



AGENDA REPORT

CITY OF SAN CLEMENTE

City Council Meeting

Meeting Date: 9/6/2022

Agenda Item: 4K

Department: Utilities

Prepared By: Julie Schmidt, Management Analyst II

Subject:

PURCHASE OF WATER METERS FOR FISCAL YEAR 2022-23.

Fiscal Impact:

Yes. The funding for water meter purchases and replacements was approved in the Fiscal Year 2022-23 Budget. New water meters related to development are budgeted in the amount of \$2,000 from the Water Operating Fund, Account Number 052-463-42495. Replacement of existing meters are budgeted in the amount of \$100,000 from the Water Fund Depreciation Reserve, Account Number 052-466-43420-000-23401.

Summary:

Staff recommends the City Council approve expenditures for Fiscal Year 2022-23 for water meter purchases and replacements from Ferguson Waterworks and Metron-Farnier based on the attached fixed price quotes.

Background:

The City's water service area contains approximately 17,500 water meters ranging in size from one to six inches. Utilities staff periodically replaces old or damaged meters as needed, and meters are also installed for new water services. For smaller water meters (one to two inches), which are the most commonly purchased meters, the City purchases Neptune meters through Ferguson Waterworks. Utilities staff previously researched and tested various meter brands and determined that Neptune meters were the most reliable, the highest quality, and were the best fit for the City's needs for small meters. Ferguson Waterworks is the only distributor in Southern California for Neptune water meters. For large meters (three to 12 inches), Utilities staff previously evaluated multiple vendors and discussed meter performance with other local agencies. Staff chose Metron-Farnier based on performance and due to the exceptional accuracy with the large range from low to high flows that the meters are capable of reading. Metron-Farnier is the only distributor for these types of meters.

City Policy Number 201-2-1 "Purchasing Policies & Procedures for Supplies, Materials and Equipment" allows for these types of purchases as follows:

- Section 6.2.3 of the Policy allows these types of purchases under a "Contract Purchase Order" which is an agreement whereby the terms and conditions, pricing, and special provisions are agreed to and apply to individual commitments within a pre-established time period. The price quotes attached for Fiscal Year 2022-23 from Ferguson Waterworks and Metron-Farnier would result in Contract Purchase Orders.

- Section 6.2.3.1 of the Policy regarding “Exclusive Requirements” would apply to these Contract Purchase Orders since no guarantee is made as to the quantity to be purchased, but it is agreed any and all requirements will be purchased only under each Contract Purchase Order and from no other sources.
- Section 6.17.2 of the Policy allows for exemption from the Informal and Formal Bidding Process for “Sole Source” suppliers which allows approval of the attached price quotes with these vendors since Ferguson Waterworks is the only distributor in Southern California for Neptune Meters, and Metron-Farnier is the only distributor for the large meters the City purchases.

Attached are the fixed price quotes from Ferguson Waterworks and Metron-Farnier for Fiscal Year 2022-23. The prices for the smaller meters from Ferguson Waterworks reflect an average 18% increase from Fiscal Year 2021-22 due to rising costs of raw materials (copper), shipping, and operating costs. The justification provided by Ferguson for their increase in pricing is as follows:

- **Raw materials** - PPI Index for Metal Products Copper Base Castings - USBLS
 - Inflation September 2021 versus September 2020 was 29.9%
 - Pre-Covid Inflation (March 2020 versus March 2019) was -1.62%
- **Wages** - Employment Cost Index - Wages and salaries for private industry workers in all industries and occupations - USBLS
 - Inflation August 2021 versus August 2020 was 9.49%
 - Pre-Covid Inflation (March 2020 versus March 2019) was 2.8%
- **Freight** - Cass Freight Index - Cass Information Systems
 - Inflation September 2021 versus September 2020 was 31.4%
 - Pre-Covid Inflation (March 2020 versus March 2019) was 1%

The Fiscal Year 2022-23 prices for the larger meters from Metron-Farnier will remain the same as Fiscal Year 2021-22 with the exception of one of the 3” meters which increased by 1.5%.

Plan and Policy Consistency:

The approval is consistent with the following General Plan Goals and Policies:

- Goal: Maintain and improve a comprehensive system of potable water supply, storage and distribution, and wastewater treatment, reclamation, and reuse to meet daily and emergency needs in San Clemente.
- Policy PSFU-5.05 Water Supplies. We provide and maintain adequate water supplies and distribution facilities capable of meeting existing and future daily and peak demands, including fire flow requirements.

The approval is consistent with the City’s Purchasing Policy Number 201-2-1 as discussed in the Background section above.

Council Strategy:

The approval is consistent with Council Strategy 3 - Update and maintain infrastructure that reflects best available technology and service - in that Utilities is replacing its meter infrastructure to maintain accurate water use to improve its service to City customers.

Recommended Actions:

Staff Recommends That the City Council Approve the purchase of water meters from Ferguson Waterworks and Metron-Farnier for Fiscal Year 2022-23 based on the attached fixed price quotes for a total amount not to exceed \$102,000.

Attachments:

1. Price quote for small water meters from Ferguson Waterworks for Fiscal Year 2022- 23 including information about price increases.
2. Price quote for large water meters from Metron-Farnier for Fiscal Year 2022-23.
3. City Policy 201-2-1 "Purchasing Policies & Procedures for Supplies, Materials and Equipment."

Notification:

None.



Attachment 1

11909 Tech Center Ct.
 Poway, CA 92064
 Phone: 949.467.4758
 Fax: 858.391.5958

Quotation # San Clemente, City of 07072022

Date: 7/7/2022

Ship to:

Julie Schmidt
 San Clemente, City of
 380 Avenida Pico
 San Clemente, CA 92672

Project: Annual Direct Read Meter Quote
 AMI Specialists: Adam Milauskas
 Valid Until: 7/1/22-6/30/23
 Terms: Net Thirty Days

| Item | Quantity | Product or Service Description | Per Item | Extended |
|------|----------|---|----------|----------|
| 1 | 0 | 5/8"x3/4" Neptune T-10 D/R, BRZ BTM, PLS TOP, CF (ED2B22R8F1SA51) | \$82.00 | \$0.00 |
| 2 | 0 | 1" Neptune T-10 D/R, BRZ BTM, PLS TOP, CF (ED2F22R8F1SA51) | \$191.00 | \$0.00 |
| 3 | 0 | 1.5" Neptune T-10 D/R, CF (ED2H11R8F2SA51) | \$546.00 | \$0.00 |
| 4 | 0 | 2" Neptune T-10 D/R, CF (ED2J11R8F2SA51) | \$657.00 | \$0.00 |
| 5 | 0 | Reclaim 2" Neptune T-10 D/R, CF (ED2J11RCF3SA51) | \$657.00 | \$0.00 |
| 6 | | | | |
| 7 | | | | |

| | | |
|------------------|----------------------------|--------------|
| | Sub Total | \$0.00 |
| Ship Date | Taxable Freight | |
| 12 Months | Estimated Sales Tax | 7.75% \$0.00 |
| | Freight | |
| | Total Investment | \$0.00 |



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Poway, CA 92064
Phone: 949.467.4758
Fax: 958 391 5958

Quotation # San Clemente, City of 07072022

Date: 7/7/2022

Prices quoted are for this project only and do not include sales or use taxes, if any. Quoted prices are based upon receipt of the total quantity for immediate shipment or shipments within thirty (30) days of a bid opening only, and are offered contingent upon the Buyer's acceptance of Seller's terms and conditions. Seller objects to all terms and conditions. Future shipments subject to price changes. Seller not responsible for delays caused beyond our control. Purchaser's sole warranties, if any, are those provided by the manufacturer. SELLER DISCLAIMS ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING ALL IMPLIED WARRANTIES OF MERCHANT ABILITY OR FITNESS OR FITNESS FOR A PARTICULAR PURPOSE. IN NO EVENT WILL SELLER BE LIABLE FOR ANY INCIDENTAL, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES ARISING DIRECTLY OR INDIRECTLY FROM THE OPERATION OR USE OF THE PRODUCT. SELLER'S LIABILITY, IF ANY, SHALL BE LIMITED TO THE NET SALES PRICE RECEIVED BY SELLER. All returns are subject to Ferguson and/or Manufactures return policy and maybe subject to a restocking fee. Complete terms and conditions are available upon request or can be view at www.ferguson.com/sales-terms.html

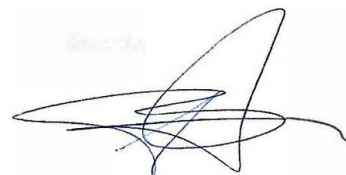
Dear Valued Neptune Customer:

After much consideration, we at Neptune Technology Group have judged it necessary to increase our prices to keep pace with our rising costs in raw materials, shipping, and operating costs. Our price increase will be effective on July 1, 2022. Any orders submitted before July 1 will be subject to current pricing and terms.

Included with this letter is a Frequently Asked Questions (FAQs) document that will explain how our business has been affected, just as all others in our industry, with inflationary pressures. If you have any questions not addressed in the FAQs, please feel free to contact your Neptune sales representative.

This was a difficult, but necessary decision to make; and we understand how it impacts our customers. Therefore, we would like to express our appreciation for your ongoing support, and we are confident these changes will help us to continue providing you with the quality products and services that help you, our valued customers, #WinYourDay.

Regards,



Andy Bohn
District Manager CA/NV
Cell: 415-710-2046
abohn@neptunetg.com

Neptune Price Increase Frequently Asked Questions (FAQs)

Your price increase letter references “rising costs in raw materials, shipping, and operating costs” can you explain to what extent you are affected?

As reported by the [Bureau of Labor Statistics](#), the average annual inflation rate for the United States has risen to 5.4%. This number is an aggregate of all economic activity in the United States. In Neptune’s sector, we are primarily driven by the following economic areas: raw materials (copper), wages, and freight. Let’s drill down into each of these areas (as found at [US Bureau of Labor Statistics](#) and [Cass Information Systems](#)):

- Raw materials – PPI Index for Metal Products Copper Base Castings - USBLS
 - **Inflation September 2021 versus September 2020 was 29.9%**
 - Pre-Covid Inflation (March 2020 versus March 2019) was -1.62%
- Wages – Employment Cost Index - Wages and salaries for private industry workers in all industries and occupations - USBLS
 - **Inflation August 2021 versus August 2020 was 9.49%**
 - Pre-Covid Inflation (March 2020 versus March 2019) was 2.8%
- Freight – Cass Freight Index - [Cass Information Systems](#)
 - **Inflation September 2021 versus September 2020 was 31.4%**
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As you can see, our business environment has been significantly affected by inflationary pressure. This pressure is much higher than the 5.4% reported as the aggregate inflation rate.

Why is this price increase happening now?

In the time since our last price increase Neptune has absorbed the pricing pressure that we documented above. We absorbed that pricing pressure so we would not impact your vital business. However, we have reached a point where we are required to raise pricing so that we can maintain the same levels of quality and service that you, as our valued partner, appreciate.

Should I expect further price increases from Neptune?

Economists generally agree that we will continue to see higher than average inflationary pressure throughout 2022 and into 2023. Our current price increase anticipates short-term inflationary pressure, and we will re-evaluate pricing levels as it becomes necessary.



Company Address 5665 Airport Blvd
Boulder, CO 80301
US

Quote Number 00004650
Created Date 6/22/2022
Expiration Date 7/22/2022

Prepared By Dustin Rivas
Phone (303) 453-9706
Email dustinr@metronfarnier.com

Bill To Name San Clemente

Ship To Name San Clemente

| Quantity | Product | Line Item Description | Sales Price | Total Price |
|----------|----------------------------|----------------------------------|-------------|-------------|
| 1.00 | Altair 5/8x3/4 7.5" LL | Altair20 | \$185.00 | \$185.00 |
| 1.00 | Spectrum 30DL 3/4" 9" LL | 3/4" S30 Measurer 9" LL | \$185.00 | \$185.00 |
| 1.00 | Spectrum 50DL 1" 10.75" LL | S50 1" Top Load Brass Measurer | \$320.00 | \$320.00 |
| 1.00 | Spectrum 88DL 1.5" 13" LL | Spectrum 88 1.5" Measurer 13" LL | \$570.00 | \$570.00 |
| 1.00 | Spectrum 130D 2" 10" LL | S130 2" Top Load Measurer | \$950.00 | \$950.00 |
| 1.00 | Spectrum 175D 3" 12" LL | S175 3" Top Load | \$1,675.00 | \$1,675.00 |
| 1.00 | Spectrum 500D 3" | S500 3" Top Load Measurer | \$2,095.00 | \$2,095.00 |
| 1.00 | Spectrum 500D 4" | S500 4" Top Load Measurer | \$2,595.00 | \$2,595.00 |
| 1.00 | Spectrum 1000D 4" | S1000 4" Top Load Measurer | \$3,095.00 | \$3,095.00 |
| 1.00 | Spectrum 1000D 6" | S1000 6" Top Load Measurer | \$3,975.00 | \$3,975.00 |
| 1.00 | Enduro 2800D 6" | Top Load Enduro 6" Meter | \$5,500.00 | \$5,500.00 |
| 1.00 | Enduro 2800D 8" | Top Load Enduro 8" Meter | \$5,895.00 | \$5,895.00 |

Programming -- None --

Description - All priced w/ innov8 Register
- This price list is good for fiscal year July 1, 2022 - June 30, 2023

Subtotal \$27,040.00
Total Price \$27,040.00
Grand Total \$27,040.00

POLICY AND PROCEDURE

Subject: Purchasing Policies & Procedures for Supplies, Materials and Equipment

Index: Financial Services

Number: 201-2-1

Effective Date: Nov. 1, 2004

Prepared By: Finance & Administrative Services Department

Supersedes: 06/17/98

Approved By: 

1.0 PURPOSE:

Purchasing policies and procedures are established to provide a common understanding of the methods for securing the materials, equipment and services needed for all City functions; to ensure that all requests are in accordance with the Purchasing Ordinance as well as other legal requirements; and to provide a system to track that materials or services have been ordered, received, approved for payment and above all, to ensure that City purchasing is conducted in a business-like and ethical manner.

2.0 ORGANIZATIONS AFFECTED:

All departments/divisions.

3.0 REFERENCES:

*San Clemente Municipal Code, Title 3 Revenue and Finance, Chapter 3.40 Purchasing Ordinance No.
Resolution No. 90-135
Public Contract Code, sections 22034 and 22037.*

4.0 POLICY:

4.1 The Purchasing Cycle:

4.1.1 Purchasing Limits – The following limits are provided as guidelines for the method of procurement.

4.1.1.1 No Quotes required for purchases under \$500.

4.1.1.2 Purchases from \$501 - \$5,000 require informal quotes as documented in Section 6.5

4.1.1.3 Purchases over \$5,001 require formal quotes as documented in Section 6.6.

- 4.1.2 **Requisition** – Informs Purchasing of purchase requirements and allows for department/division approval. Requisitions are only required for consultant services, professional services, capital outlay and capital projects.
- 4.1.3 **Methods of Procurement** – The method chosen will be determined by the dollar amount of the purchase and the time available to make the purchase, and is implemented after establishing the most suitable source of supply. Methods available are:
 - 4.1.3.1 **Petty Cash** – See Finance Policy 201-3.
 - 4.1.3.2 **Blanket Purchase Order** – Purchases of small dollar items up to \$500 or specified limits in special cases.
 - 4.1.3.3 **Contract Purchase Order** – Amount established by a specified contract.
 - 4.1.3.4 **Verbal Purchase Order** – All verbal Purchase Orders require prior approval from Purchasing.
 - 4.1.3.5 **Purchase Order** – A written contract for equipment, materials, supplies or services for an approved amount.
- 4.1.4 **Receiving and Acceptance** – Final verification as to quantity, quality and delivery of the order will determine if payment should be made and, if not, what follow up action is necessary.
- 4.1.5 **Follow Up and Expediting** – Ensures the timely and satisfactory completion of the procurement process.
- 4.1.6 **Invoice** – A notice to the City for settling financial obligations incurred. Invoices will not be paid unless the Purchasing cycle has been completed.
- 4.1.7 **Payment** – Payment is made after receipt of an invoice that is properly matched with an authorized notice of receipt and acceptance of materials or services.
- 4.2 **Authorization of Purchases** – Each requisition must be authorized by a department director, division manager or designee. Purchasing will maintain the list of authorized signatures and update it on an annual basis each January. The list will be kept on file in Purchasing. It is the division manager and department director's responsibility to notify Purchasing of any changes or temporary assignment of authorization.
 - 4.2.1 The division manager or designee is authorized to approve requisitions for contractual services, professional services, capital outlay and capital projects identified in the budget or approved by City Council after the budget is adopted.
- 4.3 **Change Order** – Changes of any kind which affect the contractual agreement established by a purchase order or a contract will be made only in writing on a requisition form approved at the appropriate authorization level. Any change which affects design, specifications, quantity, delivery schedule, price, payment of invoice, transportation, and similar contractual considerations may be negotiated by Purchasing, but must have proper

authorization and approval prior to commitment or performance. A request for a change order to a supplier must be supported by the submittal of an authorized purchase requisition form. Where a firm contract is in effect to produce a given item or service at a given price, both the City and the vendor are expected to comply. Price and delivery charges should not be used as a means of recovering losses or increasing profits to the vendor.

4.4 **Informal Process** – Competitive bids are not usually required for procurement expected to be less than \$5,000. Competitive bids should be sought if there is a reasonable possibility of obtaining better prices commensurate with the time and effort expended.

4.5 **Formal Bidding** – Formal bid procedures, as detailed in Section 6.4 shall be followed for all public purchases required by State and Federal laws and may also be followed when Purchasing determines that formal bid procedures might best serve the public interest.

4.6 **Exemptions from Informal and Formal Bidding Process** – Exemptions from the bidding process must be approved by Purchasing or as defined in the San Clemente Municipal Code Chapter 3.40 and the Purchasing Policies & Procedures for Emergency Purchases.

5.0 **DEFINITIONS:**

5.1 **Purchasing Cycle** – The process used to purchase materials, supplies and equipment as described in this procedure.

5.2 **Petty Cash** – Items under \$100, purchased by an employee and reimbursed in accordance with the Finance Policies and Procedures.

5.3 **Blanket Purchase Order** – Open Purchase Orders established by Purchasing with local suppliers and invoiced on the City's account for items of immediate need and which are under \$500.

5.4 **Contract Purchase Order** – An agreement made by Purchasing whereby the terms, conditions, pricing and special provisions are agreed to and applied within a pre-established time period.

5.5 **Verbal Purchase Order** – A Purchase Order given by Purchasing for items needed of an immediate nature. Proper purchasing procedures must still be followed in accordance with the Purchasing Policies and Procedures.

5.6 **Purchase Order** – A written contract for supplies, materials, equipment or services for an approved amount.

5.7 **Change Order** – Changes made to any agreement, verbal or written, which will affect the agreement established by the supplier and requesting department.

5.8 **Informal Bids** – Competitive bids, either verbal or written, to obtain supplies, materials, equipment and services under \$5,000.

- 5.9 **Formal Bids** – Written bids or proposals solicited within a specified time period in accordance with the Purchasing Policies and Procedures.
- 5.10 **Bidder's Security** – A monetary guarantee in a form and amount approved by the City that secures the bidders intent to execute a contract with the City.
- 5.11 **Performance Bond** – A guarantee by a third party in form and amount approved by the City that secures the bidders intent to execute a contract with the City.

6.0 PROCEDURE:

6.1 **Purchasing Documentation** - Every purchase will be documented with records and written statements of the kind and in the detail necessary to show that consideration was given to the factors pertinent to good buying. These include such items as authorization, quality, service, and price. The basis for the selection of the source for the final award must be clearly documented. All documents will be kept for a period of three years before destruction.

6.1.1 **Purchase Requisition** - The purchase requisition form is available from the City's Financial System. This requisition must be completed, authorized by the appropriate source and forwarded to Purchasing. Purchasing has the authority to revise requisitions and estimates as to quantity, quality or estimated cost. However, any revision shall be in accordance with the standards and specifications established and will have the requisitioning department's or division's approval **before** the order is placed with a vendor.

Suggested Source - Enter the name, address and phone number of the recommended source. The requestor is responsible for selecting the appropriate source of supply.

Ship To - Insert a specific location where delivery is to be made, including the name of the responsible individual receiving the goods or services.

Account Number - Enter the account number.

Date Needed - Enter a realistic and definite calendar date by which delivery of goods or services is needed. Substitutes, such as "RUSH" or "ASAP" are not specific and do not allow for adequate planning.

Quantity - Insert quantity desired.

Unit of Measure - Insert the unit of measure, such as each, dozen, feet, etc.

Description - A clear presentation of the item desired, including size, color, type, grade, etc. In the case of formal or detailed specifications, use a separate sheet and indicate an attachment.

Requested By - Name of individual initiating the requirement, date requested and telephone extension.

Approved By - Electronic approval of person authorized to approve the budgeted expenditure.

Special Authorization - To be used under certain conditions such as for City Manager approval or date of City Council approval.

Purchase Order Number - To be filled in by Purchasing, unless a "confirming" or "verbal" P.O. number has already been assigned to the requisitioner by Purchasing, in which case the requisitioner should include this number.

F.O.B. (Free on Board) Point - To be determined by Purchasing. If there are to be delivery charges, F.O.B. may be the point from which material is shipped, and the purchase order shall read "Prepay and Add Delivery Charges". If no delivery charge, F.O.B. shall be "Destination" (San Clemente). Also, with F.O.B. "Destination" the legal title to the material does not pass from the seller to the City until the carrier delivers the material at the City's destination address.

Unit Price - Must be filled in by the requisitioner.

Amount - This is used to inform Purchasing of the actual cost, budgeted amount or estimated amount. Indicate whether the amount is "Actual" "Budgeted" or "Estimate". It will be the Division Manager's responsibility to take items exceeding the approved budgeted amount back to City Council for additional appropriation and approval.

6.2 Methods of Procurement

6.2.1 **Written Purchase Order** - Standard written purchase order form with a copy mailed to the contractor and copies distributed internally.

Used for all procurement when any of the following conditions apply:

- 6.2.1.1 The amount is in excess of \$5,000 (including tax and delivery) unless the purchase order is not required by the vendor.
- 6.2.1.2 Incremental deliveries are scheduled.
- 6.2.1.3 Delivery of performance cannot be completed within thirty days.
- 6.2.1.4 Special terms and conditions are necessary.
- 6.2.1.5 The required goods or services require detailed description.
- 6.2.1.6 The required goods or services are of a capital outlay nature.

- 6.2.1.7 The supplier requires a written order.
- 6.2.1.8 The service required is for professional services, contractual services, capital outlay or capital improvement projects.
- 6.2.1.9 In Purchasing's judgment, it is necessary.

6.2.2 **Verbal Purchase Order** – May be used for commitments meeting all the following criteria.

- 6.2.2.1 The dollar value, including tax, is less than \$5,000.
- 6.2.2.2 All items are to be delivered at one time to one destination point.
- 6.2.2.3 Order will be completed within fifteen days.
- 6.2.2.4 Special terms, conditions and detailed descriptions are not necessary.

A verbal order is processed in the same manner as a written order, except:

- 6.2.2.5 A purchase order is not typed or mailed to the supplier.
- 6.2.2.6 All information is entered on the purchase requisition which receives internal distribution in lieu of purchase order copies.
- 6.2.2.7 The ordering department processes a purchase requisition after the order is received and attaches any invoices or shipping documents received. The purchase requisition is forwarded to Purchasing. Purchasing verifies that the verbal purchase order criteria has been satisfied. The division will then process a request for payment.

The use of the verbal order enables goods to be ordered on one day and received and released the following day without compromising accountability. Since typing is not required, the paperwork is completed at the time the order is placed and distributed immediately thereafter.

Since the type of items processed under the verbal order are often shipped before the supplier would have received a written order, it has few disadvantages when used properly. Any dispute arising after the transaction is usually of a minor nature and readily resolved by the supplier, requisitioner and Purchasing.

Competitive bids are not required for procurement expected to be less than \$5000. However, competitive bids shall be solicited, if good judgment indicates a reasonable chance of obtaining better prices commensurate with the time and effort expended.

6.2.3 **Contract Purchase Order** – A “Contract Purchase Order” is an agreement whereby the terms and conditions, pricing, and special provisions are agreed to and apply to individual commitments within a pre-established time period.

Under a “Contract Purchase Order” the items to be procured are identifiable within the orders, but the quantities of each are unknown. Therefore, in consideration of firm prices being agreed to for the life of the agreement or subject to escalation by a

predetermined formula, most Contract Purchase Orders are either an “exclusive requirements” or “minimum requirements” type.

6.2.3.1 Exclusive Requirements: No guarantee is made as to the quantity to be purchased, but it is agreed any and all requirements will be purchased only under that order and from no other source.

6.2.3.2 Minimum Requirements: No exclusiveness is provided, but Purchasing guarantees to purchase a minimum quantity during the life of the contract.

6.2.4 **Change Orders Not Exceeding 5% of the purchase order total up to a maximum of \$50** – Verbal approval may be given to a vendor for changes to a purchase order not exceeding 5% of the original purchase order total up to a maximum of \$50. However, this approval must be given by Purchasing in order to be binding against the City.

The affected department shall advise Purchasing of the desired change after which the division designee shall negotiate with the vendor. Purchasing will then make the necessary notations on the file copies of the purchase order and furnish proper notification to Accounts Payable.

Change Orders Exceeding \$500 – A written request for a change order will be forwarded to Purchasing for changes to an original purchase order if:

6.2.4.1 The actual cost of the change proves to exceed the original purchase order amount by \$500; or

6.2.4.2 The material or service changes cannot be clearly conveyed over the telephone to the vendor; or

6.2.4.3 Any change is required which will materially affect the transaction; or

6.2.4.4 The vendor requires written confirmation.

All General Change Orders

6.2.4.5 All other change orders to purchase orders of a general nature, i.e., materials, services, etc., having a value between \$500 and \$10,000 shall be submitted to Purchasing on a purchase requisition form.

6.2.4.6 Appropriate departmental approval is required.

6.2.4.7 The department shall state the reason for the change.

6.2.4.8 Purchasing shall then issue a Change Order Purchase Order, which shall be distributed and processed in the same manner as a regular purchase order.

6.2.4.9 If the change order exceeds the project contingency amount, City Council approval will be required.

6.3 **Substitutions** – No substitution on a purchase order shall be requested or accepted by City personnel without approval of Purchasing. If it becomes necessary to substitute, verbal approval may be obtained from Purchasing. Other necessary substitutions will require a written Change Order.

6.4 **Cancellation of Purchase Order or Portion Thereof** – When part of an issued purchase order must be canceled, the receiving copy of the purchase order should be forwarded to Purchasing with information as to what should be canceled. If it is a total cancellation, the requesting department should forward both the receiving copy and the department copy both marked “CANCEL” to Purchasing with an appropriate reason for such cancellation. Purchasing shall then furnish proper notification to Accounts Payable.

6.5 **Informal Bid Procedure** – Informal bids will be made solicited by the division designee or Purchasing using the following methods:

6.5.1 Reasonable effort shall be made to obtain three or more competitive bids.

6.5.2 Bids may be solicited by written or oral means.

6.5.3 City staff conducting the informal bid process must inform suppliers that they are to offer a “last and final offer”. No negotiation or price matching can be conducted with any of the suppliers.

6.5.4 All recommended purchases made under the Informal Bid Procedure are subject to review and approval of Purchasing prior to award.

6.5.5 Purchasing retains the authority for source selection on all procurement and is authorized to make awards to the lowest responsible bidder.

6.5.6 All contracts made and/or bids received are open to public inspection for a period of one (1) year after the award.

6.6 **Formal Bid Process** – Purchasing shall evaluate the departmental requests for equipment, services, materials, and supplies. The following criteria shall be considered before using the Formal Bid procedure.

6.6.1 Dollar value over \$5,000

6.6.2 Availability of clear specifications

6.6.3 Adequacy of number of sellers in the marketplace

6.6.4 Market conditions which would ensure adequate participation in the bidding process.

6.6.5 Availability is sufficient to use the Formal Bid Procedure.

If the above criteria warrant the use of the formal bid procedure, all analytical planning to determine specifications shall be completed by the requesting department and Purchasing before competitive bids are sought.

6.7 **Bid Notice** – Notices inviting bids shall include a general description of the supplies, equipment or contractual services to be procured, and shall state:

6.7.1 Where bid forms and specifications may be secured.

6.7.2 Time, date and place for the submission and opening of bids.

6.7.3 Whether a performance bond is required, and if so, the amount and form of bidder’s security.

6.7.4 At its discretion, the City reserves the right to reject any and all bids or waive any informality presented.

- 6.8 **Published Notice** – “Notice inviting Bids or Proposals” shall be published by the Requesting Department in the local newspaper at least ten days before date of bid opening.
- 6.9 **Bidder’s Security** – When bidder’s security is required, it will be announced in the public notices inviting bids and the amount shall be determined at time of preparation.
- 6.9.1 Bidder’s security shall be in the form of:
- 6.9.1.1 Certified or cashier’s check made payable to the City of San Clemente. The City Clerk will hold the check until the formal award of the bid. Checks will be returned by the City Clerk to the unsuccessful bidder’s by certified mail, return receipt requested. Release of the check before the formal award of the bid will constitute a withdrawal of the bid by the supplier.
- 6.9.1.2 Bidder’s bond in a form and amount acceptable to the City made payable to the City of San Clemente. A bid shall not be considered unless one of the forms of security mentioned accompanies the bid when required.
- 6.9.2 Bidders shall be entitle to return of bid security with the following EXCEPTION:
- 6.9.2.1 A successful bidder shall forfeit his bid security upon refusal or failure to execute the contract within ten (10) days after the notice of award of contract has been mailed.
- 6.9.3 The City may, upon refusal or failure of the successful bidder to execute the contract, award contract to the next lowest bidder. In this case, the amount of the lowest bidder’s security shall be applied to the difference between the low bid and next successful bidder, including any cost incurred by the City, any remainder shall be refunded.
- 6.10 **Performance Bonds** – The City Council, City Manager or Assistant City Manager shall each have authority to waive or require a performance bond before issuing a Notice Inviting Bids. The amount shall be set at a level deemed necessary to protect the best interest of the City.
- 6.11 **Sealed Bids**
- 6.11.1 Sealed bids shall be submitted to the City Clerk and shall be identified as bids on the envelope and in accordance with the Request for Proposal.
- 6.11.2 Bids shall be opened in a public at the time and place stated in the public notice.
- 6.11.3 The City Clerk, or his/her designee, are required to be present at the opening. The City Clerk shall record all bids received.
- 6.11.4 All bids received shall be available for inspection during regular business hours in the office of the City Clerk for a period of 31 days after the bid opening date.
- 6.12 **Rejection of Bids** – The City reserves the right to reject any and all bids, to accept or reject any one or more items of a bid, or to waive any irregularities or informalities in the bids or the bidding process.

6.13 **Late Bids** – Any bid received after the time specified in notice shall be returned unopened per Section 53068 of the Government Code.

6.14 **Tie Bids**

6.14.1 If tie low bids are received, quality and service being equal, the contract shall be awarded to a local bidder.

6.14.2 If the above condition (1) is not applicable, the City may, at its discretion reject any and all bids presented and re-advertise.

6.14.3 If the public interest will not permit the delay of re-advertising for bids, the City may accept either one or accept the lowest bid made by negotiation with the tie bidders.

6.14.4 Award the bid to any one of the low tie bidders by public drawing.

6.15 **Determining Lowest Responsible Bidder** – All valid responsible bids shall be considered in determining the lowest bid. Purchasing and the requesting division will take into consideration:

6.15.1 Price

6.15.2 Terms and conditions

6.15.3 Conformity to the specifications

6.15.4 Delivery

If the lowest bidder has not contracted with the City before, Purchasing may require proof of responsibility.

6.16 **Award of Bids** – Award of bid shall be to the lowest responsible bidder, except as otherwise provided herein.

Purchasing has the authority to award contracts for commodities defined in this formal bid process and which have approved in the current fiscal year's operating budget.

Prices, fitness, quality, delivery and service being equal, a 3% preference will be given to the Local Bidders as provided by law.

When the bid amount exceeds the budgeted amount, Purchasing shall make a recommendation of award to the Assistant City Manger for approval. The Assistant City Manager may approve the award or, at his discretion, refer the item to the City Manager or City Council for action.

6.17 **Exemptions from Informal and Formal Bidding Process** –Procurement may be exempt from the bidding process (Informal/Formal) under the following conditions:

6.17.1 Bona fide "Emergency" as defined in the San Clemente Municipal Code Section 3.40.070 and the Purchasing Policy/Procedure entitled "Emergency Purchases" (Section No. 5.1)

- 6.17.2 Clearly established “Sole Source” suppliers, i.e., a single supplier who is the **sole distributor or manufacturer** of a product or service such that there is not acceptable substitute within a specific geographical area, i.e., Southern California or California. This exclusiveness must be verified in writing by the manufacturer, with confirmation on file with Purchasing.
- 6.17.3 When participating in an established governmental “Cooperative Purchasing Agreement”. The purchase must be from a supplier who has been awarded a specific item or items in a contract resulting from a formal competitive bid process by another governmental agency within the State of California or by the Federal Government within a period of 365 days (one year).
- 6.17.4 When purchasing from or selling to any other governmental agency when such action is beneficial to the interests of the City of San Clemente.