

**INTRODUCE ORDINANCE AMENDING SECTION 3.30 (PURCHASING POLICY) OF
CITY CODE**

By: Diana Lund, Finance Officer

Background:

At the October 27, 2009 Council work session, an updated purchasing policy was presented that also included the procedures required in submitting a Request for Proposal (RFP). The proposed purchasing policy reflects the purchasing guidelines that the city needs to follow for any purchase made within the city. The last time that the purchasing policy was amended was in 1989.

Council directed staff to amend the section applicable to the number of quotes required for those items greater than \$5,000 and not requiring an RFP, from two quotes to three quotes.

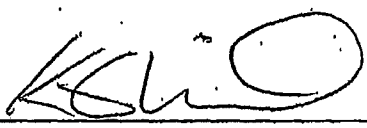
Staff Recommendation

Staff recommends Introduction of Ordinance 09-XX Amending Section 3.30 (Purchasing Policy) of City Code.

Council Action:

Introduce Ordinance 09-XX Amending Section 3.30 (Purchasing Policy) of City Code.

Reviewed by:

City Administrator: 

CC: 11/10/09

CITY OF RAMSEY

PURCHASING POLICY

Section 3.30

Section 1. Purchasing Guidelines

1.1 Policy Statement

The purpose of this policy is to provide a legal process for the purchase of materials and services that will be the right product, with the right quality, in the right quantity, delivered to the right place, at the right time, for the right price, to allow for the efficient and effective delivery of public services to the citizens of the City of Ramsey.

1.2 Authorization

The purchasing policies of the City of Ramsey are established by the City Council under the City Charter (Section 6.4), the City Code and state statute. City funds may only be spent for purposes that are expressly or implicitly authorized by statutes or the City's charter and must be for a public purpose.

1.3 Budget

Under state statute and City Charter, the annual adoption of the General Fund Budget shall constitute City Council appropriations for the year. Budgetary control shall be exercised at department and fund levels. The City Administrator shall identify Department Heads or other staff who shall be responsible for each fund or department in the annual budget. These individuals shall be responsible for compliance with the annual budget and for all expenditures related to their respective departments.

1.4 Quick Reference Guide

VALUE OF PURCHASE	QUOTATIONS NEEDED	APPROVAL BY	APPROVALS REQUIRED
Less than \$100	None	Department Head City Administrator City Council	Yes No Yes-Annual Budget Adoption
\$101-\$5,000	Departmental Discretion	Department Head City Administrator City Council	Yes No Yes-Annual Budget Adoption
\$5,001-15,000	Three Written Quotes City Administrator Discretion	Department Head City Administrator City Council	Yes Yes Yes-Annual Budget Adoption
\$15,001-\$100,000	Three Written Quotes or RFP's or Sealed Bids	Department Head City Administrator City Council	Yes Yes Yes
Greater than \$100,000	Sealed Bids	Department Head City Administrator City Council	Yes Yes Yes

NOTE: If a Cooperative Purchasing Agreement is in place, quotations are not needed.

Section 2: Purchasing Practices

2.1 Ethics/Relations with Vendors

The City of Ramsey holds its employees to the highest ethical standards. Purchases shall be conducted so they foster public confidence in the integrity of the city's procurement system, and open and free competition among prospective suppliers. In keeping with this value, employees should avoid the following practices when making purchases on behalf of the City:

Circumventing competitive bidding requirements.

Examples of this include:

- Splitting purchases so that they can be made through several small purchases.
- Using the emergency procedure process when no true emergency exists.
- Using a 'sole source' exemption when competition is available.

Denying one or more vendors the opportunity to bid on a contract when they have no history of default or failure in performance.

Examples of this include:

- Using unreasonably restrictive specifications.
- Pre-qualifying bidders on a discriminatory basis.
- Removing companies from a bidders list without just cause.
- Requiring unnecessary high bonding.

Giving favored vendors an unfair advantage.

Examples of this include:

- Providing vendors with non-public information regarding their competition's offer in advance of a bid opening.
- Making information available to favored vendors and not to others.
- Giving un-favored vendors inaccurate or misleading information.

Accepting gifts from vendors.

- Minnesota Statutes 471.895 prohibits government employees from receiving gifts except where they are included as part of the cost of a product, good or service provided (such as a meal provided as part of a conference).

Section 3: Decentralized Purchasing

The City of Ramsey has a decentralized purchasing program, meaning that each department is responsible for making its own purchases of materials and services for their operation. Such items as office supplies, paper products and other general supplies that are used throughout the City will be centrally assigned to one department for purchase. The responsibility lies within each department to obtain bid or quotes, maintain records of bids or quotes, prepare purchase orders, receive deliveries and approve invoices for payment.

Section 4: Purchasing Alternatives

4.1 Uniform Municipal Contracting Law, Chapter 471.345

It shall be the policy of the City of Ramsey that the Uniform Municipal Contracting Law, Minnesota Statutes Chapter 471.345 shall be the policy of the city. Changes in this law will automatically become the policy of the city. City policy may be more restrictive than State Law, but may not be less restrictive. Records of quotes and

bids shall be retained for at least one year after the completion of the contract or purchase or until the annual audit for the year of purchase is completed, whichever is longer.

4.2 Sealed Bids/Major Purchases

- A formal sealed bid procedure is required for all purchases in excess of \$100,000 except professional services.
- City Council approves all bids and specifications.
- A published notice is required in the official city newspaper at least ten days in advance of the bid opening. The notice may also be published on the city's official website.
- All bid openings are to be administered by the City Administrator and/or the originating department.
- The preparation of all specifications are to be the responsibility of the City Administrator and/or the originating department.
- Required authorization for plans and specifications is the responsibility of the City Administrator and/or the originating department.
- The City Council must formally approve the bid contract.

4.3 Quotes/Intermediate Purchases

If a purchase is estimated to exceed \$15,000 but not to exceed \$100,000, the purchase may be made either by sealed bids or by direct negotiation based upon quotations. If a purchase is made in this range, staff members are required to obtain at least three written quotes and the quotations must be kept on file for at least one year. All such quotes must be forwarded to the Finance Department with the purchasing documents.

4.4 Professional Service Contracts:

The city retains outside professional services in the area of:

- Legal
- Planning
- Auditing
- Assessing
- Engineering
- Banking
- Towing

Those contracts for professional services which are included in the City's General Fund Budget will be approved annually with formal adoption of the City's Budget.

4.5 Request for Proposals (RFP)

- RFP's will generally be used to solicit proposals for professional services.
- An RFP will automatically be solicited for those services that exceed a City cost of \$15,000 or have a value to the solicitor in excess of \$15,000 (ex: towing contract).
- An RFP will be solicited every three years (unless specifically extended by City Council) for standard city services related to such services as banking, auditing, legal and towing services
- Authorization by City Council will be given to staff to issue a RFP.
- All RFP's will be advertised in the city's official newspaper and on the city's official website.
- City Council must formally approve the proposal.

- Typical information to address in RFP's includes:
 - Background and scope of the project.
 - The project's budget to ensure that the proposals stay within that range.
 - Proposal requirements should include adequate information to allow for proper review and evaluation including:
 - Description of firm and qualifications, including any specialized experience related to the project.
 - A list of similar projects the firm has completed.
 - Project timetables including: estimate of hours, breakdown of hours by phase, and the city's expectation for a completion date.
 - Designation of a firm principal who will be in charge of the project.
 - Statement that either no subcontractors are allowed or that all subcontractors will be identified and are subject to the city's approval.
 - Estimate of cost to provide the service, outline of fee schedule and payment schedule.
 - Description of city's selection process.
 - City's evaluation criteria which typically may include:
 - Quality and thoroughness of the proposal.
 - Similar past experience and/or expertise.
 - References.
 - Cost estimate
 - The following statement must be included: The city reserves the right to reject any and all proposals, waive all technicalities and accept any proposal deemed to be in the city's best interest.
 - Submit deadline: date, time, project name, and addressee.
 - Statement: "Proposers are solely responsible for delivery of their proposals to the city before the deadline. Any proposal received after the deadline will not be considered and will be returned."
 - Information about where questions should be directed.

NOTE: Staff should make sure that all proposers are given the same information.

Attach a copy of the agreement proposed to be used for the project, including the city's insurance certificate. The agreement includes provisions to which the firm must agree, so it is important that they see the agreement up front. It is suggested that the RFP be submitted to the city attorney for review prior to distribution.

4.6 Emergency Purchases

Emergency situations may arise where the normal purchasing process cannot be followed for the procurement of goods and services. An emergency must be a situation that arises suddenly and unexpectedly which requires speedy action essential to health, safety, and welfare of the community, and not just an inconvenience.

4.7 Cooperative Purchasing Agreements

Where a purchase contract has been awarded by the State of Minnesota, another local government, a cooperative of local governments, or a federal agency in compliance with applicable State Statutes, and where it is legally permissible for the City of Ramsey to participate, a purchase may be though the vendor named in that contract without advertising for bids or obtaining quotes.

Section 5: Payment

The City of Ramsey uses various processes in making payments for goods and services.

5.1 Standard Purchase Orders

Purchase orders are used when required by the vendor to acknowledge the City's request for goods and services. A copy of the purchase order will be sent to the vendor when requested.

- Obtain purchase order numbers from Finance Department.
- The completed purchase order will be attached when invoice is received and submitted to respective department to authorize payment.

5.2 Check Requests/Immediate Pay

The Finance Department policy is for bills to be paid from the accounts payable bills list submitted bi-weekly to City Council for approval. For certain exceptions, check requests/immediate pay may be used under the following guidelines:

- Immediate pay is for payments that need to be made prior to Council meeting approval date. Such items include taking advantage of discounts, avoiding late charges, purchases requiring payment with order, etc.
- Immediate pay checks will be issued upon one day notice. Exceptions to the one day notice is for investments and emergency purchases.
- Checks will be issued, mailed, or returned to appropriate department.

5.3 Blanket Purchase Orders and Charge Accounts

The city uses blanket purchase orders and charge accounts for frequently used vendors. This process requires submission of receipt with an account code and department approval. All new open accounts must be authorized by the requesting Department Head and Finance Department.

5.4 Invoices

- Invoices, purchase order, or expense reimbursement forms must be returned to the Finance Department with proper authorization and account coding to be processed on the bills list for City Council approval.

5.5 Account Coding

All requests for payment including invoices, check request, purchase order, or expense reimbursement forms must have an eight digit code to process payment. Responsible Department Head will indicate the fund/department and object number from which payment will be expensed. Reference should be made to departmental budget(s) for department and object numbers.

5.6 Petty Cash

- Receptionist shall be the custodian of the petty cash.
- Petty Cash shall not exceed \$100.00.

- Used for reimbursement to employees for items \$20.00 or less for expenditures made on behalf of the City.
- Receipt and/or expense reimbursement form must be submitted with proper departmental authorization obtained prior to reimbursement.

5.7 Payment Processing

- Invoices, check request, purchase orders or employee expense reimbursement forms must be submitted to the Finance Department.
- Detailed receipts; stating reason for public purpose expenditure, must be submitted with employee expense reimbursement forms.
- Immediate pays are due to the Finance Department at least one day in advance of the payment day.
- Department Heads must have fund/department and object codes to process payment. Refer to departmental line item budget for proper coding.
- Checks may not be made out to cash or bearer.

5.8 Electronic Funds Transfer

Electronic Funds Transfer may be required in some cases to complete a business transaction. The funds are transferred electronically between the city's bank account and the respective business party's bank account. These transactions need to follow the same guidelines for payment processing in Section 5.7.

5.9 Employee Expense Reimbursement

Employee expense forms are required for reimbursement to employees of city-related expenses on a bi-monthly basis. All employee expense forms must contain proper account codes, department approval, and detailed receipts must be attached where applicable.

Section 6: Capital Outlay and Fixed Assets

6.1 Capitalization Threshold

Capital outlay purchases are for items costing more than \$5,000, are a tangible asset, and have a life expectancy of more than one year. These items must be included in each department budget. It should be noted that sales tax must be included as a cost of the item purchased when determining if the purchase is a capital outlay item.

If the individual purchase is greater than \$5,000 the item is a capital outlay purchase and now should become a recorded fixed asset. The amount to record for that fixed asset would be any charge "to place the asset in its intended location and condition for use." For example: if the city were to purchase a street vehicle, all of the following would be considered part of the cost of that asset: the vehicle, warning lights, decals, sales tax, licensing and any other costs to put the asset into its usable condition.

Capital outlay purchases less than \$5,000 are inventory assets. It should be noted that sales tax must be included as a cost of the item purchased. Example of inventory assets: Computers, printers, furniture, cameras.

ORDINANCE #09-XX

**CITY OF RAMSEY
ANOKA COUNTY
STATE OF MINNESOTA**

AN ORDINANCE ESTABLISHING A PURCHASING POLICY REGULATING THE MANNER IN WHICH PURCHASES ON BEHALF OF THE CITY OF RAMSEY MAY BE MADE AND REPEALING ORDINANCE #89-28.

The City of Ramsey ordains:

SECTION 1. AUTHORITY

This ordinance is adopted pursuant to and under the authority of the Charter of the City of Ramsey.

SECTION 2. PURPOSE

It is the purpose of this Chapter to establish an uniform, consistent policy to regulate and control the manner in which purchases on behalf of the City of Ramsey are made. This Chapter is adopted pursuant to and under the authority of Section 6.4 of the City Charter.

SECTION 3. POLICY

The attached purchasing policy procedures are hereby established and to be adhered to for all purchases made by the City of Ramsey.

SECTION 4. EFFECTIVE DATE

This Ordinance becomes effective 30 days after its passage and publication, subject to City Charter Section 5.04.

PASSED by the City Council of the City of Ramsey, Minnesota, the th day of November, 2009.

Mayor

ATTEST:

City Clerk

Introduction date: November 10, 2009
Posting dates: November 10, 2009-November 25, 2009
Adoption date: