

RULES FOR ACHIEVING COMPETITION

2634

(May 2005)

This Section describes the dollar thresholds and the rules to be used by **purchasers** to determine whether competition has been achieved. Also described within this Section is how to determine fair and reasonable pricing.

DOLLAR THRESHOLDS

2634.1

(May 2005)

TRANSACTIONS UNDER \$5000.00

2634.1.1

(May 2005)

Competition is always the preferred method of acquisition. However, **purchasers** may acquire goods valued less than \$5,000.00 if fair and reasonable pricing can be established without receiving alternate quotes. Examples of fair and reasonable pricing methods include:

- Price Comparison
- Verifying established catalog/market pricing
- Prices set by law or regulation
- Historical comparison.
- Cost/benefit analysis

Purchasers that elect to accept only one offer under this dollar threshold must include documentation in the procurement file that supports fair and reasonable pricing.

[Click](#) here to access the file documentation list for transactions under \$5,000.00.

NON-IT GOODS TRANSACTIONS VALUED FROM \$5,000.01 TO \$50,000.00

2634.1.2

(No. 5 May 2008)

Achieving competition within this dollar range is defined as receiving responsive bids from at least two responsible bidders, if the solicitation is not advertised. Whenever solicitations are advertised and distributed amongst interested bidders, the **purchaser** does not control bidder participation, thus the solicitation may result in only one bid response. **In CAL FIRE, purchasers do not advertise non-IT goods therefore two responsive bids are required to achieve competition.**

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HOW TO DETERMINE FAIR AND REASONABLE PRICING

(May 2005)

2634.2

TECHNIQUES

(May 2005)

2634.2.1

In accordance with GC section 14838.5(c) if the estimated value of a transaction is under \$5,000.00, purchasers shall obtain at least two price quotations from responsible suppliers whenever there is reason to believe a response from a single source is not a fair and reasonable price.

Provided below are five techniques that a purchaser may use to determine whether or not a supplier's price can be determined to be fair and reasonable

Technique	Description
Price comparison	A purchaser has obtained and documented quotes or offers within the last 12 to 18 month period from other responsible suppliers which provides evidence that a price obtained is deemed fair and reasonable.
Catalog or market pricing	The price offered is supported by an established and verifiable catalog or market pricing media issued by a responsible supplier and/or through an established reputable forum. In addition, the pricing structure provided is one that a prudent purchaser would accept as a reasonable representation of existing market value.
Controlled pricing	The price offered is set by law or regulation; competitively bid master or statewide contracts, etc.
Historical pricing	A purchaser is able to demonstrate that other transactions occurring in the past (within a 12 – 18 month period) exist that shows that historical prices for similar acquisitions have yielded no material change in cost. Note: The definition of "material" for this technique is deemed to be greater than a 15% increased difference between current and historical pricing.
Cost/benefit analysis	A purchaser can demonstrate that their level of experience in the procurement field provides a sufficient knowledge base which clearly indicates that the acquisition cost is so low that the cost to the state of verifying the pricing fairness would most likely be more than any potential benefit that could be reasonably gained from searching out the market place for lower price comparable acquisitions.

COMPARE IDENTICAL SITUATIONS

2634.2.2

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Purchasers when evaluating fair and reasonable pricing using price comparisons, catalog/market price and/or historical pricing must base the comparisons on identical situations or those with little variance that doesn't impact the price.

Example

Comparable includes quantity of items, complexity of the procurement, timing of the acquisition and the marketplace (price inflation and/or reduction.).

FILE DOCUMENTATION

2634.2.3

(May 2005)

The procurement file must contain sufficient documentation to support the fair and reasonable technique used to determine the pricing received is fair and reasonable.

[Click here](#) to access the file documentation list for transactions under \$5,000.00.

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[\(see Forms or Forms Samples\)](#)