



**WEST BASIN MUNICIPAL WATER DISTRICT**  
17140 S. Avalon Blvd., Suite 210  
Carson, CA 90746

**AGENDA NO. 12**

**NOVEMBER 12, 2008 – Finance**  
Gray (Chair), Smith  
**NOVEMBER 24, 2008 – Board Meeting**  
Prepared by: David Shull  
Submitted by: Margaret Moggia  
Approved by: Rich Nagel

## ACTION CALENDAR

### PROCUREMENT POLICY REVISIONS

#### SUMMARY:

Periodically, it becomes necessary to update West Basin's Procurement Policy (Administrative Code: Part 5. - Property; Chapter 1. - Procurement Policy) to reflect changes in the business marketplace and the manner in which we conduct our business.

#### **Financial Management System**

West Basin is in the process of implementing its new Financial Management System. As we have proceeded, different threshold levels for the purchase of goods and services have been identified. Staff believes that selecting a consistent threshold for both goods and services would assist the implementation efficiency of the Financial Management System.

Currently, Section 5-1.103 of the Procurement Policy requires that, for the procurement of supplies, goods, and equipment over \$1,000, authorized staff must obtain a minimum of three (3) price quotations and the approval of the respective department manager and the General Manager. For the procurement of services, Sections 5-1.104 and 5-1.105, pertaining to professional and non-professional services respectively, have similar approval steps; however, the threshold is set at \$5,000. In order for the Financial Management System to process transactions effectively, it requires a consistent application of approval thresholds regardless of transaction type. In this scenario, the Financial Management System would be required to apply two sets of rules where only one is allowed.

#### Staff Recommendation:

That the Board modifies the Procurement Policy to reflect a change to the initial approval threshold for the procurement of supplies, goods, and equipment from \$1,000 to \$5,000 and to modify the Procurement Policy language accordingly for consistency between transaction types.

#### **Small Dollar Procurements**

In accordance with Paragraph 3 of Section 5-1.103, West Basin staff may forego the use of the purchase order for their smallest procurement transactions – those that are \$100 or less. These procurements are most often transacted with West Basin issued credit cards. The credit card receipt functions as the transaction record. The benefit of this method is to reduce the amount of paperwork required to process routine transactions and to enhance the speed and ease with which staff may process these transactions.

Unfortunately, \$100 does not have the spending power it once had. Most of these menial and routine procurements now fall into the \$100 - \$500 range. With the current threshold set at \$100, staff is currently processing a credit card transaction and a purchase order where one transaction would suffice. The result is that West Basin does not enjoy the benefit of speed or ease in transaction processing, nor does it benefit from the resulting reduction of paperwork.

Staff Recommendation:

That the Board modifies the Procurement Policy to reflect a change to the Small Dollar Procurement threshold from \$100 to \$500 and to modify the Procurement Policy language accordingly.

### **Local Business Enterprise Program**

Currently, the Local Business Enterprise Programs provides a 3% preference to Local Business Enterprises in the evaluation of bids and quotations for supplies, goods, and equipment. The Local Business Enterprise Program also provides a three (3) point evaluation preference to Local Business Enterprises in the evaluation of proposals for services. However, there are some instances where evaluation of proposals for services on a purely price basis is most appropriate. This is typical where the service to be provided is extremely well defined or may be repetitive in nature. To incorporate the Local Business Enterprise Program evaluation process into price based evaluation of service proposals, a method of evaluation similar to the one used for the evaluation of supplies, goods, and equipment should be employed.

Staff Recommendation:

That the Board modifies the Procurement Policy to reflect a change to the Local Business Enterprise Program to provide a price based evaluation method for the evaluation of service proposals.

A copy of the West Basin Procurement Policy presenting the proposed changes has been attached for reference (Exhibit "A").

### **STRATEGIC BUSINESS PLAN IMPLEMENTATION:**

Goal 8, Finance – Manage finances to optimize the public's investment return and minimize risk.

### **COMMITMENT STATEMENT:**

Sound Financial and Resource Management – West Basin is committed to efficient business operations, financial planning, and asset management.

### **FISCAL IMPACTS:**

None.

### **ENVIRONMENTAL COMPLIANCE:**

Not applicable.

COMMITTEE STATUS:

This item was reviewed by the Finance Committee on November 12, 2008 and recommended for approval at the November 24, 2008 Board meeting.

RECOMMENDED MOTION:

That the Board approves modifying the Procurement Policy to reflect the following changes (as shown in Exhibit "A") to:

1. Revise the initial approval threshold for the procurement of supplies, goods, and equipment from \$1,000 to \$5,000 and to modify the Procurement Policy language accordingly for consistency between transaction types, and
2. Revise the Small Dollar Procurement threshold from \$100 to \$500 and to modify the Procurement Policy language accordingly, and
3. Revise the Local Business Enterprise Program to provide a price based evaluation method for the evaluation of service proposals.

LIST OF EXHIBITS:

Exhibit "A" – Administrative Code: Part 5. - Property; Chapter 1. - Procurement Policy