



REGULAR MEETING OF THE PURCHASING TASK FORCE

**Monday, February 10, 2020 – 1:30 p.m.
Laguna Woods Village Community Center Sycamore Room
24351 El Toro Road**

AGENDA

1. Call to Order
2. Approval of the Agenda
3. Chair Remarks
4. Member Comments (Items Not on the Agenda)
5. Department Head Update

Items for Discussion and Consideration

6. Scope of Work for Procurement Attorney
7. Purchasing Policy (Clean)
8. Purchasing Policy (Redline)
9. Responsibility Matrix
10. Board Operating Procedure

Future Agenda Items

Concluding Business:

11. Task Force Member Comments
12. Date of Next Meeting – February 25, 2020 at 1:30 p.m.
13. Adjournment

Bunny Carpenter, Chair
Betty Parker, Staff Officer
Telephone: 949-597-4201

PURPOSE OF PROCUREMENT LEGAL REVIEW

To comply with new laws and regulations. Regularly reviewing policies and procedures keeps your organization up to date with regulations, technology, and industry best practices. Policy review ensures that your practices stay consistent with corporate laws and regulations. Legal counsel can advise of changes and which policies they impact.

SCOPE OF WORK FOR PROCUREMENT ATTORNEY

The Corporation desires to hire a lawyer who specializes in procurement law to review and advise on the following matters:

1. Review internal Purchasing Procedures Manual. Confirm that manual complies with board-adopted Purchasing Policy.
2. Review standard terms and conditions for use with construction contracts.
3. Create standard terms and conditions for all purchase orders for purchasing materials and products.
4. Review current practice and make recommendation for purchase order signature authority.
5. Review Department of Recreation contracts and add terms, conditions, arbitration, severability, governing law, waiver of contractual right, amendment, assignment, etc., sufficient for the stated purpose and protection for the Corporation.
 - Performers Contract
 - Instructor Contract
 - Volunteer Instructor Contract
 - TV On-Air Personality Contract

Estimated Price

Contract Review	Estimate \$2,000
Purchasing Manual Review	Estimate \$5,000

PURCHASING POLICY

1. PURPOSE

The Purchasing Department's goal is to obtain the product or service that best meets the needs of the corporation at the best possible value and to protect the corporation from litigation resulting from these services.

2. CODE OF CONDUCT

No employee, officer, or agent shall participate in the selection, award, or administration of a contract if a real or apparent conflict of interest would be involved. Such a conflict would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in the firm selected for an award. The officers, employees, and agents of the Corporation shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, or parties to sub agreements except for where the financial interest is not substantial or the gift is an unsolicited item of nominal value. Substantial gift means a gift, donation, or other consideration sufficient to influence a person to act in a specific manner. (i) goods or services that are given or offered to an employee and that have a fair market value of more than \$100 (without regard to the cost to the donor); and (ii) a loan made on preferential terms. No officer, employee or agent shall intentionally be involved in bid "splitting" to purchase or break down proposals to evade or circumvent the requirements for signature authorization levels. Members of the Corporation Board of directors shall comply with all relevant fiduciary duties, including those governing conflicts of interest, when they vote upon matters related to procurement contracts in which they have a direct or indirect financial or personal interest. Officers, employees, directors, and agents of the Corporation shall be subject to disciplinary actions for violations of these standards.

3. FUNDS

Funding for all procurement is approved by the Corporation Board of Directors through the capital plan, a supplemental appropriation or the operating budgets of each department, prior to procurement of goods or services.

4. COMPETITIVE BIDDING PROCESS

The Purchasing Department carries out a bidding process whether the request is for an item, a service or a project. The following steps are taken:

- a. A Purchase Requisition (PR) and a detailed Scope of Work (SOW) are submitted by the requesting department. The Purchasing Department reviews the SOW and if it requires more detail, it is returned to the requesting department with questions and comments.

- b. The Purchasing Department will incorporate the final SOW into a request for proposal (RFP) for professional services or bid solicitation for construction services, together with brief information about the community, insurance requirements, a pre-bid meeting date and the deadline for submitting proposals/bids. The RFP/bid solicitation is normally sent to at least three (3) vendors/contractors to obtain bids, or may be widely advertised.
- c. When the proposal/bids are received, the Purchasing Department will evaluate them to ensure that each bidder meets the SOW and will recommend the best qualified bid and competitive proposal/bid. If a proposal is submitted late, the Purchasing & Supply Manager will determine if the proposal should be accepted or rejected.

Exceptions to carrying out the bidding process:

- Single source the work per written detail justification.
- The item or project is under \$5,000, unless required by the Purchasing & Supply Manager.
- A specialized item or project is required and vendors/contractors are limited or the vendor/contractor has previously proven their expertise in this field when justified. (Sole Source)
- Work is required immediately (e.g. a broken water main).
- A current material purchase agreement or annual service contract is expiring using a proven vendor/contractor and their pricing does not increase.
- A contractor is currently working under a service contract and the same work is required for a one time project.
- Having received no concerns about a contractor currently working if no price increase having been vetted and approved by department head(s)..
- Blanket purchase orders are used. Items are supplied without agreed prices on an emergency basis only.
- Change Order to an existing contract, as per the Board-adopted Contract Change Order Policy.

5. AWARD PROCESS

- a. After proposal/bids are received, opened, and analyzed by staff, a detailed Contract Award report will be prepared for the appropriate Committee or Board as outlined in the Board-adopted Delegation of Action and Commitments Matrix. The Contract Award report will be prepared by the Division overseeing the services to be contracted for, and shall include a comparison spreadsheet listing all the

proposals/bidders; a description of the services to be contracted for; and staff's recommendations.

b. Minimum requirements prior to Standard purchase

In purchasing from any supplier in which there is no contract, these items are required prior to ordering. If these items are not provided by the vendor, alternate sources must be used:

- 3 day refusal based on initial inspection
- 30 day returns due to initial failure
- Maximum 25% Restocking Charge
- 1 Year Warranty for failure of product

6. EXCEPTIONS

Certain purchases made are processed internally by VMS and do not require Board approval:

- Casualty and Property Insurance
- Debt Service Payments
- Employee Benefits/Contracts with Third Parties for Payroll Deductions
- i.e. Life, Health and Dental Insurance, 401K contributions, Pension payments, EAP
- Investments
- Legal Fees
- Memberships, Dues, Subscriptions, Publications
- Permits
- Postage
- Recording Fees
- Retirement Plan Contributions
- Section 457 (Deferred Compensation) Contributions
- Services Procured with non-Corporation Funds (Developer Deposits, etc.)
- Staff Support
- Tax Withholding Payments
- Training, Seminars and Travel Expenses
- Unemployment Compensation
- Utilities
- Vehicle Licensing
- Contracts for television programming for Village TV and cable providers are managed by Village TV/Broadband.

7. Following the competitive bidding process the parties enter into an agreement. The process and document differs between product and services:

a. Standard or Blanket Purchases

Authority is given to staff to purchase items/materials based on approved budgets. Standard purchases are not signed by the Board. {To be reviewed by Corporations. Purchases based on approved budgets was never authorized by the Corporations (we need any documentation that gives that authorization). Guidelines must be set. Delegation of Authority Document for VMS is necessary. Any purchase order processed through the AX system must be signed and stipulated applicable terms and conditions which will be addressed by Legal counsel.}

Parts and materials purchased as standard requisitions purchased for stocking in warehouse and for direct use by the work centers in the manors or repair of capital equipment by staff.

Budgeted Capital purchases for fixed assets are considered approved purchases and are verified by accounting.

i. Supply item:

The Buyer uses the Purchase Requisition (PR) to create a Purchase Order (PO) and then forwards it to the vendor.

ii. Stock item:

A material purchase agreement is written and after execution the Warehouse Department creates purchase requisitions when the stock items are required. The requisitions are approved by the Purchasing & Supply Manager and the items ordered by the Buyers.

b. Annual service:

A contract is written for the service and when executed a Purchase Order from the requisition is generated to enable payment through the accounting system.

Annual Contracts are not to exceed contracts based on unit prices guaranteed through the term of the contract. They are used by the work centers for miscellaneous services provided through the year. Work is competitively bid or minor work that require expedience to complete. Open buildings, dangerous conditions that will cause early building failure, etc.

Annual not to exceed contracts for work that has been previously bid and satisfactory work performance, does not require Board approval.

Amounts are authorized by approved purchase orders created by work centers within budget amounts.

c. Minor project (Less than \$5,000): The Purchasing Department obtains approval of the contractor and value from the requesting division. The Contract Administrator adds conditions to the purchase requisition, prepares a Purchase Requisition and the Purchasing Department generates a Purchase Order after all requirements are met, and forwards it to the contractor.

d. Small Project (\$5,000 - \$50,000):

The Purchasing Department obtains approval of the contractor and value from the requesting division and a contract is written for the work. The contract SOW is copied from the RFP with any changes that occurred during the bidding process. The completed contract is signed by the contractor then by the VMS CEO or designated Division Director.

e. Large Project (\$50,000 - \$500,000):

Staff provides a report and evaluation to the appropriate committee who make the recommendation to the Boards for approval. The Purchasing Department receives a requisition from the requesting division and a contract is written for work. The completed contract is sent to the contractor and then to the Board for signature by two Officers.

f. Very Large and Special Projects (>\$500,000)

Additional process and specific procedures required for Very Large Projects with direct Board involvement not covered here.

g. Leasing;

Leasing agreement will be forwarded to the appropriate Board for signature. Examples are Copier Equipment, Golf Carts and other agreements that the leasing agent require on their forms.

h. The Purchasing Department will assist the requesting department to cancel a contract or produce written warnings to a contractor.

i. Non-standard contracts will be forwarded to VMS legal counsel with expertise in contract law for review [GRF only].

8. CHANGE ORDER TO CONTRACTS

a. Per the Board-adopted Change Order Policy.

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Exceptions to carrying out the bidding process ~~are when:~~

- ~~The Board of Directors passes a resolution to S~~single source the work per written detail justification.
- The item or project is under \$~~5,000~~2,500, unless required by the Purchasing & Supply Manager.
- A specialized item or project is required and vendors/contractors are limited or the vendor/contractor has previously proven their expertise in this field when justified. (Sole Source)
- Work is required immediately (e.g. a broken water main).
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c. Minor project (Less than ~~\$1,000~~\$5,000):

The Purchasing Department obtains approval of the contractor and value from the requesting division. The Contract Administrator adds conditions to the purchase requisition, prepares a Purchase Requisition and the Purchasing Department generates a Purchase Order after all requirements are met, and forwards it to the contractor.

~~b.~~ Small Project (~~\$5,000~~1,000 - ~~\$50,000~~25,000):

The Purchasing Department obtains approval of the contractor and value from the requesting division and a contract is written for the work. The

contract SOW is copied from the RFP with any changes that occurred during the bidding process. The completed contract is signed by the contractor then by the VMS+ CEO or designated Division Director.

d.

~~e.e.~~ Medium-Large Project (~~\$50,000~~25,000 - ~~\$500,000~~100,000):

~~The Purchasing Department obtains approval of the contractor and value from the appropriate Committee via the requesting division and a contract is written for the work. The contract SOW is copied from the RFP with any changes that occurred during the proposal/bidding process. The completed contract is presented to the appropriate committee and signed by the contractor then by two Officers of the Board. Staff provides a report and evaluation to the appropriate committee who make the recommendation to the Boards for approval.~~

The Purchasing Department receives a requisition from the requesting division and a contract is written for work. The completed contract is sent to the contractor and then to the Board for signature by two Officers.

Large Project (>\$100,000):

~~The Purchasing Department obtains approval of the contractor and value from the appropriate Board via the requesting division and a contract is written for the work. The contract SOW is copied from the RFP with any changes that occurred during the proposal / bidding process. The completed contract is signed by the contractor then by two Officers of the Board.~~

~~e.f.~~ Very Large and Special Projects (>\$500,000)

Additional process and specific procedures required for Very Large Projects with direct Board involvement not covered here.

~~e.g.~~ Leasing;

Leasing agreement will be forwarded to the appropriate Board for signature. Examples are Copier Equipment, Golf Carts and other agreements that the leasing agent require on their forms.

~~f.h.~~ The Purchasing Department will assist the requesting department to cancel a contract or produce written warnings to a contractor.

~~g.i.~~ Non-standard contracts will be forwarded to VMS legal counsel with expertise in contract law for review [GRF only].

~~h.~~ Industry specific television programming contracts are exceptions to this policy [GRF only].

~~6.8.~~ CHANGE ORDER TO CONTRACTS

- a. Per the Board-adopted Change Order Policy.

~~7.~~ AX PAYMENT PROCESSING

- ~~a. When an executed contract is completed, the Contract Administrators will process the PR and a PO will be generated for work approval and payment.~~

1 CONTRACTS/<u>PURCHASE ORDER</u> - RESPONSIBILITY MATRIX					
2					
3		Organization			
4	Delegation of the Initiation, Authorization and Performance of Actions and Comments that are Within the Responsibility Scope of the Organization	Board of Directors	Committee Chair	VMS	All Corporate Members
5	1. Request for Analysis - Determination of Objectives-Project Request Form	I	I(1)		
6	2. Analysis Review			P	
7	3. Approval to fund Analysis	A			
8	3.1 GRF Capital Improvements Greater than \$500,000	A		P	A
9	4.1 Scope of Work /Specifications		O	P	
10	5.1 Request For Proposals (RFP)/Bid Solicitation-Preparation/Delivery			P	
11	6.1 Consultant/Bidders List- Preparation			P	
12	7.1. Consultant Interviews/Pre-Bid Meeting		O	P	
13	7.2 Bid Opening			P	
14	8. Bid Review & Price & Cost Analysis			P	
15	10.1 Contract/ <u>PO</u> Award- \$25,000 <u>\$50,000</u> to \$100,000	A	R	P	
16	10.2 Contract/ <u>PO</u> Award- Approval Greater than \$100,000	A	O	P	
17	11. Change Orders- Per Adopted Contract Change Order Policy			P	
18	12. Administration of Contract and/or Work			P	
19	13. Project Acceptance (Projects over \$100,000)			P	
20	Key				
21	I= Initiate an Activity, directive may come from either, but the directive is requires				
22	I(1)= Initiate activity within Committee charter and with objective parameters				
23	A= Authorize an activity that is within the Governing Documents				
24	O= The Committee or Board may choose to exercise participation at this level; if not, the Agent will perform the task				
25	R= Review reports and/or for Approval, where necessary and appropriate				
26	P= Performed by managing agent				

Board Operation Procedures – Contracts & Purchase Orders

1. Request for Analysis-Determination of Objectives (Project Request Form)

The decision to commission an Analysis Request primarily resides with the Board of Directors however; a committee chair with committee approval may also request an analysis from the Managing Agent. There may be situations where a committee will request an analysis from other professional organizations and/or vendors. Certain **contracts purchases** are processed based upon board-approved service levels and appropriations, and are not a result of an Analysis Review.

2. Analysis Review

The **Division Department** Director having jurisdiction over this activity will cause an Analysis to be prepared for the project and preparation for the subject report.

3. Approval of Appropriation by Resolution of Board

Approval of project funding through Budget adoption. With Board approval, a consultant may be engaged to develop preliminary cost estimates for budgeting purposes.

3.1 GRF Capital Improvements Greater than \$500,000

This activity is reserved for All Corporate Members with the Board of Directors (**GRF Bylaw 2.1.4 – 2.1.6-2.1.7.**) The preparation shall be by the managing agent.

2.1.4 to engage in any business or activity now or hereafter permitted by law, the Articles of Incorporation of this Corporation, and these Bylaws, subject to the terms of the Trust, and subject to the limitations as follows: (1) As to any sale and/or conveyance (but excluding any license or easement) of Golden Rain Foundation or Golden Rain Foundation Trust real estate and/or improvements, where the value of the real estate or improvement is appraised for at least \$500,000; (2) As to any lease of real estate or improvement in excess of 1 year; (3) As to any acquisition of real estate, where the total amount to be paid is at least \$500,000; (4) As to any expansion of facilities or construction of new facilities, either the construction of a new facility or an addition to an existing facility of at least 1,000 new or additional square feet or a minimum cost of \$500,000. For the purposes of this Bylaws Adopted September 29, 2014 Golden Rain Foundation of Laguna Woods 2 Section, "facilities" is as defined in the Golden Rain Foundation Trust Section VII(M)(4); and (5) As to any borrowing, an amount in excess of\$1,000,000.

2.1.6 GRF shall obtain approval of the Corporate Members prior to engaging in any business or activity specified in the Trust Agreement or in Paragraph 2.1 .4 as requiring such approval. The vote shall be by ballot pursuant to Paragraph 5.8.2.

2.1 7 the Corporate Members shall notify GRF that a vote of the Corporate Members is required pursuant to Paragraph 2.1.6 when, by way of resolution pursuant to Corporations Code 7211 (b) or affirmative vote of the Corporate Members pursuant to Paragraph 5.8.2, the Corporate Members determine that such a vote is needed.

4.1 Scope of Work/Specifications

The managing agent has the responsibility to create the scope of work/specification and the Committee may elect to review it before it is advertised for bids, or requests for proposals are issued.

5.1 Request for Proposal (RFP)/Bid Solicitation with Scope of Work/Specifications. The Managing agent will prepare the RFP or Bid Solicitation

6.1 Consultant/Bidders List Preparation

The bidders list will be created by the managing agent.

7.1 Consultant Interviews / Pre-Bid meeting

The managing agent has the responsibility to organize and manage consultant interviews and/or pre-bid meetings. The Committee may elect to participate in the interviews/meetings.

7.2 Bid Opening

The Board does not have to participate in this activity; Bid openings will be conducted by the managing agent.

8. Bid Review (Price and Cost Analysis)

The Managing Agent will prepare the Price and Cost Analysis which will be presented to the **Committee and Board respectively** Board upon recommendation for contract/purchase award.

10.1 Contract/Purchase Order Award - ~~\$25,000~~ \$50,000 to \$100,000

The appropriate committee will review staff's recommendation and **will recommend Board approval** to award the contract/purchase to the vendor best fulfilling the requirements of the RFP/Bid Solicitation.

10.2 Contract/Purchase Order Award – Amounts Greater than \$100,000

The appropriate committee will review and recommend approval for contract/purchase order award to the Board for the vendor best fulfilling the requirements of the RFP/Bid Solicitations. The Board will have final approval of the contract/**purchase order award** within the Governing Documents.

11. Change Orders

Process per the Board-adopted Contract Change Order Policy

12. Administration of Contract and/or Work

The Managing Agent performs this activity with reporting, when requested, to the appropriate committee of progress and discussion of any issues which may have a substantial impact on cost or completion date for the project.

~~13. Project Acceptance~~

~~Department Directors overseeing projects in excess of \$100,000 in value will present to the Board a comprehensive report at project completion. The report will outline the project progression and timeline; the final accounting of the contract amounts, including all change orders issued for the project. Staff will recommend the project be accepted by the appropriate Board. Once the Board accepts the project as complete, all retention, bonds, and other moneys due will be released.~~

~~Exceptions~~

~~Certain purchases made as listed in 6. Exceptions in the Purchasing Policy manual are processed internally by VMS and do not require Board approval~~