It can stand alone or include attachments for clarification purposes. Purchase orders encumber funds and assets. Each department is responsible for verifying quantity, quality and delivery.

Partial Shipments (receipts) - There will be instances when partial shipments are received. In these cases, the department should record the receiving information by attaching it to the purchase order, including any packing and freight slips and invoice.

5. PURCHASING CARD

The Purchasing CAL Card program issues P-Cards to authorized City employees as an alternative method of purchasing and paying for goods and services. Departments are to email Purchasing to request P-Cards for employees. The Department Head should be copied in on the emailed request.

The P-Card is intended for smaller purchases as a convenience and not to be used to circumvent the City's current Purchasing Policies. There are restrictions. The P-Card is currently being used for all purchases under \$2,500 without any additional competitive quotes. Every City employee authorized to possess a P-Card must obtain their activated new card, receive instructions and training for proper use of card and sign documents at the Purchasing department. Card holders will receive a copy of the Purchase Card Policy and are advised to read it and familiarize themselves with P-Card use and responsibilities.

- A. Keep a copy of receipt to scan.
- B. Finance does not need originals. Department may keep them on file.
- C. Receipt should have vendor name and amount.
- D. The general rule for food purchases must list the purpose and who attended. If a group, attach event flyer.
- E. Travel-related charges should have name, destination and travel dates. Attach Travel Approval form and brochure and agenda for trip. All P-Card questions should be directed to Purchasing.

Near the end of the month, (approximately the 26), each departmental P-Card statement approver will receive a statement of P-Card Transactions. It is the P-Card holder's responsibility to provide legible receipts, invoices, or digital electronic proof of payment to be reconciled to the statement in the Purchasing system. The P-Card transactions will be reviewed by a hierarchical approval group in Purchasing and Finance. Departments may be requested to resubmit missing information during review of receipts and backup documentation.

6. TRAVEL CLAIMS

The following are guidelines to assist with management of the P-Card processes. Updates to travel policy may be found in Administrative Regulations.

- A. Must be submitted at least two (2) weeks in advance of the event or within thirty (30) calendar days after.
- B. If entering claim early (such as months in advance), review instructions for early travel claim entry.
- C. If reimbursement, receipts required.
- D. Lodging and registrations should be paid for using P-Card.
- E. Day-only travel requires Supervisor signature.
- F. Overnight travel requires Department Head signature.
- G. Out-of-state travel requires City Manager signature.
- H. Certificates of Completion of training should be forwarded to AP@Hanford.city and Human Resources.

7. BLANKET PURCHASE ORDERS

Departments receiving reoccurring materials or services under the provisions of a Blanket Purchase Order shall obtain, at the time of purchase or delivery, a fully itemized invoice. Submit the invoice as soon as possible to the Finance department referencing the BPO Purchase Order Number.

- A. Monitor the BPO to determine whether account balance will cover purchases to the end of the year.
- B. Should a department project unforeseen new expenditures throughout the year, a purchase order change order should be processed to add more funding to cover the entire year.
- C. To assist in monitoring the account budget throughout the year, enter ORG & OBJ into the Purchasing system to check available funds.
- D. City Council approved ongoing expenditures or a competitive bid process for products or services to continue throughout the fiscal year. Include required collected quotes, estimates, proposals or bids.
- E. A yearly review should occur after the end of each fiscal year to determine the amount necessary to cover expenditures for the following fiscal year.

8. DEPARTMENT PURCHASE ORDERS

Department Purchase Orders are required for all purchases \$5,000 and above. Departments are advised to generate a requisition in the Purchasing system. After the requisition has been submitted by the department into workflow, the requisition will be reviewed to determine all the necessary information and appropriate attachments are included. After all workflow hierarchical approvals have been completed, the requisition will be converted to a Purchase Order and the department will be notified the Purchase Order is ready to be used. The department can notify the vendor of the PO number. The Department may go into the Purchasing system's Purchase Order Central module to print a hard copy of the Purchase Order.

9. EMERGENCY PURCHASES

In rare instances, Departments may have a need to obtain goods or services outside normal working hours, due to an emergency. On the day following the emergency, or at the next available opportunity, a requisition shall be prepared and processed as usual. Include in the requisition stating, "emergency purchase" and a brief report including the date, time and nature of the emergency for Purchasing and Finance to review.

Department shall process the requisition and select "Emergency" as the PO type. This will automatically issue a PO number instead of waiting until the requisition has received all workflow approvals. The following conditions apply.

- A. Department has obtained a single purchase or service from a vendor.

- B. Confirm a condition that poses an immediate threat to the public such as preservation of the public health, welfare, or safety or for the protection of City property.
- C. Quotes and estimates are not required but staff must obtain them when deemed appropriate according to the Purchasing Policy (based on availability and ability).
- D. Emergency purchases must have Department Head or City Manager approval either in writing or verbally prior to purchase. Make sure to include approval and justification for the emergency in your supporting documentation.
- E. On all invoices, indicate emergency purchase, who authorized the required approval, date of approval and a clear reason for the emergency.

10. CHECK RUNS

Currently, check runs occur bi-weekly. However, the schedule is subject to change as outlined on Finance's yearly check run schedule.

Workflow approvals must be completed by noon the day prior to check run day. Unscheduled check runs will not occur unless it's an emergency and is approved by the Finance Director.

N. FEDERAL, STATE AND LOCAL TAX REQUIREMENTS

1. SALES AND USE TAX ON TRANSPORTATION CHARGES

The sales tax rate for City of Hanford purchases is 7.25%. Depending on how freight charges are billed, they may be subject to sales tax. The following charges for freight are not taxable:

Separately stated charges, direct delivery to purchaser by U.S. mail, independent contractor or common carrier and actual freight charges are borne by the purchaser. These charges could be either FOB Destination or FOB Shipping Point as long as transportation costs are not fixed and are the responsibility of the purchaser and are explicitly separate from the cost of goods purchased.

"Delivered Price", but transportation charges are separately stated, shipment is directed to purchaser, and transportation occurs after the seller completes physical delivery per contract requirements, i.e., FOB Shipping Point.

Delivered by seller's own facilities, but transportation charges are separately stated, shipment is directly to purchaser and transportation occurs after title has passed to the purchaser per an explicit written agreement between seller and purchaser, i.e. FOB Shipping Point.

The following charges are taxable:

Transportation charges that are not separately set forth in the purchase order, contract for sale or invoice. Transportation charges that are "incoming freight" such as shipment to the retailer, to the retailer's agent or the retailer's representative.

Delivered price which is also FOB Destination.

Transportation by seller's own facilities without any explicit written agreement regarding when title passes.

Transportation by seller's own facilities with FOB Destination terms.

2. LIABILITY FOR SALES AND USE TAX

Sales tax is a liability of the seller and is paid for the privilege to sell tangible personal property within the State of California. Sellers who conduct business within California, i.e. have employees, offices, stores or warehouses in California must register with the State of California Department of Revenue to collect sales

tax.

Sellers may add sales tax to the selling price or include it in the selling price; either way, the amount must be remitted to the State by the seller. The buyer is not liable to the State for uncollected sales tax unless the buyer caused the seller to erroneously believe the buyer was exempt from paying sales tax.

Use tax is an excise tax imposed upon the purchaser of goods for storage, use or consumption of goods in California. The City pays use tax directly to the State of California in lieu of paying sales tax whenever it buys tangible personal property from an out-of-state vendor who is not registered to collect California sales tax or whenever an in-state vendor does not charge the proper sales tax rate. Use tax is the liability of the buyer and not of the seller.

3. ITEMS EXEMPT FROM SALES AND USE TAX

Generally, the following items are not taxable. However, frequent changes by the State of California, as a result of court cases, can cause additions or deletions to the list.

- Labor on repairs when stated separately.
- Installation labor, an exception is modular panels from any vendor according to the State of California Franchise Tax Board.
- Parts covered by a maintenance agreement.
- Purchases for resale.
- Professional services.
- Transportation, shipping and freight charges from common carriers when itemized separately from the purchase price.
- Advertising.
- Purchases of property to be resold to the United States Government.
- Subscriptions to newspapers, newsletters, and other periodicals when they are published at stated intervals of at least four times per year but not more than sixty times per year.
- Software downloaded to the City's computer system.

4. MINIMIZING SALES AND USE TAX

Sometimes knowledge of tax laws will allow the City to reduce the amount of sales or use tax which is due and payable. For example, if lubricants are purchased in barrels and the empty barrels are returned to the vendor for credit, tax is only paid on the contents of the barrels and not on the purchase price of the barrels.

Since tax laws are revised frequently, when in doubt as to whether an item is taxable or not, contact the State of California Department of Tax and Fee Administration.

5. SHOWING SALES AND USE TAX ON PURCHASE ORDERS

Purchase orders must specify any applicable state and local taxes or the use tax unless the items are for resale.

If the items on the purchase order are for resale, the City's seller's permit number should be shown on the purchase order.

6. FEDERAL EXCISE TAXES

The City does not pay Federal Excise Taxes (F.E.T.).

O. GENERAL PUBLIC WORKS GUIDELINES

Departments may reach out to Purchasing and Public Works for any additional questions pertaining to their department's projects. Departments may contact Purchasing for assistance with prevailing wage requirements and bid document solicitation of projects on City's Bidnet Website. The City adheres to several Public Works guidelines listed in the City of Hanford Municipal Code Chapter 2.50 Public Works Projects.

1. ADHERENCE TO PUBLIC WORKS RULES AND REGULATIONS

The City of Hanford adheres to the California Uniform Construction Cost Accounting Act, California Uniform Public Construction Cost Accounting Act and Public Contract Code (PCC) Sections 22001 and 22030.

2. PREVAILING WAGES RATES REQUIREMENT

There exists California Labor codes established by the Department of Industrial Relations (DIR) requiring Awarding bodies to pay prevailing wage rates to contractors. Our City is required to pay prevailing wage rates to contractors. Contractors, vendors or consultants are responsible for including prevailing wage rates in their quotes, estimates, bids and proposals. The State monitors that contractors are paying appropriate labor wages. Wage determination rates are available to any City employee by visiting the Department of Industrial Relations for the State of California.

- A. City departments are advised to ensure prevailing wage rates are included in quotes and bids for public works projects consisting of new construction, alteration, installation demolition, maintenance or repairs. If costs for the work performed is \$1,000 dollars and above, prevailing wages must be included in vendor quotes and bids.
- B. Projects that meet thresholds will be required to be registered with the Department of Industrial Relations (DIR) online system. Purchasing may reach out to departments to assist in obtaining project information.
 - \$25,000 threshold for new construction, alteration, installation, demolition and repair projects.
 - \$15,000 threshold for various maintenance projects include minor repainting, resurfacing streets and highways at less than one inch.
 - Landscape maintenance, including mowing, watering, trimming, pruning, planting, replacement of plants, and servicing of irrigation, sprinkler systems and diskng services.
 - Work performed to keep, operate and maintain publicly owned buildings, structures and ground facilities.

3. CALIFORNIA UNIFORM COST ACCOUNTING BID REQUIREMENTS

- A. If a project is estimated to be \$0.00 to \$60,000:
Work can be done by City Forces.
Receive proposals from a minimum of 3 contractors.
Work may be negotiated with the contractor or paid by Purchase Order.
- B. If project is estimated to be \$60,001 to \$200,000:
May use Informal Bidding procedures which do not require advertising.
Send proposal requests, Notice to Contractors, to contractors on the list that are within the work category.
Send plans and specifications to Exchanges and Plan Houses and post them online.
Three weeks minimum advertisement – four weeks preferred.

- C. If the project is \$200,001 and above:
 - Must follow Formal bidding procedures.
 - Advertise in newspaper two (2) times. First advertisement at least 30 days prior to bid opening – second advertisement at least 14 days prior to bid opening.
 - Send plans and specifications to Exchanges and Plan Houses and post online.
 - Four weeks minimum advertisement – five weeks preferred.

P. GENERAL FEDERAL PROCUREMENT GUIDELINES

All grant procurement and related expenditures must adhere to the procurement guidelines found in the Code of Federal Regulations (C.F.R.) Title 2-Grants and Agreements, Part 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards. Such procurement standards in the Uniform Guidance (UG) are covered in paragraphs 200.317 to 200.327. All City agreements, which expend federal grant award funds, must adhere to Part 200, which outlines contract provisions to be included in agreements expending federal awards.

1. FEDERAL GRANT PROCUREMENT STANDARDS

- A. Departments are to fully comply with all procurement requirements found at 2 CFR 200.318 through 2 CFR 200.327. The regulations require that procurement activities be performed in an equitable and competitive manner to promote equal treatment, efficiency, and economy in federal grant activities. To ensure objective contractor performance and eliminate an unfair competitive advantage, contractors must be excluded from competing for such procurements if they develop or draft grant applications or contract specifications, requirements, statements of work, invitations for bids, and/or requests for proposals. No City department is exempt from these requirements per the Code of Federal Regulations (CFR).
- B. Departments are subject to the following procurement requirements when utilizing Federal Funds for purchase of goods and services, however, the requirements are only summarized and do not cover the entire Uniform Guidance published here at www.ecfr.gov under CFR 200. It is the responsibility of the grantee/department to ensure they follow the guidelines to avoid suspension or revocation of Federal assistance. The Uniform Guidance, or 2 CFR 200, sets strict requirements around procurement and guarding against conflicts of interest that can occur when purchasing goods and services under federally funded grants and contracts.

2. FEDERAL PROCUREMENT METHOD AND THRESHOLDS

The methods departments must follow are outlined in 2 CFR 200.320, 200.317, 200.318, and 200.319. These regulations mandate the following thresholds related to procurement activities with Federal Grant funds.

- A. Micro-Purchase Method
 - Transactions where the aggregate dollar amount does not exceed the amount fixed by the Government Publishing Office (GPO), set to \$10,000. To the extent practical, the department must distribute these purchases equitably among qualified suppliers. Micro-purchases may be made with Management approval and with or without a competitive process. May be awarded without soliciting competitive price or rate quotations.
- B. Simplified Acquisition Method
 - Transactions for goods or services where the aggregate dollar amount is higher than the FAR micro-purchase threshold but does not exceed the simplified acquisition, which is currently \$250,000,

requires an informal bidding process with price or rate quotations or proposals solicited from at least three (3) contractors, sources or qualified offers.

C. Sealed Bids (Typically Construction Projects) And Competitive Proposals.

Transactions that exceed \$250,000, require formal procedures, must be publicized, identify all evaluation factors and their relative importance and the award to the lowest responsive and responsible vendor/contractor shall be made by the City Council with the recommendation from the department overseer of the project or the Purchasing Manager.

D. Noncompetitive Proposals:

Also known as sole-source procurement, this may be appropriate only when specific criteria are met, and the Purchasing Manager or Finance Director approves. Applicable circumstances are:

- The acquisition of property, goods, and services, the aggregate dollar amount of which does not exceed the micro purchase threshold.
- The item is available only from a single source.
- The public exigency or emergency for the requirement will not permit a delay resulting from publicizing a competitive solicitation.
- The federal awarding agency or pass-through entity expressly authorizes a noncompetitive procurement in response to a written request from the City.
- The competition is determined inadequate after two (2) failed solicitations, failed contracts with a number of contractors, or lack of resources or qualified offers.