

**RESOLUTION NO. 2016-014
RESOLUTION UPDATING THE PURCHASING POLICY**

BE IT RESOLVED, by the City Council of the City of Cottage Grove, County of Washington, State of Minnesota, as follows:

**CITY OF COTTAGE GROVE
PURCHASING POLICY**

Goal

This policy establishes authority and control over the purchasing process; to assure that purchases are made in accordance with Minnesota State Statute and conform to the appropriate administrative control procedures to ensure the proper disbursement of public funds.

Purchasing Guidelines.

All purchases must be identified as part of the annual budget process and included in the adopted budget document, or Five Year Capital Improvement Plan.

Purchase order and approval limits

Value	Required Documentation	Quote Required	Required Approval
Under \$999	Discretionary	Open Market	Department Head or designee
\$1,000-\$2,499	Purchase Order	Open Market	Department Head or designee
\$2,500-\$24,999	Purchase Order	Two Quotes	Administrator
\$25,000-\$99,999	Purchase Order/Service Agreement	Two Written Quotes	Administrator with Council Approval
\$100,000 or over	Contract	Sealed Bids	City Council

If a cooperative purchasing agreement is in place, quotes (either verbal or written) are not required (see Cooperative Purchasing section).

It is the City's desire to support local firms and merchants. Therefore, when products or services can be reasonably supplied by local merchants or firms, requests for bids or quotations shall be solicited from local vendors. Local vendors are defined as those business establishments that have a significant portion of their physical plant located within the corporate boundaries of the City. State laws regarding advertising and bidding will be followed.

Purchases shall be conducted in a manner to foster public confidence in the integrity of the City's procurement methods and in an open and free competition among prospective suppliers.

Employees will AVOID the following practices in their role as purchaser on behalf of the City:

- Circumventing competitive bidding requirements.
 - Examples include –
 - Splitting purchases so they may be made through several small purchases
 - Using a 'sole source' exemption when competition is available.
- Denying one or more vendors the opportunity to bid on a contract
 - Examples include –
 - Using unnecessarily restrictive specifications
 - Pre-qualifying bidders on a discriminatory basis
 - Removing companies from a bidders list without just cause.
- Giving favored vendors an unfair advantage
 - Examples include –
 - Providing vendors with information regarding their competition's offers in advance of bid opening
 - Giving un-favored vendors inaccurate or misleading information.

All purchases must be coded to the proper expenditure account. In no case shall purchases be coded to an improper account in order to use the budget amount in that account.

Purchases are to be charged to the budget year that the good is received or the service rendered.

The following purchases shall not require a purchase order but are subject to the approval limits identified previously in this policy.

- Professional contracted services (legal, engineering, auditing, animal control, janitorial, assessor's, special studies). Request for Proposals shall be used whenever possible.
- Public improvement projects ordered by City Council which shall follow MN Statute 429 requirements.
- Routine expenditures including subscriptions, license renewals and maintenance agreements, utility costs, insurance payments, employer share of payroll related costs, SAC, surcharge, bond principal and interest, publication notices.

- Employee reimbursement for miscellaneous expenses, such as mileage, meals, travel and training, petty cash and parking. Itemized receipts and/or other documentation must accompany reimbursement requests for payment. Refer to the most current version of the Travel and Training Policy when seeking reimbursement for this type of expenditure.

Purchase orders are required for all purchases of goods and services not included in the previous list above valued at \$1,000 or more.

The following steps apply to all purchases of goods and services requiring purchase orders.

- Purchaser submits the purchase request, including vendor name, address, and description of item ordered, cost and budget/expense coding in the online financial system. If the purchase has been previously approved by the City Council, the date of such approval should be noted.
- The online financial system routes the request through the required approval levels.
- Finance Department (Accounting Specialist) issues the P.O. and sends it to the purchaser.
- Purchaser places the order with the vendor.
- Purchaser reviews the order when received, signs and dates the receiving documentation, matching it to the P.O. and retains both until the invoice is received.
- When the invoice is received, the Department Head or designee approves the invoice, attaches the purchase order and submits it, with all other appropriate documentation, to the Finance Department for processing.

Additional Purchasing Guidelines.

Environmentally Preferable Purchasing.

When possible, the City will purchase EnergyStar certified equipment and appliances and paper containing at least 30% post-consumer recycled content.

Advertising for Improvement Projects

If the amount of the contract is estimated to exceed \$100,000, sealed bids shall be advertised in the newspaper and such other papers and for such length of time as the Council may deem advisable. If the estimated cost of the improvement

is greater than \$100,000 (best value alternative) then the publication shall be made in the official City newspaper and a trade paper not less than three weeks before the bid submission date. The advertisement will specify the type of work and the time and place the bids are due and when they will be publicly opened.

Sealed bids are required for purchases over \$100,000.

Sealed bid openings will be held at the City Hall. Contracts must be awarded to the lowest responsible and responsive bidder. This does not mean that the contract is awarded to the lowest bidder in terms of dollars, but rather the lowest cost bidder who has the technical skill and financial responsibility to perform the work. After work has been commenced on an improvement undertaken pursuant to a contract awarded on a unit price basis the council may, without advertising for bids, authorize changes in the contract so as to include additional units of work at the same unit price if the cost of the additional work does not exceed 25 percent of the original contract price. Original contract price means that figure determined by multiplying the estimated number of units required by the unit price.

All contracts over \$100,000 shall have the final payment approved by Council with a resolution along with IC-134 documentation. The final pay request to Council shall be accompanied with a memo outlining the cost overruns or under runs for the project. Approval of the final payment signifies acceptance of the project by the City Council.

Construction projects costing \$25,000-\$99,999 would be awarded by Council and a purchase order/service agreement. Additional documentation such as specifications, quotes, and insurance and contract documents will be maintained in the City Clerk's Office. The City Clerk's Office will be responsible for updating and reviewing all insurance requirements prior to issuing a notice to proceed on the project.

Quotations for construction projects costing less than \$25,000 subject to the approval requirements will be submitted with the invoice for payment.

Unbudgeted Purchases:

Unbudgeted purchases over \$2,500 are to be approved by the City Administrator prior to obtaining quotes and will be awarded by the City Council to the lowest quote. All other previously listed requirements also apply.

Construction 429 Projects

Construction Projects under State Statute 429. Contracting for construction projects shall comply with MN Statute 429.041. Plans and specifications must be approved by City Council prior to advertising for bids on improvement projects over \$100,000.

- A. Advertising for Improvement Projects: If the estimated cost of the improvement is greater than \$50,000 but not more than \$100,000, then

bids shall be advertised in the newspaper and such other papers and for such length of time as the Council may deem advisable, which shall be not less than 10 days after the first publication. If the estimated cost exceeds \$100,000, the publication shall be made no less than three weeks before the last day for submission of bids once in the newspaper and at least once in either a newspaper published in a city of the first class or a trade paper. The advertisement will specify the type of work and the time and place the bids are due and when they will be publicly opened.

- B. Bids: All bids must be accompanied by a bid bond, cash deposit, cashier's check or certified check payable to the City of Cottage Grove in the amount of 5 % of the estimated cost. In addition to the legal notice, the City must prepare instructions to bidders and general specifications for the sealed bids. The improvement will be awarded and a written contract executed with the lowest responsible and responsive bidder. The City Clerk's Office will be responsible for updating and reviewing all insurance requirements prior issuing a notice to proceed on the project. After work has been commenced on an improvement undertaken pursuant to a contract awarded on a unit price basis the council may, without advertising for bids, authorize changes in the contract so as to include additional units of work at the same unit price if the cost of the additional work does not exceed 25 percent of the original contract price. Original contract price means that figure determined by multiplying the estimated number of units required by the unit price.
- C. All contracts over \$100,000 shall have the final payment approved by Council with a resolution along with IC-134 documentation. The final pay request to Council shall be accompanied with a memo outlining the cost overruns or under runs for the project. Approval of the final payment signifies acceptance of the project by the City Council.

Performance Bonds

Performance and payment bonds shall be required from contractors for any works of construction as provided in and subject to all the provisions of Statute 574.26 to 574.31 except for contracts entered into by an authority for an expenditure less than \$100,000, which will follow MN Statute 469.015 requirements.

Cooperative Purchasing

This policy allows for contracting for the purchase of supplies, materials and equipment without regard to the competitive bidding requirements of Statute 471.345 if the purchase is through the state's cooperative purchasing venture or 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 per 471.345 sub 15. Purchases for items such as auto, trucks, etc., costing between \$25,000 and \$100,000 are subject to the purchase order approval requirements and will submit the quote with the invoice for payment.

Passed this 20th day of January, 2016



Myron Bailey, Mayor

Attest:



Joe Fischbach, City Clerk