



Agenda Item No. 2

To: Rules, Policy and Industrial Relations Committee/Committee of the Whole  
Meeting of June 10, 2005

From: Joseph M. Wire, Auditor Controller  
Celia G. Kupersmith, General Manager

Subject: **APPROVE AN AMENDMENT TO THE *PROCUREMENT MANUAL*  
RELATIVE TO THE PROCUREMENT PROCESS FOR PROFESSIONAL  
SERVICE AGREEMENTS NOT EXCEEDING \$7,500**

**Recommendation**

The Rules, Policy and Industrial Relations Committee recommends that the Board of Directors approve an amendment to the *Procurement Manual* relative to Section III.C, *Simplified Negotiations for Service Contracts Not Exceeding \$20,000*, to authorize District staff to retain professional services without obtaining competitive quotations, if the estimate does not exceed \$7,500. The proposed revision to the *Procurement Manual* is attached.

This matter will be presented to the Board of Directors at its June 10, 2005, meeting for appropriate action.

**Summary**

In compliance with the District's *Procurement Manual*, to retain professional services between \$2,500 and \$20,000, the District uses a simplified negotiations process whereby a written solicitation to prospective proposers is issued, proposals are evaluated based upon specified criteria, and the successful proposer is retained by executing a written agreement. A formal Request for Proposal process is used to retain professional services that exceed \$20,000. Small dollar purchases for services that do not exceed \$2,500 may be made without obtaining competitive quotations if the price to be paid is fair and reasonable.

The current simplified negotiations process has caused operational delays in procuring professional services that are small in scope and cost. Staff is requesting that the *Procurement Manual* be amended so that professional services can be retained without obtaining competitive quotations, if the estimate does not exceed \$7,500.

To ensure fairness and accuracy, a new procurement process will be implemented for monitoring procurements of professional services that do not exceed \$7,500. If a procurement for professional services is anticipated to be between \$2,500 and \$7,500, staff will require that the Consultant submit in writing all the pertinent details such as description of the services to be

provided, estimated completion date, fee structure and insurance requirements if needed. The terms of the proposal will be documented on a standardized procurement form for approval by the appropriate Deputy General Manager or District Officer and Procurement Director.

**Fiscal Impact**

There is no direct fiscal impact associated with this potential change. It is anticipated that the streamlining of the procurement process will allow staff to perform the procurement functions in a more efficient and timely manner and will increase overall District productivity and responsiveness.

Attachment

**Proposed Revision to the District's *Procurement Manual***

**SECTION III. SMALL PURCHASE PROCEDURES**

**C. Simplified Negotiations for Service Contracts Not Exceeding \$20,000.**

1. Professional Services Not Exceeding \$7,500. Professional services may be retained without obtaining competitive quotations, if the estimate does not exceed \$7,500. Work should not be arbitrarily segmented or split in order to avoid the requirements for competition.

When the Office of Primary Interest determines that a need exists for professional services not exceeding \$7,500, it will request that the Consultant submit in writing a brief proposal that includes (a) a description of the services to be provided; (b) an estimated schedule for completion; (c) fee structure, including a total all inclusive sum including hourly rates and expenses; and (d) indemnification and insurance requirements as prescribed by the District. (A separate description of the District's insurance and indemnification requirements is available to be used for this purpose).

The Office of Primary Intent must evaluate the proposed price and determine if it is fair and reasonable, and may negotiate final terms and conditions of the engagement with the proposer. Upon review and acceptance of the proposal, the Office of Primary Interest will submit a completed Requisition Form to the District Purchasing Office, which shall be signed by the responsible Deputy General Manager, or District Officer. The Consultant's written proposal shall be attached.

The Requisition Form will indicate that the Office of Primary Interest has determined that the scope of work is suitable for a noncompetitive approach and that the cost is fair and reasonable. The District Purchasing Office will process a purchase order to formalize the engagement.

2. Service Contracts Not Exceeding \$20,000. To retain professional services between \$7,500 to \$20,000, a simplified negotiations process may be used. This process may also be used to retain non-professional services, as an alternative to the Informal Bidding process described in Section III.B, when the cost does not exceed \$20,000. Generally, this process consists of the issuance of a written solicitation to prospective proposers describing the scope of services required, time frame, and deliverables. Formal advertising is not required. Selection is made based upon the proposer's qualifications and experience, timeliness, approach and, for non-architectural/engineering services, cost. (See Section V.N below for a discussion of architectural/engineering services.) The District may negotiate the terms and conditions of the engagement with the highest ranked proposer, or may award the contract without negotiations.

The District shall not arbitrarily split work so as to avoid the formal Request for Proposals process described in Chapter V below. Staff is encouraged to consider the Request for Proposals process to contract for on-call services for a specified duration.

(a) Simplified Negotiations Process. The Office of Primary Interest shall initiate the simplified negotiations process by verifying with the Auditor-Controller that funds are available within the approved budget. The Office of Primary Interest shall prepare a Solicitation Letter describing the scope of services requested, time for completion, minimum qualifications, and selection criteria in relative order of importance, generally as contained in the sample form provided in the Procurement Forms Binder, and attach the Professional Services Agreement that will apply to the engagement also included in the Procurement Forms Binder.

The Office of Primary Interest, in consultation with the District's insurance advisor and Attorney, will determine what types and levels of insurance, if any, shall apply, taking into consideration the risk factors associated with the engagement. Typically the consultant shall be required to have a minimum of \$1,000,000 per occurrence general and automobile liability insurance, and may be required to maintain professional liability insurance.

The Office of Primary Interest shall make best efforts to obtain a minimum of three written proposals, utilizing names obtained from locator files, trade journals, trade sources and the DBE Vendor Lists. The Office of Primary Interest shall consult the DBE Program Administrator for names of potential DBE proposers. Written proposals shall be submitted within the time frame specified in the Solicitation Letter and shall describe the proposer's qualifications and experience, approach to the work, and cost proposal (for non-architectural/engineering contracts).

(b) Simplified Negotiations Evaluation and Award. Proposals shall be evaluated by the Office of Primary Interest. The proposer that best meets the District's needs in accordance with the selection criteria identified in the Solicitation Letter shall be selected for award or for further negotiations as to the final scope of work and price, if necessary. Upon successful completion of negotiations, the Office of Primary Interest shall notify the DBE Program Administrator and the Auditor-Controller's office. The Professional Services Agreement shall be executed by the District's authorized representative and the consultant and retained by the Office of Primary Interest. Required insurance coverage shall be verified before the District issues the Notice to Proceed.