

Training Program for Classified Leaders

Understanding Purchasing Process and Requirements

*Know the rules of the
purchasing road*

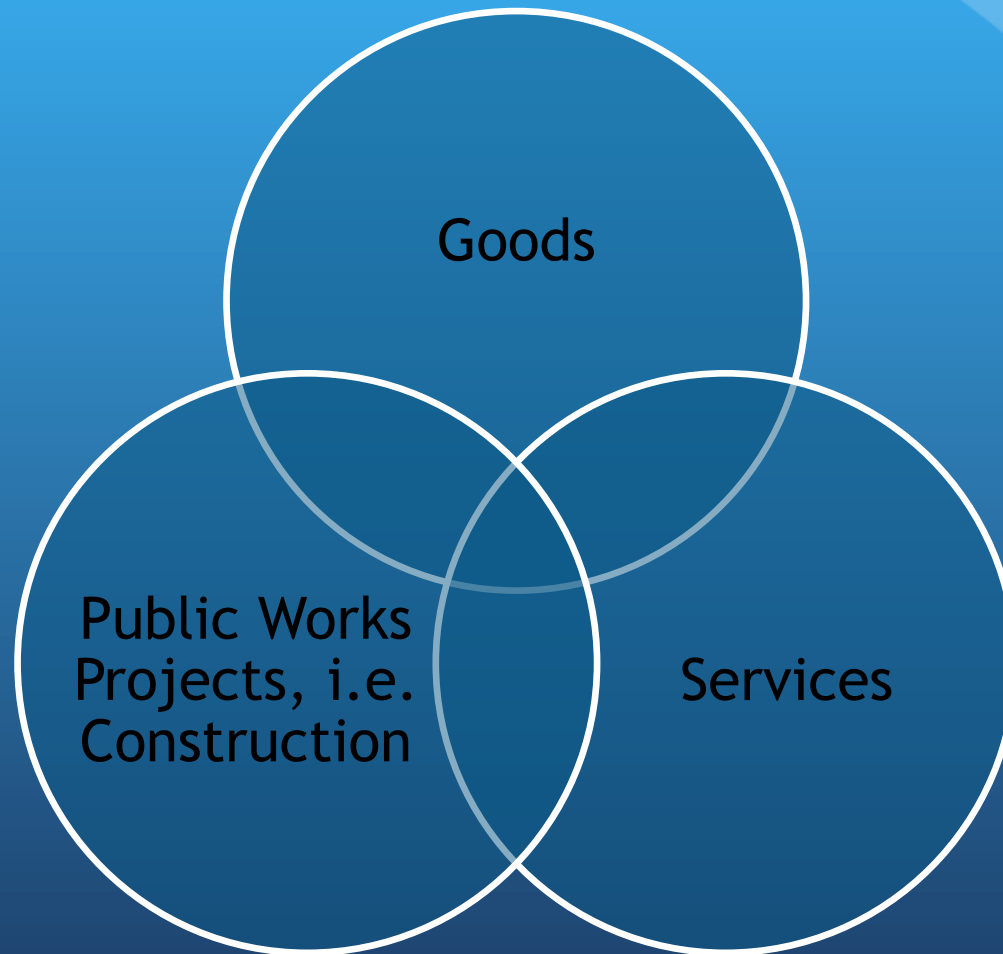


Learning Objectives

- Understand the process used to purchase items
- Know what the dollar limits are for purchasing and how they may differ depending upon is being purchased
- Be able to describe the basic steps of the bidding process
- Know about alternate purchasing processes such as piggyback bidding and CUPPCAA
- Describe the basics in dealing with facility purchasing
- Be able to compare and contrast different purchasing methods

Purchasing Overview

TYPES OF DISTRICT PURCHASING



Typical Items Purchased

Goods

- Classroom Supplies
- Textbooks
- Technology Devices
- Cleaning Supplies
- Copy Paper

Services

- Auditing
- Professional Development
- Copy machine servicing
- Various Consulting Services

Facility Works

- New Construction
- Modernization
- Repairs of Existing Buildings and Grounds



Ways in which Districts Purchase

Goods and Services

- Revolving Funds
- Credit Card
- Purchase Order
- Contract with purchase order
- Bidding
- Piggy Back
- State Approved Purchasing Program

Public Works

- Bid
- CUPCCAA
- Various other delivery methods (lease-back, design build, etc.)



Typical Purchase Order Process

Quote or
Price From
Vendor

Requisition
Submitted

Purchase
Order
Submitted

Purchase
Order
Approved
and Sent
to Vendor

Goods or
Services
Provided

District
Recognizes
Delivery

Vendor is
Paid

Employees Roles In Purchasing

Employee - Consumer

- This person obtains a quote for the good or service and submits the information to site admin for approval

Administrative Assistant

- Typical enters the request into the financial system to create a “requisition” or request

Purchasing

- Can be a department, person or in smaller district a person with other duties; proofs requisition and issues purchase order

Administrator

- An administrator typically signs the purchase orders; in small districts this can be the superintendent and may be delegated in larger districts

Distribution/Warehousing

- Items are delivered to the site or to the warehouse for distribution; never to a person’s home

Accounts Payable

- Once written confirmation of produce or service was delivered, then Accounts Payable will submit for payment when the invoice is received

Administrator

- An administrator will review the list of bills to pay and provide final approval

Purchase Order

- Official Document that provides confirmation of an order
- It is legally binding when the seller accepts the document
- Includes descriptions, quantities, prices, any discounts, sales tax as well as payment terms and delivery instructions
- Requires a unique number and authorizing signature
- A blanket purchase order may cover numerous purchases over time

Importance of Purchase Orders

- Should clearly state what the expected good or service is and what the district obligated to pay
- Encumbers or reserves funds in the financial system to help maintain a well managed budget
- It is part of the District's internal controls to prevent fraud and mismanagement of funds
- Provides documentation for auditors when they are testing for proper purchasing procedures

Contracts

- A document that provides a great level of detail than a purchase order
- Used for larger and long term purchases
- May provide a renewal option
- Sets specific terms and conditions
- Need to be reviewed by appropriate staff or legal counsel
- Only binding with board approval

Importance of Contracts

- Usual specify how disputes are handled
 - Options include binding arbitration, mediation, court
- Details obligations of both parties
- May allow for continuation of the contract
 - Commonly referred to as an “evergreen” clause
- Specify terms in which contract may be terminated
 - Often includes penalty for early termination
- Beware of contracts provided by vendors

Bidding, RFPs and Piggy Back Contracts

The Basics of Bidding

- School Districts must formally and publicly bid contracts based on what is being purchased and at what cost:
 - Construction projects over \$15,000
 - Equipment and supplies purchases or non-construction service contracts over \$96,700 (2021) (Public Contract Code § 20651.)

RFPs and RFQS

- Often when there is no requirement to bid a service, a competitive process must still be used
- Districts may utilize a Request for Proposals (RFPs) and or a Request for Qualifications (RFQ) to determine the best value for the District
- The RFPs and RFQs contain requirements as to what the vendor is to submit
- Although a price is typically requested, there are situations where the District can determine the best value based on the information requested

Comparison of RFP to Bid

Request for Proposal

- Best Value
- Final price may be negotiated
- Used often for professional services
- RFPs may allow more flexibility for solutions

Bid

- Lowest price
- What is bid is the price for the defined scope
- One type of “delivery method” for construction
- Bid documents specifies terms and conditions

Bid Process

- Develop details of what goods or service requires bidding
- Estimate cost
- Develop timeline
- Complete contract boilerplate
- Advertise bid
- Job walk
- Publicly open bids
- Verify documentations and announce apparent winner
- Wait for possible bid protestants
- Recommend acceptance/rejection to board at a public meeting
- Send notice of award; review bonds and insurance
- Execute Contract with purchase order
- Public works and maintenance projects: register with Department of Industrial Relations (DIR)
- Public Works: File Notice of Completion County before paying retention

Required Bonds for Construction

- Bid Bond
 - Ensures bidder cannot unilaterally rescind their bid
- Payment Bond
 - Protects suppliers and sub contractors from general contractor
- Performance Bond
 - Allows the district to hire another contractor to complete the work if the first contractor does not perform

Don't be too creative!

- Bid splitting: A district may not split or separate work into smaller work orders or projects
- In some cases similar works at *different* sites may be OK to treat separately
- If unsure, check with the district's counsel
- If in doubt, bid it out!

Items Except from Bidding

- Professional Services
- CMAS
- Change Orders (10% limit)
- Some (limited) technology
- Educational Materials
- Perishable Foodstuffs
- Emergency Repairs
- Energy Services
- JPA Agreements
- Day Labor
- Surplus Federal Property
- Emergency Repair
- Piggyback bids
- Proposition 39 Energy Projects

Piggyback Contracts

- Districts may utilize agreements lawfully entered into by public agencies to “lease data-processing equipment, purchase materials, supplies, equipment, automotive vehicles, tractors, and other personal property for the district...(Public Contract Code § 20652.)
- Piggyback contracts do not include construction work



Piggyback Process

- Item intended to be purchased is above bid threshold
- Search on-line or ask vendor if another District has a piggyback contract
- Obtain a complete copy of the contract
- Review contract to ensure the item you are purchasing is what is contained in the contract
- Prepare a contract with a PO that contains details
- Have district lawyer review documents
- Have Board approve the contract



Piggyback Pitfalls

- Make sure the item the originating District purchased is also what you want
- Public Works (construction) cannot be included
- Large technology infrastructure upgrades are generally consider construction and not eligible for a piggyback contract
- If unsure, consult legal council to confirm items may be purchased through the piggyback process

California Uniform Public Construction Cost Accounting CUPCCA

CUPPCAA Defined

- Increases “force account” limit to \$60,000 (2020)
- Provides for (“informal”) bidding procedures when an agency performs public projects with an estimated cost of over \$60,000 and under \$200,000 (2020)
- May award up to \$212,500
- The agency must follow specific accounting contractor recruitment procedures.
- Allows local agencies to perform public projects up to certain amounts with their own workforces (“Force Account”) or by negotiated contract.

CUPCCA: District Requirements

- Board of trustees elect for District to become subject to the uniform construction cost accounting procedures per resolution
- Resolution is filed with State Controller
- Board enacts informal bidding regulations under PPCC § 22034 which outlines the process on how district establishes a list of contractors to be notified of potential projects and procedures for information bidding

CUPPCAA: District Requirements

- Each November, advertise in local trade journal(s) inviting all licensed contractors to submit required information to be placed on CUPCCA list
 - This must be done every November
- District updates contractor list January 1st
- Contractor can be added to the list at any time
- Commission advises the inclusion of all contractors who submitted one or more valid bids during the preceding year

CUPPCAA: Contractor Requirements

- Contractor Must Pay Prevailing Wages.
- Bid Bond / Bid Security Required Payment Bond Required
 - Performance bond recommended
- Field Act Compliance Required.
 - Construction is subject to all State approvals.
- The work must be reported to the Department of Industrial Relations (DIR)

CUPPCAA: Contractor Requirements

- Staff member may approve bid if board has delegated authority to do so
- Drawings and/or plans may not be included unless needed for preparing bid
 - Be sure to be clear to what is being bid if drawings and plans are not required
- Board may approve bid up to \$212,500 to lowest responsible bidder if the board determines that the cost estimate for the work was reasonable

CUPPCAA: Informal Bidding Procedures

- Maintain list of qualified contractors
- Mail notice inviting bids at least 10 days before bids are due:
 - All who qualify for the category of work being done
 - Specified trade journals
 - Both
- Notice can be in general terms with information on how to obtain detailed information
- Site walk required where appropriate

Piggy Backs Vs. CUPPCAA



Piggyback contracts are intended to be used to purchase goods

CUPCCA is a process that eligible Districts may use to perform public works

Facility Purchasing

Repairs and Maintenance

- Construction work that is deemed a maintenance to an existing facility then the project is subject to the “repair” bid limit (\$96,700 in 2021)
- This applies to “repairs, including maintenance as defined in Section 20656, that are not a public project as defined in subdivision © section 22002.” (PCC §20651(a)(3).)
- **Note:** “Repair” is considered part of a “public project” but its bid limit is the same as “maintenance” under PCC §20651(a)(3).
- If in doubt, bid it out.

This information from
CASH Conference Feb.
2018

Requirements for Service Contracts Below Bid Limit

- Scope of work
- Estimation of Budget allowance
- Compliance with SB 854 requirements*
- Valid Contractor's license
- General Liability insurance
- Non-collusion affidavit
- Requisition/purchase order/agreement/contract

DIR District Requirements

- Must register within 5 days of awarding contract
- Districts must verify contractors are registered with the DIR before contracting out any Public Works projects over:
 - \$25,000 for new construction
 - \$15,000 for maintenance
- Amounts are cumulative per contractor



Public Works Project

- What is a public works defined:
 - Labor Code 1720

Construction, alteration, demolition, installation, or repair work done under contract and paid for in whole or in part out of public funds, except work done directly by any public utility company pursuant to order of the Public Utilities Commission or other public authority. For purposes of this paragraph, “construction” includes work performed during the design and preconstruction phases of construction including but not limited to, inspection and land surveying work



Other Construction Delivery Methods

- Lease, Lease-Back
 - District chooses contractor based on best value
 - Can be a long process
 - May be controversial
- Design Build
 - Architect and builder are the same firm
 - Perceived loss of control by District
- Construction Manager - Multi-Prime
 - Divides bid by trade
 - Likely to be time intensive for staff
 - Can lead to bid challenges



QUESTIONS?????

INFORMATIONAL SITES

http://www.sco.ca.gov/Files-ARD-Local/CUCCAC_Manual.pdf

<http://codes.findlaw.com/>

www.casbo.org/

REFERENCES

- Maximizing a District's Purchasing Power; Henderson, Madsen, Rish & Rish, presentation from CASH Conference, February 2018
- Guide to Bidding and Contracting for School Districts and Community Colleges, San Diego County Office of Education, April 2015
- Guide to Bidding and Contracting for School Districts and Community Colleges, Carreon, Frieman, Rem, Shipley Friedmand and Fulfrost, presentation from CASBO conference, 2018

Question to be prepared for

- What is the dollar limit amount that a District can purchase without bidding? Does it change depending on what you are purchasing?
- What is a piggy back bid and what do you need to be cautious about when using a piggy back bid?
- What are the advantages of participating in CUPPCAA? What action does a District need to do take stay compliant with CUPPCAA?
- What is DIR and when do you need to report work to them?