

City of Bemidji Policy Manual

Policy Statement

TITLE	CODE
Purchasing and Contract Protocol and Authority	501

REFERENCE

M.S. 471.345	Uniform Municipal Contracting Law
M.S. 471.35	Specifications of Supplies and Equipment
M.S. 471.36	Noncompetitive Supplies and Equipment
M.S. 471.87	Public Officers - Interest In Contracts

PERSONNEL RESPONSIBLE

All Purchasers

EFFECTIVE DATE

POLICY

501.100 – Purchasing Philosophy

501.101 – Department heads need both flexibility and accountability in purchasing for their department. Excessive restrictions create an atmosphere of micromanagement while too liberal a policy invites abuse and a lack of accountability. The intent of this policy is to provide a framework that allows department heads to operate as efficiently and economically as possible, within state statute, while allowing for oversight on their larger purchases. This document delineates the protocols and authority related to the purchasing of goods and services for the City. It shall be followed by all City employees and officials.

501.102 – It is City policy to purchase goods and services in the most professional, ethical, legal, and efficient manner possible; insuring quality, considering standardization, reasonable terms, and best value to the taxpayers of the City. Under no circumstances shall goods or services be divided into multiple invoices or contracts of smaller amounts for the sole purpose of circumventing bidding provisions of this policy or applicable state law.

501.200 – Ethical Practices

501.201 – No elected official, employee, or immediate family member of an elected official or employee should have a financial interest, directly or indirectly, in any contract or purchase order for goods or services used by the City. Elected officials and employees should not accept or receive, directly or indirectly, from a vendor any promise, obligation, or contract for future reward or compensation. Any violation of this section may be a criminal offense.

501.202 – If an employee purchases or contracts for goods or services contrary to City policy, the purchase shall be void. In accordance with State laws, the Department Head shall be

personally liable for the cost of the order or contract. If the order or contract is already paid for out of City funds, the amount may be recovered by appropriate action.

501.300 – Responsibilities of Persons Who Purchase

501.301 – Department Heads who supervise the purchase of goods and services on behalf of the City have the following responsibilities:

- 1) Follow City policies when purchasing items within their scope of responsibility.
- 2) Properly document purchases.
- 3) Provide information on estimated costs for budget purposes and solicit bids, estimates, or quotations.
- 4) Determine if the purchase of an item through any Cooperative Purchasing Venture (CPV) is beneficial to the City.
- 5) Document reasons for vendor selection when lowest bid is not accepted or purchasing policy is not adhered to.
- 6) Bids approved by council action must agree with subsequent invoice submitted. Any differences must be explained in writing.
- 7) Performance bonds may be required on projects as determined by the department head.

501.400 – Purchasing Protocol

501.401 – Budgeted funds must be available before a purchase commitment is made. If sufficient funds are not available, a reallocation or additional appropriation request must be submitted. Items not requiring authorization prior to payment, but which must be in the approved budget, include the following:

- Payroll and related fringe benefit payments
- Liquor inventory purchases
- Employee expense reimbursements
- Insurance premiums
- Items previously approved by Council action
- Payments to avoid late fees or interest charges

501.402 – Contracts and Purchases less than \$5,000 – If the amount of the purchase is less than \$5,000, the purchase may be made either by quotation or direct negotiation. If practicable, at least two quotations should be obtained. Upon receipt of quotations, an award should be made by the Department Head or designee.

501.403 – Contracts and Purchases from \$5,000 to \$20,000 – Same procedures as 501.402 but City Manager approval required.

501.404 – Contracts and Purchases from \$20,000 up to amount authorized by Minnesota Statutes §471.345, Subd. 3 – Purchases may be awarded through either a sealed bid process or by quotation unless bid obtained through the State of Minnesota Cooperative Purchasing Venture. If sealed bids are used, the process outlined in 502.405 must be used. A recommendation must then be presented to the City Council for action.

For a contract estimated to exceed \$25,000 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 (per State Statute 471.345, Subd. 15).

501.405 – Purchases over an amount authorized by Minnesota Statutes §471.345, Subd. 3, sealed bids shall be solicited by public notice, unless the purchase is through a bid obtained by the State of Minnesota and available to cities. The following steps should be considered for sealed bids:

- 1) Specifications shall be drawn by the Department Head or designee.
- 2) The bid solicitation shall be published in the official City newspaper. In addition, proposals and specifications may be sent to the names listed on any prospective vendor's list maintained by the department. A deadline date and time for submission shall be included in the publication.
- 3) Bids shall be processed, distributed and received by the City Clerk or appropriate department head and shall be properly dated and stamped.
- 4) Bids shall be opened, reviewed and a recommendation presented to the City Council for action along with the final tally of all bids received.

501.406 – Use of Cooperative Purchasing Venture – The City, on an annual basis, reviews its membership in the Cooperative Purchasing Venture (CPV) administered by the Minnesota State Department of Administration. Use of CPV is discretionary.

501.407 – Purchasing Authority – Invoices submitted for payment must be legibly signed for approval by department head or designee and City Manager if over \$5,000 and not previously approved by Council action.

501.500 – Bid and Quotation Specifications

501.501 – Preparation – Written specifications should be prepared with the following criteria in mind:

- 1) Conformance to acceptable industry-wide standards.
- 2) Clear, definite, and concise.
- 3) Describe the performance requirements, rather than its formulation, description, or design.
- 4) Framed to permit, to the extent possible, free and full competition.
- 5) Consider cost, length, and terms of any warranty provisions, reliability and maintenance costs, and repurchase value of the equipment after a specified number of years.
- 6) Should not exclude all but one type or kind except when permitted by law.
- 7) Should not call for features or for a level of quality not needed for the intended use, except in cases where such features or the level of quality are essential for some future consideration or result in overall economic advantage to the City.

501.502 – New Vehicle Purchases – Whenever possible, new vehicles should be flexible fuel vehicles capable of using E-85 or biodiesel fuels.

501.503 – Professional Services – Purchasing professional services creates a different relationship than normally exists in a buyer-seller transaction. The purchasing protocol needs to take into consideration qualifications, character, and mutual trust. For these reasons, qualifications, competency, and availability of the most qualified firms must be considered initially and independent of cost. Professional service contracts in excess of \$20,000 are to follow procedures outlined in section 501.404. Procuring professional services may include:

- 1) Submittal of proposals;
- 2) Review of proposals submitted and selection of preferred proposal; and
- 3) Negotiation of price.

For purposes of this policy, professional services include at least the following:

- 1) Architectural and engineering services;
- 2) Personnel consultation;
- 3) Technology consultation;
- 4) Legal services (beyond that provided by the City Attorney);
- 5) Financial consultation; and
- 6) Insurance consultation.

501.504 – Documentation of Purchasing Process – Proper documentation of the purchasing process is necessary for accountability. Persons making purchasing decisions should be able to provide proof of compliance with the purchasing policy and State law.

AUTHORED BY: Staff

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APPROVED BY: City Council

Date: 12/15/08

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