



BEACON HILL
WATER AND SEWER DISTRICT

PURCHASING MANUAL

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INTRODUCTORY STATEMENT

Beacon Hill Water and Sewer District (BHWSO) is a rate-based utility and a Special Purpose District recognized by the State of Washington. It is a recognized form of local government. This document establishes guidelines and clarifies the policies and procedures for purchasing supplies and materials and contracting for services by BHWSO. The procedures set forth in this manual are designed to assure customers that BHWSO is receiving maximum value for each utility dollar spent, and to assure fiscal responsibility in the procurement process.

The requirements of this manual are intended to assure compliance with State laws and develop a uniform procurement system. By buying competitively, BHWSO will obtain maximum value for public funds spent, while promoting good, continuous relations with suppliers as well as reliable alternate sources of supply. This document does not provide additional legal rights to parties involved in legal disputes with BHWSO not otherwise provided by State statutes.

Please see Attachment A for supplemental policy on Federal Award Standards.

PURCHASING CODE OF ETHICS

The purpose of this Code of Ethics is to give guidance to all BHWSO employees so that they may conduct themselves in a manner that will be compatible with the best interest of BHWSO.

Proper purchasing procedure requires that:

- Actions of BHWSO employees be impartial and fair.
- BHWSO purchasing decisions are made by the proper authorities.
- Public employment is not to be used for personal gain. BHWSO employees may not solicit, accept, or agree to accept any gratuity for themselves, their families or others that would or could result in financial or personal gain, advancement, or establish or satisfy some obligation for or on behalf of the employee, the employee's family or friends. Purchasing decisions must be made impartially.

GIFTS AND GRATUITIES

Employees are expected to decline the acceptance of anything of value that may involve or imply an obligation including the performance of work on District customers' private property during non-working hours if such work is related to the customers or the Districts water or sewer system.

BHWSO employees may not solicit, accept, or agree to accept any gratuity for themselves, their families or others that would or could result in personal gain. Personal gain may result not only in cases where an employee or relative has a significant interest in a firm with which the District does business but also when an employee or relative receives any gift or special consideration as a result of any transaction or business dealings involving the District. Purchasing decisions must be made impartially. The following items are not considered gratuities:

- Discounts or concessions routinely available to the general public;
- Items received that do not result in personal gain that are turned over to the District for general District use;
- Sample products provided to the District for General District use.

POTENTIAL CONFLICTS

If an employee has any influence on transactions involving purchases, contracts, or leases, it is imperative that he or she disclose to the General Manager as soon as possible the existence of any actual or potential conflict of interest so that safeguards can be established to protect all parties.

CREDIT CARDS

BHWSO has authorized the use of District credit cards by Resolution. The General Manager determines which employees are authorized to use such cards. Credit cards are to be used for authorized District expenses and travel. Credit limits are at the discretion of the General Manager but shall not exceed \$5,000. All credit balances are paid in full each month. Credit cards are not to be used for the following:

- Cash advances;
- Personal use, unless such use is incidental to District travel, conforms to District policy and is reimbursed prior to the District paying the claim for the charges;
- Purchase of materials, property and/or services from a family member of the Commissioners or Employees;
- Purchase of long lead-time items;
- Purchase of alcoholic beverages, gifts, personal telephone calls, personal e-mail or internet usage, videos or DVD's not involving training or forms for District use

Each month employees must prepare and submit expense forms that identify credit card purchases, along with payment for any amounts that must be reimbursed.

EXPENSE REIMBURSEMENT

Reasonable expenses incurred for business travel or miscellaneous business purchases will be reimbursed. Expenses shall be submitted for approval on a signed expense report no less than quarterly. Receipts are required. In the absence of a receipt, purchases may be approved by general manager if they were for an obvious business purpose. Allowable expenses include but are not limited to:

- Lowest round-trip coach fare for Air, Bus or Train travel.
- Actual cost of auto rental only when public transportation or taxi service is not available. Gasoline purchases for rental cars will also be reimbursed when receipts are submitted.
- Parking charges.
- Taxi charges.

- Actual cost of lowest available rate for minimum night stay to attend function. May be combined with airfare charges to determine lowest package rates (i.e. if meeting ends on Thursday evening and cost of additional night lodging is less than savings on airfare for flying on Sunday, the additional day will be approved). District will pay room rate for employees only. Any additional charge due to family member attendance is the responsibility of employee.
- Meals related to travel. If meals are provided as part of event registration, those meals are not eligible for reimbursement unless they are related to outside meetings. No reimbursement for alcoholic beverages.
- Event or class registrations.
- Reasonable miscellaneous purchases either related to travel or for District supplies.
- Reasonable tips and gratuities not to exceed 15%.
- Emergency procedures meals. The District may provide meals for employees who are working extended hours on an emergency from which they cannot leave to obtain meals. Employees who pay for these meals for staff shall be reimbursed.

The General Manager has authority to grant exceptions to this policy when it is determined to be in the best interest of the District. General Managers signature on the expense report containing exception indicates approval.

PROFESSIONAL SERVICES

Per RCW 39.04.190 the purchase of services other than those for Architectural or Engineering, have the same requirements and monetary thresholds as material, supply and equipment purchases. Architectural and Engineering Services are procured per RCW 39.80.040. This requires entities to advertise for qualifications of architectural and engineering firms on an annual basis and negotiate with the best qualified firm as needed. BHWSO subscribes to the Municipal Research and Services Center (MRSC) Roster which fulfills these requirements. Contracts less than or equal to \$50,000 in size may be approved by the General Manager and the Board notified.

PROJECT CONTRACTING

BHWSO may act as its own General Contractor for projects, bidding only Sub-Contractor portions of the work. This arrangement cannot be used to avoid the maximum or minimum dollar amount of a project, so it falls into a less restrictive bid category. For purposes of the applicable bid compliance standards, the cumulative project cost must be used to calculate project size. Projects less than or equal to \$50,000 in size may be approved by the General Manager and the Board notified.

CHANGE ORDERS

On projects, the General Manager may approve change orders up to \$25,000 if the change order is within the scope of the project. Change orders outside the project scope or above \$25,000 shall require prior Board approval.

WAIVING COMPETITIVE BIDDING

Competitive bidding may be waived under the following circumstances:

- Purchases that are clearly and legitimately limited to a single source of supply;
- Purchases in the event of a declared emergency;
- Purchases of insurance or bonds.

PUBLIC WORKS EMERGENCY

The General Manager may declare an emergency and waive competitive bidding requirements. The Board of Commissioners must pass a Resolution recognizing the declared emergency within two weeks of awarding any contracts entered into pursuant to such emergency declaration.

SOLE SOURCE OR PROPRIETARY PROCUREMENTS

Occasions may arise when competition among potential vendors or contractors is not possible for a particular purchase. This may occur when:

- There is clearly and legitimately only one source capable of supplying the item or work in a timely fashion;
- In the event of emergencies.

In these instances, Contracts may be entered into with sole source suppliers without soliciting other bids or quotes.

MATERIALS, SUPPLIES & EQUIPMENT

Per RCW 39.04.190 a Vendor List may be established for the purchase of materials, supplies or equipment of less than \$50,000. BHWSO subscribes to the Municipal Research and Services Center (MRSC) Roster which fulfills these requirements, and which must be used for purchases between \$25,000 and \$50,000 and may be used for smaller sized purchases.

PURCHASES – LESS THAN \$20,000

Materials and supplies less than \$20,000 are made with the General Managers approval. Quotes are recommended but not required. Purchases may be made with petty cash, District credit card up to \$5,000, purchase order or through a vendor billing arrangement. Receipts are required for all purchases.

PURCHASES – \$20,000 AND MORE TO \$40,000

Materials and supplies \$20,000 and more up to \$40,000 are made with the General Managers approval if they are a budgeted item or emergency expense. An item \$20,000 and more that is not a budgeted item, or a purchase related to a declared emergency requires Board approval. Three quotes

are required. Exceptions include items sole sourced for reasons outlined in this manual or items for which there are not three sources for the item available. Items can also be obtained with a purchase order or through a vendor billing arrangement. Receipts are required for all purchases.

PURCHASES –\$40,000 AND MORE BUT LESS THAN \$50,000

Materials and supplies \$40,000 and more but less than \$50,000 are made from the Vender Roster if they are a budgeted item or emergency expense. An item that is not a budgeted item or a purchase related to a declared emergency requires Board approval. Quotes should be obtained from all appropriate suppliers on the small works roster. Exceptions include items sole sourced for reasons outlined in this manual or items for which there are not three sources for the item available. Item purchases may be made with purchase order or through a vendor billing arrangement. All purchases must be made by contract.

PURCHASES –\$50,000 AND OVER

Materials and supplies equal or greater than \$50,000 require an advertised Request for Bids with 13-day notice. Item's must be budgeted items or purchases related to a declared emergency. All purchases of \$50,000 and more require Board approval. Vender is required to supply a 5% bid bond. All purchases must be made by contract. As an alternative to the bid process, items may be purchased off State contract, Sourcewell, or other legitimate public procurement through cooperative purchasing.

PUBLIC WORKS PROJECTS

Public work projects include all work, construction, alteration, repair and improvement other than ordinary maintenance. Ordinary maintenance is defined as work not performed by contract and that is performed on a regularly scheduled basis (e.g., daily, weekly, monthly, seasonally, semiannually, but not less frequently than once per year), to service, check, or replace items that are not broken; or work not performed by contract that is not regularly scheduled but is required to maintain the asset so that repair does not become necessary. BHWSO subscribes to the Municipal Research and Services Center (MRSC) Roster which fulfills the requirements per RCW 39.04.155.

PROJECTS AND REPAIRS – LESS THAN \$25,000

Projects and repairs less than \$25,000 are made with the General Managers approval. Phone quotes are encouraged but not required. No contract is required. Contractor must submit a combined Intent & Affidavit Prevailing Wage form to BHWSO for projects less than \$2,500 or a Prevailing Wage Intent and Affidavit report with Labor and Industries with a copy to BHWSO for projects \$2,500 or more. Short Form reports are to be sent monthly to Labor and Industries.

PROJECTS AND REPAIRS – \$25,000 AND MORE UP TO \$50,000

Really Small Public Works Projects (RSPWP) and repairs \$25,000 and more up to \$50,000 are made with the General Managers approval for a budgeted or emergency expense. Three quotes are required unless the work requires sole sourcing or there are not three sources for the work available. Contractor must file Prevailing Wage Intent and Affidavit reports with Labor and Industries with a copy to BHWSO. Small Works Roster process is not required but may be used.

PROJECTS AND REPAIRS – MORE THAN \$50,000 BUT LESS THAN \$350,000

Budgeted projects and repairs more than \$50,000 but less than \$350,000 are made with the General Managers approval from the Small Works Roster. Three bids are required. Exceptions include repairs for a declared emergency, work sole sourced for reasons outlined in this manual or items for which there are not three sources for the work available. All work requires a Small Works Contract, Insurance Certificate and Insurance Questionnaire on file. A 100% payment and performance bond is required. The bid, payment and performance bonds, as well as retainage, may be waived for projects under \$50,000 per RCW 39.04.155. Contractor must file Prevailing Wage Intent and Affidavit reports with Labor and Industries with a copy to BHWSO. Board acceptance is required for completion of projects over \$50,000. The General Manager is authorized to accept completion for projects under \$50,000.

PROJECTS AND REPAIRS –\$350,000 AND MORE

Budgeted projects and repairs of \$350,000 and more require an advertised Request for Bids with 13-day notice. Sealed bid awards will be made by the Board. Contractor is required to supply a 5% bid bond. All projects require a Public Works Contract, Insurance Certificate and Insurance Questionnaire on file. A 100% payment and performance bond is required. BHWSO will retain 5% of the money earned by the Contractor until project completion and acceptance. Contractor must file Prevailing Wage Intent and Affidavit reports with Labor and Industries with a copy to BHWSO. Board acceptance is required for completion and acceptance of projects.

UNIT PRICE CONTRACTING

As amended by the State under RCW 57.08.050, Section 10(6)(a), The district may procure public works with a unit priced contract under this section for the purpose of completing anticipated types of work based on hourly rates or unit pricing for one or more categories of work or trades.

(b) For the purposes of this section, "unit priced contract" means a competitively bid contract in which public works are anticipated on a recurring basis to meet the business or operational needs of the district, under which the contractor agrees to a fixed period indefinite quantity delivery of work, at a defined unit price for each category of work.

(c) Unit priced contracts must be executed for an initial contract term not to exceed one year, with the district having the option of extending or renewing the unit priced contract for one additional year.

(d) Invitations for unit price bids will include, for purposes of the bid evaluation, estimated quantities of the anticipated types of work or trades, and specify how the district will issue or release work assignments, work orders, or task authorizations pursuant to a unit priced contract for projects, tasks, or other work based on the hourly rates or unit prices bid by the contractor. Contracts must be awarded to the lowest responsible bidder as per RCW 39.04.010.40.

Whenever possible, the district will invite at least one proposal from a certified minority or woman contractor who otherwise qualifies under this section.

(e) Unit price contractors shall pay prevailing wages for all work that would otherwise be subject to the requirements of chapter 39.12 RCW. Prevailing wages for all work performed pursuant to each work order must be the prevailing wage rates in effect at the beginning date for each contract year. Unit priced contracts will have prevailing wage rates updated annually. Intents and affidavits for prevailing wages paid must be submitted annually for all work completed within the previous twelve-month period of the unit priced contract.

Attachment A

BEACON HILL WATER AND SEWER DISTRICT FEDERAL AWARD STANDARDS

PURPOSE

Establish and maintain internal controls that provide reasonable assurance that Federal awards are being managed in compliance with all Federal regulations and with the terms and conditions of the award. Beacon Hill Water and Sewer District (“BHWSO”) will follow the Uniform Guidance, the Local Agency Guidelines (LAG) distributed by The Washington State Department of Transportation (WSDOT), Government Accountability Office Standards for Internal Control in the Federal Government (the Green Book) and the Committee of Sponsoring Organizations of the Treadway Commission’s (COSO) Internal Control – Integrated Framework Principles.

INTERNAL CONTROLS

BHWSO will maintain effective internal control over the federal award providing reasonable assurance that BHWSO is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

- Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.
- Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive.

CERTIFICATION

To assure that expenditures are proper and in accordance with the terms and conditions of the Federal award and approved project budgets, the annual and final fiscal reports or vouchers requesting payment under the agreements must include a certification, signed by an official who is authorized to legally bind the non-Federal entity, which reads as follows: “By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise.”

ADVANCE PAYMENTS AND REIMBURSEMENTS

Payment methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by BHWSD whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means.

- Advanced payments must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of BHWSD to carry out the purpose of the approved program or project. Any advanced payments must be consolidated to cover anticipated cash needs.
- BHWSD shall minimize the time elapsed between receipt of federal aid funds and subsequent payment of incurred costs.

ALLOWABLE COSTS

Federal awards will meet the following general criteria in order to be allowable except where otherwise authorized by statute;

- Be necessary and reasonable for the performance of the Federal award;
- Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items;
- Be consistent with policies and procedures that apply uniformly to both Federally financed and other activities of BHWSD;
- Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.;
- Be determined in accordance with generally accepted accounting principles (GAAP);
- Not be included as cost or used to meet cost sharing or matching requirements of any other Federally-financed program in either the current or a prior period;
- Be adequately documented.

PROCUREMENT

When procuring property and services under a Federal award, BHWSD will follow 2 CFR §200.318 General procurement standards through §200.326 Contract provisions or BHWSD purchasing procedures whichever is more restrictive. The following table outlines procurement requirements when using Federal funds.

Contracts for more than the simplified acquisition threshold currently set at \$150,000 must address administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as appropriate. Contracts and sub-grants of amounts in excess of \$150,000 requires that the BHWSD will comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act and the Federal Water Pollution Control Act.

BHWSD will monitor procurements to avoid duplicative purchases. BHWSD will also continue to enter into inter-entity agreements to realize cost savings for shared goods and services when possible. Verify and document that vendors are not suspended or debarred from doing business with the Federal government.

SINGLE AUDIT ACT

BHWSD, as a recipient of Federal funds, shall adhere to the Federal regulations outlined in 2 CFR §200.501 as well as all applicable Federal and State statutes and regulations.

CLOSURE

A project agreement end date will be established in accordance with 2 CFR §200.309. Any costs incurred after the project agreement end date are not eligible for Federal reimbursement.

CODE OF CONDUCT

PURPOSE

The purpose of the Code of Conduct is to ensure the efficient, fair and professional administration of federal grant funds in compliance with 2 CFR §200.112, 2 CFR §200.318 and other applicable federal and state standards, regulations, and laws.

APPLICATION

This Code of Conduct applies to all elected officials, employees or agents of the BHWSD engaged in the award or administration of contracts supported by federal grant funds.

REQUIREMENTS

No elected official, employee or agent of BHWSD shall participate in the selection, award or administration of a contract supported by federal grant funds if a conflict of interest, real or apparent, would be involved. Such a conflict would arise when any of the following has a financial or other interest in the firm selected for award:

- BHWSD employee, elected official, or agent; or
- Any member of their immediate family; or

- Their partner; or
- An organization which employs, or is about to employ any of the above.

BHWSD's elected officials, employees or agents shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, potential contractors or subcontractors.

REMEDIES

To the extent permitted by federal, state or local laws or regulations, violation of these standards may cause penalties, sanctions or other disciplinary actions to be taken against the BHWSD's elected officials, employees or agents, or the contractors, potential contractors, subcontractors or their agents. Any potential conflict of interest will be disclosed in writing to the Federal awarding agency

