

City of Vergas
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Procurement Policy

Section 1. Purchasing Guidelines

1.1 Purpose

To provide formalized guidelines to ensure a procurement system of quality and integrity; provide for the fair and equitable treatment of all persons or firms involved in purchasing by the City of Vergas (“the City”); ensure that supplies and services (including construction) are procured efficiently, effectively, and at the most favorable prices available to the City; promote competition in contracting; and assure that the City’s purchasing actions are in full compliance with applicable Federal, State, and local laws.

1.2 Definition

The term “procurement,” as used in this Policy, includes the procuring, purchasing, leasing, or renting of: (1) goods, supplies, equipment, and materials, (2) construction and maintenance, (3) Architectural and Engineering (A/E) services, (4) consultant services, and (5) other services.

The standards in this manual are minimum standards to ensure fiscal responsibility. Departments may set more restrictive procedures to meet their own budgetary accountability.

1.3 ADA Compliance

The City of Vergas is subject to the provisions of the Americans with Disabilities Act (ADA). In general, the City will consider the needs of people with disabilities as it purchases equipment and configures work and public areas.

1.4 Pre-Approved Expenditures

The City Council has pre-approved payments that occur in the normal course of business through the budget approval process that the City is contractually/legally obligated to pay. Examples include utility related expenditures for vendors such as Great Plains Natural Gas, Otter Tail Power Company, Arvig, Steve’s Sanitation, U.S. Postal Service. Payroll vendor examples include the United States Treasury, State of Minnesota, Blue Cross Blue Shield, MN Life, PERA, and other similar companies related to salary and benefits. Any payments to these vendors that are outside the normal course of business will be presented to the City Council for individual approval or as part of the City Council’s consent agenda.

1.5 Capital Projects/Infrastructure Improvements

Capital projects/infrastructure improvement projects are approved on a project by project basis by City Council resolution in the following sequence and are not part of the annual operating and capital expenditure approval process:

- RESOLUTION ORDERING PREPARATION OF A FEASIBILITY REPORT

- RESOLUTION RECEIVING FEASIBILITY REPORT
- RESOLUTION ORDERING IMPROVEMENT AND PREPARATION OF PLANS
- RESOLUTION APPROVING PLANS AND SPECIFICATIONS AND ORDERING ADVERTISEMENT FOR BIDS
- RESOLUTION AWARDING CONTRACT
- RESOLUTION PROVIDING FOR THE SALE OF GO BONDS (Amount = contract award, issuance costs and indirect costs/contingency)
- RESOLUTION ACCEPTING PROPOSAL ON THE SALE OF G.O. BONDS
- PAY REQUESTS BASED ON PERCENTAGE OF COMPLETION/ENGINEERING ATTESTATION APPEAR ON THE CONSENT AGENDA FOR APPROVAL

Professional engineering and legal costs are indirect costs not part of the contract award. These expenditures are included in the claims approved at the regular Council meetings.

During the course of the project, estimates can change and are subject to approval by the engineer/Utilities Superintendent. Material variances or changes in scope are brought back to the Council for approval as an addendum to the contract.

1.7.1 Quick Reference Guide – Assumes normal operating and capital expenditures *within budget*.

Procurement Method	Value of Purchase	Quotations Needed	Payment Request Options	<i>Advance</i> Approvals Needed Prior to Purchasing	
Mini Purchase	Less than \$1,000	Departmental Discretion	Petty Cash < \$20 Debit Card Check Request	City Clerk-Treasurer Utilities Superintendent Liquor Store Manager City Council	No No No Yes
Micro Purchase	\$1,000-\$4,999 (\$3,500 if federally funded)	Two Written Quotes or RFP's	Check Request	City Clerk-Treasurer Utilities Superintendent Liquor Store Manager City Council	Yes Yes Yes Yes
Small Purchase	\$5,000-\$24,999 (\$3,500 if federally funded)	Two Written Quotes or RFP's	Check Request	City Clerk-Treasurer Utilities Superintendent Liquor Store Manager City Council	Yes Yes Yes Yes
Large Purchase	\$25,000-\$174,999	Three Written Quotes or RFP's for capital items, RFP's only for services (see RFP Sec. 4.5)	Check Request	City Clerk-Treasurer Utilities Superintendent Liquor Store Manager City Council	Yes Yes Yes Yes
Major Purchase	Greater than \$175,000	Sealed Bids, solicited by public notice	Check Request Council Resolution accepting bid	City Clerk-Treasurer Utilities Superintendent Liquor Store Manager City Council	Yes Yes Yes Yes

Joint Purchasing/Cooperative Purchasing Agreements

- (1) If a cooperative purchasing agreement is in place, quotations are not required, but the agreement being used should be documented. Examples: State of Minnesota Cooperative Purchasing Venture (CPV), Lakes Country Service Cooperative, etc.
- (2) The City has the authority to enter into *Joint Purchasing or Cooperative Purchasing Agreements* with other governmental units as provided for in Minnesota Statutes. Procurements made through *Joint Purchasing or Cooperative Purchasing Agreements* will satisfy the City's competitive procurement requirements.

(3) Formalized contracts or leases for a period exceeding one year must be approved by City Council resolution.

1.7.2 Quick Reference Guide - Unbudgeted Capital Expenditure

Procurement Method	Value of Purchase	Quotations Needed	Payment Request Options	Advance Approvals Needed Prior to Purchasing	
Small	Unbudgeted Capital Expenditures Greater than \$5,000	Two Written Quotes, RFP's or Sealed Bids for over \$175,000	Check Request Council Resolution	City Clerk-Treasurer Utilities Superintendent Liquor Store Manager City Council	Yes Yes Yes Yes
Major	Street/Infrastructure Improvement Contracts	Performance Bonds required to equal contract price	Council Resolution	City Council	Yes
	Change Orders/Material Amendments	All increases above \$50,000 or 10% of the <u>cumulative</u> contract amount, whichever is less, via change order or otherwise, must be approved by a contract amendment approved by resolution and a vote taken to require or waive additional bond amounts	Council Resolution	City Council	Yes
	Greater than \$100,000	Sealed Bids, solicited by public notice	Check Request Council Resolution accepting bid	City Clerk-Treasurer Utilities Superintendent Liquor Store Manager City Council	Yes Yes Yes Yes

Section 2. Purchasing Practices

2.1 Ethics / Relations with Vendors

The City of Vegas 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:

1. *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.
2. *Denying one or more vendors the opportunity to bid on a contract*
 - Examples of this include:
 - Using unnecessarily restrictive specifications.

- Pre-qualifying bidders on a discriminatory basis.
 - Removing companies from a bidders list without just cause.
 - Requiring unnecessarily high bonding.
3. *Giving favored vendors an unfair advantage.*
- Example of this include:
 - Providing vendors with information regarding their competition’s offers in advance of a bid opening.
 - Making information available to favored vendors and not to others.
 - Giving un-favored vendors inaccurate or misleading information.
4. *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). A trinket or memento costing \$5 or less is not considered a gift.

2.2 Conflicts of Interest

No employee, officer, Council/Board member, or agent of the City of Vergas or Vergas EDA/HRA member, Planning Commissioner shall participate directly or indirectly in the *selection, award, or administration* of any contract if a conflict of interest, ***either real or perceived***, would be involved. This type of conflict would be when one of the persons listed below has a financial or any other type of interest in a firm competing for the award:

- An employee, officer, Council/Board member, or agent involved in making the award;
- His/her relative (including father, mother, son, daughter, brother, sister, grandparents, uncle, aunt, first cousin, nephew, niece, husband, wife, father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, stepfather, stepmother, stepson, stepdaughter, stepbrother, stepsister, half-brother, or half-sister);
- His/her partner;
- A person residing in the same household; or
- An organization which employs or is negotiating to employ, or has an arrangement concerning prospective employment of any of the above.

Officers, employees, Council/Board members and agents are required to disclose any potential conflicts of interest and abide by the requirements as set forth in Minnesota Statutes 469.009, 471.87, 471.88, and 471.89. Note: non-decision-making employees may not do business with the City that is not part of their regular duties/payroll compensation, election judges excluded because they are governed by state statute.

Section 3. Authorization

The City of Vergas has a decentralized purchasing program where individual departments are responsible for making their own purchases.

Payment Authorization Process

1. Determine the need for commodities and services.
2. Research the cost of the purchase and determine proper purchasing alternative.
3. Determine the appropriate fund/expense account and whether there are sufficient funds available.
4. Forward request to Supervisor for approval. If purchase exceeds \$1,000, pre-approval is needed by City Council. Exceptions:
 - a. Capital expenditure itemized on the capital budget approved as part of the annual budget process
 - b. Public works materials that are a standard part of operations
 - c. Emergency repairs to equipment
 - d. Utilities or other contracted services where an agreement is effective and in place (engineering, network/software maintenance.)

5. Supervisor forwards request for payment with invoice to the Clerk-Treasurer for input into financial accounting system. Supervisor must sign invoice and state the department requesting payment.
6. Clerk-Treasurer produces check register/claims report that is included in the City Council agenda packet for approval by the City Council.
7. Checks are cut and mailed after City Council approval.

Section 4. Purchasing Alternatives

4.1 Sealed Bids

- A formal sealed bid procedure is required for all purchases in excess of \$175,000 except professional services (engineering/architecture) and those on the State of Minnesota Cooperative Purchasing Venture (CPV) for things like heavy equipment.
- A published notice of bid is required in the official City newspaper at least ten (10) days in advance of bid opening. The published notice must state where the plans and specifications can be obtained by bidders and specifically, where the bid opening will be held. The notice may also be published on the City's official website, and/or industry specific publications/websites; however, this publication is in addition to the official newspaper publication.
- All bid openings are to be administered by originating department.
- The preparation of all specifications is to be the responsibility of the originating department.
- Required authorization for plans and specifications is the responsibility of the originating department.
- The City Council must formally approve the bid contract.
- The originating department then provides an electronic copy of the signed contract with the Clerk.

4.2 State, County and Other Cooperative Purchasing Contracts

State Cooperative Purchasing Contracts — The City of Vergas participates in the State of Minnesota Cooperative Purchasing Venture (CPV). This enables participants to buy goods and services at a reduced cost under the terms of contracts already negotiated by the State of Minnesota.

- The clerk's office has access to the releases and listings of products/services that can be purchased on state contract.
- If it is determined that a product/service is on a state contract, vendors should be told that the purchase will be made using that contract. When completing the purchasing paperwork, note that the purchase is per state contract and indicate the contract number.

Lakes Country Service Cooperative Purchasing Contracts — The City of Vergas participates in the Lakes Country Service Cooperative (LCSC) Purchasing Venture (eXpress). This enables participants to buy goods and services at a reduced cost under the terms of contracts already negotiated by LCSC.

- The clerk's office has access to the releases and listings of products/services that can be purchased on eXpress.
- If it is determined that a product/service is on a LCSC contract, vendors should be told that the purchase will be made using that contract. When completing the purchasing paperwork, note that the purchase is per LCSC contract and indicate the contract number.

4.3 Quotes

If a purchase is estimated to exceed \$5,000 but not to exceed \$175,000, the purchase may be made either by obtaining two written quotes or issuing a Request for Proposal (RFP). Either the quote or response to the RFP should clearly identify the vendor, services being provided and cost. All such quotes/RFP responses must be forwarded to the clerk-treasurer with the purchasing documents and will be retained based on the General Records Retention Schedule for Minnesota Cities.

4.4 Emergency

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 arising suddenly and unexpectedly which requires speedy

action essential to the health, safety, and welfare of the community, and not just an inconvenience. The City Council must adopt a resolution declaring the emergency.

4.5 Request for Proposals (RFP)

RFPs are typically used to solicit proposals for professional services. Typical information to address in RFPs includes:

- Background and scope of the project.
- 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.
 - Resumés for management and lead staff who will work on 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."
 - Submittal 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."
 - Information about where questions should be directed.

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

If the City drafts the agreement, attach a copy of the agreement proposed to be used for the project. 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 and LMC Attorney for review prior to distribution.

4.6 Leases/Contracts

- All lease and contractual agreements need advance approval by the City Council resolution. Lease/Contract documents shall not contain auto-renewal language unless deemed to be in the City's favor.
- Performance monitoring will be in place for contracts involving the provision of services. This ensures services are as outlined in the agreement. An annual report will be provided to City Council or sooner when a performance concern is identified. The contractor is given a written notification outlining the concern(s) with opportunity to respond.

4.7 On-Line Purchases

The following guidelines are recommended for purchasing products over the Internet:

- Only purchase from vendors that use secure servers for e-commerce. Most sites will have a disclaimer, but some do not have the disclaimer language. If in doubt, either send an e-mail to the vendor or call them.
- When using a credit card, follow the standard purchasing guidelines that are used when paying by credit card on the telephone. It is generally safe to use a credit card on the Internet, but be cautious - see the first item in this subsection.

Section 5. Payment

The City of Vegas 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/number from clerk-treasurer along with necessary approvals.
- Once invoice is received and purchase order complete, return completed purchase order with invoice attached and authorization for payment to the clerk-treasurer.

Purchase orders are also required to be approved in advance by the City Council for purchases between \$5,000 and \$100,000.

5.2 Invoices / Check requests

- Vendor payments are made only off of original invoices to avoid duplicate payment. Invoices must be included with the proper authorization(s) and purchase order, written quotes, etc.
- Official Payment Request Forms are used for claims that do not have an invoice, often to reimburse or refund a customer.

5.3 Immediate Payment

The clerk-treasurer policy is for bills to be paid on the disbursement list and the checks cut after Council approval has been received. For certain exceptions, immediate pay, also referred to as a "manual batch", may be used under the following guidelines:

- Immediate pay is for payments that need to be made prior to disbursement list. Such items include getting discounts, avoiding late charges (i.e.: credit card payments), purchases requiring payment with delivery, etc.
- Checks will be issued, mailed, or returned to the appropriate department. All of the regular documentation must accompany requests for immediate pay (purchase order, check request, invoice or expense voucher).

5.4 Blanket Purchase Orders, Charge Accounts, and House Accounts

The City uses blanket purchase orders, charge accounts, and house accounts for frequently used vendors. This process requires submission of receipt with an account code and the appropriate approvals. All new open accounts must be authorized by the requesting department head (example: Menards, L&M Fleet Supply, and Ortons).

5.5 Statements

- The clerk-treasurer tracks all statements—reviewing for old invoices or credits. For vendors where the City has open accounts, the clerk-treasurer only pays once a month after matching invoices to the statement.
- All statements are to be mailed directly to the clerk-treasurer.

5.6 Account Coding

All requests for payment including check request, purchase order, or expense voucher must have an eleven-digit code to process payment. Refer to department budget for reference of line item code.

Helpful hints for completing payment process:

- Eleven-digit code — 101 (fund) 41500 (department or project) 210 (expense line item - office supplies)
- Description - specific description of up to 30 characters.
- Vendor information and address.
- Invoice Number — important to prevent duplicate payment.
- Computer generated material preferred. Handwritten is acceptable if legible.

5.7 Petty Cash

- Used for incidental items \$25 or less for expenditures made on behalf of the City.
- An expense voucher must be completed, with a receipt attached, with proper departmental authorization obtained to reimburse petty cash from departmental funds.
- Vouchers must be approved by a Department Head.

5.8 Guidelines for Payment Processing

- Invoices must be attached to the payment request, purchase order, or expense voucher.
- Processing of payments on claims - invoices are due by noon on the Thursday before a City Council meeting, which are held the second Monday of the month. Payments are mailed by the Wednesday after the meeting.
- Immediate pays are due to the clerk-treasurer, with checks issued no later than the following day.
- All requests for payments must have eleven-digit code to process payment. Refer to department budgetline item codes for proper coding.

5.9 Credit Cards

The City Clerk-Treasurer is issued a City credit card to allow for more efficient purchasing and to make purchases at businesses that no longer allow open accounts. Credit cards should not be used for vendors who are typically paid by check from the City.

5.10 Electronic Funds Transfer

Electronic Funds Transfer may be required in some cases to complete a business transaction. The funds are transferred electronically from the party's bank accounts. Some instances may include transactions with the State of Minnesota, a federal agency, another local government, bond payment agent or a closing agent in the purchase or sale of real estate. These transactions need to follow the same guidelines for payment processing in Section 5.9.

5.11 Expense Reimbursement

Expense vouchers are required for reimbursement to employees of City-related expenses on a monthly basis. If larger expenses are incurred, more than one voucher may be reimbursed in one month. All expense vouchers must contain proper account codes, department approval, and receipts must be attached where applicable. Reimbursement requests in excess of 45 days from the date the expense is incurred may be denied.

Section 6. Agreement Processing

6.1 Agreement Forms

Agreements need to be reviewed by the City attorney unless they follow a previously used format. However, if attachments to the agreement modify the agreement or provide new terms, the agreement should be reviewed by the City attorney. The City attorney's review must occur prior to submission for a Council agenda and/or signature.

- The City attorney must review an agreement if it is written on the other party's form, or if a special agreement is being drafted.
- Please note: These provisions apply to **ALL** agreements, including maintenance agreements, service contracts, lease agreements, etc.
 - Authorization Levels
 - The Mayor and/or City Clerk-Treasurer are authorized to sign agreements with City Council approval.
 - Signatures/Official Records
 - Once the agreement is approved, the other party should submit the original of the agreement for signatures (as many original copies can be submitted as required, but the City requires one original copy for the responsible department). The agreement packet must include the agreement, any required bonds, and the certificate of insurance.
 - The clerk's office will maintain originals and a database of fully executed agreements.
 - The clerk's office will maintain a master list of service contracts, including the effective dates, date the insurance expires, and any special conditions, for instance, if the agreement calls for performance by a specific date.

6.2 Contacts for Services - Social Services and Other Non-profits

An expenditure of public funds must have both a public purpose and specific or implied statutory authority. Although charities and other non-profit entities may benefit their communities, government entities may not donate to them without specific statutory or charter authority. For example, while the Red Cross works to benefit the public, a local unit of government is not specifically authorized to donate funds to it.

Public entities may contract with a non-profit entity for a particular service that the public entity is authorized to provide. To avoid allegations that an impermissible donation has been made, the public entity should enter into a written agreement with the non-profit entity, documenting what the public entity is receiving in exchange for the payment.

Exhibit A of this policy includes the State of Minnesota Office of the State Auditor Statement of Position on Public Expenditures: Donations and Dues for further reference.

Section 7. Capital Outlay and Capital Assets

7.1 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 and become a recorded capital asset. It should be noted that delivery charges must be included as a cost of the item purchased when determining if the purchase is a capital outlay item.

The amount to record for that capital 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 that asset: the vehicle, warning lights, decals, delivery charges, licensing, and any other costs to put the asset into its usable condition. Like items that are used together, for example – meeting room chairs, that are used together can also be bundled and considered a capital asset if the total value exceeds \$5,000.

7.2 Acquisition

All acquisitions should follow the City’s capital replacement schedule when applicable.

7.3 Tracking and Transfer

Once the asset is recorded on the City’s financial accounting system, it is the responsibility of the assigned department to notify the clerk-treasurer of any assets that have been transferred to a different department. In addition, at the end of the year, a physical count of all capital assets will need to be done by each department assigned assets. This count will be done at or near the end of the calendar year. Each department will be provided a list of assigned assets by the clerk-treasurer. The count will then be made by the department with any discrepancies noted on the list provided.

7.5 Deletion or Disposal of Capital Assets

When an asset is sold or disposed of the assigned department must complete a capital asset disposal form with the required information in order for the clerk-treasurer to remove the asset from the financial accounting system. This includes items that are disposed of with no sale or trade value. Once again disposals should follow the capital replacement policy of the City.

Section 8. Disposal of Surplus Property

8.1 Auction or Trade In

The City has the option to sell surplus items at a public auction, or by sealed bid. The auction house will forward a tabulation of the bids received along with payment. The information is reviewed by the department head and then the payment is forwarded to the clerk-treasurer.

A department may also trade in a vehicle when purchasing a replacement as long as the trade in value approximates fair market value. Any proceeds from a trade in are treated as a gain or loss on the sale of capital assets and are never used to reduce the basis of the replacement item.

A capital asset disposal form must be filled out when an item is sold at auction or traded in.

8.2 Computer Equipment

When a piece of computer equipment has reached the end of its useful life with the City, the hard drive must be removed and shredded and hardware disposed of by a computer recycling vendor.

8.3 Sales to Political Subdivisions

Sales of surplus property is allowable without complying with the competitive bidding requirements provided that the requirements of Minn. Stat. § 471.64 are followed.

Adopted by the City Council of the City of Vergas, County of Otter Tail, State of Minnesota this 25 day of June 2020.

Approved:

Dean Haarstick, Mayor

Attested:

Julie Lammers, City Clerk-Treasurer