



PURCHASING POLICY

SECTION 1 - PURPOSE

The purpose of this policy is to provide general guidelines for purchasing activities under \$20,000 and to expedite processing of City purchases in a timely, efficient manner while assuring adequate internal controls and purchasing authority. This policy is designed to be a fluid document and will be modified from time to time to conform to changes in legislation, technology and actual practice. Purchases over \$20,000 are intended to be covered by competitive bidding requirements (with the exception of "Emergency Purchases" as detailed herein).

The City Administrator, or his/her designee, shall be the final authority concerning enforcement of any of the provisions of this policy. Failure to follow the procedures outlined in this policy may lead to disciplinary action in accordance with the provisions of the City of Crest Hill Personnel Manual. The Finance Supervisor will establish written procedures consistent with this purchasing policy and may amend the written procedures in a manner not inconsistent with this policy, local ordinances, or state statutes.

SECTION 2 – ETHICS

2.1 CODE OF ETHICS

All City personnel engaged in purchasing and related activities shall conduct business dealings in a manner above reproach in every respect. Transactions relating to expenditure of public funds require the highest degree of public trust to protect the interests of the City and the residents and businesses of Crest Hill. City employees shall strive to:

- Ensure that public money is spent efficiently and effectively and in accordance with statutes, regulations and City policies.
- Maintain confidentiality at all times.
- Not accept gifts or favors from current or potential suppliers, which might compromise the integrity of their purchasing function.
- Specify generic descriptions of goods wherever possible in lieu of brand names when compiling specifications.
- Never allow purchase orders for identical goods, services to be split, or variations to City Council approvals to be made in order to circumvent established policy.

- Purchase without favor or prejudice.
- Ensure that all potential suppliers are provided with adequate and identical information upon which to base their offer or quotation and that any subsequent information is made available to all bidders.
- Establish and maintain procedures to ensure that fair and equal consideration is given to each offer or quotation received and selection is based upon the lowest total cost compliant bid.
- Offer a prompt and courteous response to all inquiries from potential or existing suppliers.

2.2 CONFLICT OF INTEREST

Except as may be disclosed to and permitted by the City Council, it shall be a breach of ethical standards for any employee to participate directly or indirectly in the purchasing process when the employee knows that:

- The employee is contemporaneously employed by a bidder, vendor or contractor involved in the procurement transaction; or
- The employee, the employee's partner, or any member of the employee's immediate family holds a position with a bidder, offeror or contractor such as an officer, director, trustee, partner or the like, or is employed in a capacity involving personal and substantial participation in the procurement transaction, or owns or controls an interest in the company; or
- The employee, the employee's partner, or any member of the employee's immediate family has a financial interest arising from the procurement transaction; or
- The employee, the employee's partner, or any member of the employee's immediate family is negotiating, or has an arrangement concerning, prospective employment with a bidder, vendor or contractor.
- The employee's immediate family shall be defined as a spouse, children, parents, brothers and sisters and any other person living in the same household as the employee.

2.3 QUALIFIED LOCAL BUSINESSES

To the extent not prohibited by state statute, it shall be the policy of the City to procure goods and services from qualified local businesses to the greatest extent possible. In order to be considered a qualified local business, a business must meet each of the following criteria:

1. Business must be located within limits of the City.
2. Employs year round staff located at the business within the City.
3. Is current with all payments to the City.

4. Has adequately qualified/trained staff to service the bid item.

SECTION 3 - PURCHASING PROCEDURES

The City Administrator is authorized to make, in the ordinary course of business, all purchases of materials, supplies and services necessary for the City, including the Cable Department, as provided for in the annual budget; provided that on purchases of more than \$20,000, the City Manager shall first procure the approval of the Council before making such purchases. Although any employee of the City may make budgeted purchases, the Department Head is responsible for ensuring that any employee in his/her department is appropriately trained and adequately supervised to ensure that no inappropriate purchases are made. The specific dollar limits of employees' purchasing authority are outlined below and include contracts for the same.

1. For budgeted purchases less than \$1,000, only the purchaser's approval is required with the review of the Department Head.
2. For budgeted purchases between \$1,000 and \$4,999.99, the purchaser and the Department Head's approval are required. Three verbal quotes are required.
3. For budgeted purchases between \$5,000 and \$20,000.00, the City Administrator, the purchaser, the Department Head and the Finance Supervisor must approve the purchase. Three written quotes are required.
4. For any purchases greater than \$20,000, Council approval must be obtained prior to the purchase.

3.1 PURCHASES AND CONTRACTS UNDER \$1,000

Purchases and contracts under \$1,000 must be authorized the purchaser and reviewed by the Department Head. These purchases require no special rules for comparative pricing; they generally consist of low cost items needed quickly or other items purchased from a pre-approved vendor. Department Heads are expected to ensure that the City is paying a reasonable amount for the items involved and periodically obtain price quotes to ensure competitive pricing.

3.2 PURCHASES AND CONTRACTS BETWEEN \$1,000 AND \$5,000

Purchases in excess of \$1,000 and less than \$5,000 must be authorized by the Department Head or his/her designee. The purchases require three verbal competitive quotes. When possible, request for quotes should be solicited from a minimum of five (5) vendors to ensure that a respectable level of solicitation has been attempted. Department Heads are expected to ensure that the City is paying a reasonable amount for the items involved and periodically obtain price quotes to ensure competitive pricing.

3.3 PURCHASES AND CONTRACTS BETWEEN \$5,000 AND \$20,000

Purchases in excess of \$5,000 and less than \$20,000 generally require three written competitive quotes. When possible, request for quotes should be solicited from a minimum of five (5) vendors to ensure that a respectable level of solicitation has been attempted. In the event that three quotes cannot be acquired, staff must provide supporting information as to why three quotes could not be acquired. This information should include documentation of the advertisement and solicitation process, direct vendor solicitation methodology including, vendor contact information and vendor outreach scope and attempts via a memo from the Department Head. The Finance Supervisor will make a recommendation to the City Administrator as to whether the purchase should be made with less than three quotes, or continue solicitations to obtain additional quotes.

3.4 GENERAL PURCHASING PROCEDURES

The following procedure will be used for all general purchasing processes unless the purchase is required to be made by competitive bidding procedures.

1. The operating department will make every effort to obtain a minimum of three written, email, or fax, price quotes from vendors who are eligible to provide the item or service;
 - a. Only the City Administrator or designee can waive the three-quote requirement;
 - b. No purchases or work is to be initiated until the three-quote requirement has been waived by the City Administrator or designee.
2. Responding vendors must provide quote responses on their letterhead or company form with a company authorized signature.
3. The operating department will review the quotes received to determine which vendor provided the lowest responsible and responsive quote;
4. Generally, no purchases can be made until a requisition and/or purchase order is created and fully approved.

There are occasions when it is beneficial and expeditious for a department to utilize a current or past vendor that provided a favorable price and/or service. In these instances the City Administrator or designee is authorized to waive the three quotes requirement when it is determined the City can quickly, efficiently and effectively correct a problem or purchase an item.

- ### **3.5 PROFESSIONAL SERVICES.**
- This policy shall not apply to purchasing or obtaining professional services, which are governed separately from the normal procurement process. Professional services, where possessing a high degree of professional skill and the ability and fitness of the individual plays an important part are subject to state law requirements. The City Administrator is authorized to engage the services of engineers, attorneys or other professionals for any matter that will create an obligation for such services not exceeding twenty thousand dollars (\$20,000) without prior approval of the City Council.

Contracts for architectural, engineering, land surveying services and other professional services as designated by the City Administrator (for example, public relations consultation services), shall be entered into on the basis of demonstrated competence and qualifications for the type of services required and at fair and equitable compensation. If the City has a satisfactory, established relationship with a firm, a professional services agreement may be negotiated with that firm without contacting other firms providing it has been determined the firm has the necessary qualifications and experience for the particular project. The City Administrator may sign all such contracts. All professional services agreements in excess of \$20,000 must be approved by the City Council.

3.6 DEPARTMENT RESPONSIBILITIES

Departments are responsible for adhering to the following purchase procedures:

1. Enter, review and approve requisitions daily.
2. Instruct vendors to mail invoices directly to the Finance Department.
3. Obtain a W9 from all new vendors and forward to the Finance Department.
4. Paperclip completed and approved purchase order to applicable packing slip and additional supporting documents and forward to the Finance Department.
5. Ensure that vendor payment terms are never less than 30 days.
6. Once the invoice is received, the Finance department will review the information and return unbalanced documents to Department Heads to rectify and resolve problems and discrepancies between the invoices and purchase orders (work orders, packing slips, and quotes are not acceptable replacements for invoices).

3.7 PETTY CASH

Responsibility for custody and safeguarding of each fund and for all fund disbursements rests with the appropriate Department Head. The Department Head may designate an employee in their department as custodian of the petty cash fund. Petty cash is to be used to reimburse employees for City expenses which the employee incurs up front and for small purchases which are handled most efficiently by utilizing petty cash. The following restrictions apply:

1. Individual petty cash purchases are limited to a maximum of \$50.00 unless approval is given by the City Administrator.
2. Employee must prepare a petty cash voucher which is approved by the Department Head.
3. Receipts documenting the expense must be attached to the petty cash voucher.
4. Disbursements from petty cash funds cannot be ultimately approved without receipts. If cash is provided in advance of the purchase, the employee must return the unused cash along with the receipt. If an employee cannot provide a receipt, alternative verification approved by the Department Head must be attached.

5. Each department is responsible for balancing and reconciling its own petty cash fund. The Deputy City Clerk is responsible for balancing and reconciling the Mayor's, City Administrator's and Clerk's petty cash funds

SECTION 4 – COMPETITIVE PURCHASING AND EXCEPTIONS

It is the policy of the City of Crest Hill to procure needed materials, supplies, labor, and public improvements from the lowest responsible and responsive vendor. Additionally, certain conditions may warrant waiving of the competitive bidding process when the purchase is over \$20,000. Only the City Council may waive the competitive bidding requirement with a 2/3 vote. Staff must indicate the reason for recommending waiving competitive bidding and the reason must be stated publicly when the City Council approves a purchase. Acceptable reasons to waive the competitive bidding requirement may include, but are not limited to (all items below are subject to the purchase procedures and regulations as outlined in this policy):

1. Emergency purchases;
2. Proprietary and Sole Source purchases;
3. Equipment standardization;
4. Manufacturer, Repairs and Authorized Dealers/Sellers;
5. Technical nature of item makes competition impractical or will negate standardization;
6. Joint Governmental or Cooperative purchasing programs;
7. Vendors Currently Under Contract: Utilization of a vendor currently under contract or that serves as the City's designated vendor for system maintenance (for example, utilize the same vendor that installed the building security system to install additional equipment)

4.1 EMERGENCY PURCHASES. Emergency purchases are those unforeseen purchases where there is an immediate threat to public health or safety, or to meet emergencies rising from unforeseen causes, which necessitate the need for immediate delivery of items or services, or to prevent delays in work or construction schedules. Departments must notify the City Administrator immediately when they become aware of the need for an emergency purchase. Documentation including an explanation of the emergency must be submitted to the City Administrator in writing within five (5) working days of the department becoming aware of the emergency. The City Administrator or his/her designee is authorized to make emergency purchases over twenty thousand dollars (\$20,000) and must report to the City Council at the earliest opportunity for their approval and ratification. All emergency purchases must be thoroughly documented.

- 4.2 PROPRIETARY AND SOLE SOURCE PURCHASES.** Contracts for parts, supplies or equipment that are available only from a single source are referred to as sole source purchases. Sole source procurements may arise from the following circumstances:
1. Equipment and/or material for which there is no comparable competitive product or is available only from one supplier;
 2. public utility services from natural or regulated monopolies;
 3. a component or replacement part for which there is no commercially available substitute, and which can be obtained only from the manufacturer;
 4. An item where compatibility is the overriding consideration, such as computer software.

These items shall not be subject to requirements for seeking competitive quotes or bids. However, purchases in excess of \$20,000 shall be presented to the City Council prior to acquisition with a request to waive bids, approve the purchase and enter into a formal contract. Formal bidding for work or public improvements over \$20,000 may be waived by 2/3 vote of the trustees.

- 4.3 EQUIPMENT STANDARDIZATION.** Occasionally, because of the technical nature of certain items, standardization of a particular supplier's specifications may be desirable upon the user department director's documentation. In such a case, the final determining body for standardization will be the City Council. A decision to standardize must be weighed against:
1. the problems associated with having only one supplier available; and,
 2. the economy of the alternative of non-standardization.

- 4.4 MANUFACTURER REPAIRS AND AUTHORIZED DEALERS/SELLERS.** In some cases, expenditures involving the purchase, service, repair, modification, or calibration of equipment, can only be performed by the manufacturer of the equipment. The purchase of some items are only available to be purchased from an authorized or regional dealer/seller.

- 4.5 TECHNICAL NATURE OF ITEM.** In instances where the City has existing software, machinery or other technical equipment, the department is not required to purchase something incompatible with what the City already has in place. It is impractical to purchase something that would not be attuned to material already in place.

- 4.6 JOINT PURCHASING PROGRAM (COOPERATIVES).** Cooperative purchasing between the City of Crest Hill and the State of Illinois, other local governments, local and national cooperatives such as South Suburban Mayors and Managers Association

(SSMMA) or the Suburban Purchasing Cooperative (SPC) and Sourcewell –*formerly National Joint Powers Alliance*, or arrangements with other organizations can result in significant savings on the purchase price of many items.

Department Heads are responsible for analyzing the desirability of taking advantage of cooperative purchasing arrangements and making recommendations to the City Administrator. Department Heads should research cooperative purchasing arrangements to ensure that competitive prices have been obtained.

- 4.7 VENDORS CURRENTLY UNDER CONTRACT** or that serve as the City’s designated vendor for system maintenance activities (for example: cost saving in utilizing the same vendor that installs the building security system to install additional equipment).
- 4.8 PURCHASES BETWEEN \$5,000 AND \$20,000.** There are occasions when past use of known vendors expedites the purchase process. These expedited purchases increase City operation efficiency. The City Administrator or designee is authorized to waive the three quotes requirement when it is determined the City can quickly and effectively correct a problem or purchase an item.

SECTION 5 - DOCUMENTATION

- 5.1 CONTRACT SUBMISSION AND REVIEW.** Contracts for goods or services less than \$20,000 must be reviewed by the City Administrator and may be reviewed by the City Attorney as determined by the City Administrator. Contracts for goods or services equal to or exceeding \$20,000 must be approved by the City Administrator and City Attorney, (if requested by the City Administrator), before submission to the City Council for consideration. Contracts resulting from competitive bidding may be submitted to the City Council for bid acceptance, contingent upon final contract approval by the City Administrator and City Attorney.
- 5.2 CONTRACT SIGNATURES.** The City Administrator or designee will sign approved contracts between \$1,000 and \$20,000. Department Heads or designees will sign contracts less than \$5,000. The Mayor will sign contracts over \$20,000 as approved by the City Council.