



CENTENNIAL
WATER AND SANITATION DISTRICT



HIGHLANDS RANCH
Metro District

PURCHASING PRACTICES AND GENERAL GUIDELINES

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A. APPLICABILITY

1. The District's Chart of Accounts summarizes expenditures by both activity and by object or category. The Chart of Accounts includes the following major classification of object of expenditures:
 - ❖ Personnel Services
 - ❖ Materials and Supplies
 - ❖ Purchased Services
 - ❖ Utility Services
 - ❖ Repairs and Maintenance
 - ❖ Long-term Contractual Obligations
 - ❖ Capital Outlay
2. These guidelines apply specifically to purchases of goods and services charged to Personnel Services, Materials and Supplies, Purchased Services, Repairs and Maintenance, and Capital Outlay as periodically defined by the Director of Finance and Administration.
3. The purchasing guidelines may be suspended during an emergency. An emergency is any situation that **constitutes an immediate threat to the health or safety** of staff, property, or obligations of the District or taxpayers, residents, and rate payers of the District. An emergency condition shall be verified by the General Manager or the Board Chairperson.

Under emergency conditions, the primary concern of the person in charge of the emergency response shall be the health and safety of staff or property of the District or that of the residents of the District. Secondary consideration should be given to the amount of District funds necessary to adequately resolve the emergency condition. Therefore, bidding requirements and the limits on the delegated authority are waived under emergency conditions.

Note: The Board delegates purchasing authority and amounts to the Board Treasurer and the General Manager. All other delegated amounts are the General Manager's discretion.

B. REQUIREMENTS FOR BIDDING AND OBTAINING PRICE QUOTATIONS

1. Purchases should be comparison shopped in order to achieve the lowest possible purchase price for a quality product that best meets the district's needs. Prudent management, however, indicates that at certain cost levels the potential savings by bidding on an individual purchase are offset by the increased personnel costs required to obtain multiple bids. These guidelines attempt to balance the cost savings potential from receiving bids with the increased personnel costs associated with obtaining those bids.

The Board has adopted the requirements for obtaining bids schedule shown in B.3. with the understanding that Staff may choose to incorporate more rigid requirements to the extent that the more rigid requirements are economically feasible.

2. Construction Contracts, Contract Purchase Orders, Consulting Contracts and other purchases authorized to be charged against an appropriation for a Capital Project shall be subject to and governed by the provisions of the Colorado Revised Statutes.
3. The District follows the Colorado Revised Statutes’ threshold for specific formal quotes advertisements for “construction contracts for work or materials, or both”. The requirements for obtaining quotes for the purchase of goods and services are as follows:

<u>Purchase Commitment Amount</u>	<u>Minimum # of Quotes</u>
Under \$10,000	None
\$ 10,001-\$20,000	Three Verbal
\$ 20,001 and over	Three Written*

***Note:** The District follows State Statutes threshold for specific formal bid advertisements for “construction contracts for work or materials, or both”.

4. Some purchases are available only from single or limited sources due to their nature (i.e. utilities); existing relationships (i.e. bank service charges, chemical supplies); long-term contracts; or unique physical requirements of our operations. It should be documented if staff is unable to obtain quotes required under Section B.3 because of the need to use sole source providers, current market conditions, or other mitigating factors. The documentation must accompany the purchasing commitment document.
5. Staff may use the Colorado Division of Local Government purchasing program awards without obtaining any additional quotations for purchases up to \$40,000 or for items specifically identified in the budget such as miscellaneous capital items.
6. Occasionally the District may receive a low-price quotation that for various reasons the District may not want to accept. If the quote was obtained pursuant to Section B.3 and is not used, justification, in writing must accompany the purchasing commitment document.

C. REQUESTS FOR QUALIFICATIONS AND PROPOSALS (“RFQ” and “RFP”)

1. Professional Services such as audit, legal, information technology, and Capital Project consulting shall **not** be awarded based on competitive bid. However, such services, whenever feasible, shall be awarded after soliciting Request for Qualifications (RFQ) or Request for Proposals (RFP) from qualified service providers.
2. If a contract is awarded pursuant to an RFQ, the period covered by the RFQ shall not exceed 5 years.

D. APPROVED PURCHASING COMMITMENT INSTRUMENTS

To ensure that purchases are made in accordance with good business practices, every purchase of materials, supplies and services requires a District commitment instrument authorized by the appropriate level of District employee. To streamline the amount of paperwork as much as practical several different commitment instruments may be used. Any changes to any of these forms must be approved by District's Legal Counsel. The approved commitment instruments are:

1. Capital Construction Contracts

A Capital Construction Contract is required for contracts in excess of \$120,000 but may also be used for other contracts less than \$120,000 if staff determines that this form of agreement is necessary to complete a specific capital improvement project. Construction contracts shall be prepared in the standard format approved by the District's Legal Counsel.

Staff is hereby authorized to make payment for services rendered within approved contract amounts in accordance with the conditions of the contract. Staff does not have the authority to make a pre-payment for services unless approved by the General Manager. The approved contract amount shall be the amounts appropriated by the Board and all change orders approved but not ratified pursuant to Section F. Final release of retainage and final payment requires Board approval and advertising pursuant to the Colorado Revised Statutes.

2. Consulting Contracts

A Consulting Contract is used for work that involves professional services. These contracts shall be prepared in the standard format approved by the District's Legal Counsel and coordinated with the Contract Administrator. Staff does not have the authority to make a pre-payment for services unless approved by the General Manager.

3. Contract Purchase Orders

A Contract Purchase Order enables the District to contract with a consultant or contractor to perform services and provide materials. The Contract Purchase Order shall be prepared in a standard format approved by the District's Legal Counsel and coordinated with the Contract Administrator. Staff does not have the authority to make a pre-payment for services unless approved by the General Manager.

4. Open Contract Purchase Orders

For some purchases that have multiple occurrences during the course of the year the District will issue an "open" Contract Purchase Order (CPO). The initial Contract Purchase Order will identify the amounts and the term of the agreement and will be bid on according to District Guidelines. Staff does not have the authority to make a pre-payment for services unless approved by the General Manager. Subsequent purchases against an open CPO will be charged against the original commitment by approved increases in the amount or reduction in the amount originally approved.

5. Purchase Requisition/Purchase Orders

A Purchase Order (“PO”) is a formal document with terms and conditions printed on the back of the document. This document is to be used for all purchases over \$500 with the exceptions defined under any of the categories listed below. To use a PO, a Purchase Requisition (“PR”) must first be completed. The PR is the document wherein the authorizing signatures are obtained.

6. Open Purchase Orders

For some purchases that have multiple occurrences during the course of the year the District will issue an "open" PO. The initial PO will identify the amounts and the term of the agreement and will be bid on according to District Guidelines. Subsequent purchases against an open PO will be charged against the original commitment by approved increases in the amount or reduction in the amount originally approved.

7. Check Requests

Check Requests are used for certain types of purchases where it is impractical or inefficient to generate the above paperwork. These types of expenditures include:

1. For the following Personnel Services object accounts

13X-Benefits	191-Director’s Fees
181-Tuition	195-Admin. Contract
182-Training	

2. For the following Purchased Services object accounts:

335 - Subscriptions
346 - Computer Rental/ Leases
348 - Contracted Temp/Maintenance
311 - Postage
313 - Vehicle Licenses/Title
325 - Legal Notice/Advertise
331 - Membership & Dues
351 - Building Office Rental (HRMD)
352 - Legal
368 - Insurance

3. For refunds related to permit fees, overpayments, deposits, and others as needed.

4. For payment of administrative permitting related Capital Project fees.

8. Purchasing Cards

The Purchasing Card Program is designed to streamline and simplify the purchasing and payment process for the Districts’ transactions. The goal of the Program is to:

- Simplify the reimbursement process by reducing or eliminating out-of-pocket expenses.
- Provide staff with broader vendor sources.

- Ensure staff has the ability to quickly purchase materials or supplies needed for an emergency repair.
- Reduce the reliance on check payments which could delay the purchase of materials or supplies.

A single transaction limit (the employee specific delegated authority limit) will be placed on each card. Use of the card for a single purchase which exceeds the employee’s delegated authority limit will be declined by the bank. Employees do not have the authority to “break-up” or “split” their purchase in order to be within their delegated authority which would otherwise result in the purchase exceeding their delegated authority limit. Employees also do not have the authority to use another employees’ Purchasing Card or use another employee’s Purchasing Card with higher delegated authority in order to make a purchase exceeding their own delegated authority. In addition to the single transaction limit, every cardholder has a total monthly dollar limit assigned to their purchasing card account.

The Purchasing Card Program also allows for Merchant Category blocking. If a particular Merchant Category is blocked (e.g., jewelry stores), and the employee attempts to use their card at such a merchant, the purchase will be declined. The Accounting Department will review the vendor lists in an effort to ensure that the vendors/suppliers used during the normal course of business are not restricted.

Examples of purchases to be made with Purchase Cards include but are not limited to:

- Office supplies
 - Operating supplies
 - Meeting supplies
 - Repair supplies
 - Rental equipment
 - Subscriptions
 - Professional membership dues
 - Expenses incurred while attending training classes and conferences
 - Travel expenses while attending an out-of-town conference
- The General Manager must pre-approve all travel that is either outside of the Denver Metro Area and/or requires at least one overnight stay.
 - Only Supervisor level (or above) Cards have the authority to purchase from travel-related vendors.
 - Non-Supervisor Cards can have travel-related vendors unblocked with Supervisor approval.

E. UNAUTHORIZED PURCHASES/VENDORS

The plan specifically identifies Unauthorized Purchases/Vendors. These include:

- Items for personal use

- Country club memberships
- Cash withdrawals
- Recreational vehicles (boats, RV’s, motorcycles, etc.)
- Direct marketing
- Purchase of alcohol or tobacco*

*Due to the nature of its operations, Mansion management is exempt from the alcohol restriction so long as the alcohol is being purchased for Mansion inventory or as part of a special request for an event.

In order to minimize bank fees, Accounts Payable staff has been issued Purchasing Cards to make payments only on pre-approved and budgeted monthly and recurring expenses. Instead of Accounts Payable issuing the vendor a check, the payment is made using these single purpose purchasing cards. All supporting documentation and pre-approvals shall be obtained before the expense is paid. Examples of these expenses include:

- Telephone and cell phone charges
- Copier lease payments and usage fees
- Utility bills
- Preauthorized chemical and irrigation supplies

No other purchase shall be made using these cards. The monthly statements for the accounts payable cards are to be approved by the Accounting Manager or Finance Director in the Accounting Manager’s absence to ensure compliance with these guidelines.

At the end of every monthly period, cardholders must reconcile their Purchasing Card by providing the receipt, the account number, and a detailed description of the purchase within the bank’s Purchasing Card system. Once reconciled, the cardholder’s approver must review the purchase to ensure the purchase was properly made and that the information provided to the bank’s Purchasing Card system is accurate and complete.

Misuse of a Purchase Card can result cancellation of card privileges and disciplinary action up to, and including, termination of employment.

F. DELEGATED AUTHORITY FOR PURCHASE APPROVAL

1. The Board hereby delegates authority to commit the District for purchases made within approved budgetary authority (except as noted in B.3) as follows:

Treasurer	Up to \$120,000
General Manager	Up to \$80,000

2. The Board hereby authorizes the General Manager to delegate authority, in writing, to various District personnel up to the maximum amounts shown in the table below:

Job Function	Delegated Authority Amount
Other Employees	Up to \$2,500
Leads	Up to \$5,000
Supervisors	Up to \$10,000
Managers/Superintendents/Project Managers	Up to \$ 20,000
Directors (Department Heads)	Up to \$ 40,000

- Staff will bring recommended updates to these delegated authorities to the Board for consideration no less than every three years but will review annually and may request board consideration outside of the three-year cycle based on current market conditions.

G. CHANGE ORDERS AND AMENDMENTS TO CONTRACTS

Change Orders and Amendments may be necessary for Capital Construction Contracts, Consulting Contracts and Contract Purchase Orders. Staff has the authority to authorize change orders and amendments to contracts, and approval of such change orders or amendments shall follow the limits set by the Delegated Authority Amount noted in Section F.2, above. Change Orders and amendments must include all requisite signatures and backup materials and be provided to the Contract Administrator.

Staff does not have the authority to approve change orders or amendments that materially* alter the scope of the project or exceed the lesser of 10% of the original contract amount (with previous amendments), or \$120,000. Staff will submit to the Board for approval any change order or amendment that exceeds this threshold. If a single change order or amendment exceeds the calculated threshold, staff shall bring the change order or amendment to the Board for approval.

Staff shall update the board on project change orders and amendments either when the sum of those changes exceeds the threshold or prior to release of retainage, whichever occurs first. Under no circumstances shall staff exceed appropriated project contingencies without Board approval.

*Materiality is defined as removing or adding scope that modifies the defined scope of work for the project.