



Purchasing Policy

Adopted 10/02/2018

Revised 06/16/2026

SECTION 1. PURPOSE

The purpose of this policy is to assure that all purchases are made in accordance with the laws of the State of Minnesota, including the public purpose doctrine; City of Baxter (City) ordinances; other City policies; and, when applicable, federal uniform grant guidance. Formal adoption of the purchasing policy codifies existing purchasing practices already in place. The policy will provide uniform purchasing procedures within the City's departments. This policy is intended to provide guidelines regarding which expenditures are for public purposes and authorized in accordance with the City's annual budget process, and which expenditures are not considered to fall within the public purpose definition and are therefore not allowed.

SECTION 2. POLICY

The City Council (Council) and City recognize that public funds may only be spent if the expenditure meets a public purpose and the expenditure relates to the governmental purpose for which the City was created.

The meaning of "public purpose" is constantly evolving. The Minnesota Supreme Court has followed a broad approach and has generally concluded that "public purpose" means an activity that meets ALL of the following standards:

- The activity will primarily benefit the community as a body.
- The activity is directly related to functions of government.
- The activity does not have as its primary objective the benefit of a private interest whether profit or not-for-profit.

The City Administrator is the responsible authority overseeing all City expenditures and as such is the chief purchasing agent for the City. Responsibility for administering this policy has been delegated to the Finance Director and his/her designees. Further, all officers and employees authorized by their department to make purchases for the benefit of their respective departments are responsible for complying with this policy and corresponding procedures. When city, state, and federal guidelines differ, the most constricting guidelines applicable to the transaction shall be followed.

Expenditures of public funds must comply with the public purpose standards defined above. Appendix A contains examples of permitted and prohibited expenditures. The examples are not all-inclusive.

A. **Authorization**

The City shall follow Minnesota State Statute 471.345 Uniform Municipal Contracting Law when entering into any agreement for the sale or purchase of supplies, materials, equipment or the rental thereof, or the construction, alteration, repair or maintenance of real or personal property. For construction projects that are competitively bid, responsible contractor laws must be followed which require contractors to meet certain minimum criteria to be eligible to be awarded a construction contract.

Dollar Amount	Process	Approval Requirements
< \$1,000 \$5,000	Pursue an open market purchase	Purchase must be within annual budget and approved by the department head or designee.
\$1,000 \$5,000- \$25,000	Pursue an open market purchase	Purchase must be within annual budget and approved through the PO process or the purchase must be approved by the Council.
\$25,001 - \$175,000	Obtain a minimum of two quotations by sealed bid or direct negotiation and maintain copies on file <u>or utilize a cooperative purchasing contract outlined in the “Purchasing Alternatives” section below</u>	Purchase must be within annual budget, approved through the PO process, <u>and amounts over \$75,000 must be approved by the Council.</u>
>\$175,000	Follow sealed bid process <u>or utilize a cooperative purchasing contract outlined in the “Purchasing Alternatives” section below</u>	Department heads will bring requests before the Council according to bidding requirements including obtaining authorization from the Council to solicit bids.

(1) **Purchasing Alternatives**

A formal sealed bid procedure or two quotations are required for all purchases that are estimated to exceed \$175,000 or \$25,000, respectively, except for purchases through a cooperative purchasing contract (see below).

State, County, and Other Cooperative Purchasing Contracts

Cooperative purchasing contracts provide the opportunity for the City to purchase goods and services at reduced costs. Employees do not need to obtain bids if a purchase is made through a national municipal association purchasing alliance or a cooperative created by a joint powers agreement (of which the City is a member) that purchases items from more than one source on the basis of competitive bids or quotations that complies with State Statute.

(a) State Cooperative Purchasing Contracts.

The City participates in the State of Minnesota Cooperative Purchasing Venture (CPV). This enables the City to buy goods and services under the terms of contracts already negotiated by the State of Minnesota. If it is determined that a product/service is on a state contract, vendors should be told that the purchase will be made using that contract. When completing the purchasing paperwork, including applicable council approval, note the purchase is per state contract and indicate the contract number.

Vendors will often contend that the city can purchase from them without bidding because they are on the “state contract” or they will sell at the state contract price. Beware of these approaches. Verify both the vendor and the specific product/service is listed on the state contract. It is likely that not all of a vendor’s products/services have been selected to be on the state contract. If a vendor is not on the state contract but will match the state contract price, this action does not preclude the City from avoiding the competitive bidding laws. See the Finance Department for further information.

(b) Sourcewell

www.sourcewell-mn.gov/

(2) Exceptions

The City is not required to follow the competitive bidding process for the following types of transactions: professional services, insurance contracts, reverse auctions, purchases from other government agencies, real estate, sole source public safety equipment, and other transactions exceptions explicitly authorized by State statute. Noncompetitive purchases can also be made when the reason for the use of a sole source vendor has been documented and approved by the City Administrator or Finance Director.

Sole source purchases may be made if they comply with at least one of the following:

- (a) Item or service under patent or copyright held by a single vendor and item or service possesses or has capabilities critical to use.
- (b) Item or service possesses a unique function or capability critical in the use of the item or service not available from any other sources.
- (c) The purchase is for equipment associated with the use of existing equipment where compatibility is essential for integrity of results.
- (d) The purchase is for replacement parts needed for repair or accessories of existing equipment where compatibility with equipment from the original manufacturer is paramount.
- (e) The purchase is for technical services associated with the assembly, installation, or servicing of equipment or highly technical or specialized in nature.
- (f) Additional item, service, or work required, but not known to have been needed when the original order was placed with vendor and it is not feasible or practicable to contract separately for the additional need.
- (g) The purchase must match the existing piece of brand or equipment is only available from one vendor.

While a best practice, professional service contracts such as those provided by engineers, lawyers, architects, accountants and other services requiring technical, scientific, or other professional training, when competitive bidding is not required, shall be approved by the Council based on the recommendation of the City Administrator or department head. In certain cases, where professional services were identified in the budget and it is an ongoing contract, the Council does not need to approve each year's contract.

For time sensitive, unforeseen situations where a purchase order cannot feasibly be obtained in advance, verbal approval may be provided by the City Administrator or Finance Director in advance of the purchase. An example of this type of purchase would be an unexpected vehicle repair.

Minnesota State Statute 12.37 gives the City the ability to declare an emergency situation for a limited period of time. During such an emergency, the City is not required to use the typical mandated procedures for purchasing and contracting. Emergency purchases require approval by the City Administrator, Finance Director, and when necessary because of the dollar amount, formal Council action. An emergency purchase is defined as one where an immediate response is required to protect the health, welfare or safety of the public or public property.

(3) Federal Grants

The City has elected to exercise the optional “grace period” for federal procurements and delay implementation of the procurement standards under the Office of Management & Budget’s Uniform Grant Guidance (“Super Circular”) for all federal grants through December 31, 2017. The City will continue to use existing procurement policies and procedures under the old standards for any federally funded procurements through December 31, 2017. Beginning on January 1, 2018, under the Uniform Grant Guidance competitive quotations will be required for all federally funded purchases over \$3,000.

All federal grant expenditures will be in compliance with OMB 2CFR200 (Uniform Guidance). All federal grant expenditures must be reasonable, necessary, made with open competition, in compliance with the below conflict of interest section, and adequately documented. All federal grant expenditures must be deemed to be allowable under specific grant agreements and in accordance with 2CFR200, subpart E. Under uniform grant guidance (2 CFR 200.317–326) there are additional procurement requirements that need to be considered when making purchases related to a federal program. Five procurement methods are identified including: micro-purchase (<\$10,000), small purchase procedures (<\$250,000), sealed bid (>\$250,000), competitive proposal (>\$250,000), and sole source. The general purchasing policy addresses many of these requirements and the City will also consider the full requirements in relation to each method as described in 2 CFR. The City will follow changes to the above thresholds as modifications by the OMB occur. When practicable, micro-purchasing will be distributed among qualified suppliers. For small purchase quotations, more than one quote is deemed adequate.

If competitive quotations do not occur, the purchaser must document one of the following exceptions: the item is available only from a single source, an emergency will not allow a delay from competitive solicitation, or the federal awarding agency authorizes noncompetitive proposals in writing. The amount of this competitive quotations threshold shall adjust according to Uniform Grant Guidance requirements but shall not exceed existing City policy.

(4) Leases/Purchases

Due to their nature, all lease agreements need approval through the City Attorney and Finance Department prior to initiating any lease.

B. Grant and Legal Compliance

Compliance with grant requirements and applicable state and federal regulations are the responsibility of the department administering the related project.

C. Documentation

All expenses allowed must be fully documented. For training and seminars, the expected documentation will include, as applicable: date and time of the event, business reason for the event, and a receipt for the actual purchase. Failure to provide sufficient documentation may result in a denial of the expense.

D. Splitting of Contracts

Authorization and bidding requirements cannot, and shall not, be avoided by splitting a contract into several contracts, each of which is below the minimum amount requiring bids. For example, the City cannot purchase \$300,000 of lumber in several transactions, each involving an expenditure of less than \$175,000. If there are questions about whether a contract may be split into several contracts, the Finance Director or City Administrator must be consulted.

E. **Budgetary Compliance**

All departments must follow purchasing procedures. Purchases must be made in accordance with the adopted budget. Charges or expenditures which may be in excess of the department's appropriated budget must have prior approval by the Finance Director or City Administrator. It is recommended that this is completed through a signed purchase order.

F. **Conflicts of Interest**

This city maintains the following written code of conduct covering procurement conflicts of interest and governing the performance of its employees:

- a) No employee, officer, or agent may participate in the selection, award, or administration of a contract if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial interest or other interest in or a tangible personal benefit from a firm considered for a contract.
- b) Officers, employees, and agents of the city may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts.
- c) If the financial interest is not substantial or the gift is an unsolicited item of nominal value, it may be allowable upon review.
- d) Violations of these standards by officers, employees, or agents of the city will result in disciplinary action up to and including termination.
- e) If federal funding is involved, the city must disclose in writing any potential conflict of interest to the federal awarding agency or pass-through entity

PURCHASING POLICY – APPENDIX A

When reviewing an expenditure to verify the standards have been met, the Finance Director, or his/her designee, should consider the time of day the event is held, the business purpose of the event, whether the event was intended to attract non-City employees, the frequency of the event, and the reasonableness of the cost.

1) Examples of Permitted Expenditures for Meals and Refreshments

Use of City funds in reasonable amounts for meals and/or refreshments for elected and appointed city officials and employees are permitted for professional association meetings, conferences and training when meals are included as part of the registration or program fee, or in accordance with the travel policy and in the following circumstances with City Administrator approval:

- City-sponsored events of a community-wide interest where staff are required to be present (e.g., Night to Unite)
- Meetings related to City business at which the attendees include non-city representatives
- Employee recognition and appreciation events (e.g., retirement/service awards, de minimis food and beverage, annual employee recognition event)
- City-sponsored training or work-related meetings where employees are required to participate or be available during meal periods
- Coffee, bottled water, and supplies that are available for public meetings

2) Examples of Other Permitted Expenditures

- Uniforms, clothing or apparel that is considered necessary for safety or for visible staff recognition by the public
- Employee Wellness Program: The Council recognizes the importance of employee fitness and health as it relates to the overall work and life satisfaction of the employee and the overall impact on the City's health insurance program. As such, the Council supports an Employee Wellness Program, which has been designed to educate employees on fitness/health issues. The cost of an Employee Wellness Program will be included in the City Annual Budget. This item will be approved annually by the Council as part of the overall budget approval process.

3) Prohibited Expenditures and Use of Assets

Use of City funds for meals and/or refreshments for elected and appointed City officials and employees are prohibited for the following:

- Food and refreshments for routine work meetings
- Food, refreshments, or other costs for a spouse or other third parties to attend an event, training, or conference
- Alcoholic beverages
- Employee functions or celebrations that are solely social in nature (e.g., birthdays, holiday luncheon, ice cream social)

Other prohibited expenditures and use of assets include:

- Fundraisers for non-City related events (e.g., chamber of commerce or service clubs)
- Participation in optional, social activities unless included as part of an overall conference registration fee (e.g. optional golf rounds, sporting events, concerts)
- Employee-sponsored fundraising events (e.g., charitable giving campaign)
- Funeral flower arrangements upon death of an employee, elected official, or one of their family members
- Clothing or apparel not considered necessary for safety or visible staff recognition by the public
- Employee washing personal autos at the public works facility
- Employee borrowing City-owned non-motorized or motorized tools for personal use