



**SONOMA VALLEY HEALTH CARE DISTRICT
GOVERNANCE COMMITTEE
REGULAR MEETING AGENDA
TUESDAY, AUGUST 26, 2014
8:00 AM**

**LOCATION: 1ST FLOOR SOLARIUM
347 ANDRIEUX STREET, SONOMA, CA 95476**

AGENDA ITEM	RECOMMENDATION	
MISSION STATEMENT <i>The mission of the SVHCD is to maintain, improve, and restore the health of everyone in our community.</i>		
1. CALL TO ORDER/ANNOUNCEMENTS	Boerum	
2. PUBLIC COMMENT SECTION <i>At this time, members of the public may comment on any item not appearing on the agenda. It is recommended that you keep your comments to three minutes or less. Under State Law, matters presented under this item cannot be discussed or acted upon by the Committee at this time. For items appearing on the agenda, the public will be invited to make comments at the time the item comes up for Committee consideration.</i>	Boerum	
3. CONSENT CALENDAR A. GC Meeting Minutes, 7.29.14 B. AC Charter	Boerum	Action
4. BOARD ORIENTATION OUTLINE	Boerum/Hohorst	Action
5. FACILITY CONTRACTING POLICY	Boerum/Hohorst	Discuss/Action
6. CONTRACTING APPROVAL MATRIX	Boerum/Hohorst	Discuss/Action
7. POLICY AND PROCEDURES GOVERNING PURCHASES OF MATERIALS, SUPPLIES AND EQUIPMENT AND PROCUREMENT OF PROFESSIONAL SERVICES (CONTRACTING PROCEDURES REVIEW)	Boerum/Hohorst	Discuss/Action
8. ADJOURN	Boerum	

3.

CONSENT CALENDAR



SONOMA VALLEY HEALTH CARE DISTRICT
GOVERNANCE COMMITTEE
REGULAR MEETING MINUTES
Tuesday, July 29, 2014, 8:30 AM

LOCATION: 1ST FLOOR SOLARIUM, 347 ANDRIEUX
STREET, SONOMA, CA

Committee Members Present	Committee Members Absent	Administrative Staff Present
Bill Boerum Peter Hohorst		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ ACTION	FOLLOW- UP
MISSION AND VISION STATEMENTS			
1. CALL TO ORDER	<i>Boerum</i>		
	Meeting called to order at 8:30AM		
2. PUBLIC COMMENT:	<i>Boerum</i>		
	None		
3. CONSENT CALENDAR: A. GC Meeting Minutes, 5.27.14	<i>Boerum</i>	Action	
		MOTION by Hohorst to approve Consent Calendar. All in favor.	
4. STANDING COMMITTEE CHARTER REVIEW	<i>Boerum/Hohorst</i>	Inform/Action	
	GC and AC Charters approved as edited and the GC Charter will go to the Board for approval under Consent. The AC Charter will go to Board for discussion on the appropriate scope for the Charter: whether there should be narrow focus on financials and financial controls or a broader scope to include compliance issues.		
5. FACILITY CONTRACTING POLICY	<i>Boerum/Hohorst</i>	Inform/Action	
	Put forward to next meeting. In order to gather more information, Mr. Hohorst has written to two districts that use alternative accounting methods for facility projects.		
6. CONTRACTING APPROVAL MATRIX	<i>Boerum/Hohorst</i>	Inform/Action	

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ ACTION	FOLLOW- UP
	Put forward to next meeting.		
7. CONTRACTING PROCEDURES REVIEW POLICY & PROCEDURES GOVERNING PURCHASES OF MATERIALS, SUPPLIES AND EQUIPMENT AND PROCUREMENT OF PROFESSIONAL SERVICES	<i>Boerum/Hohorst</i>	Inform/Action	
	Reviewed Salinas Valley Health Care District and came away with several points for further discussion: <ul style="list-style-type: none"> • Best value definition; • GPO oversight; and • Incorporation of Hospital policy into District policy by way of reference. 		
8. BOARD MEMBER ORIENTATION BINDER	<i>Hohorst</i>	Inform/Action	
	To be completed for next GC meeting on 8.26.14.		
9. MANGEMENT SERVICES AND AFFILIATION AGREEMENT BETWEEN MGH AND SVH	<i>Boerum/Hohorst</i>	Inform/Action	
	Negotiations between MGH and SVH are still in progress. The GC suggests Agreement go directly to the Board when negotiations are complete.		
10. REVIEW OF SCHD GOVERNANCE CERTIFICATE PROGRAM	<i>Boerum/Hohorst</i>	Inform/Action	
	It was agreed to drop this item from future agendas. The Certificate Program does not germane to District Hospitals.		
11. COMMENTS BY BOARD MEMBERS AS REGULAR AGENDA ITEM	<i>Boerum/Hohorst</i>		
	The GC suggests that this topic be included in the Agenda for the next Board retreat.		
12. ADJOURN	<i>Boerum</i> Meeting adjourned at 10:00am. <i>Next meeting August 26, 2014</i>		



Meeting Date: August 26, 2014
Prepared by: Peter Hohorst
Agenda Item Title: Audit Committee Charter Revision

Recommendations:

The Governance Committee recommends that the Board the Audit Committee Charter.

Background:

The Audit Committee does not have a formal charter. Its activities are guided only by the limited information in the District By Laws.

The draft material was originally borrowed from another organization and contained several items that were outside of the scope of the activities of the District’s Audit Committee in the past. At the August 7th Board meeting the Board recommended modifying the draft Charter to match past practices. The attached draft of the Audit Committee Charter includes the Boards suggestions.

The scope issues that were removed from the draft were:

- Audit Committee responsibility with internal audit functions (if any)
- Audit Committee responsibility for an independent review of internal financial controls
- Audit Committee responsibility for oversight for the District’s process for monitoring compliance with legal and regulatory requirements as this function is already being provided by the Quality and Governance Committees that meet on a more frequent basis.
- Audit Committee authority to engage independent legal, accounting and other advisors that it might deem necessary without seeking Board approval first.

Consequences of Negative Action/Alternative Actions:

The Audit Committee is does not have an approved Charter that defines its responsibilities

Financial Impact:

None

Attachment:

Draft Audit Committee Charter



SUBJECT: Audit Committee Charter	POLICY #
DEPARTMENT: Board of Directors	PAGE 1 OF 3
APPROVED BY: Board of Directors	EFFECTIVE:
	REVISED: 8/26/14

Purpose:

The purpose of the Audit Committee of Sonoma Valley Healthcare District (District) is to assist the District Board in its annual audit process. Subject to the ultimate authority of the District Board, the Audit Committee shall select, engage and oversee the District’s outside auditor and approve and oversee all audit services provided by the District’s outside auditor.

Policy:

SCOPE AND APPLICABILITY

This is a District Board Policy and it specifically applies to the Board, the Audit Committee, and the President/Chief Executive Officer (CEO) of the Sonoma Valley Hospital (SVH).

RESPONSIBILITY

Subject to the ultimate authority of the District Board, the Audit Committee (AC) shall:

1. Recommend the appointment and compensation of the independent auditor and provide oversight of the annual financial audit process. The independent auditor shall report directly to the Audit Committee.
2. Establish policies and procedures for the review and pre-approval by the AC of all auditing services.
3. Review and discuss with the independent auditor: (a) its audit plans and audit procedures, including the scope, fees and timing of the audit; (b) the results of the annual audit examination; and (c) the annual financial statements audited by the independent auditor.
4. Review the annual financial audit with management and determine whether to recommend the acceptance of the audit to the District Board.
5. Review with the independent auditor its judgment as to the quality, and not just the acceptability, of the District’s accounting practices and internal controls, and such other matters as are required to be discussed with the Audit Committee under generally accepted auditing standards.
6. Review with the independent auditor and management any changes or improvements in financial or accounting practices that are necessary or desirable, and the extent to which any changes or improvements previously approved by the AC have been implemented.



SUBJECT: Audit Committee Charter	POLICY #
DEPARTMENT: Board of Directors	PAGE 2 OF 3
APPROVED BY: Board of Directors	EFFECTIVE:
	REVISED: 8/26/14

- 7. Review with the independent auditor any audit problems or difficulties and management's response to these issues.
- 8. Oversee the resolution of any disputes between management and the independent auditor if and when such disputes arise.
- 9. Perform such other duties and functions as are assigned, from time to time, to the AC by the District Board.
- 10. Annually review and reassess the adequacy of its charter and recommend any changes, if needed, to the District Board.

Membership

The Audit Committee shall be comprised of not less than two (2) members of the public, the Chair of the District Board, the Treasurer of the District Board, and the Chair of the Finance Committee. The CEO and the Chief Financial Officer (CFO) of the Hospital shall be non-voting members of the committee.

All voting members of the AC must be stakeholders of the District. A stakeholder has been defined by the District Board as:

- Living some or all of the time in the District, or
- Maintaining a place of Business in the District, or
- Being an accredited member of the Hospital's Medical Staff

The District Board Chair shall serve as the Chair of the AC. If the District Chair is not present at an Audit Committee meeting the Treasurer shall serve as Chair of the AC.

Operations

The Audit Committee shall meet at such times and places as the Audit Committee shall determine, but no less than two (2) times annually. Meetings of the Audit Committee may be called by the Chair of the Board, the CEO or the CFO.

All AC meetings shall be announced and conducted pursuant to the Brown Act.

Narrowly focused and short term ad hoc subcommittees may meet to address specific issues that will be brought to the AC for review and referral to the Board for its deliberation and action. Subcommittee meetings are not subject to the Brown Act.



SUBJECT: Audit Committee Charter	POLICY #
DEPARTMENT: Board of Directors	PAGE 3 OF 3
APPROVED BY: Board of Directors	EFFECTIVE:
	REVISED: 8/26/14

The AC shall be authorized to adopt its own rules or procedures not inconsistent with (i) any provision of this Charter, (ii) any provisions of the Bylaws of the District, and (iii) the laws of the State of California.

The Chair of the Audit Committee shall report to the District Board on the actions taken by the committee.

Public Participation

The general public, Medical Staff, and Hospital staff are always welcome to attend and provide input. Other Board members may attend but may not comment as it may be a Brown Act violation.

4.

**BOARD
ORIENTATION
OUTLINE**

NEW BOARD MEMBER ORIENTATION BINDER 2014

TABLE OF CONTENTS

- 1) ~~District Mission, Vision and Values~~
- 2) General Information, Sonoma Valley Health Care District
 - a) History & Development***
 - b) Present Organization***
 - c) Medical Staff***
 - d) ~~Hospital Organizational Chart~~
 - e) ~~Medical Staff Officers~~
 - f) ~~Board Committee Calendar and Responsibilities~~
- 3) ~~District Bylaws (& Map)~~
- 4) Board Committee Charters (still to be approved)
- 5) Board Approved Policies (include corresponding Board Letters)
- 6) ~~Medical Staff Bylaws~~
- 7) ~~Hospital Foundation (SVHF)~~
 - a) ~~Bylaws of SVHF~~
 - b) ~~SVHF Organizational Chart~~
 - c) ~~SVHF Fundraising Strategic Plan 2014~~
 - d) ~~MOU with SVHF~~
- 8) Agreement with Prima Medical Foundation**
- 9) Affiliation Agreement with Marin General Hospital**
- 10) JPA, Purpose and Value**
- 11) ~~Sonoma Valley Hospital Three-Year Rolling Strategic Plan~~
- 12) ~~2014-2015 Operating Budget~~
- 13) ~~2014-2015 Capital Budget~~

APPENDICES

- 14) ~~Job Description, CEO & President~~
- 15) ~~Health Care District Health & Safety Code, Sections 32000 – 32492~~
- 16) Brown Act
 - a) Communications btwn Board Members and Board Chair and btwn Board Members and CEO**
 - b) ~~Brown Act Q&A (with Coffey at Board Oct. '13)~~
 - c) ~~Government Codes 54950-54963 (Ralph M. Brown Act) and Reduced Brochure~~
- 17) ~~State Ethics Law~~
- 18) ~~Great Boards, Distinguishing Governance from Management~~
- 19) Board Meeting Protocol**

** Still need to be written

*** Need to be updated/collected

~~Completed/on file~~

7.

**POLICY AND PROCEDURES
GOVERNING PURCHASES OF
MATERIALS, SUPPLIES AND
EQUIPMENT
AND
PROCUREMENT OF
PROFESSIONAL SERVICES
(CONTRACTING
PROCEDURES REVIEW)**



Healing Here at Home

September ____, 2013

POLICY AND PROCEDURES GOVERNING PURCHASES OF MATERIALS, SUPPLIES AND EQUIPMENT AND PROCUREMENT OF PROFESSIONAL SERVICES.

Purpose:

This policy covers the procedures governing purchases of materials, supplies and equipment and the procurement of professional services. It does not cover the procedures governing the bidding and awarding of contracts for facility projects (public works). The bidding and awarding of contracts for facility projects is covered by the Policy and Procedures Governing Bidding for Facility Contracts. Contracts for professional services in conjunction with facility projects shall also be governed by the Policy and Procedures Governing Bidding for Facility Contracts and not by this policy. This policy does not apply to physician transactions.

It is the intent of the Board of Directors ("Board") of the Sonoma Valley Health Care District ("District") to provide an equal opportunity to all qualified and responsible parties wishing to participate in the bidding process with respect to the District and the Sonoma Valley Hospital ("Hospital").

It is the intent of the Board, consistent with the District's obligations, to obtain the best value for all expenditures.

It is the intent of the Board to clarify, with this policy, the authority granted to the District President and Chief Operating Officer ("CEO") by the Board with regard to District and Hospital purchases and contracts. It is also the intent to clarify the authority retained by the Board.

In all instances where authority is granted to the CEO, it is understood that the CEO may in turn delegate this authority to a member of the CEO's staff. Responsibility for adherence to this policy, when the authority is delegated by the CEO to a staff member, remains with the CEO.

Statement of Board Policy:

Section 1. Scope and Application of the Policy

1.1 Delegation of Authority

The Board hereby makes selective delegation of its authority to the CEO to implement this Policy. By this Policy the Board also limits the CEO's authority as specified in Section 5 [Limit of Authority Delegated to the CEO].

1.2 Bidding Threshold

The District, with certain exceptions, as covered in Section 2 [Exceptions to Bidding and Lowest Bid Policy], (*Health and Safety Code § 32132*) shall follow the formal bidding procedures outlined in Section 3 [Formal Bidding Procedures] for any contract for

materials, supplies and equipment exceeding twenty-five thousand dollars (\$25,000) for services, materials and supplies to be furnished, sold, or leased to the District or the Hospital and shall award the contract to the lowest responsible bidder. Alternately, the District shall reject all bids.

Bidding is not required for contracts that are excepted under Section 2 and for contracts that do not exceed \$25,000, but bidding or other suitable procedures should be followed to obtain the best value for the District

1.3 Authority to Make Purchases.

The District's CEO or the CEO's designee are hereby given authority to make all purchases and to execute all purchase orders or contracts for the District duly authorized pursuant to this Policy or other applicable policies referenced herein. All purchases and contracts shall be upon written order, whenever reasonably possible, and the District shall keep and maintain written records of the same.

1.4 Contract File

The CEO shall keep and maintain written records of all contracts. The contract file shall include the method used to select the contractor or service provider, a copy of the request for proposal (RFP) or other form of solicitation, the amount of the contract, the expiration date of the contract, and the name of the contractor or service provider. When the formal bidding procedure is required, file shall also include a copy of the Notice of Bids and the names of all bidders and their proposals.

The contract file for all contracts awarded under the exceptions listed in section 2 shall include a description of the exception and an explanation of the method used to select the contractor or service provider.

The contract file shall include the names of any employee of the District, or any Board member who elected to recuse themselves from the award process because of a conflict of interest.

1.5 Conflict of Interest

With respect to all contracts covered by this Policy, any practices or procedures which might result in unlawful activity shall be prohibited, including practices which might result in rebates, kickbacks or other unlawful consideration. No employee of the District may participate in any selection process when such employee has a relationship with a person or business entity seeking a contract which would subject those employees to the prohibitions in *Government Code* § 87100¹. (See *Government Code* §4526)

1.6 No Advantage.

No illegal, unfair, unethical or otherwise improper advantage shall be accorded to any bidder by the District, a Board member or an employee of the District/Hospital.

Section 2 Exceptions to Bidding and Lowest Bid Policy

The District shall not be required to utilize the formal bidding process or to award the contract to the lowest bidder to (a) emergency contracts, (b) contracts for medical or surgical equipment or supplies, (c) electronic data processing and telecommunications

¹ Section 8100 provides, "No public official at any level of state or local government shall make, participate in making or in any way attempt to use his official position to influence a governmental decision in which he knows or has reason to know he has a financial interest."

goods and services, (d) professional services, (e) energy services contracts, or (f) purchases made through a Group Purchasing Organization (“GPO”) (*Health and Safety Code § 32132(b) & (e).*)

Section 2.1 Emergency Contracts.

Notwithstanding anything to the contrary, the Board may award contracts for more than \$25,000, without following the formal bidding and lowest bid policy, if it first determines (i) an emergency exists that warrants such expenditure due to fire, flood, storm, epidemic or other disaster and (ii) it is necessary to protect public health, safety, welfare or property. (*Health and Safety Code § 32136.*) In the event that the emergency requires immediate action, the CEO may make the determination that an emergency condition exists and award a contract without first receiving Board approval. The CEO shall inform the Board of the emergency and the contract by email within 24 hours. The Board shall review the emergency and the contract no later than 14 days after the action.

Section 2.2 Medical Equipment and Supplies

Notwithstanding anything to the contrary, the CEO may award contracts for more than \$25,000 without following the formal bidding and lowest bid policy for medical equipment and supplies commonly, necessarily and directly used by or under the direction of a physician or surgeon in caring for or treating a patient. (*Health and Safety Code § 32132(b)&(d).*)

Section 2.3 Electronic Data Processing and Telecommunications Goods and Services

Consistent with Health & Safety Code §32138, the District shall employ competitive means to acquire electronic data processing and telecommunications goods and services, where such goods and services exceed a cost of twenty-five thousand dollars (\$25,000). (*Health and Safety Code §§ 32132(b) and 32138.*)

For purposes of this section, “competitive means” includes any appropriate means specified by the Board. “Competitive means” may include (i) the preparation and circulation of a request for proposal to a sufficient number of qualified sources to permit reasonable competition consistent with the nature and requirements of the proposed acquisition, as determined by the Board in its reasonable discretion; (ii) the lowest bid policy; (c) any other appropriate means determined by the Board in its reasonable discretion. (*Health and Safety Code § 32138(b)*)

The CEO shall provide the Board and the Board shall approve the competitive means that will be used for all electronic data processing and telecommunications goods and services.

Section 2.4 Energy Services Contract

Notwithstanding anything to the contrary, the District shall award contracts for more than twenty-five thousand dollars \$25,000 for energy services including conservation, cogeneration, and alternate energy supply sources without following the formal bidding and lowest bid policy if 1) the Board determines that such contract is in the best interest of the District, and 2) the determination is made at a regularly scheduled public hearing of the Board in compliance with the provisions of *Government Code §4217.12.* (*Government Code §§ 4217.11 & 4217.12*)

Section 2.5 Group Purchasing Organizations

Notwithstanding anything to the contrary, the CEO may award contracts that are placed through an accredited Group Purchasing Organization (“GPO”) in excess of twenty-five thousand dollars (\$25,000) without following the formal bidding and lowest bid policy (Revenue and Taxation Code §23704). (*Health and Safety Code § 32132(e).*)

Section 2.6 Professional Services

Notwithstanding anything to the contrary, the CEO may award contracts for professional services and advice in financial, economic, accounting, engineering, legal, architectural or administrative matters (“Special Services”) in excess of twenty-five thousand dollars (\$25,000) without following the formal bidding and lowest bid policy or the use of competitive means, provided such persons are specially trained, experienced and competent to perform the special services required and have been selected based on these qualifications. (*Health and Safety Code § 32132(b) & Government Code § 53060.*)

The Policy and Procedures Governing Bidding for Facility Contracts shall be followed for the contracts for professional services of architectural, engineering, environmental, land surveying, or construction project management firms if the work is to be performed in conjunction with an approved facility project.

Section 3. Formal Bidding Procedure

Section 3.1 Bid Packet

Where formal bidding is required, (or otherwise deemed desirable by the Board) the CEO shall prepare a bid packet, including a notice inviting formal bids (“Notice Inviting Bids”). The packet shall include a description of the materials or supplies, scope of services, or work in such detail and written with such specificity as may be required to allow all potential bidders to understand the need and give a level playing field to all bidders.

Section 3.2 Notice Inviting Bids

Where formal bidding is required, the CEO shall publish the Notice Inviting Bids at least fourteen (14) calendar days, but preferably twenty (20) calendar days, before the date of opening the bids. Notice shall be published at least twice, not less than five (5) days apart, in a newspaper of general circulation, printed and published in the jurisdiction of the District. (Public Contract Code §20150.8).

In addition, the CEO may also publish the Notice Inviting Bids in a trade publication as specified in Public Contract Code 22036 or may give such other notice as it deems proper.

Section 3.3 Requirements of Notice Inviting Bids.

The CEO shall include all of the following in the Notice Inviting Bids:

- a. A description of the item(s) to be bid upon;
- b. The procedure by which potential bidders may obtain electronic copies of the Specifications;
- c. The final time, date, and, place where bids are to be received(Government Code § 53068; Public Contract Code §§ 4104.5, 22037). If the District elects to receive bids electronically, this option must be included in the Notice Inviting Bids.

- d. The appropriate District person to receive the bids and the address for that person, including an e-mail address.
- e. The date, time and place for opening of bids;
- f. Other matters, if any, that would reasonably enhance the number and quality of bids.

Section 3.4 Submission of Bids.

The CEO shall accept only written sealed bids from the prospective bidders. The CEO shall date and time stamp all bids upon receipt. All bids shall remain sealed until the date and time set forth for opening the bids in the Notice Inviting Bids. Any bid received by the District after the time specified in the Notice Inviting Bids shall be returned unopened. (Government Code § 53068). Any electronic bids received after the time specified shall have their attachments deleted and the bidder notified electronically of their rejection.

Section 3.5 Examination and Evaluation of Bids

On the date, time and at the location provided in the Notice Inviting Bids, the District shall publicly open the sealed bids. A person designated by the CEO, shall attend and officiate over the opening of bids ("Opening"). The bids shall be made public for bidders and other properly interested parties who may be present at the Opening.

The District reserves the right not to determine the low bidder at the Opening, to obtain the opinion of counsel on the legality and sufficiency of all bids, and to determine at a later date which bid to accept. Such determination shall be made within sixty (60) days of the Opening unless a different period of time is specified in the Notice Inviting Bids.

In the event there are two or more identical lowest bids pursuant to any provision requiring competitive bidding, the District may determine by lot which bid shall be accepted. (Government Code § 53064)

Section 3.6 Award of Contract

When formal bidding is required the CEO shall award the contract to the lowest bidder, provided the bidder is responsible as defined by section 3.7 and the bid is reasonable and meets the requirements and criteria set forth in the Notice Inviting Bids

Any contract awarded by the District shall be subject to all applicable provisions of federal, California and local laws. In the event of a conflict between any contract documents and any applicable law, the law shall prevail.

Notwithstanding anything to the contrary, the District is under no obligation to accept the lowest responsible bidder and reserves the right to reject all bids. (*Health and Safety Code § 32132*)

Section 3.7 Responsible Bidder

a. For purposes of this Policy, "responsible bidder" means a bidder who has demonstrated the attribute of trustworthiness and quality during prior service, a reputation for reliability and satisfactory service with other clients, sufficient financial capacity and the physical capability and the technical and non technical expertise in order to perform the contract satisfactorily (Public Contract Code 1103).

b. If the CEO determines that the lowest bidder is not responsible, the Board may award the contract to the next lowest responsible bidder

c. If the Board decides to award the contract to a bidder other than the lowest bidder pursuant to subparagraph (b), the Board shall first notify the low bidder of any evidence, either obtained from third parties or concluded as a result of the District's investigation, which reflects on such bidder's responsibility. The District shall afford the low bidder an opportunity to rebut such adverse evidence and shall permit such bidder to present evidence that it is qualified. Such opportunity to rebut adverse evidence and to present evidence of qualification shall be submitted in writing to the District.

Section 4. Bid Conditions.

All formal bids shall be subject to the following general conditions.

4.1 Minimum Number of Bids.

When formal bidding is required the CEO shall consider a minimum of three (3) bids whenever possible; however, where the CEO cannot obtain three bids or when the CEO decides that time will not permit obtaining three bids, the Board may authorize consideration of a minimum of two (2) bids.

The District may accept sole source bids for contracts that are exempt from the formal bidding policy under section 2.

4.3 Multiple Bids.

When bids for multiple items are solicited at the same time, the CEO may accept parts of one or more bids (provided the Notice Inviting Bids so indicates) unless the bidder has specified to the contrary, in which event the District reserves the right to disregard the bid in its entirety.

4.4 Minor Deviations.

When formal bidding is required, the CEO, after receiving advice from counsel, may waive inconsequential deviations from the specifications in the substance or form of bids received.

4.5 Reference Check

Contracts shall be awarded to the lowest responsible bidder meeting the applicable criteria established by the District, subject to a check of references and review of legal counsel, as applicable.

4.6 Right to Direct Competitive Bidding.

The Board reserves the right to direct competitive bidding (including but not limited to lowest bid) for any contract, regardless of whether or not competitive bidding is required by the terms of this policy. (*Public Contract Code §1601*)

4.6 Flexibility and Waiver of Policy Requirements

In recognition of the fact that the contracting and procurement needs of the District may, from time to time, render certain procedures or requirements set forth in this Policy impractical, the CEO or his/her designee is authorized to permit or waive deviations from this Policy, to the extent permitted by law, in consultation with the District's legal counsel and upon making a written finding that such deviations are in the best interest of the District.

Section 5. Limit of Authority Delegated to CEO for Materials and Services

The CEO may sign a contract for an operating expense, the cost of which has been included in the approved (by the Board) operating budget for the current fiscal year. The contract may cover a period of up to 5 years.

The CEO may sign a contract for an operating expense, the cost of which has been included in the approved (by the Board) operating budget for the current fiscal year, but the contract amount is greater than the amount in the budget, if the total dollar amount of contracts exceeding the budgeted amounts is not in excess of \$100,000 for the year. When a contract is signed that exceeds the budgeted amount the CEO should reduce operating costs in other areas to keep the impact of the contract "budget neutral." The contract may cover a period of up to 5 years.

The CEO may approve a contract for a capital expense, if the item meets the guidelines for capital projects which were included with the capital budget and approved by the Board.

Peter, I have only made a few comments on this in yellow highlight and we can talk about those specific points as they will impact the procurement policies we have been working on. I have done nothing else to this except drop the signature section at the end. I am also asking them for most of the referenced policies...it may save the GC a lot of work, and provide a good jumping off point. When I get them I will share them. Kevin

PROCUREMENT MANAGEMENT

I. PURPOSE

A. The purpose of this Procurement Management Policy ("Policy") is to provide over-arching guidelines for Salinas Valley Memorial Healthcare System ("SVMHS") procurement activities, and in so doing ensure that SVMHS (1) fosters maximum open and free competition for contracts; (2) promotes the greatest economy and efficiency in procurements; (3) maintains procurement policies and procedures that guarantee compliance with applicable laws and regulations; and (4) treats all prospective contractors, consultants, and vendors in an equal and equitable manner.

II. POLICY

A. General. It is the policy of SVMHS that purchases and contracts, whether by informal solicitation, formal bidding or a formal proposal process, shall be made in accordance with the policies and procedures enumerated below.

B. Conflicts of Interest. No director, officer, employee or agent of SVMHS shall participate in any procedure, task, or decision relative to initiation, evaluation, award, or administration of a contract if a conflict of interest, real or apparent, exists. Such a conflict of interest arises when (a) the director, officer, employee or agent, (b) any member of his or her immediate family, (c) his or her business associate, or (d) an organization which employs, or which is about to employ, any of the above described individuals has a financial interest in a firm that participates in a District procurement process or that is selected for a contract award. The standards governing the determination as to whether such an interest exists are set forth in Government Code Sections 1090, 1091, 1091.5, and the Political Reform Act (Government Code Sections 81000 et seq.) and implementing regulations.

C. Group Purchasing. Procurements may be made through group purchasing organizations without SVMHS conducting its own competitive solicitation. In each case when a purchase that would otherwise be covered by this Policy occurs through a group purchasing organization, SVMHS shall require that the group purchasing organization provides evidence that its own processes for vendor identification and selection, item evaluation and price negotiation meet the minimum requirements that would apply were SVMHS to undertake the procurement itself. All other requirements, such as the signature and approval

authority requirements set forth herein and in other SVMHS policies, shall apply to SVMHS procurements through group purchasing organizations. You will recall we talked about this and then did not impose this requirement, but it looks like imposing it is the right thing to do legally. We can specifically ask Colin about this. It will possibly impact our ability to use the MGH contracts.

D. Exception:

1. Employment Contracts. This Policy does not apply to hiring of and contracting with SVMHS employees (as opposed to procurement of professional services).
2. Physician Contracts. The Policy does not apply to contracts with individual physicians (as opposed to groups of physicians) including, as needed, contracts for Department directorships, on-call services, committee participation, or individual physician services. Such contracts with physician will comply with the [PHYSICIAN SERVICES CONTRACT POLICY AND PROCEDURE](#) and the [FAIR MARKET VALUE POLICY](#).

III. DEFINITIONS

A. "Best value" means a process in which the overall combination of qualifications, experience, price and other elements are considered together to determine which proposal provides the greatest overall benefit to SVMHS and best meets the medical needs of its patients. Personally I like best value over low bid if we can do it. It requires a bit more rigor than just looking at bid values and if not done well is easier to challenge.

B. "Competitive solicitation" means the preparation and circulation of a formal or informal request or invitation for proposals, bids or quotes to qualified sources to permit reasonable competition consistent with the nature and requirements of the proposed acquisition.

C. "Formal competitive bidding procedures" means the letting or award of a contract to the lowest responsive, responsible bidder for provision, purchase or lease of the solicited items following the publication, preparation and circulation of an invitation for bids for said items.

D. "Medical or surgical equipment or supplies" includes only equipment or supplies commonly, necessarily, and directly used by, or under the direction of, a physician and surgeon in caring for or treating a patient in a hospital.

IV. PROCEDURE

A. Signature and Approval Authority.

1. The Executive Leadership Group ("ELG") will establish signing thresholds for purchases below the authority of the Chief Executive Officer.
2. Any procurement in excess of \$250,000 will require approval of the Board of Directors.
3. All procurements and contracts shall be made in accordance with the SVMHS [EXPENSE APPROVAL MATRIX](#).

B. Competitive Procurement Requirements/Types.

1. Services; Medical and Surgical Equipment and Supplies. Agreements of more than \$250,000 for professional and other services (e.g., accountants,

consultants, physician groups), and for more than **\$250,000** for medical and surgical equipment and supplies (e.g., operating room equipment, implants), shall be procured through a Request for Proposals ("RFP") process and will be based on the "best value" standard. (See [COMPETITIVE SOLICITATION POLICY](#))

2. Data Processing and Telecommunications Goods and Services. Except in cases of emergency, SVMHS contracts of more than \$25,000 for data processing and telecommunications goods and services are to be awarded through an RFP process and awarded to the proposer which provides the most cost-effective solution to the agency's requirements, as determined by evaluation criteria specified by the Board of Directors, which may provide for objective criteria rather than cost alone. This process shall not apply if the Board of Directors determines that the goods or services proposed for acquisition are the only goods and services which can meet the agency's needs ("sole source"). (See [COMPETITIVE SOLICITATION POLICY](#))

3. Non-Medical Equipment and Supplies. Except in emergency or sole source situations, SVMHS shall award all contracts of more than \$25,000 for materials and supplies (e.g., cleaning supplies, toilet paper, office supplies) to be furnished, sold, or leased to the agency, to the lowest responsive, responsible bidder who shall give the security the board requires, or else reject all bids. (See [COMPETITIVE SOLICITATION POLICY](#))

a. This requirement shall not apply to contracts for medical and surgical equipment and supplies.

b. Bids need not be secured for change orders that do not materially change the scope of the work as set forth in a contract previously made if the contract was made after compliance with a formal competitive bidding procedure, and if each individual change order does not total more than five percent of the contract amount.

4. Public Works / Construction. SVMHS shall let all public works contracts to the lowest responsive, responsible bidder who shall give the security the board requires, or else reject all bids. SVMHS shall follow the procedures set forth in Section IV. B of this Policy except where they differ from the applicable requirements set forth in the California Public Contract Code, which legal requirements shall be followed wherever applicable. (See [COMPETITIVE SOLICITATION POLICY](#))

C. Additional SVMHS Policies. In addition to the requirements set forth above, the following SVMHS policies shall be consulted and the requirements of them shall be met:

1. The [INFORMATION TECHNOLOGY ACQUISITION](#) policy shall be used in consideration of all information technology purchases.

2. The SVMHS [PURCHASE ORDER AND PURCHASE ORDER REQUISITION PROCEDURE](#) policy shall be used for the post solicitation ordering of departmental supplies.

3. Capital equipment procurements shall further follow all requirements set forth in the **CAPITAL EQUIPMENT** and **CAPITAL BUDGET PLANNING PURCHASE** policies.

4. The **VALUE ANALYSIS COMMITTEE POLICY** shall be followed prior to the letting of any contract equating to the introduction, evaluation and standardization of existing, new or alternative supplies, equipment, chemicals or products, including procurements of \$25,000 or less in materials and supplies.

5. Any new programs, services, capital purchases or joint ventures with a one year capital and operating cost in excess of \$100,000 or annual gross charges in excess of \$300,000 remain subject to the **BUSINESS PLAN POLICY**.

6. The **FAIR MARKET VALUE POLICY** and the **PHYSICIAN SERVICES CONTRACT POLICY AND PROCEDURE** shall be followed prior to any new or renewal of individual or group physician contracts.

7. The ELG shall set forth policies and procedures for the requirements and thresholds for the following categories of procurement:

a. Medical or surgical equipment and supplies under **\$100,000**.

b. Professional and other services under **\$100,000**.

c. Materials and supplies under **\$25,000**.

d. Data processing and telecommunications goods and services under **\$25,000**.

D. **Procurement Manual**. The ELG will adopt an SVMHS procurement manual which incorporates, clarifies and coordinates all of the foregoing policies and includes additional guidelines such as proposer/bidder protest procedures.

V. EDUCATION/TRAINING

A. Review of this policy will occur upon approval by all department directors, the ELG and others as determined appropriate.

VI. DOCUMENTATION

A. All procurement and contracting activities will be documented and maintained according to the SVMHS **HOSPITAL RECORD RETENTION**.

VII. REFERENCES

A. Political Reform Act (California Government Code Sections 81000 et seq.); Regulations of the Fair Political Practices Commission, Title 2 California Code of Regulations Sections 18700 et seq.

B. California Government Code Sections 1090, et seq.

C. **California Public Contract Code**

D. California Health & Safety Code Sections 32000 -32492