

TRUCKEE TAHOE AIRPORT DISTRICT

POLICY INSTRUCTION

PI NUMBER 210.0

Effective: September 6, 1995
Revised: January 24, 2002
March 27, 2003
December 17, 2009
August 25, 2011

SUBJECT: EXPENDITURE AUTHORIZATION - PROCUREMENT

PURPOSE: THE PROCUREMENT OF GOODS AND SERVICES BY THE DISTRICT IS INTEGRAL TO OPERATIONS. CALIFORNIA GOVERNMENT CODE SECTION 54202 REQUIRES ALL LOCAL AGENCIES TO ADOPT FORMAL PURCHASING POLICIES AND PROCEDURES. THIS POLICY IS DESIGNED TO GUIDE DISTRICT PERSONNEL IN MAKING ECONOMICAL AND EFFICIENT PURCHASES OF GOODS AND SERVICES AND TO MAXIMIZE THE PURCHASING POWER OF PUBLIC FUNDS.

POLICY: This policy applies to all expenditures by the District, irrespective of the source of the funds. When the procurement involves the expenditure of state or federal assistance or grant funds, the procurement shall be conducted in accordance with any mandatory applicable State of California, Federal Aviation Administration or other federal law and regulations. Nothing in this policy shall prevent the District from complying with the terms and conditions of any grant, gift or bequest that is otherwise consistent with law. Adherence to the policy is intended to provide assurance that the District's assets are safeguarded from loss from unauthorized use or disposition and that transactions are executed in accordance with the will of the Board of Directors.

EXPENDITURE CLASSIFICATIONS:

Expenditures are classified both by type and by magnitude. The control mechanisms and method of documentation are determined based on both characteristics. The District recognizes the following types of expenditures:

1. **Goods and Services** – Purchases of goods or services by the District require the use of a purchase order unless they are recurring in nature. Examples of *recurring items* include: utilities, payroll, payroll taxes and benefits, insurance, fuel inventory purchases, postage, taxes, office equipment rental, dues and subscriptions and debt service payments.
2. **Contract Items** - Included are goods and services, including professional services, hazardous material disposal, equipment maintenance, construction services, janitorial services, etc., which are purchased by means of a contract with the vendor or service provider. A contract executed in conformance with this policy will eliminate the need for a purchase order.
3. **Travel** – Included are advances and reimbursements for travel, mileage reimbursement for use of personal automobiles and local meals and entertainment expenses.
4. **Petty Cash** – Included are reimbursements of expenditures from the petty cash fund.
5. **Credit Cards** – Included are all purchases made with a credit card or debit card.

6. **Other** – Included are all expenditures which cannot be classified in one of the above categories.

For each type of expenditure, the magnitude of the purchase may affect the approval and payment process. The District recognizes the following classifications of purchases:

1. **Minimal purchases** – Purchases of goods, supplies, materials, equipment or services having a total value of not more than \$3,000.
2. **Minor purchases** – Purchases of goods, supplies, materials, equipment or services having a total value of between \$3,001 and \$50,000.
3. **Major purchases** – Purchases of goods, supplies, materials, equipment or services having a total value in excess of \$50,000.

Manipulation prohibited. Purchases shall not be artificially divided into smaller amounts to evade the expenditure authorization controls established by this policy.

AUTHORIZATION AUTHORITY

All purchases made for the District shall be in conformity with the annual budget approved by the Board of Directors.

GOODS AND SERVICES – Expenditures of District funds require a purchase order, unless specifically stated in this policy. Purchase order signature authorization limits are as follows:

- Minimal purchases – Purchase orders may be signed by the Operations/Maintenance Supervisors, Director of Operations and Maintenance, Director of Aviation and Business Services or the General Manager.
- Minor purchases – The cost of the goods or services from three potential vendors shall be obtained and evaluated. The documentation shall be submitted to the accounting department along with the signed purchase order. If the District makes a recurrent purchase of a good or service within a six month period, new quotes will not be required. Purchase orders must be signed by the Director of Operations and Maintenance or the Director of Aviation and Business Services (as appropriate) or the General Manager. Once a supply or material has been purchased through appropriate authorizations, the District may make additional purchases of the required supply or material if the General Manager deems that the item's continuity is beneficial to District operations.
- Major purchases – Major purchases of goods and services will often be documented by means of a contract with the vendor; in that case, the purchase will be subject to the "contract items" section which follows. If a contract is not required, the cost of the good or service shall be solicited from three potential vendors and documentation submitted to the accounting department along with the signed purchase order. If the District makes a recurrent purchase of a good or services within a six month period, new quotes will not be required. Purchase orders must be signed by the General Manager.

RECURRING ITEMS – Expenditures of this type will not normally require a purchase order, as they are ongoing in nature and essential to the operation of the District. Authorization of these items is considered implicit. The expenditures will be monitored and any variance to the annual budget will

be reported to the Board of Director on a quarterly basis. When an invoice is presented for payment of a recurring item, the following signature authorization limits apply:

- Minimal purchases – Invoices may be approved for payment by the Director of Finance and Administration.
- Minor purchases – Invoices may be approved for payment by the Director of Finance and Administration.
- Major purchases - Recurring item invoices in excess of \$50,000 must be approved by the General Manager.

CONTRACT ITEMS - Contracts may not be awarded without undergoing a District evaluation process detailed in Standard Procedure Instruction 210.0. Generally, quotes shall be solicited from at least three potential vendors. A copy of the contract must be submitted to the accounting department so that payments may be tracked against the contract, the original contract is to be filed by the District Clerk. Invoices received against a properly authorized contract will require approval for payment by the employee who arranged the contract.

- Minimal purchases – Contracted services may be arranged by one of the Operations/Maintenance Supervisors, the Director of Operations and Maintenance, the Director of Aviation and Business Services or the General Manager; however, the actual contract must be signed by the General Manager.
- Minor purchases – Contracts for goods or services falling in the \$3,000 - \$50,000 range can be arranged by the Director of Operations and Maintenance, the Director of Aviation and Business Services or the General Manager; however, the expenditures must be included in the Budget approved by the Board of Directors, and they must be signed by the General Manager.
- Major purchases – Contracts with a value exceeding \$50,000 will typically require a competitive sealed bid or request for proposal process. Expenditures in this classification must be formally approved by the Board of Directors either through specific Board action or as an element of the District’s annual budget with authorization to proceed (not a “flagged” item). The contract must be signed by the President of the Board of Directors. Payments made against the contract must be approved by the General Manager.

TRAVEL – Reimbursement of travel expenses for employees is covered under Policy Instruction 210.3. Travel expenses incurred by members of the Board of Directors are covered by Policy Instruction 132.2.

PETTY CASH - A petty cash fund shall be maintained in the District’s office safe having a balance of \$400.

- Petty cash may be advanced to District staff upon their request and the execution of a receipt for same, for the purpose of procuring items or services related to District business. Expenditures of petty cash shall typically be limited to \$50. After said items or services have been obtained, a receipt for same shall be submitted to the Director of Finance and Administration or the Accounting Clerk, and any remaining advanced funds shall be returned.
- No personal checks may be cashed in the petty cash fund.
- Reimbursement of the Petty Cash fund shall occur no less often than at each calendar quarter end.

CREDIT CARDS - The Board of Directors may authorize certain members of executive management to hold District credit cards. Charges made on the cards must be authorized in accordance with this policy and appropriate purchase orders completed.

OTHER - Any expenditure outside the guidelines presented in this policy shall be approved by the General Manager.

ADDITIONAL GUIDELINES

Sole source purchasing – In some cases, a required good or service is specialized and there is only one known supplier. The employee with authority to authorize the purchase order will attest to the fact that the purchase qualifies as a ‘sole source’ transaction on the face of the purchase order. The District will negotiate to obtain fair and reasonable pricing on all sole source purchases.

Recent Governmental Agency Purchases – If another governmental agency has obtained bids within the past 120 days and the vendor offers the same pricing, the District may purchase from that vendor without obtaining additional bids.

Emergency Situations – Purchases of supplies, services or construction during emergencies may be made without bid procedures. The purchases may be authorized by an Operations and Maintenance Supervisor, the Director of Operations and Maintenance, the Director of Aviation and Business Services, or the General Manager. The General Manager will review and approve all emergency purchases as soon as possible.

Local Business Preference – It shall be the policy of the District to encourage local businesses to provide goods and services to the District in order to maintain a healthy local economy and to increase local competition. The District wishes to promote employment and business opportunities for local residents and firms to the extent consistent with the law and the interests of the public. To qualify for this preference and be considered a Certified Local Vendor (CLV), the following criteria must be met:

- The business must be primarily based and actively doing business within the District’s geographical boundaries, and
- A majority of the full time employees of the business must regularly conduct operations from a location within the geographical boundaries of the District, and
- The business must submit and have approved a “Local Vendor Certification” form.

To facilitate this policy, the District shall make purchases in accordance with the following guidelines:

- A local preference for the purchases of eligible goods and services may be allowed by providing a 5% local preference (not to exceed \$5,000) where the purchases or contracts with a respective local vendor or business during any fiscal year do not exceed \$100,000.
- Proposals for services, by their nature, are evaluated based upon qualifications. A 5% local preference shall be applied towards the fee component when scoring the proposal (not to exceed \$5,000).

The following chart details the evaluation process for proposals from a Certified Local Vendor:

	Vendor A (CLV)	Vendor B (CLV)	Vendor C – not a CLV
Original Bid Price	\$30,000	\$32,000	\$29,000
Less: Local Vendor 5% Preference Allowance	(\$1,500)	(\$1,600)	-\$0-
Bid Evaluation Price	\$28,500	\$30,400	\$29,000
Award Price	\$30,000	Not Awarded	Not Awarded

In this example, Vendor A is selected and awarded the contract at a value of \$30,000, which is their original bid. The CLV receives the benefit of a local preference percentage for evaluation purposes without the financial burden of meeting a lower price submitted by a non-certified local vendor. Note that the maximum allowance is \$5,000.

Procurements eligible for this preference are as follows:

- Commodities or equipment up to \$10,000;
- Operations and Maintenance contracts up to \$15,000;
- Other service contracts up to \$100,000;
- Special services up to \$100,000; and
- Consulting services up to \$100,000.

It is the responsibility of the vendor to make known their local business status and complete the required documentation.

The local preference policy shall not apply to purchases or contracts which are funded in whole or in part by a governmental entity if the laws, regulations, or policies governing such funding prohibit application of the preference policy.

Payments - Payments made by check must be signed by two authorized signatories on the District’s operations account. As an added level of review, one of the signatures on all checks in excess of \$3,000 must be that of a member of the board of directors.

Standard Procedure Documentation – The District will develop, implement and monitor adherence to a standard procedure which ensures the application of this policy to all District purchases. This policy and the related procedures shall be periodically reviewed to ensure consistency with the overall policy objectives.

Kathleen Eagan, President