

**CITY OF LA VISTA
MAYOR AND CITY COUNCIL REPORT
MARCH 20, 2007 AGENDA**

Subject:	Type:	Submitted By:
STANDARD OPERATION POLICY – PURCHASING	◆ RESOLUTION ORDINANCE RECEIVE/FILE	RITA M. RAMIREZ ASST. CITY ADMINISTRATOR

SYNOPSIS

A resolution has been prepared approving an update to the Standard Operation Policy regarding purchasing of supplies, materials, equipment and services.

FISCAL IMPACT

N/A.

RECOMMENDATION

Approval.

BACKGROUND

The City's purchasing policy had not been reviewed and updated for nearly five years. The proposed policy has been put into a more organized format and updated to reflect current process and procedure. No substantial changes were made to purchasing guidelines. All department heads had an opportunity for input regarding the amended policy.

RESOLUTION NO. _____

A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF LA VISTA, NEBRASKA, APPROVING CHANGES AND REVISIONS TO AN EXISTING STANDARD OPERATION POLICY.

WHEREAS, the City Council has determined that it is necessary and desirable to establish Standard Operation Policies as a means of establishing guidelines and direction to the members of the City Council and to the city administration in regard to various issues which regularly occur; and

WHEREAS, a Standard Operation Policy entitled Purchasing of Supplies, Materials, Equipment and Services has been reviewed and revisions recommended.

NOW, THEREFORE, BE IT RESOLVED, that the Mayor and City Council of La Vista, Nebraska, do hereby approve the Standard Operation Policy entitled Purchasing of Supplies, Materials, Equipment and Services, and do further hereby direct the distribution of said Standard Operation Policy to the appropriate City Departments.

PASSED AND APPROVED THIS 20TH DAY OF MARCH 2007.

CITY OF LA VISTA

Douglas Kindig, Mayor

ATTEST:

Pamela A. Buethe, CMC
City Clerk

SUBJECT: Purchasing of Supplies, Materials, Equipment and Services

DATE ISSUED: April 16, 1985

ISSUED BY: James Walker, City Administrator

UPDATED: September 30, 2002

ISSUED BY: Cara Pavlicek, City Administrator

Updated: (Date)

Issued By: Brenda Gunn, City Administrator

This policy is intended to be a guide to the City of La Vista's purchasing methods and maximize the purchasing power and value of public funds. When used properly, the policy will enable the City to obtain needed materials, equipment, supplies and services efficiently and economically. The policy is designed to:

1. Comply with the legal requirements of public purchasing and procurement including City Code and State Statute.
2. Maintain a purchasing system of quality and integrity that promotes efficiency, effectiveness and equity in public purchasing.
3. Assure vendors that impartial and equal treatment is afforded to all who wish to do business with the City.
4. Ensure that the City receive maximum value for each dollar spent by awarding purchase orders and/or contracts to the lowest responsible bidder, taking into consideration quality, performance, technical support, delivery schedule, past performance and other relevant factors.
5. Promote good and effective vendor relations, cultivated by informed and fair buying practices and strict maintenance of ethical standards.

General Guidelines

1. Local Buying

Whenever possible, purchases will be made from local vendors in the La Vista area if quality and price are comparable. Department Heads should ensure that local vendors offering goods or services needed by the City are included in the competitive bidding and/or shopping process. The City has a responsibility, however, to obtain the maximum value for each public dollar spent.

2. Standards of Conduct

All vendors shall be treated equitably. Purchasing decisions shall be based upon price, value, quality, performance, delivery, references, recommendation by City consultants, written standards, previous service and other relevant factors promoting the best interest of the City.

Employees are prohibited from furnishing to any prospective bidder information that would give any vendor an unfair advantage over other prospective vendors.

While a Department Head may delegate minor purchases to employees, he/she is still responsible for ensuring such purchases are made according to the provisions of this policy.

No Department Head or employee is authorized to make any commitment to any salesperson or firm that will bind the City in any way. No employee shall make any indication to a salesperson that he/she will recommend a particular product for purchase.

Employees shall not have financial interest in the profits of any contract, service or other work performed by or for the City; nor shall they personally profit directly or indirectly from any contract, purchase, sale or service between the City and any person or company. (Employee Handbook 3.18)

Employees or MVFD shall not accept of any type of free or preferred service, benefit, or concession from any person or company that is not offered to the public at large. (Employee Handbook 3.18)

3. Planning

Department Heads shall requisition goods and services in such a way as to allow time for competitive bidding, ordering and delivery of materials in accordance with this policy. Exceptions shall be made only on rare occasions, when a true emergency exists. Small orders and last minute purchases should be minimized. The purchasing process begins with the annual budget.

4. Taxes

The City is exempt from all local and state sales taxes. The Finance Department will provide the necessary exemption documents (Nebraska Department of Revenue Form 13) to any vendor upon request.

5. Subdivision of Purchases

No purchase shall be subdivided for the purpose of circumventing the dollar value limitations imposed by State Statute, City ordinance, City policy or any guidelines established by the City Administrator.

6. Public Access

Purchasing information shall be a public record and will be made available to citizens, vendors, or the media upon written request.

Purchasing Guidelines

Amount of Purchase	Appropriate Procedure
\$50.00 or less	Petty Cash Procedures
Less than \$500	Request for Payment Procedures or Invoice Submitted
\$500 to \$4,999 Purchases	Requisition/Purchase Order Procedures Informal Bids (verbal, fax, email, written), 3 Quotes, or State Contract
\$5,000 to \$20,000 Purchases	Requisition/Purchase Order Procedures Informal Bids (verbal, fax, email, written), 3 Quotes, or State Contract Award by Council
Over \$20,000	Formal Bid Procedures Competitive Award by Council

Purchasing Procedures

1. Petty Cash

Petty cash funds are used to avoid the time and expense of issuing checks for small incidental cash purchases that do not exceed \$50 (unless purchased from an authorized vendor who has been issued a blanket PO). The use of petty cash should not be

considered a substitute for regular purchasing procedures. Employees requesting reimbursement for a purchase shall complete a Petty Cash Reimbursement Form that must be signed and coded by the Department Head. A receipt for the expenditure must be attached to the form. Forms shall be submitted to department designee. Petty cash reimbursements will not be sent via interoffice mail.

Requisition/Purchase Order Procedures

1. Purchases Less Than \$500

Department Heads are authorized to approve budgeted purchases under \$500. When a purchase has been made, the Department shall submit a Requisition confirming that the item(s) have been ordered and/or received. Any invoice or other documentation should be attached to the purchase order.

There are occasions when payment is needed prior to receipt of goods or when there is not an invoice. These occasions could include but are not limited to vendors requiring payment or partial payment in advance, mail-in catalog orders requiring pre-payment, license fees for undercover vehicles, or conference registrations requiring pre-payment. A requisition shall be submitted for these expenditures and a written quote, copy of the catalog order, registration form or other documentation supporting the expenditure must be attached.

Manual Checks – The City of La Vista discourages the use of manual checks however, on those occasions when time constraints prohibit the use of a requisition, a check request form must be completed and signed by the Department Head and supporting documentation attached. All requests for manual checks must be approved by the Finance Department.

2. Purchases Over \$500 up to \$4,999

Department Heads shall obtain three informal bids or quotes. These quotes can be obtained verbally, via fax, email, or U.S. mail. A state bid may also be used. Information regarding the quotes or state bid should be submitted on the Requisition.

A Requisition requesting the proposed expenditure shall be submitted in advance of purchase or commitment to purchase. No commitment to purchase or expend budgeted funds may be made by a Department Head, employee or MVFD without an approved Requisition. If the City Administrator or his/her designee approves the Requisition, the accounting system will automatically "roll" the Requisition into a Purchase Order. A copy of the Purchase Order will be returned to the initiating Department. The Department Head is responsible for sending a copy of the Purchase Order to the vendor.

3. Purchases Over \$5,000 up to \$20,000

All purchases over \$5,000 must be budgeted and require prior City Council approval.

Department Heads shall obtain three informal bids or quotes. These quotes can be obtained verbally, via fax, email, or U.S. mail. A state bid may also be used. Information regarding the quotes or state bid should be submitted on the Requisition.

A draft Council Report (blue letter), draft resolution, and information regarding the quotes or state bid shall be submitted to the City Administrator for review. Submission

of these materials does not guarantee that the item will be on the next City Council agenda. The City Administrator shall determine when the information will be presented to the City Council for approval based on cash flow and other considerations.

Upon approval by the City Council, a requisition requesting the proposed expenditure shall be submitted. No commitment to purchase or expend budgeted funds may be made by a Department Head, employee or MVFD without an approved Requisition. If the City Administrator or his/her designee approves the Requisition, the accounting system will automatically "roll" the Requisition into a Purchase Order. A copy of the Purchase Order will be returned to the initiating Department. The Department Head is responsible for sending the Purchase Order to the vendor.

4. Purchases Over \$20,000

In addition to requiring prior City Council approval, purchases over \$20,000 are subject to the City's formal bidding process.

Department Heads shall prepare detailed specifications for the project or purchase. The specifications, a proposed timeline, a draft Council Report (blue letter) requesting permission to seek bids, and a draft resolution shall be submitted to the City Clerk for review. Submission of these materials does not guarantee that the item will be on the next City Council agenda. The City Administrator shall determine when the information will be presented to the City Council for approval based on cash flow and other considerations.

Once bids have been received and reviewed, the Department Head shall submit a draft Council Report (blue letter), draft resolution, and information regarding the bids to the City Administrator for review. Submission of these materials does not guarantee that the item will be on the next City Council agenda. The City Administrator shall determine when the information will be presented to the City Council for approval based on cash flow and other considerations.

Upon approval by the City Council, a requisition requesting the proposed expenditure shall be submitted. No commitment to purchase or expend budgeted funds may be made by a Department Head, employee or MVFD without an approved Requisition. If the City Administrator or his/her designee approves the Requisition, the accounting system will automatically "roll" the Requisition into a Purchase Order. A copy of the Purchase Order will be returned to the initiating Department. The Department Head is responsible for sending a copy of the Purchase Order to the vendor.

Blanket Purchase Orders

1. Blanket purchase orders will be issued to established vendors utilized by departments for day to day supplies or services. The Finance Director shall designate what level of activity constitutes issuance of a blanket purchase order.
2. When a purchase under \$500 is made from a vendor that has been issued a blanket purchase order, the receipt/invoice should be stamped, coded, authorized by the Department Head, and sent to Accounts Payable for reconciliation with the vendor's monthly statement. A requisition is not required.
3. When a purchase over \$500 is made from a vendor that has been issued a blanket purchase order, the requisition/purchase order procedures will be followed.

Sole Source Purchases

1. Sole source purchases are permissible if the item or service being requested is available from only a single supplier. Some examples of circumstances that could necessitate sole source purchases are:
 - a. Compatibility of technical equipment, accessories, or replacement parts is the paramount consideration.
 - b. The purchase of supplies or equipment for which there is no competitive product.
 - c. The purchase of used equipment, which may become immediately available and subject to prior sale.
 - d. There is a clear and compelling reason that sole source purchasing is justified and it is approved by the City Administrator.
2. Any request that a purchase be restricted to one potential supplier shall be accompanied by a written explanation as to why no other will be suitable or acceptable to meet the need.
3. In cases of reasonable doubt, competition should be solicited.

Emergency Purchases

1. Occasionally purchases need to be made on an emergency basis. An emergency is defined as a situation that occurs and if not immediately corrected would jeopardize the health, safety, and/or property of citizens, the health and safety of City employees, and/or the property of the City.
2. If emergency purchases are needed during business hours, contact the Finance Director and begin the appropriate purchasing procedure immediately following the purchase. When emergency purchases occur during non-business hours, begin the appropriate purchasing procedure the next business day.
3. Emergency purchases shall be limited only to a quantity of those supplies, equipment, materials, or services necessary to meet the emergency.

Items not budgeted for require approval of the City Administrator prior to commitment for the expenditure. The Department Head shall clearly note the lack of budget authorization and proposed source of funding.

Travel and Training

A Travel and Training Request Form and accompanying informational documentation must be completed and submitted to the City Administrator for all budgeted educational/professional conferences or seminars requiring overnight travel. Once the request to travel or attend training is approved, requisitions shall be completed for all expenses associated with the travel and/or training, i.e. registration fees, travel costs, lodging costs, and meal per diem.

Office Supplies — Prior City Administrator Approval Required

All consumable office supplies and office equipment which does not qualify as a fixed asset are centrally ordered through City Hall, via an Office Supply Order form or an Office Supply Special Order form. Departments may not order office supplies directly.

Refunds — Prior Approval Required

A memo shall be submitted to the City Administrator for prior approval for all refunds. Once approved, a requisition will be completed. *The Department Head shall clearly note the reason for a refund on the requisition.*

Expenditures to be Reimbursed by Insurance — Prior City Administrator Approval Required

When submitting a requisition to the City Administrator for approval of an expenditure that is to be considered for insurance reimbursement, the potential for such reimbursement shall be noted in the information line on the requisition form.

City Issued Credit Card

City credit cards may be issued to Department Heads to make authorized purchases for official City business. Their use should primarily be related to official City travel, but other uses may be permitted.

Travel related purchases for which a City credit card can be used include but are not limited to:

- Airline reservations;
- Hotel reservations;
- Registration fees;
- Meals.

Other types of credit card purchases shall be limited only to those items for which no other method of payment is available, e.g. a purchase over the Internet from a company which does not accept payments by any method other than a credit card.

The use of a City credit card does not eliminate any of the criteria established for prior approval for purchases

Under no circumstances are City credit cards to be used for personal expenditures, even if the expenditure is made with the intent to reimburse the City.

City Issued Credit Card – Vendor Specific

Credit cards for specific vendors (i.e. Office Depot, Hobby Lobby, WalMart) may be issued to the City by the vendor in lieu of a blanket purchase order arrangement.

Purchases made on a vendor specific City credit card that are under the \$500 limit, require the Department Head to stamp, code and sign the receipt and forward it to Accounts Payable.

No commitment to purchase or expend budgeted funds over the \$500 limit may be made by a Department Head, employee or MVFD without an approved Requisition, including purchases made with a vendor specific City credit card.

Under no circumstances are City credit cards to be used for personal expenditures, even if the expenditure is made with the intent to reimburse the City.

Multiple Department Purchases

Departments ordering goods for another department must obtain the approval of both Department Heads on the requisition.

Consent Agenda

The following items will be processed for payment on the City Council Consent Agenda:

1. Invoices for progress payments on a contract authorized by the City Council.
2. Contract change orders in excess of \$5,000.

K:\APPS\CITYHALL\SOP\Purchasing 07 Update