

# **PURCHASING POLICY**

**CITY OF LOUISBURG**

**ADOPTED BY ORDINANCE NO. 1054  
FEBRUARY 15, 2016**

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## *PURCHASING POLICY*

### SECTION NUMBER: 1

#### 1.01 GENERAL PROVISIONS

**A. Introduction:** This Purchasing Policy has been developed in order to establish uniform policies and procedures for the procurement of supplies, services and professional services. This policy shall be used as a guide for each department regardless of the type of purchase.

#### **B. Purchasing Policy and Procedures - Purpose and Objectives**

The purpose of this policy is:

1. To provide for fair and equitable treatment of all Vendors involved in the City's purchasing process;
2. To document and standardize the City's purchasing policies and procedures for orderly and efficient administration;
3. To provide safeguards for maintaining a procurement system of quality and integrity and;
4. To foster effective, broad-based competition within the free enterprise system.

#### **C. Authority Roles and Responsibilities**

1. **City Council:** The ultimate responsibility for all purchases made by the City of Louisburg is held by the City Council. The City Council is responsible for adopting an annual operating budget to guide City expenditures and provide direction on City services offered and approves expenditures through an appropriation order. The Mayor or City Administrator, when authorized by the City Council, shall enter into contracts on the City's behalf.
2. **City Administrator:** The City Administrator shall establish, maintain and update policies and procedures for the procurement of all supplies, services and professional services. Such policies and procedures shall be applicable to all City Employees. Deviations from the City's purchasing policies and procedures shall be made only at the discretion of the City Administrator and will be guided by 1.01 F., Exceptions to City Purchasing Policy. In the absence of the City Administrator, the Finance Director shall assume the City Administrator's purchasing roles and responsibilities.
3. **Department Heads:** By the authority of the City Administrator, Department Heads are delegated purchasing authority and responsibility as established in this policy and as set by the annual approved City Operating Budget.

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Department Heads are responsible for ensuring that all assigned employees are knowledgeable of and consistently using the City's purchasing policies and procedures. Department Heads may delegate purchasing authority to assigned employees as needed, however, the ultimate responsibility for adherence to purchasing policies and procedures remains with the Department Head.

Departments are responsible for verifying actual receipt of supplies and services in good condition, and of the specified quantity and quality. This verification should be done as soon as possible so the City can receive any payment discounts offered for prompt payment.

4. Finance Department: Prior to processing payment, the finance department shall review all department requested purchases to ensure compliance with this policy. If it is determined that a department has deviated from procurement policies and procedures, the finance department shall work with the Department Head to resolve the situation.
- D. Public Access to Purchasing Information:** Purchasing information shall be a public record to the extent provided in the Open Records Act, K.S.A. 45-201 et seq.
- E. Purchasing Authority:** While all purchases are generally initiated by departments, the following table illustrates the final purchasing authority assigned to Department Heads, the City Administrator and the City Council. The following guidelines apply to items other than those included in the annual budget adopted by the City Council.

<b>Expenditure Amount</b>	<b>Final Purchasing Authority</b>
\$1 to \$2,000	Department Head
\$2,001 to \$10,000 and/or budgeted items	City Administrator
Unbudgeted items over \$10,000	City Council

- F. Exceptions to City Purchasing Policy:** This policy applies to all expenditures of City funds. The purchasing policies and procedures are established under the authority of the City Administrator. The City Administrator may waive some or all requirements of the purchasing policies and procedures for:
1. Situations which in the opinion of the City Administrator constitute emergencies;
  2. Purchases authorized by the annual budget approved by the City Council.
  3. Purchases through interlocal agreements with other governmental or non-profit entities;

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4. Purchases through cooperative agreements with other governmental or non-profit entities in which the agreement honors the spirit and intent of the City's purchasing policies and procedures;
  5. Procurements involving the expenditure of federal or state funds requiring adherence to mandatory applicable laws or regulations;
  6. Compliance with the terms and conditions of any gift or bequest to the City;
  7. Any purchase in which the City Administrator determines that a waiver is in the best interest of the City and not in violation of federal, state or local law.
- G. Ethics:** All city employees authorized to conduct purchasing activities on behalf of the City of Louisburg shall adhere to the highest degree of ethical standards. No employee shall engage in or permit any illegal or improper purchasing practice. Further, any employee having knowledge of any questionable practices shall immediately report this knowledge to his/her respective Department Head, Finance Director or the City Administrator. Engaging in or permitting unethical or illegal conduct constitutes grounds for disciplinary action that may include termination of employment with the City and/or criminal prosecution.
- H. Employee Reimbursements and Travel Advances:** Employees may be reimbursed for the purchase of small quantities of supplies or equipment, meals, and mileage. Any reimbursement over \$50 shall be made by check. Refer to the travel policy within the City's Personnel Policies & Guidelines.
- I. City Attorney Review of Agreements:** All material rental, lease agreements, or contracts for goods and services must be reviewed by the City Attorney and be authorized by the Mayor or City Administrator.
- J. Municipal Tax Exemption:** The City is tax exempt as a political subdivision under Section 4221(b) of the IRS Code and K.S.A. 79-3606, except for purchases on behalf of the electric utility fund and goods or services purchased outside of the State of Kansas. Department Heads are responsible for obtaining the latest tax exempt certificate from the finance department and remit it to the appropriate vendor prior to every purchase.

### **1.02 PREFERENTIAL VENDOR USE AND RESTRICTIONS (PREFERENCE POLICY)**

- A. Whenever a vendor meets price and performance requirements, City staff shall make an effort to purchase supplies and services that:
1. Are provided by a vendor that is located within the City of Louisburg, as further discussed in section 1.02(C)(a) below;

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2. Are recycled products and other environmentally preferable products; or
  3. From vendors that have a history of providing outstanding service to the City of Louisburg.
- B. Purchases which grant a financial benefit to a City of Louisburg employee (including a City of Louisburg Council member or Mayor) are prohibited unless disclosed through a statement of financial interest, solicited and authorized in compliance with this policy and the City Personnel Policies & Guidelines.
- C. It is the policy of the City of Louisburg to “Buy Local” whenever it is reasonable. It is recognized to be good public policy. Also, each dollar invested in the local economy is recognized to have a “multiplier” effect as the invested dollar is spent by the recipient again in other local areas that in turn again spend it locally, etc. The implementation of this policy will be the responsibility of the department heads, City Administrator and City Council, within their respective spending authority. In cases where all other considerations are equal, and the additional cost in dollars and/or percentage terms is reasonable, the choice to buy local is preferred. The following guidelines are to be observed when considering a “buy local” preference.
- a. A business is considered to be local when it has established a permanent place of business within twenty miles of the Louisburg city limits for at least six months. The place of business must be a physical facility and excludes a portion of a home or apartment, motel rooms or post office boxes.
  - b. The business must not have any outstanding fines, code violations or other amounts due to the City, other than current utility balances and shall have all appropriate City licenses current and in good standing.
  - c. For purchases:
    - i. Under \$500, every effort will be made to buy local, when possible;
    - ii. Between \$500 and \$5,000, the buy local policy will be used unless a savings of 5% or more can be achieved;
    - iii. From \$5,000 and over, the buy local preference will not apply.
  - d. The policy does not apply to bids for the construction of sidewalks, curb and gutter, pavement (either new or repair), improvements to roads and streets, public buildings and facilities or any public improvements commissioned by the City Council.

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- e. The policy does not apply to cooperative purchasing agreements or where the source of funds prohibits such a policy. For example, funds provided by a grant could restrict application of such a policy.
- f. If two or more “local” businesses submit bids of an equal amount, the award shall be determined by coin flip. The procedures of the coin flip process will be determined by the City Administrator.

### **1.03 PURCHASING PROCESS**

#### **A. General Purchasing Information**

- 1. Purchase Initiation: Departments are responsible for initiating and managing their purchases. The finance department is available as a resource.
- 2. Invoice Processing: All invoices should be sent by the vendor to the department initiating the purchase. Those invoices are to be coded with the expense line item most applicable, signed by the Department Head and forwarded to the finance department.

Efforts to avoid late fees or interest charges should be made a priority in the timing of routing invoices between departments. In the event the City does incur late fees, they will be charged back to the original expense line item for the department incurring the fee.

The finance department will pay from invoices only and not monthly statements. Monthly vendor statements will be reviewed by the finance department and copies of unpaid invoices will be requested from the vendor and routed to the appropriate department.

#### **B. Purchase Orders**

- 1. Purchase orders may be used when:
  - a. Required by vendors.
  - b. When the time between ordering items and receiving the items may span the City’s year end of December 31. Use of purchase orders in these situations will facilitate accurate recording for financial statement purchases.
  - c. When required by contract.

#### **C. Check Request**

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1. Purpose: A check request is a document that may be used to authorize the Finance Department to issue a check to a vendor when use of a City Purchasing Card is not possible or the use of a purchase order is unnecessary.
2. Applicability: A check request will normally be used when an invoice for goods or services is in hand. A purchase order is not appropriate in this situation. A check request may also be used for items such as loan/bond payments where an invoice is not issued but a payment is due.
3. Approval: Check Requests are approved for payment in accordance with the final approval authority set forth in this policy under Section 1.01. E.
4. Process: A check request form is completed and routed for approval to the appropriate individual(s). Once all necessary supporting documents and approvals have been received, the check request shall be forwarded to the Finance Department for payment.

### **D. Purchasing Card**

1. Purpose: The Purchasing Card program is designed to improve efficiency in processing purchases. Each employee issued a card is responsible for all purchases made with the card.
2. Purchasing Card Guidelines:
  - a) Card issuance is based on recommendation from the Department Head to the Finance Department authorizing those employees with purchasing powers for the City of Louisburg. Each card will have transaction, monthly and/or category limits.
  - b) Purchasing card limits apply to each purchase as well as being subject to the dollar limits provided within this Purchasing Policy.
  - c) Employees are responsible for the safekeeping of the card and all purchases made on their cards. Lost or stolen cards must be reported to the card issuer and the Finance Department immediately.
  - d) On a monthly basis, each cardholder will submit their detailed invoice from the card issuer with supporting documentation and approvals, to the Finance Department for payment.
  - e) The Finance Department will review all transactions. Unauthorized charges will be documented and forwarded to the appropriate Department Head and

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Human Resources for disciplinary action as outlined in the Personnel Policies & Guidelines.

- f) Detailed receipts for each transaction will be kept, and any missing receipts will be researched, by the cardholder.

### 3. Purchasing Card Program Administration

- a) Program Administration shall be the responsibility of the Finance Director. All card issuance and limit changes will be approved by the Finance Director and City Administrator.
- b) Department Head will alert the Finance Department if any action occurs that would eliminate the cardholder's right to purchase on behalf of the City of Louisburg (i.e. disciplinary action, demotion, termination, etc.)
- c) Cardholder is responsible for the ultimate safekeeping of his/her assigned card and maintaining the integrity of the City of Louisburg in all purchases made.

### 1.04 EMERGENCY PURCHASES

- A. Definition:** Emergency purchases are considered only when adherence to normal purchasing policies and procedures would threaten: (1) the functioning of City government; (2) the preservation or protection of property, machinery, or equipment; (3) the health or safety of any person; and/or any other emergency as determined by the City Administrator.
- B. Authority:** In case of an emergency as defined above, the City Administrator may waive all provisions for competitive purchasing. In such instances, the City Administrator may delegate this authority to the appropriate Department Head. Emergency needs shall be purchased by informal open market procedures as expeditiously and as close to normal commercial prices as circumstances will allow. When an emergency expenditure is over \$10,000, a full report of the circumstances necessitating the emergency action shall be presented to the City Council.
- C. Emergency Purchase Procedure:** A Department Head may purchase directly any essential supplies or services. As soon as practical, the Department Head shall notify the Finance Director of the situation. The department shall submit a claims voucher with written justification for the emergency purchase.



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#### 2.01 PURCHASE OF GOODS AND SERVICES (EXCLUDES PROFESSIONAL SERVICES)

- A. The purchase of goods and services that have been included in the City's annual budget are deemed to have been approved by the Council as part of the approval of the budget. Depending on the amounts involved, such purchases may be subject to further administrative procedures as described herein.
- B. **Purchase of Goods and Services from a Single Vendor, Per Occurrence, Total Value Greater Than \$10,000:** The purchase of supplies and services, except the purchase of professional services, totaling more than \$10,000 from a single vendor, per occurrence (except emergency orders), may be approved by the City Council as part of the legislative process on the formal agenda.

At the discretion of the City Administrator, the Request for Proposal (RFP) process may be followed as outlined in Section 2.03. Sealed bids may be requested through the RFP process as deemed necessary by the Department Head issuing the RFP.

- C. **Purchase of Goods and Services from a Single Vendor, Per Occurrence, Having a Total Value Less Than \$10,000: The following shall apply:**

- 1. **Purchases from \$2,001 to \$10,000.** All requests for the purchase of goods and services, except the purchase of professional services, totaling \$2,001 to \$10,000 from a single vendor, per occurrence (except emergency orders) shall require approval by the City Administrator.

Prior to submitting the purchase request, at least three (3) quotes shall be obtained, if feasible. The City Administrator, Department Head, or designee, shall maintain supporting documentation of the quotes. If the authorized City employee is unable to obtain three (3) quotes, the reason shall be clearly stated in the request for approval from the City Administrator.

- 2. **Purchases less than \$2,000.** The purchase of supplies and services from a single vendor, per occurrence, having a total value less than \$2,000 shall be the responsibility of the Department Head. Invoices forwarded to the finance department for payment shall be signed by the appropriate Department Head or designee and have an appropriate expenditure code and description of the purchase.

#### 2.02 PROCUREMENT OF PROFESSIONAL SERVICES

Professional services may include, but are not limited to, legal, engineering, financial, auditing, consulting or construction services. Procurement of professional services will be made under the direction of the City Administrator in consultation with the Mayor, where appropriate. The

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use of the RFP process as outlined in Section 2.03 is an excellent technique in certain circumstances however it is not always appropriate in certain circumstances. The City Administrator may select a firm or individual to provide services based upon the particular firm's or individual's expertise, previous performance, and readiness for the service requirement of the City.

For amounts over \$10,000, whether selected thru the RFP process or by the City Administrator, the recommended vendor will be presented to the Council. The City Council then approves or denies the recommendation. If approved, the Council then authorizes the staff to negotiate a scope of services and a fee, which is submitted to the City Council for approval at a later date.

### **2.03 REQUEST FOR PROPOSALS (RFP/Q)**

At the discretion of the City Administrator, any expenditure of more than \$10,000 may be made using the Request for Proposals process. Request for Proposals and/or Qualifications are a cumulative process that incorporates a request for proposals and qualifications as well as an invitation for bid.

- A. Request for Proposals (RFP):** A competitive sealed proposal (Request for Proposal - RFP) is a method of source selection in which award is made to the vendor whose offer is considered the best when evaluated against established criteria and all other offers.

The department initiating the Request for Proposals is responsible for forwarding the final award documentation to the City Clerk for record keeping. All submittals, except confidential or proprietary information as defined by law, are public records and must be retained.

#### **B. Notice to Bidders**

1. At the discretion of the City Administrator, a Notice to Bidders for the purchase of goods and services, including professional services, totaling more than \$10,000 may be advertised in the official paper of the City one (1) time.
2. The Notice to Bidders form will be mailed to all qualified bidders and also shall be posted on the City's official website. Online advertisement through government contracting websites shall be used whenever possible.
3. A Notice to Bidders form shall be submitted to the City Clerk's office in sufficient time to meet the required publication deadline.

- C. Bonding and insurance:** Requirements shall be set at the discretion of the City Administrator.

- D. Submission of Bids:** The City Clerk, or authorized City personnel, shall open all sealed bids and read them aloud in the presence of at least one (1) witness. A bid tabulation of all bids received

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will be made available for public inspection and retained by the City Clerk. Bids must be received prior to the specified time as established in the request. Bids received after the specified deadline must be returned to the non-responsive vendor unopened, if possible.

- E. **Evaluation of Proposals:** The final selection will be made on the basis of the lowest qualified bidder, experience, quality and/or references that fit the good or services.
- F. **Award of Bid:** The City Administrator or his or her designee shall review the proposals and make a recommendation to the City Council.
- G. **Negotiation:** In a situation where a bid is not required in the Request for Proposals, negotiation with the highest qualified vendor shall be undertaken to obtain a contract incorporating the scope of Services, method of contracting, price and terms and conditions determined to be fair and reasonable to the City. If negotiations with the most qualified vendor are not successful, negotiations with the second most qualified vendor shall then be undertaken and so on until a contract is successfully negotiated with a qualified vendor.
- H. **Alternative Process:** The City Administrator may develop any method of procuring the construction, or reconstruction, of any public facility, that is deemed to be in the best interests of the City, to include:
  - 1. The City Administrator may elect to have direct negotiations with a prospective provider including negotiations with the lowest and best responsible bidder if all bids exceed the estimate.
  - 2. Selection of a provider from a request for qualifications.
  - 3. A design/build process, as determined; or
  - 4. Any other integrated comprehensive project design and/or construction process.

### **2.04 SOLE SOURCE DESIGNATION**

- A. **Authority:** Exemption from competitive procurement is permitted when a written determination has been made by a Department Head and approved by the City Administrator that there is only one source practicably or reasonably available to provide a supply or service, or professional services. Such an exemption is required only for purchases greater than \$10,000 as all purchases less than this amount will not require competitive quotes or bids.

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### **SECTION NUMBER: 3**

#### **SECTION TITLE: DISPOSAL OF SURPLUS PROPERTY**

##### **3.01 GUIDELINES FOR DISPOSAL OF SURPLUS, ABANDONED, OR CONFISCATED PROPERTY**

- A. Departments may transfer, sell, exchange, or destroy any surplus, abandoned, or confiscated property without competitive bidding if such property has a value believed to be \$5,000 or less.
- B. No property shall be sold without receiving competitive bids if the value is believed to be greater than \$5,000.
- C. Departments disposing of surplus property shall work with the finance department to collect sales tax on the sale, as appropriate.
- D. This policy does not address disposal of real estate due to the complex nature and legal requirements of this type of transaction. Departments should consult the City Administrator and City Attorney prior to initiating disposal of real estate.

##### **3.02 Methods of Disposition**

- A. The following are the methods of disposition that may be used for surplus, abandoned, or confiscated items.
  - 1. Transfer: Transferring to another department with use for the item is the best method of disposition. Both the transferring and receiving departments must update their inventory records, if applicable.
  - 2. Sale: There are several methods for selling surplus, abandoned, or confiscated items.
    - a. Auctions. The City may contract with an auctioning service or auction via on-line Internet service to sell items to the highest bidder.
    - b. Sealed Bids. The department may determine that items shall be sold at sealed bid sale. Public Notice of the sale is made and solicitations are issued to prospective bidders.
    - c. Commercial Markets. The department may determine that items may be offered for sale by consignment to established commercial markets. Candidates for this method of sale include antiques, art and specialized equipment.
    - d. Sale of Scrap. Many items that are no longer usable may have a residual value. The department may arrange for the sale of scrap items where the value is expected to

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be less than \$1,000. Items that are expected to have a value in excess of \$1,000 are to be sold with the approval of the City Administrator.

- e. Posted Prices. From time to time, where there is no regular market and demand is erratic, an item may be marked with a pre-established price and sold to the public on a first-come basis.
  - f. Trade-in. The department may determine that it is advantageous to the City to seek bids on replacement items with the Vendors allowing/offering trade allowances. Award may be made in the manner that is most advantageous to the City.
  - g. Cannibalization. Disassembling an item to use its components for repair or maintenance of a similar item is authorized only if cannibalization is expected to create greater value than disposal or trade-in of the item.
- B. Destruction and/or Disposal: Surplus property of no or minimal monetary value may be destroyed or disposed as trash. Care shall be taken to destroy or dispose of items with regard to environmental impact and cost. City employees may not salvage items once disposal has occurred.
- 1. Waste Disposal Hazardous Materials. There are strict federal and state laws regarding the disposal of hazardous materials. Disposal of hazardous materials shall be directed by the local Fire Chief. Departments shall contact the Fire Chief before moving, transferring or selling any hazardous materials.

### **3.03 ALLOCATION OF PROCEEDS**

- A. All proceeds resulting from the sale of surplus, abandoned, or confiscated property shall be deposited in the appropriate fund from which it was purchased. If the original fund cannot be identified, the proceeds will be deposited in the general fund.

### **3.04 REPORT OF DISPOSITION**

The finance department must be advised of the disposition of all items.

### **3.05 SALES TO EMPLOYEES**

To avoid the appearance of impropriety, employees of the City may not purchase items unless the sale is to the highest bidder at a public or online auction, or by sealed bid after appropriate notification of the sale.

### **3.06 DISPOSAL OF GRANT FUNDED EQUIPMENT**

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When equipment was purchased using funds from state or federal grant funds, the provisions of the grant must be followed during disposal. It is the disposing department's responsibility to assure that grant provisions are followed. If required by grant requirements, proceeds from disposal shall be returned to the grant-funding agency or department.