

# SCHOOL DISTRICT OF PITTSVILLE BOARD POLICY

## FISCAL MANAGEMENT

### PURCHASING

#### PROCUREMENT PROCEDURES IMPLEMENTING FEDERAL REGULATIONS AND LOCAL POLICY

672.1-RULE

##### **Methods of Determining Reasonable Prices for a Purchase Made under Informal Procurement Methods at the Federal “Micro-Purchase” Tier or the District’s Equivalent.**

Where District procurement agents are permitted, per School Board policy, to make or authorize a purchase based on a determination that the price of the purchase is reasonable and without necessarily obtaining multiple rate or price quotations, such determinations may be made by, for example, comparing the price to previous purchases of the same item(s), having personal knowledge of typical pricing for the item(s) being purchased, or comparing the price of items that are similar to the items being purchased.

When a purchase of goods or services is made under this “reasonableness” standard and when the purchase qualifies as a micro-purchase that is subject to the federal Uniform Guidance, District personnel shall maintain a sufficient record of the procurement action to satisfy applicable federal documentation standards.

##### **District Standards for Obtaining Price/Rate Quotations to Support Procurement Decisions**

Unless otherwise directed or approved by the Board, the following procedures and standards apply to District procurement decisions that, per Board policy, normally require the comparison of price or rate quotations but do not involve the solicitation of formal bids or formal proposals:

1. The District’s preferred standard is normally to obtain at least three (3) quotations from separate, qualified sources among which the District is indifferent as to all non-cost terms and specifications (i.e., none of the non-cost terms and specification offered by a source are considered materially disadvantageous to the District) so that the decision can be made based upon any material cost difference, subject to the following:
  - a. When the selection of a vendor is being made from quotations that meet the preferred standard, the relevant District procurement agent who is responsible for the purchase or for making a purchasing recommendation shall normally make the decision on the basis of lowest cost (including any reasonable method of tie-breaking), **unless all of the following** apply:
    - i. The District procurement agent determines that the lowest-cost quotations are effectively cost-neutral, involving a price difference of no greater than 5%.
    - ii. The District procurement agent determines that, in the best interests of the District, some other difference in the transaction and its terms or specifications should predominate in light of such effective cost-neutrality.
    - iii. Making the purchase on a basis that considers factors in addition to cost would be permitted by law.
    - iv. The School Board or a designated agent of the Board with sufficient delegated authority approves the purchase upon being presented with the low-cost quotation, the quotations of the recommended source, and the rationale for the administrative recommendation to depart from the actual lowest-cost quotation. (Note: Approving a purchase in a manner that commits the District to an expenditure is not the same as authorizing an actual disbursement of funds from the District’s depository.)

- b. If the District obtains life-cycle cost estimates for the procurement of materials, supplies or equipment and intends to make the relevant purchase upon consideration of such estimates, the procurement action shall be deemed an authorized departure from the preferred standard and handled as provided below.
2. If the preferred standard for price or rate quotations has **not** been met and if the District is **not** relying on an authorized basis for noncompetitive procurement, then the following apply:
  - a. A District procurement agent shall document the reason(s) why it was impractical or disadvantageous to the District to obtain, or attempt to obtain, quotations that would meet the preferred standard. Examples of possible reasons for such a departure might include considerations that are unique to nature of the goods or services being procured, the importance of particular non-cost terms or conditions that not all minimally qualified sources can meet, or a determination that an undue administrative burden would be involved meeting the preferred standard.
  - b. The minimum alternative standard shall be at least two (2) price/rate quotations representing options from qualified sources that would each be acceptable to the District.
  - c. Comparison of quoted rates or prices need not be the sole determining factor in the procurement decision when the District, considering the best interests of the District and the responsible expenditure of funds, determines at its discretion that (1) other relevant and material differences exist among the quotations (e.g., quality, functionality, vendor-supplied support services, life-cycle cost estimates, vendor experience in connection with the purchase of services, etc.), **and** (2) such differences predominate over a strict price or rate comparison. The reason(s) for deviating from using cost as the determining factor shall be documented.
3. A “qualified” source as it relates to obtaining price or rate quotations is a source that the relevant District procurement agent obtaining the quotation has reason to believe could successfully perform the proposed procurement under contractual terms and conditions that would be at least minimally acceptable to the District (and as to which source the District’s agent has no knowledge or material reason to suspect that the source would *not* be able to successfully perform its obligations, if selected). In addition:
  - a. Such determinations shall be subject to a reasonable business judgment standard, which, in some situations, may involve making specific inquiries related to a source’s ability to perform successfully (e.g., regarding actual availability of inventory, the source’s willingness to accept District-mandated contract terms, prior experience, the source’s financial and technical resources, etc.).
  - b. District procurement agents shall disqualify any potential source that is known or determined to be subject to any ruling that, under state or federal law or Board policy, requires mandatory suspension or debarment from the procurement transaction.
4. Subject to the limitation that sources must be qualified sources, documented price or rate quotations may be obtained from written quotations prepared upon the District’s request, from verbal quotations that the District documents, by referencing any pre-established procurement arrangement that the District is entitled to utilize (e.g., consortium pricing), or from documented results of an online search or other publicly-advertised prices. Procurement agents are expected to use reasonable business judgment as to whether specific quotation sources may require additional follow-up (e.g., to assess qualifications, to determine the availability of volume pricing if applicable to the transaction, etc.). If the administration wishes to consider a quotation from an alternative source not listed in this paragraph, the administration shall either (1) obtain advance approval from the Board, or (1) if presenting a purchasing or contract recommendation for Board approval, clearly identify to the Board the nature of the sources used for price or rate comparisons.

**Life-cycle Cost Estimates under State Law**

State law requires the District to procure materials, supplies, or equipment on the basis of life-cycle cost estimates whenever that action is deemed appropriate by the District.

1. A life-cycle cost formula may include, but is not limited to, the applicable costs of energy efficiency, acquisition and conversion, money, transportation, warehousing and distribution, training, operation and maintenance, and disposition or resale.
2. Although consideration of life-cycle costs can be relevant and may also be applied to other purchases, the Business Manager and purchasing administrator is specifically responsible for working with other District purchasing and procurement agents to identify purchases in excess of the District's "micro-purchase threshold" (as determined for federally-funded procurement) for which obtaining and using life-cycle estimates is reasonably feasible and would be likely to represent an economical trade-off in terms of the availability and utility of the estimates and the potential long-term savings that might be achieved.
3. Upon identification of such an upcoming purchase, the Business Manager and/or purchasing administrator shall ensure that the District makes a final determination regarding the appropriateness of making the procurement decision on the basis of life-cycle cost estimates.
4. The terms, conditions, and evaluation criteria to be applied in assessing life-cycle cost estimates shall be incorporated into the solicitation, if applicable, of any formal bids or formal proposals.

**Procurement Practices that Seek to Decrease Costs and Increase Value**

District procurement agents may go beyond any minimally-required and minimally-acceptable procurement procedures for the purpose of increasing the tangible or intangible value that the District can derive from a particular purchase or contract. As examples that may be appropriate in connection with specific purchasing decisions and processes, administrators and other District procurement agents are encouraged to consider:

1. Engaging in additional research (e.g., seeking relevant industry comparisons).
2. Affirmatively seeking discounts or non-price considerations that would benefit the District.
3. Evaluating whether it may be more economical to either consolidate or separate procurements.
4. Conducting an analysis of lease versus purchase alternatives.
5. Evaluating the feasibility of intergovernmental agreements or other inter-entity agreements for the procurement or use of common or shared goods and services.
6. Seeking reliable sources of used, excess, or surplus property.
7. Using value engineering clauses in specifications and contracts for construction projects.

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