



CITY OF GRAND RAPIDS FINANCIAL POLICIES

PURCHASING POLICY

I. PURPOSE

The intent of this policy and its supporting Procurement Procedures is to ensure that the procurement process complies with all applicable legal requirements and federal and state regulations; is fair to all participants; is as efficient as possible without eliminating needed controls; is understandable to all users; is administratively consistent with other City policies and procedures; and maximizes the use of disadvantaged business whenever possible. The City's policy is to purchase goods and services at the most cost effective and competitive rates, yielding the desired service, turnaround and value for the dollar. This policy has the following objectives:

1. Ensure that all purchases comply with applicable laws, in particular the Uniform Municipal Contracting Law, Minnesota State Statute Section 471.345.
2. Comply with Minnesota Public Purpose Doctrine and City Policy on Public Purpose Expenditures.
3. Make the best possible use of tax dollars by purchasing goods and services economically.
4. Provide clear and consistent guidelines for the City staff to follow in making purchasing decisions.

For purchases made under federal or State grant funded programs, additional restrictions are identified within the uniform grant guidance regulations (2 CFR 200.318).

II. POLICY

To ensure that the goods and services required by the City are obtained using established procedures that comply with all legal requirements for public purpose expenditures while promoting fair and open competition to ensure public confidence in the procurement process, ensure fair and equitable treatment of vendors who transact business with the City, and provide safeguards for the maintenance of a procurement system of quality and integrity. The Minnesota Public Purpose Doctrine permits a governmental entity to expend public funds only when the primary purpose of the expenditure is public and the expenditure relates to the governmental purposes for which the entity was created. There must also be statutory authority allowing for the expenditure of such funds and there must be a benefit to the community. Proper documentation must be maintained by the City to establish that all expenditures serve a public purpose.

All federal grant expenditures will be in compliance with OMB 2CFR200 (Uniform Guidance). All federal grant expenditures must be reasonable, necessary, and adequately documented. All federal grant expenditures must be deemed to be allowable under specific grant agreements and in accordance with 2CFR200, subpart E.

The approved operating budget provides detail on goods and services that are expected in a given year. Any goods or services required that were not budgeted must be approved by the City Council, depending on the dollar amount of the purchase and the rationale behind the non-budgeted good or service.

Contracts are agreements “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.” Minn. Stat. 471.35, subd. 2. Just because the type of contract falls within the statutes does not mean bidding is required. The estimated value of the contract must also fall within the statute. The City of Grand Rapids will use the following Methods of Procurement:

Micro Purchases

Procurements valued at less than \$5,000 (\$3,500 if federally funded) will be considered *Micro Purchases*, and may be made on the open market without obtaining competitive quotations or proposals. This Policy cannot be circumvented by purchasing a group of similar or identical items costing more than \$5,000 and submitting a separate purchase order and invoice for each item.

Small Purchases

Procurements valued between \$5,000 (\$3,500 if federally funded) and \$25,000 will be considered *Small Purchases* and shall be purchased by a minimum of two competitive quotes solicited by phone or written quotation. Council approval is required for solicitation of quotes unless a budgeted item. The City Administrator may approve exceptions to the Policy for purchases on the open market under \$25,000.

Mid-Range Purchases

Procurements valued below the competitive-bidding threshold of \$175,000 but above \$25,000, either singly or in aggregate, will be considered *Mid-Range Purchases* and shall be purchased either using the competitive-bidding process or by competitive quotes in writing from a minimum of two or more vendors whenever possible. Prior Council approval is required to solicit quotes.

Major Purchases

Procurements valued at greater than \$175,000 shall be considered *Major Purchases* and shall be purchased through the competitive bidding process by publicly soliciting bids or proposals in accordance with City procurement procedures and as required by Minnesota Statutes 471.345. Procurements will not be split to avoid this policy.

Joint Purchasing/Cooperative Purchasing Agreements

The City has the authority to enter into *Joint Purchasing or Cooperative Purchasing Agreements* with other governmental units as provided for in Minnesota Statutes. Procurements made through *Joint Purchasing or Cooperative Purchasing Agreements* will satisfy the City's competitive procurement requirements.

Contract Amendments

Contract amendments valued at greater than 10% of the original value of the contract will be considered separate procurements and the appropriate process above shall be utilized.

Noncompetitive Purchases

Noncompetitive Purchases can be made under the following circumstances:

- When the City Council has declared an emergency, in accordance with State Statute, City Policies and Procedures.
- When a sole source of the good or service exists and has been verified by City Administrator
- When the procurement is for goods or services not available competitively, such as utilities, subscriptions, professional dues and memberships, insurance, conference and seminar registration, permits and licenses, advertisements in publications, taxes, required federal, state and local fees and charges, etc.

Disadvantaged Businesses

The City will utilize businesses owned and controlled by socially and economically disadvantaged individuals in the procurement of goods and services, and the award of contracts when possible. The City will, in accordance with authority granted by federal regulations, state statute, and local laws and ordinances, act affirmatively to create a "level playing field" for women-owned, minority-owned and disadvantaged business enterprises to achieve the goal of equal opportunity.

Deviations

Approval to deviate from this policy must be documented and authorized by the City Council.

Prohibited Interest in Contracts

Minnesota State Statutes 471.87 and 471.88 prohibit the purchase of goods or services whenever a conflict of interest may exist. If any employee becomes involved in a possible conflict situation, the employee shall disclose the nature of the possible conflict to his or her supervisor and the City Administrator.

The City cannot enter into any contract or purchase order for goods or services in which an employee, elected official, officer or agent, or their immediate family members, has an indirect or direct personal financial interest or will personally benefit financially from the contract or purchase. In exceptional cases and if permitted by applicable law or regulation, this policy may be waived by the City Administrator for employees for good cause after consulting with the City Attorney. The City administrator shall promptly notify the employee in writing of the decision.

Substantial state and federal requirements exist pertaining to standards of conduct and conflict of interest. It is the intent of the City for all employees, officers, or agents to conduct all activities associated with procurements in compliance with the highest ethical standards, including the avoidance of any real or perceived conflict of interest. It is also the intent of the City to impose appropriate sanctions or disciplinary actions, including but not limited to termination and/or prosecution, for any employees or officers who violate any of these requirements.

III. PROCEDURE

The City Council is the authority for purchasing and for budgetary control of each department. The City Council has delegated authority to Department Heads to make usual and customary purchases as approved in the annual budget in compliance with all bidding requirements and the City's purchasing policy. Formal Council approval of budgeted, routine purchases is not necessary. Council approval is required on capital purchases of \$5,000 or greater, and transactions involving purchases over \$100,000. The Finance Director will report budget status to the City Council on a quarterly basis. Payment details for all goods and services will be placed on the verified claims list and presented to the City Council for review.

Purchase orders shall be issued for all purchases with the following exceptions:

- a. Utility invoices-telephone, electric, natural and lp gas, waste management and cable,
- b. Travel and mileage reimbursements,
- c. United Parcel Service.

The Purchase Order shall include: (1) a description of the item(s) to be purchased, (2) budget code to be charged (3) quantity, (4) cost (including tax and shipping). The purchase order shall be signed by the Department Head or designated employee. A purchase order shall not remain open for longer than one year.

The Department Head is responsible for promptly remitting the shipping documents and endorsed Purchase Orders to the Finance Department for processing.

- a. Training and Travel by Department Heads shall be approved by the City Administrator (or designated person) prior to an event requiring overnight out of town travel. A Request for Training/Travel Form shall be submitted to the City Administrator for approval prior to registration for the event. The City Administrator shall sign **all** Travel Expense Reports (reimbursement request) prior to submission to the Finance Department for payment.

Exceptions:

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 City Council based on

the recommendation of the City Administrator. In certain cases, where professional services were specifically identified in the budget and it is an ongoing contract, the City Council does not need to approve each year's contract.

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 City 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.

Credit Card Use

The use of credit cards is an authorized payment method. These purchases must follow the purchasing policy and are a more efficient method of paying vendors than the check payment process. See the credit card policy for detailed procedures.

Ethics and Acceptance of Gifts

Employees shall not make any purchases for personal use utilizing City funds. Employees shall not be allowed to take advantage of special pricing offered to the City by vendors to make personal purchases. Employees may not take advantage of government discounts for non-city related purchases, including bidding on city auctions. The general rule to be applied is if a discount is not available to a member of the public, the employee should not take advantage of it. Gifts offered by vendors to staff responsible for making purchasing decisions may only be accepted if they are considered to be a trinket or memento costing \$5 or less.

IV. AUTHORITY FOR IMPLEMENTATION AND ENFORCEMENT

All employees are responsible for adhering to this policy when purchasing goods or services. Managers are responsible for monitoring performance within their areas of jurisdiction.

Responsibility for administering established Purchasing Policies and Procedures has been delegated to the Finance Department.