

CITY OF Forada
Resolution 01-20
PURCHASING POLICY
(Adopted January 13, 2020)

Section I. Purpose

The purpose of this policy is to establish the procedures for purchases made on behalf of the City of Forada. This policy has the following objectives:

1. To ensure that purchases comply with all applicable laws;
2. To ensure that taxpayers receive the lowest price and the best value for their tax dollars when the City purchases goods and services;
3. To provide clear and consistent guidelines for contractors to follow;
4. To provide clear and consistent guidelines for authorized City employees/purchasers to follow;
5. To limit the discretion of City officials and thus limit the possibility of fraud or favoritism.

Section II. Internal Controls

The primary basis for the City's system of internal control is the City's annual budget. The budget, as adopted by the City Council, serves as the basis for the City's spending for that year. The City Council must approve any expenditure over budget. Also, any expenditure that would utilize money budgeted from one area of a department budget for another purpose must be communicated by that Department Head to the City Clerk/Treasurer for his/her verbal approval.

Section III. Purchasing Oversight

The City Clerk/Treasurer is responsible for the overall purchasing function. The Fire Chief, Public Works employee and First Responder President (Department Heads) shall be responsible for purchasing items within their respective budgets. All contracts, bonds, and instruments of every kind to which the City is a party shall be signed by the Mayor and/or the City Clerk/Treasurer on behalf of the City and shall be executed in the name of the City. All credit applications must be submitted to and approved by the City Clerk/Treasurer.

Section IV. Purchasing Levels

Department Heads shall have the authority to authorize and/or approve purchases up to \$1,000 based on appropriations contained in the City's budget. The City Clerk/Treasurer shall have the authority to authorize and/or approve purchases up to \$2,000 based on appropriations contained in the City's budget. Purchases that are greater than \$2,000, or items not appropriated through the annual budget, must be approved by the City Council.

Section V. Purchasing Procedures

Purchases may be made by the following methods:

1. Regular purchasing procedures
2. Price agreements
3. Emergency purchasing

4. Disaster purchasing
5. Cooperative purchasing
6. Credit Cards

Regular Purchasing Procedures

The Department Head and/or Commissioner is responsible for ensuring purchases are within budgetary constraints. A packing slip (if applicable), and the original receipt must be returned to the City Clerk/Treasurer for processing the payment to the vendor. Department Head and/or Commissioner must specify the source of funding for the purchase; the City Clerk/Treasurer must ensure adequate funding is available from the funding source and must provide assurance that City Council or his/her approval, as applicable, has been obtained for the purchase.

These procedures apply to the purchase of supplies, materials, equipment, or the rental thereof, or the construction, alteration, repair, or maintenance of real or personal property. All purchases must be consistent with the approved annual budget. All telephone or verbal quotes must be followed with written confirmation or electronic mail.

1. Purchases of less than \$1,000

The purchase may be made in the open market by an authorized purchaser. Authorized purchasers are strongly encouraged to seek quotations from several vendors if the anticipated cost approaches \$1,000.

2. Purchases from \$1,000 to \$2,000

The purchase should be based on a minimum of two (2) written quotations. Quotations may be obtained by telephone or in written form via electronic mail, delivery service, or Internet. Quotations must have a specific date and time period for which they are valid. All quotations should be kept on file for a minimum of one (1) year.

3. Purchases from \$2,000 to \$100,000

The proposed purchase must be presented to Council for approval before the commencement of the purchasing process. The purchase may be made either via sealed bids or by obtaining three (3) or more written quotations, without advertising for bids or otherwise complying with the requirements of competitive bidding laws. Quotations may be obtained by telephone or in written form via facsimile, delivery service, or Internet. Quotations must have a specific date and time period for which they are valid. All quotations should be kept on file for a minimum of one (1) year. If quotations are obtained by phone, they must be followed up with a signed quotation to be considered a valid quotation. The quotations must be forwarded to the City Council for selection and approval. This approval shall be accomplished by an agenda write-up submitted for consideration at a Council meeting.

4. Purchases exceeding \$100,000

The proposed purchase must be presented to Council for approval before the commencement of the purchasing process. Purchases or contracts exceeding \$100,000 require formal sealed bids solicited by public notice in accordance with Minnesota Statute 471.345, Subd.3. The purchaser shall prepare or cause to be prepared, the specifications, the advertisement to solicit sealed bids, the opening and

tabulation of bids, and any necessary investigation of the bids. The City's designated representative shall recommend to the City Council which bid is the lowest, responsible bid. The City Council shall determine the lowest responsible bidder and shall accept such bid. In all cases, the City Council reserves the right to accept or reject any or all of the bids, and waive informalities therein.

The City has reasonable discretion in determining the lowest responsible bidder. Not only must a successful bidder submit the lowest bid price and substantially meet the terms and conditions of the specifications, the low bidder must be considered "responsible" and have the capacity to perform the proposed contract. "Responsibility" includes such considerations as the bidders' financial responsibility, integrity, ability, skill, and likelihood of providing faithful and satisfactory performance. There is more latitude in purchasing items of equipment not capable of exact specifications. In making such a purchase, the City Council may exercise reasonable discretion in determining the lowest responsible bidder. The City Council may consider, in addition to the bid price, the quality, suitability, and adaptability of the article for its intended use.

Exclusions from Competitive Bidding Requirements

It is not legally necessary to advertise for bids for:

1. Professional services such as those provided by doctors, engineers, lawyers, architects, accountants, and other services requiring technical, scientific, or professional training. Before contracting any professional service over \$2,000, City Council approval is required. The City Council will decide if quotations or bids are appropriate even though not legally required;
2. The purchase or lease of real estate;
3. The purchase of non-competitive products patented or obtainable from only one source. Demonstration of this circumstance must meet statutory requirements for a "sole source vendor" purchase.

Travel

All expenditures for travel and training need prior approval by the Department Head. The City Clerk/Treasurer shall verify that the expenditure has been budgeted and that sufficient funds are available. The travel request will then be forwarded to the City Council for approval.

Invoice Approval

Department Heads shall review all invoices for expenditures in their departments and verify the validity of the charges. Department Heads shall sign ascertaining that the goods or services have been delivered to the City in the quantities listed and that the amounts charged are correct. The packing list or other documentation of receipt should be attached to the signed invoice. Certain invoices are excluded from Department Head review and approval. These include monthly invoices which are allocated to departments based on employee costs or other factors, e.g., health insurance, life insurance, dental insurance, utilities, telephone invoices, and refuse removal. However, if unusual or non-recurring charges appear on any of these invoices, Department Head approval should be obtained prior to processing. All purchases/payments shall be reviewed and ratified by the City Council at their regular meeting before payments are released.

Payments will only be made from the original invoice; payments from statements are not allowed. Employee reimbursements must be submitted on the approved form and must be signed by the employee and the Department Head. All non-mileage reimbursements must have the original receipts attached.

Price Agreements

Price agreements may be used to acquire items the City frequently purchases in small quantities, i.e. gasoline, propane, and heating fuel. A price agreement is a contract between the City and a vendor. Under it, the vendor agrees to supply all of the City's requirements for the specified commodity during the period of agreement. The price may be fixed or variable, such as a fixed discount from market price. Such price agreements expedite delivery, reduce paperwork, and generally result in lower prices. The procedure for "Purchases of less than \$1,000" applies.

Emergency Purchasing

When an emergency occurs that may jeopardize public safety or the health and welfare of employees or citizens, Department Heads, Commissioners and/or the Mayor may authorize a necessary emergency purchase. Emergency purchases and the reason for the purchase shall be reported in writing to the City Clerk/Treasurer within 24 hours. At least two (2) competitive quotations should be utilized whenever possible as part of the process.

In an emergency situation, the City Council may dispense with the bidding requirements of state contract law. Before deciding if an emergency exists, the City Council shall consult with a competent attorney.

Disaster Purchasing

The Mayor may declare a local disaster or emergency. The declaration shall not be continued for a period in excess of three (3) days except by, or with the consent of, the City Council. A disaster may result from fire, flood, tornado, blizzard, destructive winds, or other natural causes, or from sabotage, hostile action, or from hazardous material mishaps or catastrophic measures, or emergencies that are technological in nature.

During a declared emergency, the City may enter into contracts and incur obligations necessary to combat the disaster by protecting the health and safety of persons and property, and providing assistance to victims of such disasters. The City may exercise such power as deemed necessary without complying with purchasing procedures prescribed by law pertaining to the performance of public work, entering into rental equipment agreements, purchase of supplies and materials, limitations upon tax levies, and the appropriation and expenditures of public funds, including, but not limited to, publication of resolutions, publication of call for bids, provisions of personnel laws and rules, provisions related to low bids, and requirement for budgets.

Cooperative Purchasing

The City may increase savings from bulk discounts by making purchases jointly with one or more governmental units through joint powers agreements. Under these programs, several governmental units can enter into an agreement to authorize one party to solicit bids and provide for the purchase at the option of each participating governmental unit. Once the governmental units agree on the specifications of the item, one party may advertise for bids

on behalf of all the parties that participate in the agreement. Rather than specify a specific number of items, the advertising participant will advertise for a range of quantities estimated for the entire group. Each participating unit can make the final decision on whether to purchase the items from the successful bidder.

The City may participate in the Cooperative Purchasing Venture (CPV) administered by the Minnesota State Board of Administration.

Use of Credit Cards

As per MN Statute 471.382, the City Council may authorize the use of a credit card by any City officer or employee otherwise authorized to make a purchase on behalf of the City. In accordance with this statute, if a City officer or employee makes or directs a purchase by credit card that is not approved by the City Council, the officer or employee is personally liable for the amount of the purchase. All purchases by credit card must otherwise comply with all statutes, rules, and policies applicable to City purchases. The City Council shall approve the establishment of all credit card accounts. The City Clerk/Treasurer shall keep a record of all persons issued a credit card or having authorization to use a City credit card. Authorized persons will receive, sign, and file an acknowledgment form regarding credit card use.

Purchases must comply with the following requirements:

1. Claims presented to the City for payment must be in writing and itemized. Billings from credit card companies do not contain the detail necessary to satisfy these requirements; therefore, the City must retain original invoices and receipts for all items charged on a City credit card.
2. The City will not use credit cards for carrying debt. The City will pay all credit card balances each month. The City will not be responsible for interest charges accrued due to delayed submission of receipts and payment requests. Such payment delays caused by the employee or officer failing to submit the necessary receipts to support the credit card statement in a timely manner shall be the responsibility of the employee or officer. The City will use all methods available to effect collection of these interest and carrying charges.
3. Individuals failing to comply with this policy shall have credit card privileges revoked and will be responsible for interest and late charges that result from their failure to comply with this policy.

Section VI. Effective Date

This policy becomes effective January 13, 2020, the date of adoption by the Forada City Council. Motion made by _____ and seconded by _____ to adopt the Purchasing Policy. Motion carried. Motion carried unanimously.