



# ADMINISTRATIVE INSTRUCTION

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**SUBJECT:** Procurement

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## I. Purpose

The purpose of this Administrative Instruction is to establish policies and guidelines that define authority and responsibilities within the City's centralized purchasing system, including treatment of purchasing for certain public works projects and procurement involving State and/or Federal funds.

## II. Scope

This Administrative Instruction describes how City Departments acquire goods and/or services consistent with applicable Santa Monica Charter and Municipal Code provisions and other laws, rules, and regulations.

It applies to:

- 1) All City procurement of goods and services.
- 2) All maintenance and repair projects subject to California state prevailing wage requirements.
- 3) All public works projects, funded in whole or part with federal or state funds.

This policy makes explicit and formally details the requirement to comply with applicable federal law and Uniform Guidance provisions (CFR Title 2: Grants and Agreements, Subtitle A, Chapter II, §200) when federal grant funds are involved

Procurement staff may also determine that this Administrative Instruction applies to public works projects below the threshold for California state prevailing wages.



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This Administrative Instruction provides definitions and guidance for the following terms and processes within Santa Monica's purchasing system.

<b>Blanket Purchase Order:</b>	Section V (page 23)
<b>Change Order:</b>	Section V (page 24)
<b>Competitive Proposal-Request for Proposal</b>	Section IV.B (page 13)
<b>Contractual Services:</b>	Section IV.A (page 6)
<b>Convenience Purchase:</b>	Section IV (pages 7, 18 & 23)
<b>Cooperative Bid:</b>	Section IV.D (page 18)
<b>Emergency Purchases:</b>	Section IV.D (page 18)
<b>Exceptions to Competitive Bidding:</b>	Section IV.D (page 16)
<b>Exempt Process:</b>	Section IV.A (page 8)
<b>Federal/State Grant Awards and Agreements</b>	Section III.G (page 5)
<b>Formal Bid/Proposal Process:</b>	Section IV.A (page 8)
<b>Informal Bid/Proposal Process:</b>	Section IV.A (page 8)
<b>Micropurchases</b>	Section IV.B (page 12)
<b>Minority Businesses, Women's Business Enterprises, and Labor Surplus Area firms:</b>	Section VI (page 25)
<b>Necessary Purchases:</b>	Section III.E (page 5)
<b>Non-competitive Proposals:</b>	Section IV.B (page 13)
<b>Piggybacking:</b>	Section IV.D (page 17)
<b>Prevailing Wage:</b>	Section VI (page 26)
<b>Professional Services:</b>	Section IV.A (page 6)
<b>Protest Procedure:</b>	Section IV.F (page 21)
<b>Purchase Order:</b>	Section V (page 23)
<b>Purchasing (or bidding) Thresholds:</b>	Section IV.A (pages 6 & 10)
<b>Records:</b>	Section IV.I (page 22)
<b>Request for Bids (RFB):</b>	Section IV.A (page 9)
<b>Request for Information (RFI):</b>	Section IV.C. (page 14)
<b>Request for Proposal (RFP):</b>	Section IV.A. (page 9)
<b>Request for Qualification (RFQ):</b>	Section IV.C (page 15)
<b>Request for Quotes:</b>	Section IV.A. (page 9)
<b>Request for Warrant (RFW):</b>	Section V (page 23)
<b>Quick Quote Process:</b>	Section IV.A (page 9)
<b>Small Purchases:</b>	Section IV.B (page 12)
<b>Sealed Bids (Formal Advertising)</b>	Section IV.B (page 13)
<b>Sole Source:</b>	Section IV.D (pages 13, 16 & 17)
<b>Surplus Property:</b>	Section III.C.(page 4)
<b>Unsolicited Proposals:</b>	Section IV.C.(page 15)
<b>Urgent Purchases:</b>	Section IV.D (page 19)



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## III. Policy

### A. **Centralized Procurement**

The City Charter (Sections 608, 1507 and 1508) and the Municipal Code (Chapter 2.24), establish that the City shall operate a centralized purchasing system and require that, before making any purchase of, or contract for, materials or services, the City must provide ample opportunity for competitive bidding within specific parameters established by ordinance and through administrative policies and procedures. The City's centralized purchasing system operates under the direction of the City's Procurement Manager and the Procurement Division located in the Finance Department. Through standard processes, City Departments determine what is needed while Procurement reviews and exercises control over purchasing processes and bid/proposal awards.

### B. **Best Bidder/Best Qualified Person or Firm**

The City's evaluation process is based on a best bidder model, in which several criteria play a role in vendor selection, rather than a lowest responsible bidder model where cost is the primary factor. For purposes of the Municipal Code, the City must select the best bidder for goods, contractual services, and public works projects, and must select the best qualified person or firm for professional services.

Pursuant to SMMC Section 2.24.072, the City shall consider the following criteria to determine the Best Bidder:

- Price.
- The quality of the material or services offered.
- The ability, capacity, and skill of the bidder(s) to perform the contract or provide the materials or services.
- The capacity of the bidder(s) to perform the contract or provide the service promptly, within the time specified, and without delay or interference.
- The sufficiency of the bidder's financial resources.
- The character, integrity, reputation, judgment, training, experience, and efficiency of the bidder.
- The ability of the bidder(s) to provide such future maintenance or service as may be needed.
- Any other factor which will further the intent set forth in Section 608 of the City Charter.



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Pursuant to SMMC 2.24.073(b), the City shall use the following criteria to determine the Best Qualified Person or Firm:

- The training, credentials and experience of the person or firm;
- The demonstrated competence, ability, capacity and skill of the person or firm to perform the contract or provide the services;
- The capacity of the person or firm to perform the contract or provide the service promptly, within the time specified, and without delay;
- The sufficiency of the person's or firm's financial and other resources;
- The character, integrity, reputation and judgment of the person or firm;
- The ability of the person or firm to provide such future service as may be needed; and
- The price which the person or firm proposes to charge, including, whether the price is fair, reasonable and competitive.

Certain state and federally funded professional services contracts require a qualification-based analysis of proposals in which price is not a factor. Primarily, this will apply to architectural, landscape architectural, engineering, environmental, land surveying, or construction management services for public works contracts.

When state and/or federal funds are involved for professional services contracts for public works projects with or on behalf of Caltrans, staff must comply with Caltrans Policies and Procedures Local Assistance Procedures Manual Chapter 10.

## **C. Disposition of Surplus Property**

Surplus property shall be disposed of according to Municipal Code Chapter 2.24 and to the related Administrative Instruction. The Purchasing Services Manager shall have the authority to make transfers between departments of any usable surplus supplies or equipment, to exchange or trade new supplies and equipment, or to sell all supplies and equipment which cannot be used by any department or which have become unsuitable for City use.



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## **D. Encumbering Funds**

Departments are required to encumber, or set aside, budgeted funds necessary to complete a purchase of goods or services. For operating multiyear contracts with recurring, annual costs, it is the City's policy to encumber the annual amount each year. For non-operating (i.e. capital) contracts spanning multiple years, staff must encumber the entire amount of the contract unless an exception to break down a contract by year or phase is made within the contract itself.

## **E. Necessary Purchases**

Departments must avoid unnecessary or duplicative purchases, and are encouraged to consider the most efficient and effective approach to purchases, e.g., consolidating procurements, lease versus purchase, cooperative agreements for use of common or shared goods and services, use of federal excess and surplus property as opposed to purchasing new equipment.

## **F. Sustainable Procurement**

Departments shall purchase goods and services that minimize negative impacts to the environment and human health, both locally and globally. Departments shall make every reasonable effort to comply with the City's sustainable procurement policies to support Council direction and Council-adopted sustainability policies. The process and resources to enable staff to meet these goals and policies are covered in Section IV.E.

## **G. Federal and State Grant Awards and Agreements**

All procurements must comply with the City's policies and procedures at a minimum. When federal or state grant funds are involved, staff must also comply with state and federal law and Uniform Guidance provisions (CFR Title 2: Grants and Agreements, Subtitle A, Chapter II, §200). In some cases, the City's policies and procedures may be more restrictive than the grant's requirements. Staff must follow the more restrictive of the two.



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## IV. Procedures and Responsibilities

### A. **Methods of Competitive Procurement**

When initiating the procurement process, staff shall determine the procedure to be used based on the item being purchased and the dollar amount of the purchase.

The Municipal Code categorizes items into goods, contractual services, and professional services. The following definitions are guidelines for use of these terms:

- **Goods:** physical items
- **Contractual services:** services for routine, non-professional functions that are predominantly physical, manual or routine. For example: custodial services, temporary agency services, security services, and trades services (plumbers, electricians, painters, etc.).
- **Professional services:** services that require specialized expertise: training in a professional field, or other developed skills or training. This includes any work performed by a professional: for example, an auditor, attorney, doctor, architect, engineer, land surveyor, construction project manager, appraiser, expert, or consultant. Services provided by vendors with a State license or certification are generally considered professional services. Vendors providing services that do not require a State license may also qualify as professional services.

Purchasing rules for goods and contractual services are often the same.

Some purchases may not clearly fall into one of the categories defined above (*i.e.* software, training, or general consulting services). Departments unsure of the category for a particular purchase shall consult with procurement staff prior to commencing the procurement process.

**Purchasing (or bidding) thresholds** are established in City Code. Thresholds are established based on pretax amounts. For the purposes of determining the threshold, calculate the expected need over three-five years. Purchases of like goods and/or services from the same vendor by one or more departments are considered on a cumulative basis for exempt, informal, and formal thresholds. Thresholds are as follows:

- **\$10,000:** all purchases below this amount are exempt from the City's competitive process (SMMC Section 2.24.074(a) and 2.24.090 (a)).



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- **\$80,000:** professional services purchases greater than this amount require a formal purchasing process and City Council approval for award (SMMC Section 2.24.073 (a) and 2.24.075(a)).
- **\$175,000:** goods and contractual services purchases greater than this amount require a formal process and City Council approval for award (SMMC Section 2.24.100(a)).

The chart below offers an overview of the various levels of competitive process and methods of solicitation required for different types of purchases and at different threshold levels for routine purchases as defined in Section 2.24 of the Municipal Code. Non-routine purchases are described in Sections D-G. More detailed explanations of each element follow the table.

Type of Purchase	Methods of Solicitation	Competitive Purchase Process		
		Exempt	Informal	Formal
<b>Goods &amp; Contractual Services</b>				
\$0 - \$10,000	Convenience	X		
\$10,001 - \$175,000	Quick Quotes* RFP Request for Quotes		X	
\$175,001 and up	RFP RFB			X
<b>Professional Services</b>				
\$0 - \$10,000		X		
\$10,001 - \$80,000	RFP		X	
\$80,001 and up	RFP			X

RFB: Request for Bids; RFP: Request for Proposals

\* Quick Quotes are for purchases from \$10,000-\$25,000 only



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The Purchasing eDesk site provides step by step procedures for each type of process.

## *COMPETITIVE PURCHASE PROCESS*

**Exempt Process:** There is no competitive process requirement for exempt purchases per Municipal Code Section 2.24.074(a) (professional services) and Section 2.24.090(a) (contractual services, public works projects, and goods). If time permits, Departments should get informal quotes from potential vendors. A purchase may be made using a Purchase Order or Request for Warrant (RFW). Purchases made through this process are known as *convenience purchases*.

**Informal Bid/Proposal Process:** Informal procurements require an attempt to get at least three quotes from vendors in accordance with the requirements of SMMC 2.24.074 (professional services) and SMMC 2.24.090 (goods, public works projects and contractual services). Awards can be made by Purchase Order, Contractual Services Agreement (CSA), for contractual services, or Professional Services Agreement (PSA) for professional services, according to the conditions described in this Administrative Instruction (page 17). Staff **must** use the City's online vendor portal for informal solicitations greater than \$25,000. Purchasing staff also recommends that Departments use the online vendor portal for informal purchases below that threshold.

Staff may follow this process for Public Works projects (as defined by Santa Monica's Municipal Code) of amounts less than \$175,000 in accordance with the requirements of SMMC 2.24.090(b), Open Market Orders.

**Formal Bid/Proposal Process:** Formal procurements require Departments to follow procurement procedures in accordance with SMMC 2.24.075 (professional services) and SMMC 2.24.100 (goods and contractual services). Awards are through a Professional Services Agreement (PSA), a Contractual Services Agreement (CSA), or Purchase Order and require City Council authorization.



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## *METHODS OF SOLICITATION*

**Quick Quote Process:** Solicitation method for informal purchasing processes between \$10,000 and \$25,000 subject to significant and unforeseeable time constraints. Unlike in other solicitation methods, in this process, the Department provides all required forms and documentation to prospective bidders rather than managing these through the City's online vendor portal. Quotes should be dated within 30 days of each other.

**Request for Quotes:** Solicitation method for goods or contractual services. A request for quotes is for informal purchasing processes only. The quotes can be written or verbal and may be received via fax/email; they do not require a formal sealed bid or proposal, a public opening or other formalities. Procurement recommends that Departments use the City's online vendor portal for this process.

**Request for Bids (RFB):** Solicitation method for goods or contractual services. The Santa Monica Municipal Code **requires** an RFB for formal goods or contractual services solicitations (any amount greater than \$175,000). The process includes requirements for formal advertising, inviting and obtaining bids from competing sources in response to competitive specifications, and the award of best bidder (except in the case of Federal funds/ grants, where the City is required to follow those guidelines).

**Request for Proposal (RFP):** Solicitation method for goods and/or contractual or professional services. The Santa Monica Municipal Code **requires** an RFP for formal and informal professional services solicitations (any amount greater than \$10,000). Departments may use an RFP, rather than an RFB, to procure goods or contractual services upon Purchasing staff approval. An RFP may be appropriate in cases where detailed specifications for goods or contractual services are not available and where the City seeks solutions in the form of proposals from experienced firms.

Through the RFP process, Departments may negotiate all terms, including price, and may include a process for Best and Final Offers.



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**Best and Final Offer (BAFO):** A final proposal to secure a contract for a particular project.

Staff can ask for Best and Final Offers as a final step in negotiations within the RFP process because, unlike bid specifications, RFP requirements are to some degree open-ended. This provides the opportunity for refinement based on a better understanding of City needs and what the vendor is able to provide, and can secure a better price for the City.

Following initial discussions, and usually after staff shortlists the most qualified vendors, the City can request that all shortlisted vendors submit best and final offers. City staff must issue or confirm a Best and Final Offer request in writing. The request must include:

- Notice that discussions are concluded
- Notice that this is an opportunity to submit a best and final offer
- A common cutoff date and time that allows a reasonable opportunity for submission of written best and final offers

**B.** Staff will evaluate Best and Final Offer submissions and select the best bidder/qualified person or firm. The City may reopen discussion after a best and final offer process if it is clear that the information received is inadequate to reasonably justify contractor selection and award. In this case, the City would follow the best and final offer process a second time.

## **State and/or Federal Procurements**

**Purchasing (or bidding) thresholds** are established for State and/ or Federal procurements. Purchases of like goods and/or services are considered on an aggregate dollar amount for micro-purchase, small purchase, sealed bid, competitive proposal and noncompetitive proposal thresholds. Thresholds are as follows:

- **\$3,500 for goods or \$2,000 for construction:** Purchases may be made without cost or price analysis or soliciting any quotes or bids if the City considers the price to be reasonable



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- **\$3,501 - \$150,000 for goods or \$2,001 - \$150,000 for construction:** Price or rate quotations **must** be obtained from more than one qualified source. Informal bids and solicitations for quotes must be made; these procedures are meant to be simple and informal.
- **Greater than \$150,000 for goods or construction:** Formal bids are publicly solicited and a firm fixed-price contract is awarded to a **lowest responsible** bidder that has the lowest price and conforms to all the material terms and conditions of the request for bid.

The chart below offers an overview of the various levels of competitive process and methods of solicitation required for different types of purchases and at different threshold levels. More detailed explanations of each element follow the table.

Type of Purchase	Methods of Solicitation	Competitive Purchase Process		
		Exempt	Informal	Formal
<b>Construction Services</b>				
\$0 - \$2,000	Micro-purchase	X		
\$2,001 - \$150,000	Small purchase		X	
\$150,001 and up	Sealed Bid			X
<b>Goods</b>				
\$0 - \$3,500	Micro-purchase	X		
\$3,501 - \$150,000	Small purchase		X	
\$150,001 and up	Sealed Bid			X
<b>Qualification-Based</b>				
\$0 - \$150,000	Small purchase		X	
\$150,001 and up	Competitive Proposal			X



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## *COMPETITIVE PURCHASE PROCESS*

**Micropurchases** – This method is for purchases in which the **aggregate** dollar amount doesn't exceed the micropurchase threshold—\$3,000 when the Uniform Guidance was issued, adjusted periodically for inflation (\$3,500 as of the date of this Administrative Instruction's publishing) or \$2,000 for construction subject to the Wage Rate Requirements. Purchases may be made without cost or price analysis or soliciting any quotes or bids if the nonfederal entity considers the price to be reasonable. Under this method, the entity is encouraged to distribute these purchases among qualified suppliers. For example, when purchasing supplies, a nonfederal entity might consider rotating purchases between vendors that offer similar rates. When applying the micropurchase threshold, a nonfederal entity should note the threshold applies to the **aggregate** purchase amount rather than the cost of individual items. For instance, if a purchase is made for multiple kinds of office supplies (computer paper, pens, pencils, ink cartridges, etc.) and the total price is \$5,000, this method wouldn't be applicable, because the threshold must be applied to the overall purchase total and not the price of individual types of supply items purchased.

**Small purchases** – This method is for purchases above the micropurchase threshold but below the Simplified Acquisition Threshold ((the dollar amount below which a non-Federal entity may purchase property or services using small purchase methods) as defined by the Federal Acquisition Regulation—currently \$150,000, adjusted periodically for inflation. Price or rate quotations **must** be obtained from more than one qualified source. This doesn't mean formal bids and solicitations for quotes must be made; these procedures are meant to be simple and informal. Quotes may be obtained from a variety of simple sources, e.g., Internet search, vendor price listing, verbal quotes, etc. Similar to the micropurchase method, no cost or price analysis is required. As with the micropurchase examples, if a nonfederal entity purchases a variety of office supplies that total \$5,000, this would require consideration for quotes. A nonfederal entity may compare pricing based on an Internet search between a local supply store versus a national chain and select a vendor based on these quotes.



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**Sealed bids (formal advertising)** – This method is for purchases greater than the Simplified Acquisition Threshold. Bids are publicly solicited and a firm fixed-price contract is awarded to a **responsible** bidder that has the lowest price and conforms to all the material terms and conditions of the invitation for bid. Price is a significant factor in this method and generally is the preferred method for procuring construction. This method is used if bids may be solicited from an adequate number of suppliers (two or more), a complete and realistic specification or purchase description is available, the purchase results in a firm fixed-price contract and the selection may be made based on price. A cost and price analysis must be performed for these purchases, and the entity must make independent estimates before receiving bids or proposals.

**Competitive proposals—requests for proposal (RFP)** – This method is for purchases greater than the Simplified Acquisition Threshold in situations where sealed bids are not appropriate. This may be the case when price is not the only factor in awarding a contract. In general, this results in a fixed-price or cost-reimbursement type contract. Under this method, the following requirements apply:

- RFPs must be publicized and identify all evaluation factors and their relative importance
- Proposals must be solicited from an adequate number of qualified sources
- The entity must have a written method for their evaluation and selecting recipients
- Contracts must be awarded to a responsible firm  
Similar to sealed bids, a cost and price analysis must be performed for these purchases.

**Noncompetitive proposals** – This method results in solicitation from a sole source and may be used if one or more of the following conditions apply:

- Item is available only from one source
  - Public emergency will not permit a delay resulting from competitive solicitation
  - Awarding agency authorizes noncompetitive proposals in response to a written request from the nonfederal entity
  - After solicitation of a number of sources, competition is determined to be inadequate
- Sole-source purchases are applicable at any level when one of the aforementioned criteria is met.



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## *METHODS OF SOLICITATION*

**Request for Quotes:** Solicitation method for goods or contractual services. A request for quotes is for informal purchasing processes only. The quotes can be written or verbal and may be received via email; they do not require a formal sealed bid or proposal, a public opening or other formalities. Procurement recommends that Departments use the City's online vendor portal for this process.

**Request for Bids (RFB):** Solicitation method for goods or contractual services. The Santa Monica Municipal Code **requires** an RFB for formal goods or contractual services solicitations (any amount greater than \$175,000). The process includes requirements for formal advertising, inviting and obtaining bids from competing sources in response to competitive specifications, and the award of best bidder (except in the case of Federal funds/ grants, where the City is required to follow those guidelines).

**Request for Proposal (RFP):** Solicitation method for goods and/or contractual or professional services. The Santa Monica Municipal Code **requires** an RFP for formal and informal professional services solicitations (any amount greater than \$10,000). Departments may use an RFP, rather than an RFB, to procure goods or contractual services upon Purchasing staff approval. An RFP may be appropriate in cases where detailed specifications for goods or contractual services are not available and where the City seeks solutions in the form of proposals from experienced firms.

### **C. Alternative Methods of Solicitation**

Staff shall consult with procurement prior to proceeding with any alternative solicitation method.

**Request for Information (RFI):** An RFI is a non-binding method whereby the City solicits a request for comments, feedback or reactions from potential suppliers (contractors) prior to the issuing of a solicitation. Feedback may include best practices, industry standards, technology issues, etc. Price is not required. An RFI may be completed prior to the RFP, Request for Quote, or Request for Formal Bid process, as deemed necessary.



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**Request for Qualification (RFQ):** The process used to obtain statements of qualifications to gauge the competition and range of expertise in a particular marketplace and to short-list potential candidates and products prior to using a solicitation. Short-list must be kept current and include enough qualified sources to ensure open competition.

**Broad Problem Statements:** General statements which inform vendors of the City's end goal and invite them to submit solutions. This method is to capture a wide variety of ideas and attract new and different vendors.

**Unsolicited Proposals:** The City may consider unsolicited proposals from vendors, as long as other competitors are able to bid on the same project after the initial proposal has been made. Staff shall consult with procurement prior to proceeding with an unsolicited proposal.

## **Scope of Work & Specifications**

Every solicitation must be based on a written description of the physical or functional characteristic of services and/or materials to be provided.

### **Scope of Work (used mainly for services)**

- Provides a high-level overview of the project and its objective; describes measurable and achievable objectives.
- Avoids overly prescriptive descriptions of work and the manner by which it is accomplished.
- Sets a timeframe for project completion.
- Defines deliverables and milestones.
- Sets a schedule and/or timetable for inspections and progress reports.
- Includes a section on acceptance, a mechanism on how the parties will determine what level of service or product is acceptable.

### **Specification (used mainly for goods/contractual services)**

- Is non-restrictive (*i.e.* does not predict a specific result)
- Clearly describes items needed in terms of performance, including warranty.
- References existing industrial or governmental specifications to ensure maximum competition.
- Includes drawings or samples to clearly describe the required item.



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If specifications include a brand name or model, Procurement will assume that "or equal" items are acceptable. Procurement and the requesting Department will jointly determine what is "or equal".

Procurement may require additional justification if a specific requirement appears to be unreasonably restrictive, luxurious, or otherwise inappropriate for the specified product.

## **D. Exceptions to Competitive Bidding**

Municipal Code Section 2.24.080 outlines exceptions to competitive bidding. These are where:

- Competition does not exist, such as for memberships, public utilities, proprietary items from original equipment manufacturers or their exclusive distributors, or goods or services that are copyrighted, patented, or otherwise only available from one license holder (Section 2.24.080(a) and (d)).
- The item or service was part of a piggyback or cooperative bidding process (Section 2.24.080(b)).
- Items or services are for resale to the public (Section 2.24.080(c)).
- Items purchased are for circulating library materials (Section 2.24.080(f)).
- The product or service is required immediately due to an urgent or emergency situation (Sections 2.24.100(c), 2.24.075(c) and 2.24.120).

If a purchase meets any one of these conditions, Departments may request a specific provider through an exception to the competitive process. Departments must fill out the [Exceptions to Competitive Bidding Form](#) and provide business justification for the request, including: why the good or service is the only one that can meet the need; what is unique about the good or service; and what alternatives were evaluated.

Exceptions to Competitive Bidding require Department Director, Purchasing Services Manager, and City Manager approval.



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**Competition Does Not Exist:** The Municipal Code provides for two types of exceptions in this category – sole source and single source, described below.

- *Single Source:* Purchases are directed to one vendor even though competition exists because of standardization, warranty and proprietary items of original equipment manufacturers and/or their authorized exclusive distributors (per SMMC 2.24.080(a)).
- *Sole Source:* One vendor possesses the unique ability or capability to meet the particular requirements of the solicitation, such as a good or service that is copyrighted, patented or otherwise only available from one license holder (per SMMC 2.24.080 (d)).

This exception for situations in which competition does not exist applies in a very narrow set of circumstances. The Department must fill out the Exceptions to Competitive Bidding Form and describe why the City is limited to one provider for the good or service.

The sole source exception does not apply to professional services contracts, which have different criteria for award per SMMC 2.24.073 (Professional services contracts).

**Piggybacking:** A form of intergovernmental purchasing in which an agency extends the pricing and terms of its contract to another agency. To purchase through piggybacking, the original bid must have been publicly advertised and opened using a process that is equivalent to the City's. The Department must fill out the Exceptions to Competitive Bidding Form and provide a copy of the publicly advertised bid and a letter from the agency and vendor confirming that the City can piggyback on the bid. The bid results must be readily available and publicly listed. Procurement will provide a cost analysis to ensure that the price is the same or less than if the City had conducted its own competitive process. Purchases using this method fulfill an exception to competitive bidding in that competitive bid procedures have already been used (SMMC Section 2.24.080(b)).



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**Cooperative Bidding:** To purchase through cooperative bidding, a Department must fill out the Exceptions to Competitive Bidding Form and provide information related to the other agency bid, including initial specifications, posting, award analysis, and price. Procurement will provide a cost analysis to ensure that the price is the same or less than if the City had conducted its own competitive process. Purchases using this method fulfill an exception to competitive bidding in that competitive bid procedures have already been used (SMMC Section 2.24.080(b)).

**Emergency Purchases of Goods and Services:** Staff may make emergency purchases of goods and contractual services pursuant to Municipal Code Section 2.24.120. This includes when an emergency arises which requires expenditure of funds to protect the public health, welfare or safety. Emergency means that the need is so urgent as to preclude action by the City Council; or when either the City Council (through a resolution) or the Emergency Services Manager declares a local emergency. In these situations, the City Manager, Emergency Services Manager, Purchasing Services Manager or their designees may authorize such purchases. Staff must follow the procedures below.

- 1. Notification During Other Than Normal Working Hours:** In the event of an emergency during evenings, holidays, or weekends when the Purchasing Services Manager (or designated staff) is not on duty, Departments should obtain the necessary goods and/or services and submit a requisition to the Purchasing Services Manager the next working day following the process set forth in D.3.b. below.
- 2. Notification During Normal Working Hours:** Department Director or designee should contact the Purchasing Services Manager immediately and explain the nature of the emergency and what action is required to alleviate the problem. The Purchasing Services Manager is responsible for contacting the City Manager, who will determine if emergency or routine purchasing processes will be followed.



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### 3. Procedures Following Notification of Purchasing Services Manager:

- a. Secure emergency goods and/or services. If possible, informal bids should be obtained and recorded.
- b. Submit appropriate requisition for the emergency goods and/or services, including types and quantities of the items purchased, and the vendors from whom the purchases were made. If it is not possible to obtain informal bids, this fact should be recorded. Also submit an Exception to the Competitive Process Form that explains the nature of the emergency.
- c. Submit a staff report to Council within 30 days of the incident, explaining the nature of the circumstances of such emergency, which shall become a part of a regular meeting of the City Council and shall be open to public inspection. The City Manager is responsible for this staff report. The recommendation for approval of the action must be placed on the City Council Agenda within 30 days.

**Urgent Purchases:** The Municipal Code provides for bid or agreement awards for goods and contractual services outside of the competitive process required for formal procedures in situations where the action is necessary for the preservation of life, health or property (SMMC 2.24.075(c)) and 2.24.100(c)). In such cases, the City Council may forgo these procedures with at least five votes, and purchases may be allowed after authorization by the Department Director or designee and the Purchasing Services Manager or designee.

The same process shall be followed as that used for Emergency Purchases, with the added requirement that, depending on the dollar amount and nature of the urgency purchase, the Department shall submit a memo to the Director of Finance explaining the urgency of the situation and if necessary, requesting approval to waive competitive bidding procedures. The Director of Finance may approve purchases up to \$25,000, the City Manager may approve purchases between \$25,000 and \$175,000, and City Council approval is required for any amounts over \$175,000.



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## **E. Sustainable Procurement**

Departments should use the Office of Sustainability and the Environment (OSE) Easy Guides, available on the City's intranet under Employee Resources/ Sustainability, to assist with sustainable purchasing. The Easy Guides include an introduction to the good or service; how to get it in accordance with sustainability guidelines; required and preferred environmental performance specifications; relevant eco-labels; important notes; benefits; and more. When purchasing goods or services, Departments shall reference and comply with the requirements listed in the Easy Guides if one has been developed for the good or service. OSE staff will develop and revise Easy Guides alone or in conjunction with other Departments. For example, the Information Systems Department (ISD) could assist OSE staff with an Easy Guide for computers purchases. OSE staff provide training on the Easy Guides and any website tools. If an Easy Guide has not been developed, the Sustainable Procurement Advisor and Purchasing Services Manager will provide direction on the best sustainable procurement practices.

## **F. Procurement of Recovered Materials**

When using Federal Funds City must comply with section 6002 of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act. The requirements of Section 6002 include procuring only items designated in guidelines of the Environmental Protection Agency (EPA) at 40 CFR part 247

1. When procuring items over that exceed \$10,000 or the value of quantities acquired during the preceding fiscal year exceeded \$10,000, items must contain the highest percentage of recovered materials practicable, while maintaining a satisfactory level of competition.
2. When procuring solid waste management services it must be done in a manner that maximizes energy and resource recovery.
  - i. Agencies that generate heat, mechanical, or electrical energy from fossil fuel in systems that have the technical capability of using energy or fuels derived from solid waste as a primary or supplementary fuel shall use such capability to the maximum extent practicable.



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3. Establishing an affirmative procurement program for procuring recovered materials identified in following EPA guidelines.
  - i. which will assure that items composed of recovered materials will be purchased to the maximum extent practicable and which is consistent with applicable provisions of Federal procurement law;
  - ii. have a recovered materials preference program;
  - iii. have a promotion program to promote the preference program;
  - iv. have a program for requiring estimates of the total percentage of recovered material utilized in the performance of a contract; certification of minimum recovered material content actually utilized, where appropriate; and reasonable verification procedures for estimates and certifications;
  - v. have an annual review and monitoring of the effectiveness of an agency's affirmative procurement program.

**G. Bid / Proposal Protest:** Any bidder or proposer may protest the proposed award of a contract for procurement of goods and/or services in accordance with SMMC 2.25.105, as follows:

1. Any protesting bidder or proposer may file a written protest with the Director of Finance or Director of Public Works, as applicable, within seven calendar days after posting or other notification of the award recommendation. Awards are posted on the City's vendor portal website, or by email for awards made through the Quick Quotes process. The written protest must detail all grounds for the protest and provide supporting documentation.
2. The Director of Finance or the Director of Public Works, as applicable, shall review the merits and timeliness of the protest and issue a written decision to the protestant by letter within 10 calendar days of receipt of the protest. The Director's decision shall constitute the City's final determination on the protest.
3. Once a protest has been filed with the Director of Finance or the Director of Public Works as applicable, no contract shall be awarded until the Director has issued his or her final determination on the protest.



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For bids or proposals awarded under Sections 2.24.075 (Professional Services Agreements over \$80,000) and 2.24.100 (Goods and/or Contractual Services Agreements over \$175,000) of the Municipal Code, the Director of Finance or Director of Public Works as applicable shall, at the time the bids and/or proposals are presented to the City Council for award, submit to the City Council a written report on the protest, including the Director of Finance's or Director of Public Works' final decision on the protest.

For the Quick Quotes process, staff will notify all vendors of the award recommendation by email, and the protest process will proceed as described above: protestant may file a written protest with the Director of Finance or Director of Public Works as applicable within seven calendar days after posting or other notification of the award recommendation. The written protest must detail all grounds for the protest and provide supporting documentation.

**H. Required Documents:** With certain limited exceptions, vendors are required to complete and submit the following documents to do business with the City of Santa Monica:

- a. Business License
- b. Oaks Initiative Disclosure Form (only over \$25,000).
- c. Living Wage Certification (only for services over \$54,200)
- d. Non-Discrimination Policy Acknowledgement
- e. Insurance Documentation
- f. Prevailing Wage Documentation (as applicable)

**I. Records:** City must maintain documentation to support in sufficient detail the history of procurement. These records include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price

**V. Agreements**

**IMPORTANT NOTE:** City policy recommends a five-year term for recurring purchases of goods and services. This may be accomplished through a single five-year term or through options to renew for a total contract term of not to exceed five years.



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Various agreements may serve as binding contracts and promises to pay between the City and the vendor, as follows:

**Request for Warrant (RFW):** An RFW is used for convenience purchases of goods and/or professional or contractual services. The RFW contains a scope of work, invoice, and proof of delivery for goods.

**Purchase Order (PO):** A PO is used for the purchase of goods (no dollar limit) and/or services (in an amount less than \$54,200). Staff may roll over purchase orders from one fiscal year to the next. A contractual services agreement is required for the purchase of any services other than professional over \$54,200 and encumbrances can be increased each fiscal year.

**Blanket Purchase Order (BPO):** A Blanket Purchase Order (BPO) is used for the purchase of specific goods (no dollar limit) and/or services (in an amount less than \$54,200) on a demand basis over one fiscal year at a pre-arranged price, dollar limit and/or other terms and conditions. No quantities are specified or guaranteed. Departments must submit a request to renew blanket purchase orders each fiscal year. A contractual services agreement is required for the purchase of any services other than professional over \$54,200 and encumbrances can be increased each fiscal year.

Staff should use BPOs when appropriate as they centralize similar commodity purchasing to provide volume pricing, allow departments to order directly from vendors, and reduce clerical work associated with individual POs and requests for warrant.

POs and BPOs must contain the following information:

1. Requisition number
2. User department
3. Date of order
4. Name and telephone number of contact person
5. Address to which invoice is mailed if other than ship to address
6. Destination or ship to address
7. Description of item (in the case of goods) or service (in the case of services) to be supplied
8. Quantity



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9. Unit price
10. Total price
11. Standard terms and conditions of sale
12. Other special terms and conditions of the sale (as required)

**Change Order (CO):** A written alteration that is issued to modify or amend a purchase order. Change Orders are created by Procurement for the following reasons:

1. To change a quantity
2. To change a description
3. To add to the order
4. To delete from the order
5. To change a unit price
6. To change the terms and conditions
7. To change delivery location
8. To change freight on board (f.o.b.) point
9. To redistribute funds among account numbers

**Contractual Services Agreement (CSA):** Contractual Services Agreements are used for the purchase of routine, non-professional functions as described in the definitions above in amounts greater than \$54,200.

Departments should use the available template and work with Procurement for any exceptions.

**Professional Services Agreement (PSA):** Professional Services Agreements are used for the purchase of services providing specialized expertise as described in the definitions above in amounts greater than \$10,000.

Departments should use the available template and work with Procurement for any exceptions.

**Modifications:** A document used when the City and company desire to modify the original agreement to change the contract term, scope/services to be performed by company, or the contract budget.



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Departments should use the available template and work with Procurement for any exceptions.

## VI. Other Requirements

**Local Business Preference:** The City applies a local business preference pursuant to Municipal Code Section 2.24. Prior to awarding a contract, the Purchasing Agent shall provide a one and one half percent (1.5%) price preference to all City businesses submitting bids. The Purchasing Agent shall administer the bidding preference so that bid amounts received from City businesses are reduced by one and one half percent solely to determine the rank order of the bids in the selection process. If after the one and one half percent preference is applied, a City business has submitted a bid which is equal to or is lower than all other bids, the Purchasing Agent shall award the contract to the City business so long as it is otherwise the best bidder. See [Local Business Preference in the Municipal Code](#).

- a. Local business preference does not apply to federally funded procurement unless the applicable Federal statutes expressly mandate or encourage geographic preference.

**Minority Businesses, Women's Business Enterprises, and Labor Surplus Area firms:** When using Federal funds the City must take steps to assure that these businesses are used when possible. Steps include:

- Maintain a qualified business solicitation list
- Assure qualified businesses are solicited when appropriate
- Efforts to divide total requirements, when feasible, into smaller tasks to permit use of qualified businesses
- Using assistance from Small Business Administration(SBA) DOC, MBDA
- Require prime contractor, if subcontractors used, to take steps

**Living Wage Ordinance:** The City follows living wage restrictions pursuant to Municipal Code Section 4.65. The Living Wage Ordinance establishes a minimum wage for certain employees of contractors providing services to the City in excess of \$54,200 or more and requires that contractors also provide the same health care and other benefits to employees' same sex spouses and domestic partners as are provided to other employees' spouses. See [Living Wage in the Municipal Code](#).



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**Oaks Initiative:** The City applies the City Charter amendment commonly known as the Oaks Initiative in the purchasing process. This amendment prohibits a public official from receiving specified personal benefits from a person or entity after the official votes, or otherwise takes official action, to award a “public benefit” to that person or entity. Examples of a “public benefit” include public contracts to provide goods and/or services worth more than \$25,000 or a land use approval worth more than \$25,000. See [Oaks Initiative in the Municipal Code](#).

**Prevailing Wage:** The Procurement section oversees City compliance with California state law on prevailing wage payment for projects subject to this Administrative Instruction. The California Labor Code requires that, except as specified, not less than the general prevailing rate of per diem wages, determined by the Director of Industrial Relations, be paid to workers employed on public works projects. Existing California state law defines “public works” to include, among other things, construction, alteration, demolition, installation, or repair work done under contract and paid for, in whole or in part, out of public funds, which may include both direct financial and indirect financial assistance. This definition is separate from the Public Works definition in the Santa Monica Municipal Code. Staff should refer to California state law for purposes of determining prevailing wage payment, and to Santa Monica’s law to determine the appropriate purchasing process. California Senate Bill 7 (SB-7), which governs public works in charter cities, requires compliance with the California Labor Code except for projects of \$25,000 or less when the project is for new construction work, or projects of \$15,000 or less when the project is for alteration, demolition, repair, or maintenance work. The prevailing wage rate is published by the state Department of Industrial Relations ([www.dir.ca.gov](http://www.dir.ca.gov)).

The City collects payment/ materials bonds for prevailing wage projects subject to this Administrative Instruction.

**Payment/Materials Bond:** The California Civil Code requires that a contractor awarded a public works contract in the excess of \$25,000 must provide a payment bond to the public entity that awarded the contract. The payment bond is issued by a surety that guarantees that subcontractors and suppliers will be paid for labor and materials expended on the contract.



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Departments should use the available template and consult with Procurement staff for any exceptions, or to seek clarification in the case of any uncertainty as to whether a project is subject to prevailing wage.

## VII. Forms

[Guidelines and Checklists](#)  
[Procurement Forms Matrix](#)  
[Exception to the Competitive Process Form](#)  
[PSA/CSA Agreement Templates](#)  
[Insurance Requirements](#)  
[Disposition of Surplus Property](#)

## VIII. Sources of Additional Information

[SMMC 2.24 Purchasing System](#)  
[SMMC 4.65 Living Wage](#)  
[Oaks Initiative: City of Santa Monica Taxpayer Protection Amendment of 2000](#)  
[AI IV-4-4 Conflict of Interest Policy](#)  
[AI III-2-6 Code of Ethics](#)  
[Sustainable Procurement Policies](#)  
[Easy Guides for Sustainable Procurement of Goods and/or Services](#)  
[Prevailing Wage Requirements](#) (web link to California State Department of Industrial Relations)

## IX. Authorized By

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Rick Cole  
City Manager