

Purchasing Procedures Policy

(As approved by City Council and Board of Directors of All City Affiliated Agencies on December 7, 2023)

INTRODUCTION

This Purchasing Procedures Policy ("Policy") provides a process for the purchase of materials, goods, supplies, equipment and services used for the operation of City programs, as well as the procurement of Public Projects of less than or equal to \$200,000. These procedures enable the Department of Administrative Services to coordinate the City's purchasing process and to establish a system of financial controls for the efficient use and expenditure of public funds. Department Heads, or designees so authorized by the City Manager, may purchase or contract for any materials, goods, supplies, equipment and contractual services, as well as for Public Projects, in accordance with the provisions of this Policy.

Procurement methods described herein set forth the approved procurement specifications for each purchasing category. Once the purchasing category has been established for the good, service or applicable Public Project to be provided, the Department shall determine the appropriate procurement method(s) available as described in this Policy.

No purchase order or contract shall be approved unless the department making the purchase has first certified that there exists an adequate unencumbered balance of the appropriation(s) to be charged with the cost of order or contract.

As used in this Policy, the term "Department Head" shall include the following positions: City Manager, City Attorney, Public Works Director, Administrative Services Director, Development Services Director, Library and Observatory Director, Director of Marketing, Director of Information Services and City Clerk.

PURCHASING/PROCUREMENT CATEGORIES

City purchases and procurements are classified into nine (9) categories. These categories are based on the dollar amount and type of purchase. Each category establishes a separate dollar limit, authorization level and procurement procedure.

Category	Amount	Approval Required
A. Petty Cash Purchase	\$50 or less	DM or DH
B. Minor Purchases (not requiring a PO)	\$6,000 or less	ADP
C. PO Required Purchases	More than \$6,000	ADP and DH
D. Minor Contracts	\$50,000 or less	CM
E. Purchases Requiring City Council Approval	More than \$50,000	CM and CC
F. Professional Services	Follows Above	Follows the above
G. Public Projects up to \$200,000	Follows Above	Follows the above
H. Property Improvement Program	Follows Program Guidelines	Follows Program Specific Guidelines
I. Special Assistance Funds (SAF) Program	Follows Program Guidelines	Follows Program Specific Guidelines

Approval Required Legend:

DM- Division Manager	DH- Department Head	ADP- Authorized Department Purchaser
CM- City Manager	CC- City Council	MC- Municipal Code

A. Petty Cash Purchases (\$50.00 or less)

The petty cash fund may be used to pay reimbursement to City employees for the direct and immediate purchase of minimal materials, goods, supplies, equipment and/or services, as well as public projects, needed for City operations including:

- Freight and postal charges due upon delivery
- Purchase of materials, goods, supplies, equipment or services and procurement of Public Projects needed for "immediate use"
- Reimbursement of employee travel/meeting expenses

Such purchases are limited to \$50.00 per transaction. A "petty cash voucher form" must be completed by the person requesting petty cash and approved by his/her Department Head or Division Manager. A detailed receipt itemizing each charge must support all expenditures. Advances of petty cash are not permitted. Petty cash reimbursements should be requested in a timely fashion but no later than two weeks after the purchase date.

B. Minor Purchases Not Requiring Purchase Orders (\$6,000 or less)

Departmental staff under authorization of its Department Head may initiate purchases for materials, goods, supplies, equipment or services and procurement of Public Projects costing \$6,000 or less, without processing a Requisition Form and initiating a purchase order. Departments are required to ensure the availability of budgeted funds prior to making any approved minor purchases. All original invoices and/or receipts for such purchases and procurements must be authorized, documented, and processed by an authorized purchaser for the department. Department Heads are responsible for submitting a list of authorized department purchasers for their departments to the Finance Division for approval by the City Manager.

Purchases and procurements \$6,000 and under do not require submittal of a Requisition Form except for:

- Recurring Purchases: for vendors and contractors who provide materials, goods, supplies, equipment or services, or Public Projects, on a regular basis (monthly, quarterly, etc.), submittal of a Requisition Form and issuance of a purchase order is required even if the anticipated individual purchases may not meet the minimum more than \$6,000 level requiring purchase orders, as more fully described below.

The Director of Administrative Services shall reserve the right to require departments to submit a requisition to a specific provider whose multiple invoices exceed \$6,000 annually.

Open Accounts

Open purchase orders are created and reviewed annually to allow for open account billing from vendors for items such as: office supplies, building maintenance supplies, vehicle fuel, meeting refreshments, etc. Open accounts are used for the sole convenience of replenishing or purchasing low dollar routine items and are not intended to be used to circumvent the requisition and approval process as outlined in this Policy. Open accounts range from \$1,000 to \$5,000 annually, however, individual transactions may not exceed \$100 per item or \$1,000 per total transaction.

C. Purchases Requiring Purchase Orders (More than \$6,000)

Departmental staff under authorization of its Department Head shall initiate the purchases of materials, goods, supplies, equipment and/or services and procurements of Public Projects of more than \$6,000 by processing a purchase order distributed by the Finance Division (unless previously approved in writing by the City Manager or Finance Division), by preparing a Requisition Form. Each requisition requiring a purchase order is required to be approved by the requesting department's Department Head.

Purchase Order Exemptions

The following financial disbursements are exempt from Purchase Order requirements:

- Disbursements for refundable deposits.
- Disbursements to public agencies for which the City collects fees on behalf of the agency.
- Disbursements for payroll, payroll liabilities, and employee benefits.
- Disbursements for refunds of city fees collected (i.e.: Building & Planning fees).
- Disbursements for debt service payments and payments on approved loan agreements.
- Litigation related agreements.
- Workers compensation payments for medical and related expenses.
- Public utility purchases of water, power and related services when no competition is available.
- Specialized seminar, training, educational classes, meetings and travel.
- Contracts for employment and public employee labor agreements.
- Non-profit funding and sponsorship agreements.
- City membership with multi-agency organizations.
- Honorarium for speakers and performers
- Software maintenance fees
- Catering and food services
- Media buys
- Books

For purchases of materials, goods, supplies, equipment or services and procurements of Public Projects of at least \$6,001 but less than \$50,001, departmental staff shall solicit and document price quotes or informal bids/proposals in writing (via mail, email, or fax) from a minimum of three (3) vendors. The solicited price quotes shall be attached to the requisition as back up support. If the vendor price quotes are not attached, the Department Head must submit written justification as to why the transaction should be exempt from this requirement, which requires City Manager approval.

After Department Head approval of the requisition form, that department will complete the system requisition and forward the approved requisition form, the system requisition, the quotes and any other backup to the Finance Division. The Finance Division will review the submitted requisitions and quotes to verify the use of proper account numbers and compliance with proper purchasing procedures.

After receiving the necessary paperwork, the Finance Division will process the purchase order. The resulting purchase order will be distributed back to the originating department.

D. Minor Contracts (\$50,000 or less)

Purchases of materials, goods, supplies, equipment or services and procurements of Public Projects for less than \$25,000 do not require a contract, except that procurements for Public Projects with prevailing wages involving alteration, demolition, repair or maintenance activities with projects valued between an amount over \$15,000 and less than \$25,000 shall require contracts due to notice requirements imposed on the City by the Department of Industrial Relations pursuant to Labor Code Section 1773.3. However, if a department elects to enter into a contract, or if a contractor or vendor requires that the City enter into a contract, for materials, goods, supplies, equipment or services or for Public Projects below \$25,000, the contract shall be reviewed by the City Attorney.

Purchases of materials, goods, supplies, equipment or services and procurements of Public Projects for \$25,000 but less than \$50,001 require a contract. Contracts for less than \$50,001 must be approved and executed by the City Manager, approved as to content by the requesting Department Head, approved as to form by the City Attorney and attested by the City Clerk. The Purchase Order will not be processed by the Finance Division until the contract is fully executed.

Waiving Insurance Requirements

Due to the variety of services provided to the City, and based on an evaluation of risk exposure involved, there is occasionally the need to waive insurance requirements. For all contracts below \$50,001 the City Manager may waive insurance requirements after consultation with the City Attorney.

Contract Exemptions

Contracts are not required for general office supplies (however, Purchase Orders and bids are required based on the dollar thresholds outlined in this Policy).

E. Major Contracts (of materials, goods, supplies, equipment or services of More than \$50,000 and for Public Projects more than \$50,000 up to \$200,000)

Purchases of materials, goods, supplies, equipment or services of more than \$50,000 and procurements of Public Projects more than \$50,000 up to \$200,000 shall be awarded by contract and require contracts reviewed by the City Attorney. Unless otherwise stated in the Formal Proposal Procedures section of this Policy, major contracts of more than \$50,000 for purchases of materials, goods, supplies, equipment or services require formal proposal procedures (i.e. request for proposals) and also require the approval of the City Manager and the City Council. Public Projects more than \$50,000 up to \$200,000 also require approval of the City Manager and the City Council.¹ After City Council approval the contract will be executed by the City Manager on behalf of the City Council, approved as to content by the requesting Department Head, approved as to form by the City Attorney and attested by the City Clerk. The purchase order will not be processed by the Finance Division until the contract is fully executed. Notwithstanding the foregoing, an amendment of a contract approved by the City Council, including a contract for a Public Project, may be approved by the City Manager so long as the amendment does not increase the contract amount by more than \$50,000, or in the case of multiple amendments, so long as the amendment amounts do not add up to more than \$50,000 in the aggregate. This includes but is not limited to, an amendment that merely extends the term of the contract and change orders for Public Projects.

Waiving Insurance Requirements

Due to the variety of services provided to the City, and based on an evaluation of risk exposure involved, there is occasionally the need to waive insurance requirements. For all contracts of more than \$50,000 insurance waivers are subject to the approval of the City Council, taking into consideration a recommendation from the City Manager and consultation with the City Attorney.

Contract Exemptions

- Contracts are not required for general office supplies (however, Purchase Orders and bids are required based on the dollar thresholds outlined in this Policy).

F. Professional Services (Any Amount)

The selection of professional services is to be based on demonstrated competence and on professional qualifications for satisfactory performance. After a qualified firm is selected, the Department Head may negotiate a satisfactory contract with a price determined to be fair and reasonable. The emphasis for selection is therefore based upon qualifications rather than the lowest price (Departments must follow the dollar thresholds established in this Policy).

¹ Formal Public Projects (exceeding \$200,000) are also awarded by contract, require contracts reviewed by the City Attorney, and are approved by the City Council.

G. Public Projects Contracts (Any Amount)

Contracts for Public Projects between more than \$50,000 up to \$200,000 shall be approved pursuant to this Policy. The bidding process for Informal Public Projects over \$60,000 up to \$200,000 and Formal Public Projects follow the procedures outlined in Chapter 3.34 of the Municipal Code.

H. Property Improvement Program (Any Amount)

For informational purposes only, Contracts relating to the Property Improvement Program (which technically do not involve purchase or procurement of materials, goods, supplies, equipment or services or Public Projects) will follow the program specific guidelines approved by City Council on September 3, 2013, including via minutes on motion, and Resolution 2013-56, and are exempt from this Policy. The approvals granted by the City Council on September 3, 2013, with respect to contract approvals and execution are as follows:

Contracts up to \$49,999.99 may be approved and executed by the City Manager. Contracts of \$50,000 through \$100,000 may be approved and executed by the City Manager after Subcommittee Approval. Contracts over \$100,000 must be taken to the City Council for consideration and approval. If approved by the City Council, the City Manager may execute the contract.

I. Special Assistance Funds (SAF) Program (Any Amount)

For informational purposes only, disbursements of SAF monies (which technically do not involve purchase or procurement of materials, goods, supplies, equipment or services or Public Projects) are exempt from this Policy and will follow the amended SAF specific guidelines adopted by City Council on January 19, 2017.

Change Orders; Amendments

When a change in the scope of service(s) is necessary and causes additional work that is required to continue the progression of an authorized purchase or amend a contract, the following shall apply:

Purchase Orders or contract amendments resulting from a change in the scope of services shall require the following authorizations:

- Changes in scope that cause the total purchase or contract amount to remain \$50,000 or under, and within the appropriated budget, may be authorized by the approvals outlined above. If actual expenses are in excess of 10% of the original purchase order or contract amount, a supplemental purchase order will be required.

- Cumulative changes in scope which cause the original authorized purchase or contract that was \$50,000 or less to become more than \$50,000, must be added to the contract list and approved by City Council. The City Manager may require any item eligible for the contract list to be presented as a separate action item on the Council agenda.
- For original purchases of more than \$50,000 that are a result of formal proposal procedures (Requests for Proposals), cumulative changes in scope necessitating additional payment(s) by the City of \$50,000 or less may be approved by the City Manager. Cumulative changes in scope necessitating additional payment(s) by the City of more than \$50,000 must be approved by City Council.

Business License Requirement (Any Amount)

City Ordinance 5.04.020 requires that anyone conducting a business, service or contracting work in the City of Rancho Mirage is to obtain a City business license. Departmental staff initiating the purchase is responsible for ensuring that vendors have a current business license in good standing prior to incurring costs with the vendor.

Emergency Purchases

In certain situations, it may be necessary to make emergency purchases, which shortcut the pre-approvals, as outlined above. An emergency purchase may be made when there is an immediate need to acquire particular materials, goods, supplies, equipment or services not already available to City staff to deal with an emergency.

For purchasing purposes, an emergency situation is one in which there is an immediate threat to life or property or a substantial disruption of a vital public service or where the public health, welfare or safety may be at risk. The emergency must be of such a nature that the Department Head and possibly the City Manager would be contacted to advise them of the situation, regardless of when they occur. Such emergency purchases must be approved by the City Manager.

Emergencies concerning procurement of public projects shall be governed by the Public Contract Code.

Sole Source

The proposal provisions of this Policy may be waived by the City Manager. If a Department Head determines that there is only one reliable source that provides the needed materials, goods, supplies, equipment or contractual services, the Department Head must complete the Sole Source Justification Form and provide the form and any other information to the City Manager for approval. Note: The use of the sole source provision is rare and infrequent due to the requirements to qualify for the use of this provision.

The use of the sole source option for Public Projects will be governed by any applicable provisions of the Public Contract Code.

Local Preference

Unless otherwise prohibited by law, preference to local businesses, if determined to be responsible, shall be provided involving the purchase of materials, goods, supplies, equipment or services in an amount not to exceed five (5) percent of the local business' total proposal price up to a maximum preference amount of twenty thousand dollars (\$20,000). A local business is defined in the definitions section of this Policy. Any project funded with grant funds may not qualify for the use of the local preference. Note: The majority of grants do not allow the use of local vendor preference.

Preference shall not be given to local businesses for Public Projects, as such practices violate existing laws that require contracts for Public Projects be awarded to the lowest responsive and responsible bidder.

Conflict of Interest Disclosure

Conflict of interest arises whenever the personal or professional interests of a purchaser and/or approver of any transaction are potentially at odds with the best interests of the City. Any person purchasing and/or approving any purchase should disclose any personal conflict of interest to their Department Head prior to any purchase and/or approval. A Department Head shall disclose any personal conflict of interest to the City Manager. The Department Head and City Manager will determine the proper steps to resolve the conflict of interest.

FORMAL PROPOSAL PROCEDURES

Request for Proposals (required for purchases of materials, goods, supplies, equipment or services of more than \$50,000, and for procurements of Public Projects more than \$50,000 and up to \$60,000)

A formal bidding procedure ("Request for Proposals" or "RFP") shall be utilized for all contracts for materials, goods, supplies, equipment or services of more than \$50,000, and for procurements of Public Projects more than \$50,000 and up to \$60,000, subject to the "piggy backing" process noted below and Chapter 3.34 of the City's Municipal Code which applies to all Public Projects. The use of formal proposal procedures does not guarantee the award of contract for materials, goods, supplies, equipment or services and/or professional services or for Public Projects more than \$50,000 and up to \$60,000 to the lowest bidder (see sections on sole source procedures and professional services), but in most instances, the contract does get awarded to the lowest bidder. The formal bidding procedure is as follows:

- Each Department Head is responsible for initiating and administering purchases for materials, goods, supplies, equipment or services and for procurement of Public Projects more than \$50,000 and up to \$60,000 under his/her control. The City Manager may assign responsibility for purchases affecting two or more activities to a single Department Head who will coordinate with others as necessary.
- The Department Head responsible for the purchase or procurement will coordinate with the Contract Specialist to prepare the appropriate Request for Proposals and related documents. A Request for Proposals shall be sent to potential vendors/contractors (within reason, but a minimum of three) of which the Department Head has knowledge. The Request for Proposals must also be placed on the City's website. In addition to the City's website, other means of public advertisement are strongly encouraged for contracts of more than \$50,000 or more. A list of proposals received shall be maintained.
- The Department Head has the responsibility to ensure that the proposal package will adequately and accurately describe the scope of services and will utilize the Contract Specialist's checklist of potential provisions to determine the necessary specifications and language for inclusion. Proposers shall be advised of any performance bond requirements, insurance requirements, contract requirements, business license requirements, affirmative action requirements, minority business enterprise requirements and other requirements as applicable. An evaluation panel will be formed to review the proposals. The size and composition of the evaluation panel shall be determined by the Department Head or at the direction of the City Manager. Each evaluation panel member must document a ranking of proposals received based on the requirements of the Requests for proposals.

- The Department Head will compile the evaluation panel's recommendation and prepare a recommendation to the City Manager. After City Manager approval the Department Head or his designee will prepare a summary staff report. The summary staff report will be attached to the contracts lists prepared by the Contract Specialist and placed on the agenda for City Council approval. The City Manager can require any item eligible for the contract list to be presented as a separate action item on the Council agenda.
- The City Manager may reject all proposals and re-advertise at his or her discretion.
- If two or more proposals received are for the same total amount or unit price, quality and service being equal, and if the public interest will not permit the delay or re-advertising for proposals, the City Manager may elect to accept one he or she chooses.
- The City Clerk shall receive and maintain all proposal documents necessary to support the proposal process and vendor/contractor selection in accordance with the records retention schedule and funding source of the purchase.

After the City Council has approved the contract or service resulting from a Request for Proposals, departmental staff must prepare the Requisition Form for submittal to the Finance Division. The Requisition Form must be accompanied by a copy of the executed contract and any other documents required. Once all the required documents are received by the Finance Division, the purchase amount will be encumbered by the Finance Division. The resulting Purchase Order will be distributed back to the originating department.

Exemptions from Formal Bidding Procedures

The following financial disbursements are exempt from formal bidding procedures:

- Disbursements for refundable deposits.
- Disbursements to public agencies for which the City collects fees on behalf of the agency.
- Disbursements for payroll, payroll liabilities, and employee benefits.
- Disbursements for refunds of city fees collected (i.e.: Building & Planning fees).
- Disbursements for debt service payments and payments on approved loan agreements.
- Litigation related agreements.
- Workers compensation payments for medical and related expenses.

- Public utility purchases of water, power and related services when no competition is available.
- Specialized seminar, training, educational classes, meetings and travel.
- Contracts for employment and public employee labor agreements.
- Non-profit funding and sponsorship agreements.
- City membership with multi-agency organizations.
- Honorarium for speakers and performers
- Software maintenance fees
- Catering and food services
- Media Buys
- Books

In the event the City should receive no proposals or bids pursuant to an RFP, the City may elect to either re-issue the RFP or informally solicit proposals or bids from various vendors or contractors.

Notwithstanding the foregoing, the City may dispense with the RFP procedures in procurement of materials, goods, supplies, equipment and services, and avail itself of another public agency's contract prices obtained through that agency's own RFP process, so long as such prices are lower than the prices that can be obtained by the City through the City's RFP process, and so long as certain findings are made by the applicable Department Head with the consent of the City Manager.

This "piggy backing" process provides the City with greater flexibility to obtain the most competitive prices, reduces staff time, avoids the expense of soliciting contracts, and results in lower prices, due to economies of scale which often allows cities and agencies larger than the City to obtain lower unit prices. By way of example, the City may be able to benefit from a much lower price for purchase of a fleet of vehicles for its Code Enforcement personnel or other equipment to be purchased in bulk, obtained by another larger city or public agency.

The findings that must be made by the Department Head with the consent of the City Manager are as follows:

- The contract with the party awarded the contract ("Contractor") is the result of competitive bidding or negotiation and is made in compliance with the competitive bid or proposal requirements of the agency whose prices the City desires to "piggy back" off ("Participating Public Agency") devoid of fraud perpetrated by any public official or staff, or collusion or fraud among the Contractor or any subcontractor, all of which determination is solely based on a thorough and complete investigation

and review of all relevant documents, including, but not limited to, all bid documents and specifications, staff reports and approved minutes, it being understood that certain evidence extrinsic to such documents may not be readily available nor accessible to the Department Head and City Manager; and

- The contract awarded by the Participating Public Agency was awarded to the lowest responsive bidder, in compliance with the Participating Public Agency's RFP; and
- The purchase conforms to the City's contract specifications; and
- The estimated price of the purchase is lower than that estimated for the purchase if made directly by the City pursuant to other sections of this Policy.

A similar "piggy backing" process for Informal Public Projects and Formal Public Projects is set forth in Chapter 3.34 of the City's Municipal Code.

The bidding process and other requirements for both Informal Public Projects exceeding \$60,000 up to \$200,000 and Formal Public Projects, are set forth in Chapter 3.34 of the Municipal Code and outside the purview of this Policy. The Municipal Code prescribes certain applicable notice, posting, publication and other requirements with respect to these Public Projects.

KEY DEFINITIONS

- **"Affiliated Agencies"** means the City of Rancho Mirage Housing Authority, Successor Agency to the former Rancho Mirage Redevelopment Agency, Rancho Mirage Public Library, City of Rancho Mirage Community Services District, and City of Rancho Mirage Joint Powers Financing Authority.
- **"Business"** means a corporation, partnership, individual, sole proprietorship, joint stock company, joint venture, or any other private legal entity.
- **"City"** means the City of Rancho Mirage and all Affiliated Agencies unless otherwise provided in this Policy.
- **"City Attorney"** means the City Attorney and General Counsel of all the Affiliated Agencies.
- **"City Clerk"** means the City Clerk and Board Secretary of all the Affiliated Agencies.
- **"City Council"** means the City Council and the Board of Directors of all the Affiliated Agencies.
- **"City Manager"** means the City Manager and Executive Director of all the Affiliated Agencies.
- **"Contract"** means agreement, regardless of what they may be called, for the procurement of materials, goods, supplies, equipment or services.
- **"Contract list"** means a list of contracts to be approved by the City Council, each contract amount (or the aggregate amount in the case of changes to the scope) being \$25,000 or more.
- **"Contract Specialist"** means any person duly authorized to manage, supervise and monitor the execution of the terms and conditions of a contract.
- **"Contractor" or "Vendor" or "Business"** means any person having a contract or purchase order with the city awarded pursuant to this policy.
- **"Director of Administrative Services"** means the City's Director of Administrative Services or the person acting in such a capacity.
- **"Formal Public Project"** means a Public Project exceeding \$200,000.
- **"Informal Public Project"** means a Public Project of less than or equal to \$200,000.
- **"Local business"** means a business that has a valid physical business address located within the City of Rancho Mirage, at least six months prior to bid or proposal opening date, from which the business operates or performs business on a day-to-day basis and holds a valid City business license.
- **"Materials, goods, supplies, equipment"** means any article, thing or personal property.
- **"Municipal Code"** means the City of Rancho Mirage Municipal Code.
- **"Professional services"** means those services which involve the exercise of discretion and independent judgment together with an advanced or specialized knowledge, expertise or training gained by formal studies or experience, and where the qualifications of persons rendering the service are of primary importance.

- **"Proposal"** means a written proposal that includes the price or cost of providing requested materials, goods, supplies, equipment or services accompanied by information relevant to the elements affecting the offered price or cost, information pertaining to the quality of service or products provided by the proposer and information pertaining to the experience, reputation and professionalism of the proposer.
- **"Public Project"** shall have the meaning ascribed to it under Section 22002 of the Public Contract Code.
- **"Purchase order"** means a written commitment or written documentation to procure materials, goods, supplies, equipment or services.
- **"Purchasing"** means the procurement of materials, goods, supplies, equipment or services sought by the city.
- **"Quote"** means an oral or written proposal regarding the price or cost of providing requested materials, goods, supplies, equipment or services accompanied by other information requested by the city.
- **"Request for Proposal" or "RFP"** means a formal written solicitation for written proposal that includes the price or cost of providing requested materials, goods, supplies, equipment or services accompanied by information relevant to the elements affecting the offered price or cost, information pertaining to the quality of service or products provided by the proposer and information pertaining to the experience, reputation and professionalism of the proposer.
- **"Services"** means the furnishing of labor, time, or effort by a contractor for the direct benefit of the City (services do not include any furnishing of labor, time, or effort provided by any business pursuant to the City's SAF Program or Property Improvement Program).
- **"Specifications"** means the description of the physical or functional characteristics or the nature of the materials, goods, supplies, equipment or services sought by the city.

STANDARD INSURANCE REQUIREMENTS

Below are the minimum insurance requirements; however, the requirements may vary in accordance with the type and size of project which would require a higher limit of liability as recommended by PERMA's minimum limits of liability.

INSURANCE REQUIREMENTS

Parties must secure all required policies from a good and responsible company or companies admitted to do insurance business in the State of California, and possessing a Best's rating of no less than A:VII, and furnish to the City certificates of insurance with original endorsements on or before the commencement of the term of any agreement. Parties must agree to ensure that the most current certification of insurance is on file with the City at all times during the term of any agreement. Any deductibles or self-insured retentions must be declared to and approved by the City. At the City's option, parties shall demonstrate financial capability for payment of such deductibles or self-insured retentions.

COMMERCIAL GENERAL LIABILITY INSURANCE

Parties performing services for the City shall procure and maintain at their own expense, during the term of the agreement, commercial general liability insurance of not less than One Million Dollars (\$1,000,000) combined single limit per occurrence, and Two Million Dollars (\$2,000,000) in the aggregate, for bodily injury, personal injury, advertising injury, death, loss or damage resulting from the wrongful or negligent acts of the parties or their officers, employees, servants, volunteers, agents and independent contractors. Parties shall provide insurance on an occurrence, not claims-made basis, and for purposes of clarification with the intention of avoiding gaps in coverage with any umbrella or excess insurance, personal and advertising injury coverage shall be triggered by an "offense" while bodily injury and property damage coverage shall be triggered by an "occurrence" during the policy period.

COMMERCIAL VEHICLE LIABILITY INSURANCE

Parties performing services for the City shall procure and maintain at their own expense, during the term of the agreement, commercial vehicle liability insurance covering personal injury and property damage, of not less than One Million Dollars (\$1,000,000) combined single limit per occurrence, and Two Million Dollars (\$2,000,000) in the aggregate, covering any vehicle utilized by the parties or their officers, employees, servants, volunteers, agents and independent contractors in performing the services required by the agreement.

WORKERS' COMPENSATION INSURANCE

All parties subject to Workers' Compensation laws (generally, any party with one or more employees) shall procure and maintain at their own expense, during the term of the agreement, Workers' Compensation insurance providing coverage as required by the California State Workers' Compensation Law, and must agree that if any class of

employees employed by the parties is not protected by the California State Workers' Compensation Law, then the parties shall provide adequate insurance for the protection of such employees to the satisfaction of the City. Additionally, parties must agree to waive their statutory immunity under any Workers' Compensation or similar statute, as respecting the City, and to require any and all contractors, third parties, and any other person or entity involved in the performance of the agreement to do the same. Any party that is not subject to California's Workers' Compensation law must agree to execute a certificate attesting to such to the satisfaction of the City.

PROFESSIONAL LIABILITY INSURANCE

All parties performing design professional or professional services shall procure the above-mentioned policies in addition to a professional liability policy. Such parties shall procure and maintain at their own expense, during the term of the agreement, professional errors and omissions liability insurance for protection against claims alleging negligent acts, errors or omissions which may arise from the parties' performance of the agreement, whether by the parties themselves or by their employees, subcontractors, or sub-consultants, to the extent such persons other than the parties are permitted to perform the agreement. Parties must agree that the amount of this insurance provided by such policy shall not be less than One Million Dollars (\$1,000,000) per claim, and Two Million Dollars (\$2,000,000) in the aggregate.

All parties must require that all contractors (including but not limited to subcontractors, architects, engineers or any other third party with whom the parties enter into contracts, or whom the parties hire or retain in any way related to the performance of the agreement) provide, at minimum, the same insurance coverage required of the parties, and, with respect to commercial general liability and commercial vehicle liability coverages, name the City and the parties as additional insureds to each policy.

All parties must agree that, if the agreement is terminated for any reason prior to the completion of all obligations and requirements of the agreement, then the parties shall maintain all required coverages until the City provides written authorization to terminate the coverages following the City's review and determination that all liability posed under the agreement as to the parties providing insurance has been eliminated.

Parties must agree to monitor and review the insurance policies of contractors, and agree to assume all responsibility for ensuring that such coverage is provided in conformity with all requirements.

All parties must agree and acknowledge that if they fail to obtain all of the required insurance, or to obtain and ensure that the coverage required is maintained by any contractors or other third parties involved in any way with the performance of the agreement, then the parties shall be responsible for any losses, claims, suits, damages, defense obligations, or liability of any kind or nature incurred by the City or its officers, employees, servants, volunteers, agents and independent contractors. Additionally, the parties must agree that if at any time during the term of the agreement or any extension

thereof, if they or any of their sub-contractors fail to maintain any required insurance in full force and effect, all work under the agreement shall be discontinued immediately, until notice is received by the City that the required insurance has been restored to full force and effect and that the premiums therefor have been paid for a period satisfactory to the City. Any failure to maintain the required insurance shall be sufficient cause for the City to terminate the agreement.

All parties must agree that they shall be responsible for payment of any deductibles contained in any insurance policies required hereunder and shall also be responsible for payment of any self-insured retentions. All parties must also agree that to the extent they typically maintain insurance with broader coverage and/or limits of liability greater than those required herein, the City shall be entitled to the broader coverage and/or the higher limits of liability maintained by such parties. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to the City.

All parties must agree that even though insurance is obtained by the parties as required by the City, the coverages provided by such insurance shall not be deemed to release or diminish the liability of the parties, including, without limitation, liability under the indemnity provisions of the agreement. The duty to indemnify and hold the City harmless shall apply to all claims and liability regardless of whether any insurance policies are applicable. They must also agree that policy limits do not act as a limitation upon the amount of indemnification to be provided by the parties. Approval or purchase of any insurance contracts or policies shall in no way relieve from liability nor limit the liability of the parties, their principals, officers, agents, employees, persons under the supervision of the parties, vendors, suppliers, invitees, sub-consultants, or anyone employed or retained directly or indirectly by any of them.

The insurance requirements shall survive expiration or termination of any agreement.

ENDORSEMENTS

All parties must agree that, notwithstanding any inconsistent statement in any required insurance policies or any subsequent endorsements attached thereto, the protection offered by all policies, except for workers' compensation, professional liability or errors or omissions, shall bear an endorsement whereby it is provided that the City and its officers, employees, servants, volunteers, agents and independent contractors, including without limitation, the City Manager and the City Attorney, are named as additional insureds, and that all additional insureds shall be entitled to the full benefit of all insurance policies in the same manner and to the same extent as any other insureds without limitation to the benefits conferred upon them other than policy limits as to coverages.

All parties must agree to require that the carriers of all required insurance policies waive their rights of subrogation against the City and its officers, volunteers, employees, contractors and subcontractors.

All parties must agree to require that each policy be endorsed to provide that the policy shall not be cancelled or reduced in coverage (except by paid claims) unless the insurer has provided the City with thirty (30) days prior written notice of cancellation or reduction in coverage.

All parties must agree to require that with the exception of worker's compensation insurance, each policy be endorsed to provide that the policy shall apply on a primary and noncontributing basis in relation to any insurance or self-insurance, primary or excess, maintained or available to the City, and its officers, employees, servants, volunteers, agents and independent contractors.

All parties must agree to require that each policy bare an endorsement stating that any failure to comply with reporting provisions of the policies shall not affect coverage provided to the City, its elected or appointed officers, officials, employees, agents or volunteers.

PUBLIC PROJECTS

The insurance requirements for Public Projects may differ slightly from the above. Such requirements are beyond the scope of this Policy.