

City of Marshall

Policy Number: Chapter 1 Section 308 (1-308)

Marshall, Minnesota

Adopted: May 22, 1973

ADMINISTRATIVE POLICY

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March 22, 2016

PURCHASING POLICY AND PROCEDURES

Section I – A Statement of Philosophy

- 1.1 The purpose of the Purchasing Policy and Procedures is to provide a legal process for the purchase of supplies, materials, or equipment as well as services at the highest quality and lowest possible price.
- 1.2 The City declares its intention to purchase competitively without prejudice and to seek maximum value for supplies, materials, equipment and services. Methods to obtain lowest responsible bids or quotes are encouraged to be pursued including, but not limited to, bulk purchasing and cooperative purchasing agreements. Local purchasing options are encouraged to be solicited when available.

Section II - Responsibilities

- 2.1 The acquisition of supplies, materials, equipment and services is primarily decentralized where each department handles procurement of supplies, materials, equipment and services needed for their respective operations. The responsibility lies with each department to obtain bids or quotes, place actual orders, receive deliveries, and approve invoices for submission of payment to the Finance Department.
- 2.2 The Finance Director shall be responsible for developing and administering the purchasing program for the City.
- 2.3 The Accounting Technician shall be assigned as the Purchase Order Clerk that holds responsibility for the processing of purchase orders.

Section III – Uniform Municipal Contracting Law

- 3.1 The City of Marshall shall follow the Uniform Municipal Contracting Law (M.S.A. 471.345) and the Charter of the City of Marshall (Sections 6.05, 6.06) in all City purchasing. The City of Marshall's Purchasing Policy shall automatically follow the Uniform Municipal Contracting Law changes (M.S.A. 471.345) without need to change the City's Purchasing Policy as written and adopted.
- 3.2 Competitive bids or quotations shall be solicited in connection with all purchasing whenever possible. Contracts shall be awarded to the lowest responsible bidder complying with specifications and with other stipulated bidding conditions. The following requirements shall apply:

- a. Purchases and contracts of \$100,000 or more: If the amount of the purchase or contract is estimated to exceed \$100,000, sealed bids shall be solicited by public notice in the manner and subject to the requirements of the law governing contracts by the City.
- b. Purchases and contracts from \$25,000 to \$99,999: If the amount of the purchase or contract is estimated to exceed \$25,000 but not to exceed \$99,999, the purchase or contract shall be made upon sealed bids or written quotation either by public notice or direct solicitation.
- c. Purchases and contracts from \$1,000 up to \$24,999: If the amount of the contract is estimated to exceed \$1,000 but not to exceed \$24,999, the contract shall be made upon written quotation.
- d. Purchases and contracts under \$1,000: If the amount of the purchase or contract is estimated to be less than \$1,000, the purchase or contract may be made by written quotation or in the open market. If the contract is made upon the open market, multiple price comparisons shall be documented as the Finance Department determines appropriate.
- e. In accordance with Minnesota Statute 471.345 Subd.15, the City must consider the availability, price and quality of supplies, materials or equipment available through the state's cooperative purchasing venture before purchasing through another source when such items are estimated to exceed \$25,000.
- f. The City may contract for the purchase of supplies, materials, or equipment by utilizing contracts that are available through the state's cooperative purchasing venture without regard to the bid procedures authorized in this section. However, if said supplies, materials or equipment are known to be available for purchase locally the items shall be bid in accordance with this policy and considered in addition to the state cooperative purchasing venture. If the lowest local bidder is not lower than the state contract, the next lowest bidder shall be provided an opportunity to match the comparable price of the cooperative purchasing venture.
- g. The City may also consider the contracting of purchase of supplies, materials or equipment without regard to the competitive bidding requirements of this section if the purchase is through a national municipal association's purchasing alliance or cooperative created by a joint powers agreement that purchases items from more than one source on the basis of competitive bids or competitive quotations. However, if said supplies, materials or equipment are known to be available for purchase locally the items shall be bid in accordance with this policy and considered in addition to the state cooperative purchasing venture. If the lowest local bidder is not lower than the said contract, the next lowest bidder shall be provided an opportunity to match the comparable price of the cooperative purchasing alliance or cooperative.

3.3 All purchases or contracts of \$25,000 or more shall be awarded by the City Council. The City Administrator or their designee shall submit recommendations for the award of all such contracts to the City Council.

3.4 Items commonly used in all departments shall be standardized whenever it is consistent with departmental goals and is in the interest of efficiency of economy.

- 3.5. A statement of “General Conditions” shall be included with all specifications submitted to supplier for their bids. These general conditions shall be incorporated in all contracts awarded for the purchase of supplies, materials, equipment or services.
- 3.6 All purchases of on-road or off-road vehicles and related power driven equipment (i.e. riding mowers, cars, trucks, ATVs, etc.) shall first receive approval of General Conditions as recommended by the City Council Equipment Review Committee and approved by City Council. Award of these contracts shall be made by the City Council regardless of the amount of the contract.
- 3.7 Opportunity shall be provided to all reasonable vendors to do business with the City. To this end, the Finance Director shall develop and maintain, with the assistance of each department, a list of potential bidders for the various types of supplies, materials, equipment, and services. The list of bidders shall be used in the development of a mailing list for distribution of specifications and invitations to bid. Qualified vendors may be included in the list upon request.
- 3.8 Selecting new vendors is at the discretion of the “requisitioner” as defined in Section 5.1. The requisitioner is required to obtain an IRS Form W-9 as provided by the Finance Department before payment can be processed for the new vendor.

Section IV - Purchasing Procedures

- 4.1 The supplies, materials, equipment and services to be purchased shall be of a quality required to serve the function in a satisfactory manner, as determined by the requisitioner and the Finance Director.
- 4.2 It is the responsibility of the Finance Director to make alternate suggestions to the requisitioner, if, in the judgment of the Finance Director, the specifications would restrict competition or otherwise preclude the most reasonable purchase of the required items. In the event of disagreement, the City Administrator shall arbitrate any disputes.
- 4.3 All written quotations shall be solicited by the department requesting the supplies, materials, equipment or services the bid with documentation provided to the Finance Department as in a form and procedure as the Finance Department determines appropriate. If the contract is made upon written quotation it shall be based, so far as is practicable, on at least two quotations.
- 4.4 All purchases or contracts requiring written quotations shall be received through the City Clerk in a sealed envelope, facsimile, or other format as pre-authorized by the Finance Director. All written quotations shall be kept on file for a period of at least six years after receipt thereof.
- 4.5 When a bidder proposes an alternative as “an equal” to the bid or quoted materials or service, the Finance Director and the requisitioner must determine whether the proposed substitution is in fact “equal” and suitable to the City’s needs. Any disputes between the Agent and the requisitioner shall be arbitrated by the City Administrator.

Section V – Requisitioning

- 5.1 The following positions are designated as “requisitioners” authorized to issue requisitions against stipulated segments of budgetary appropriations: City Administrator, Finance Director, Director of Public Works, Director of Public Safety, and Director of Community Services. In addition, the aforementioned positions have the authority to designate specific individuals within their respective Division and/or Department as a requisitioner subject to the approval of the Finance Director. Each requisitioner shall be responsible for limiting his or her requisitions and/or purchases to the amounts designated for their department.
- 5.2 Requisitions shall be completed in hard copy or electronically on the forms provided by the Finance Director.
- 5.3. Standard lists of commonly used items for all categories or groups of supplies, materials, equipment and services shall be developed jointly by the Finance Director and the appropriate requisitioners. This standard “common items” list shall be used as a basis for requisitions. Items not specifically included on the standard lists shall be requisitioned on the standard form scheduling by Finance Director.
- 5.4 The number of requisitions shall be kept at a minimum. They shall be submitted to conform to the purchasing schedule as established by the Finance Director.
- 5.5 Hard copy requisitions shall be prepared and submitted to the Accounting Technician or online requisition forms can be submitted to the Accounting Technician after confirmation by appropriate designated requisitioner.
- 5.6 To be considered appropriate for processing, a requisition must meet the following criteria:
 - a. Be issued by and bear the signature of an authorized requisitioner.
 - b. Contain complete information regarding number, units, item description, unit price, and total price by line item.
 - c. Be verified for adequate funds in the respective budget.
 - d. The requisitions must indicate if the order has been confirmed.
 - e. Delivery instructions and required delivery date.
 - f. Terms – i.e. FOB Marshall.
 - g. Other instructions.
- 5.7 All requisitions shall be submitted to the Finance Director for final approval.

- 5.8 If required, and after a purchase order has been issued, the number of the purchase order shall be recorded on the requisition.
- 5.9 After a requisitioner processes a requisition by hard copy or online, the Accounting Technician shall retain the requisition on file in department numerical sequence for six years.

Section VI – Purchase Orders

- 6.1 Supplies, materials, equipment and services shall require purchase orders only when required by vendors.
- 6.2 Purchase order requisitions shall be provided to the Accounting Technician in a timely manner, but should not be placed significantly in advance of the requisitioner's intended use. The Finance Director is the only person designated to execute a purchase order. In the absence of the Finance Director, the Assistant Finance Director shall serve this responsibility.
- 6.3 The Finance Director is authorized to issue purchase orders without prior approval of the City Council where sealed bidding procedures are not required by law, when in accordance with the Policies and Procedures herein, and when budget appropriations are adequate to cover such obligations.
- 6.4 Purchase orders shall include the following information:
- a. A specification which adequately describes to the supplier, the quantity, unit, unit price, and description of the item being purchased.
 - b. A quoted, firm net delivered price .
 - c. Clear delivery instructions, including , location,
 - d. Budget account code number.
 - e. Project numbers when applicable.
- 6.5 Purchase orders will be consecutively numbered and prepared in sets of three with copies distributed follows:
- a. Original copy given to the vendor when confirmation is required.
 - b. Second copy to be filed with the Accounting Technician by Department by purchase order number.
 - c. Third copy to be sent to the requisitioner to be returned to the Finance Department upon certifying that the item(s) and quantity delivered are correct, and in satisfactory condition.

- 6.6 Confirmation orders (verbal orders) are subject to subsequent confirmation by a filed purchase order form. Such verbal purchase orders can only be issued when a bona fide emergency situation exists which can only be handled by an emergency verbal purchase order.
- a. A written or online requisition shall be completed immediately thereafter. The confirmation requisition shall be marked as “Confirmation” and shall list all the specifications and information required for a purchase order.
 - b. A copy of the purchase order will be forwarded to the vendor confirming the verbal order placed for the emergency.

Section VII – Receiving: Inspection and Confirmation

- 7.1. Items purchased by the City of Marshall will, in most cases, be shipped directly to the location that initiated the requisition. The responsibility for receiving delivered items will be assigned to the requisitioner’s department.
- 7.2. Inspection of items to be received shall consist of the following:
- a. Verification of quantity by comparing the purchase order, or other purchase authorization, and packing slip to count of items received.
 - b. Verification of quality by comparing purchase order, or other purchase authorization, specifications to quality of items received and noting any differences.
 - c. Verification of damages to requisitioned items shall be reported on the receiving slip to the Finance Department.
 - d. Any discrepancies discovered in the inspection of items received, the date items were received and inspected, and the signature of the receiving/inspecting person shall be recorded on the receiving copy of the purchase order, or other purchase authorization.
 - e. All packing slips and the purchase order shall be filed timely with the Finance Department.
 - f. Any discrepancies or other legal dispute with the inspection of items received shall be brought to the attention of the Finance Director and, if deemed appropriate by the Finance Director, the City Attorney for further direction to resolve the dispute if deemed unresolved or appropriate.

Section VIII – Emergency Purchases

- 8.1. Occasions arise where an immediate purchase is necessary to protect the life, health, safety, or convenience of the citizens or to preserve the property of the City or its citizens. To the greatest extent possible, normal purchasing procedures shall be followed. However, when expediency is required to rectify an emergency situation, any or all of these procedures may be waived. If possible, the City Administrator shall be contacted to approve the purchase. In the absence of

the City Administrator, the Finance Director shall approve the purchase and notify the City Administrator at the earliest opportunity. A report to the City Council shall be made at the next regular City Council meeting.

Section IX – Payment Methods

- 9.1 A list of checks paid will be submitted for approval by the City Council at each regular City Council meeting. Any checks paid by means of Direct Expense Authorization since the previous City Council meeting will also be listed.
- 9.2 The Finance Director is authorized to approve immediate payment of invoices, without waiting for Council approval, in cases where it is necessary to avoid penalties, secure discounts, or avoid disruption of city business. These payments will be duly noted and approved in the next City Council payment list.
- 9.3 Each Department Head or Division Director identified by the City Administrator as being responsible for a department budget shall report to the Finance Director any designees they are authorizing to approve invoices for payment. All authorized persons shall submit a sample of their signature or initials to the Finance Department for verification of invoice approvals.
- 9.4 The City Council may authorize the issuance of credit cards to a limited number of city employees per Minnesota Statutes Chapter 471.382. Credit cards will be issued to the Finance Director. Credit cards may be used to make purchases in instances where payment by check and extension of credit by the vendor isn't available. The Department Head needing to make such purchases shall request approval from the Finance Director for processing. Detailed documentation shall be secured either at the time of order or the time of receipt for the service or product purchased. All provisions of the purchasing policy apply to credit card purchases.
- 9.5 The petty cash fund is used for the purchase of small items needed immediately. The Finance Director shall authorize the number and location of petty cash funds and the amount of cash deposited in each. To be reimbursed, an employee must fill out documentation as required by the Finance Department.
- 9.6 In certain cases, it will be advantageous to open charge accounts with local businesses and vendors which allow employees to purchase needed materials and services with period billing (customarily monthly) to the City. The Finance Department shall establish the documentation required for use of charge accounts.

Section X – Professional Services

- 10.1 Professional services apply to all advisory, auditing, engineering, financial, legal, personnel, technical, training or other services.
- 10.2 All professional services of \$5,000 or more shall require a contract agreement that is provided reasonable advance review by the City Attorney and approved by the City Council. Professional service agreements less than \$5,000 may be in the form of a written quotation, including terms

and conditions, complying with specifications and with other stipulated bidding conditions. The written quotation shall be authorized consistent with the other sections of this policy.

- 10.3 Contracts shall be made only with responsible consultants who have the capability to successfully fulfill the contractual requirements. Consideration shall be given to their past performance, experience, financial capacity to complete a project, availability of qualified personnel, cost of services and other appropriate criteria.
- 10.4 The nature of the professional service shall be illustrated in a request for proposals for services of greater magnitude or in a description of work for services of lesser magnitude. The city encourages seeking proposals from multiple providers. This shall be advertised or otherwise distributed to likely or potential service providers commensurate with the value of the contract. Request for proposal for services in excess of \$5,000 shall be authorized by the City Council upon recommendation of the appropriate staff requesting the letting of proposals.
- 10.5 Professional service providers shall be selected so as to provide the best value to the City considering the difficulty of the work proposed, its value to the City, the expertise and capacity of the consultant and cost of services.