



CITY OF MAUSTON PROCUREMENT POLICY

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City of Mauston Procurement Policy

Objectives:

1. To obtain goods and services at the lowest possible price consistent with quality and performance.
2. To ensure that materials, services and equipment are available to operating units on a timely basis.
3. To provide an internal control process over city expenditures.
4. To provide a standardized system for purchases by all departments.
5. To ensure the City of Mauston purchases are in compliance with federal and state laws and local ordinances regarding non-discrimination, equal opportunity and conflict of interest.
6. To maximize the value of public expenditures.
7. To encourage local vendors to compete for city purchases.

Definitions:

Budgeted Purchases: Annual or recurring operation costs applied to specific line item accounts during the budget review and approval process, or a new project that is introduced, reviewed, and approved during the budget process. New project costs can become annual operational costs should it be recurring rather than a one-time purchase.

Capital Improvements: Services rendered that improve, not just maintain or repair, facilities, streets, parks, water, or sewer infrastructure.

Commodities & Bulk Materials: The payment and acquisition of larger orders of supplies necessary for primary operations of a department (ie chemicals, fuel, gravel, and salt).

Emergency Purchase: The payment and acquisition of equipment, services, or supplies in the event of a natural disaster, calamity, terrorist act, etc. when time is of the essence.

Equipment Purchase: The payment and acquisition of equipment.

Equipment Replacement Program: The acquisition of second or subsequent generations of equipment. Equipment has been reviewed and scheduled for replacement in this program because it is critical to the operations of a department, the collective cost is over \$5,000, and the City has annualized the total cost of the piece of equipment and set aside money each year accordingly.

Extraordinary/Timely Purchase: The payment and acquisition of equipment, services, or supplies that were not vetted through the budget process, but timing or circumstance give merit to the purchase.

General Purchase: The payment and acquisition of miscellaneous, single item, typically disposable and of nominal value.

Local Vendor: Any business selling goods or services with a physical location within 15 miles of the City of Mauston limits. (3/28/17)

Maintenance Service Contracts: Agreements the City has with service providers to maintain buildings, grounds, or services (i.e. construction contracts, information technology, utilities, etc.)

Professional Service Contracts: Agreements the City has with service providers to provide consulting services (i.e. engineering, legal, planning financial advising, etc.)

Section I: Budgetary Controls

Each year the Finance and Purchasing Committee will establish budget development guidelines and calendar.

A. *Budget Calendar:* The basic outline of that calendar will provide deadlines for:

- Departments to analyze their line item budgets and any new project requests with their Supervising Committees.
- Departments then submit their proposed budgets and request to the City Administrator for review and compilation.
- The City Administrator to present proposed budgets and new requests to the Finance and Purchasing Committee, and
- Finance and Purchasing Committee to recommend to the Common Council the City Budget.

B. *Supervising Committees:* Each Department Head reports to a supervising Committee to review expenditures, bids, and contracts. The following is the list of departments/programs and the corresponding Supervising Committee:

- | | |
|---------------------------------------|----------------------------------|
| • Administrative Department | Finance and Purchasing Committee |
| • Public Works & Utilities Department | Public Works Committee |
| • Police & Fire Departments | Police and Fire Commission |
| • Library Department | Library Board |
| • Summer Recreation & Parks Program | Parks Board |

Each Supervising Committee reviews operational expenditures on a monthly basis. Department Heads are expected to keep their operational costs within their annual department operational baseline budget.

C. *Department Budget Classifications:* Departmental budgets shall be broken into several cost centers including Salaries, Benefits, Contractual Services, Repairs & Maintenance, and Supplies. Within each of these cost centers department heads

with guidance from the City Treasurer will be responsible for establishing specific line items to classify expenses.

- D. *First Time Services & Program Purchases*: Whenever a new program or service is added to a department operation, the new program or service shall be evaluated by the Supervising Committee. Typically new services and programs will be vetted through the budget process, but may be introduced mid-year when budget savings can cover new costs.
- E. *Fixed & Variable Costs*: Each line item budget will be set based on a fixed cost or the historic average of variable costs. Independent of whether the cost is fixed or variable, Staff are authorized to spend according to set thresholds and as long as the line item is projected to remain in budget. Because of the nature of variable costs, Department Heads are expected to monitor those line items and distribute those costs as evenly as possible across months and years.
- F. *Insufficient Funds*: All purchases shall be attributed toward the appropriate classification or line item within the department's budget. When insufficient funds are budgeted and available within a specific line item for a purchase, Department Heads are authorized to spend over the line item budget as long as there are excess budgeted funds within the department's total operating budget, excluding salary and benefit budgets. Department Head's should provide notice and/or justification to the City Administrator or the Supervising Committee when they anticipate a specific purchase or projected costs within a line item will exceed budget. Salary or benefit savings shall not to be applied to operational purchases without Council approval.
- G. *Unplanned & Contingency Spending*: In the event of a declared emergency, because time is of the essence, the contingency line item will be used before fund balance. Department Heads and the City Administrator are authorized higher thresholds in order to address timeliness. Department Heads will notify the City Administrator, who will notify Council of all purchases that fall within their threshold. If a purchase exceeds thresholds, Department Heads would seek City Administrator approval. In the event the purchase exceeds the City Administrator's threshold, at minimum the City Administrator would seek Mayoral approval and notify the Council.

In the event of extraordinary or timely purchase and insufficient funds are found within the department's total operating budget to cover that purchase, the contingency line item may be used. Council will at minimum be notified of the use of the contingency line item. Purchases that exceed thresholds will require Council approval to use Contingency. The alternative is a line item budget amendment, which also requires Council approval.

Section II: Purchasing Thresholds

With exception of annual or recurring purchases for commodities and materials, the thresholds outlined below will be based on the aggregate purchases of a single vendor or service provider for the duration of the project.

- A. Staff: In general, employees are pre-authorized to make annual or recurring budgeted general purchases or commodity & bulk material purchases up to \$500. In the instance of an emergency response, employees are also pre-authorized to make general purchases up to \$500. A Department Head may authorize and delegate the purchase of a specific item to a subordinate, but limited to the Department Head's Threshold.
- B. Department Head: For budgeted annual or recurring general purchases, Department Heads are preauthorized to spend up to \$2,000. Department Heads are preauthorized to spend up to \$5,000 for budgeted annual or recurring maintenance or professional service contracts, and up to \$10,000 for budgeted annual or recurring capital improvements, commodities & bulk materials, and equipment purchases. For non-budgeted purchases, Department Heads are pre-authorized to spend \$15,000 in the event of a declared emergency. In the event of an emergency expense the Department Head will notify the City Administrator, and the Administrator will notify Mayor and the Council. The threshold for any extraordinary or timely purchase that is non-budgeted is \$2,000. The City Administrator may authorize and delegate the purchase of a specific item to a Department Head, but limited to the City Administrator's Threshold.
- C. City Administrator: For budgeted annual or recurring general purchases, the City Administrator is preauthorized to spend up to \$5,000. The City Administrator is preauthorized to spend up to \$10,000 for budgeted annual or recurring maintenance or professional service contracts, and up to \$25,000 for budgeted annual or recurring capital improvements, commodities & bulk materials, and equipment purchases. For non-budgeted purchases, the City Administrator is pre-authorized to spend \$25,000 in the event of a declared emergency. In the event of an emergency expense, the City Administrator will notify Mayor and the Council. The threshold for any extraordinary or timely purchase that is non-budgeted is \$5,000.

Any purchase that exceeds the thresholds outlined above is to be reviewed by the Supervising Committee. The Library Board and Police and Fire Commission are preauthorized to approve any purchase upon their review, as long as the department has sufficient appropriated funds. In the event there are insufficient funds, the Library Board and Police and Fire Commission would be required to receive appropriations and approval through the Council. All other Supervising Committees review and recommend purchases to the City Council for approval.

Section III: Purchasing Process

- A. Competitive sealed bids are required for capital improvement purchases that exceed \$25,000 and conducted in accordance with Wisconsin Statute Section 62.15 and Wisconsin Statutes Chapter 985, of the proposed construction before the contract is executed.
- B. Formal written quotes require submittals from at least three providers or vendors which include a price as well as a scope of services or specs of the product. All first-time or one-time project purchases or equipment replacement that require Committee/Council approval, require formal written quotes.
- C. Informal quotes require a price from at least two providers or vendors. Informal quotes are required for any first-time or one-time maintenance service contract that does not require Committee/Council approval or for annual or recurring maintenance contracts that do require Committee/Council approval. Annual or recurring General Purchases or Commodities and Materials that require Committee/Council approval also require informal quotes.
- D. Single or Sole Source Purchases are allowed when purchases are below the purchasing thresholds of the Department Head/Staff and are not a first-time or one-time maintenance or capital improvement project.

Professional and Maintenance Service Contractors require the establishment of long-term relationships, either because of specific equipment being pre-selected or information and data collected that is not easily transferrable. Once a contractor relationship has been established through a competitive bid or formal quote process, future contracts may continue to be sole-sourced to that contractor. Contractors that fall into this category shall be re-evaluated every three (3) years by the Supervising Committee and staff to ensure services are meeting standards.

When City operations require a product, equipment, or service with unique specifications that only has a single source, staff should properly document and may recommend to the Committee/Council a single source. Preferably staff should provide quotes from two alternative vendors with related products, equipment, and services and provide a scale or variance in the quality of service provision to affirm the value of the single source product.

- E. State or Cooperative Bid Purchases Whenever possible, using State of Wisconsin or Regional Cooperative competitive bids is recommended. When purchasing products, equipment, or services through the vendor and pricing is awarded by a State of Wisconsin or a regional cooperative competitive bid, no additional quotes are required.

Staff may inquire of local or preferred vendors if they are able to match state or regional cooperative bid pricing. In the event the vendor is able to match pricing,

the contract may be awarded to the local or preferred vendors upon appropriate approvals.

Section IV: Cooperative Bidding

The City Administrator shall have authority to join with other units of government or with agencies funded in whole or in part by the City, and with other purchasing associations in cooperative purchasing plans when the best interest of the City would be served. Competitively bid cooperative purchasing contracts in which the City “piggybacks” are considered to have met competitive requirements, and no additional quotes are necessary. Additionally, if identical products can be obtained at a lower price than current cooperative purchasing contracts, no additional quotes are required.

Materials, supplies, machinery and equipment offered for sale by the federal or state government or by any municipality may be purchased without bids at prices to be agreed upon with the approval of the City Administrator and the respective department head for which the item is to be acquired. A report of such purchase shall be made to the Supervising Committee.

Section V: Competitive Sealed Bid Process

- A. Specifications developed for competitive bidding purposes shall contain sufficient information so as to promote competitive bidding, be capable of objective review and clearly indicate the City’s requirements as appropriate which may include quantity, performance, brand, trade name, purpose, industry standards, composition or other criteria which will best meet the City of Mauston requirements. In general specifications will be drafted by professional engineers and reviewed by the Department Head.
- B. Bid Opening All sealed bids shall be opened and recorded in the presence of not less than the contracted engineer and one City employee.
- C. Bid Award will be to the lowest responsible, qualified bidder that meets specifications. The city reserves the right to reject any and all bids. No bids will be awarded to a vendor that has outstanding fines, fees, assessments or invoices past due to the City of Mauston.

If two or more qualified bids are for the same total amount or unit price, quality and service being equal, the contract shall be awarded to the local bidder. Where this is not practical, the contract will be awarded to one of the bidders by drawing lots in public.

Bid approvals shall be in accordance with the purchasing thresholds.

Section VI: Contract Change Orders

Contract Change Orders (CCO). CCO’s shall require Council approval upon recommendation of the appropriate Supervising Committee except as follows:

- A. Thresholds: For construction contracts, City Public Works Director has the authority to approve CCO’s that increase original contract award by a maximum

aggregate amount of 15% or the budgeted amount, whichever is less, with subsequent report to the Public Works Committee. CCO's that modify the project scope or increase completion deadline, regardless of dollar amount shall require Council approval upon recommendation of the Public Works Committee.

CCO's that result in a decrease in the contract award (without modifying the project scope) may also be approved by the Public Works Director with a subsequent report to the Public Works Committee and Council.

- B. Emergency CCO Public Works Director has the authority to approve CCO's under emergency circumstances (defined as those requiring immediate action to avoid a serious work stoppage, delay and/or extra costs, or those having the ability to cause damage to public/private properties or adversely impact public safety) with subsequent report to Public Works Committee and Council.

Section VII: Local Purchasing Sources

The City shall make efforts to solicit purchases from qualified local vendors. Prior to soliciting proposals Department Head shall identify potential local providers and ensure they receive notification of the solicitation. Recognizing the City of Mauston is custodian of taxpayer's funds and to fulfill its fiduciary responsibilities, all purchases will attempt to maximize the best value of expenditures. (3/28/17)

No purchases shall be made from local vendors solely for the reason they are located in the City of Mauston. The cost, quality and the ability to satisfy the city's purchasing requirements are the primary determinates of purchasing decisions. However, because a local vendor provides convenience and access, provided the quality of the product or service satisfies the city's requirements and state or federal law do not prohibit, a local bid that is within 5% of the lowest bid may be awarded by the city with council approval.

Section VIII: Petty Cash/Cash Drawer Funds

Petty Cash/Cash Drawer Funds are established for the purpose of expediting miscellaneous purchases and payment of small bills which need not be processed through formal purchasing procedures as well as maintaining a set amount of funds on hand available for customer cash transactions. These funds are not to be utilized for the purpose of avoiding or circumventing the city's centralized procurement policies.

- A. Department Allocations: The following departments shall have established a working Petty Cash Fund/Cash Drawer Fund in amounts as follows:

- Administrative Office \$ 250.00
- Police Department \$ 50.00
- Library Department \$ 100.00

- B. Uses/Purposes: Items purchased with Petty Cash shall be those not ordinarily stocked or purchased by the City. No individual purchase shall exceed \$50.00. The following shall be prohibited from Petty Cash payment:

- Items regularly purchased by the City of Mauston
- Payment for personal services
- Loan to employees
- Cashing of personal or payroll checks

C. Procedures: Reimbursement from Petty Cash shall be subject to the filling out of a Petty Cash Voucher containing the following information:

- Amount of reimbursement requested
- Purpose for which cash was utilized
- Account to be charged
- Department Head approval
- Date of Transaction

All vouchers must be accompanied by a receipted bill bearing the name of the vendor and submitted to the City Clerk for processing.

Section IX: Credit and/or Charge Card

Credit cards are meant to be used as a way to enhance the City's ability to make purchases in the most efficient manner possible. Purchases made with credit cards are subject to all of the guidelines and thresholds listed earlier in this Procurement Policy. It is suggested to routinely ask if the company would bill the City, as this would be the preferred method of payment.

A. Uses/Purposes: Although direct billing to the City is preferred, a Credit Card may be used in the following instances:

- Item cannot be billed or invoiced to the City
- Item is too large for payment from Petty Cash
- Purchase can only be made by a charge card by policy of the vendor (i.e. booking travel or registrations)

B. Prohibited Uses: City-issued Credit Cards may NOT be used for:

- Personal purchases of any kind
- Cash advances
- Purchases that exceed the thresholds listed in Section II of this policy

C. Tax Exemption: Purchases made on Credit Cards are still eligible for Tax Exemption. The City, as a government entity, is exempt from paying tax on most purchases. Tax Exempt Certificates are issued by contacting the Deputy Treasurer. The Purchaser is responsible for providing the vendor proof of the City's tax exempt status at the time the charge is incurred.

D. Cardholder approval: It will be left up to the department head to determine the authorized users for their department. Changes need to be reported to the

Deputy Treasurer within 24 hours. Additions and or deletions will be done by the City Administrator or Deputy Treasurer.

- E. Opening New Charge Accounts: No new accounts will be opened by anyone without prior approval from the City Administrator. (i.e. credit cards, department store cards, local charge accounts.)
- F. Missing Receipts: If a receipt was not turned in, the charge may be reimbursed to the City of Mauston out of the issuing charge card holder's pay check if attempts to prove the expense belongs to the City of Mauston fail. This will be left up to the department head's discretion.
- G. Procedures: Documentation (i.e. receipts, online order confirmations, etc.) must be provided to the Deputy Treasurer for all purchases made with Credit Cards. Information must include:
- Vendor's Name (and address where possible)
 - Total amount of purchase
 - Description of items purchased
 - If used for meals/lodging/travel, list employees attending
 - GL Account to be charged
 - Department Head approval (initials)

Section X. Conflict of Interest

An official or employee of a business in which an official or employee holds 10% or greater interest, may not enter into a contract with the City unless the official or employee has made a written disclosure of the nature and extent of such relationship or interest to the City Clerk and reports such interest to the Common Council. Further, pursuant to Section 946.13, Wis. Stats., an official or employee is prohibited from participating in the formation of a contract or contracts with the City of Mauston involving the receipts or disbursements of more than that permitted by statutes in any given year.

Section XI. Federal Requirement

- Third Party Contracting Capacity
 - 2 CFR part 200.318(k)
 - FTA Circular 4220.1F, Chapter VII1(a)(1)
 - The non-federal entity alone must be responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. The Purchasing Policy should be amended to include procedures for the protest of the procurement and the administration of the resulting contract.
- Third Party Contracting Capacity
 - 2 CFR part 200.318(c)(1)
 - FTA Circular 4220.1F, Chapter III1(a-c)

- The Common Grant Rules require each recipient to maintain written standards of conduct governing the performance of its employees that are engaged in or otherwise involved in the award or administration of third-party contracts.
- Third Party Contracting Capacity
 - 2 CFR part 200.320(d)(3)
 - FTA Circular 4220.1F, Chapter III
 - The non-federal entity must have a written method for conducting technical evaluations of the proposals received and for selecting recipients.