



To: Mayor Fasbender & City Councilmembers
From: Chris Eitemiller, Finance Manager & Ashley DeBernardi, Assistant Finance Manager
Date: August 19, 2024
Item: Revise Purchasing Policy

Council Action Requested:

Council is asked to approve a revision to the Purchasing Policy. This change will have an effective date of September 1, 2024.

Background Information:

Purchasing Policy Revision:

Staff wishes to add a requirement that all payments over \$100,000 be made electronically via ACH. This recommendation is based on a best practice suggestion from the League of Minnesota Cities.

It would provide additional security and timeliness of payment processing. This change would eliminate the chance of checks being stolen or lost in the mail, promptly provide vendors payment, and ease monthly banking reporting by reducing or eliminating the number of large, outstanding payments.

Financial Impact:

None.

Advisory Commission Discussion:

None.

Council Committee Discussion:

None.

Attachments:

- Copy of Purchasing Policy with proposed change highlighted



PURCHASING POLICY

Purpose

To comply with Minnesota Statute 471.345 and to establish specific guidelines for the purchase of goods and services by the employees of the City of Hastings.

Policy

It is the policy of the city to acquire goods and services through a competitive process whenever practical that results in supply arrangements at the most effective net cost, in the correct quantities, of the appropriate quality, and from the most responsive and responsible source. Purchasing and supply management functions at the city are delegated to the department directors, requiring diligent attention to the governing laws and rules.

Purchasing goods and services using a purchasing card is covered under the Purchasing Card Policy.

All federal grant expenditures will be in compliance with OMB 2CFR200 (Uniform Guidance). All federal grant expenditures must be reasonable, necessary, and adequately documented. All federal grant expenditures must be deemed to be allowable under specific grant agreements and in accordance with 2CFR200, subpart E.

Cooperative Purchasing Agreements

When possible, every effort should be used to take advantage of cooperative purchasing agreements as a cost savings measure. The city shall maintain its membership with the State Cooperative Purchasing Program. By using the State's plan, bidding requirements are already fulfilled.

Governing Laws Contracting Bid State Laws

A city entering into an agreement for the sale or purchase of supplies, materials, equipment or the rental thereof, or the construction, alteration, repair or maintenance of real or personal property must abide by the statutes relating to contracting and bidding. Minnesota Statute 471.345 was established to provide dollar limits for all cities upon contracts that shall or may be entered into on the basis of competitive bids, quotations or purchase or sale in the open market. This statute puts the following basic requirements on cities (based on the estimated contract amount):

- For contracts over \$175,000 – sealed bids shall be solicited by public notice in the manner and subject to the particular requirements of the city. The sealed bids shall be solicited by public notice and be kept on file. City Council will approve these contracts during a regularly scheduled meeting.
- For contracts exceeding \$25,000 but not \$175,000 – sealed bids or by direct negotiation, by obtaining two or more quotations for the purchase or sale when possible, and without advertising for

bids or otherwise complying with the requirements of competitive bidding. All quotations obtained shall be kept on file for a period of at least one year after receipt thereof. VIII-10

- For contracts \$25,000 or less – the contract may be made upon quotation or in the open market, at the discretion of the city. If the contract is made upon quotation it shall be based, so far as practicable, on at least two quotations which shall be kept on file for a period of at least one year after their receipt.

Extra care should be exercised when using sole source vendors. The City Administrator and Finance Manager must approve such purchases in advance. Procurements will not be split to avoid competition or council action.

Federal Purchases

Under uniform grant guidance (2 CFR 200.317–326) there are additional procurement requirements that need to be considered when making purchases related to a federal program. Five procurement methods are identified including: micro-purchase (<\$10,000), small purchase procedures (<\$250,000), sealed bid (>\$175,000), competitive proposal (>\$175,000), and noncompetitive proposal (>\$3,500). The general purchasing policy addresses many of these requirements and the City will also consider the full requirements in relation to each method as described in 2 CFR. The micro-purchase threshold which is set by Federal Acquisition Regulation at 48 CFR Subpart 2.1 is subject to change with inflation. The City will follow changes to thresholds as modifications occur. When practicable, micro-purchasing will be distributed among qualified suppliers.

The city will review the excluded parties list (<https://www.sam.gov>), to ensure than no tentative parties, suspended and/or debarred contractors are contract with using federal dollars. When using federal funding and making purchases in excess of \$2,000 for construction dollars are subject to the Davis-Bacon Act. Also, the city will avoid unnecessary/duplicate purchases, encourage use of excess Federal surplus property, documenting rationale for procurement method used for purchases, and documentation of selection of contract type maintained in the files. In addition, the city will consider intergovernmental agreements where appropriate for procurement or use of common or shared goods and services.

Director/Manager Responsibilities

Department Directors/Managers and other persons authorized to purchase are responsible for certain functions related to purchasing and payment for goods and services received. The responsibilities are:

- Purchasing done on a competitive basis and consistent with the approved annual budget.
- Control of purchased goods and services to ensure only authorized use.
- No reimbursement for use of personal gift cards or store rebates.
- All terms and conditions (including pricing) of the purchase as specified in the purchase order and applicable contract are attained prior to the payment of the claim.
- Providing the Finance Department with approved invoices and supporting written documentation in a timely manner.
- Employee expense reimbursements, as outlined in Chapter 13 of the Employee Handbook, must be submitted no later than the last day in March of the year following the year in which the expense was incurred. Expenses submitted outside of this time frame will not be reimbursed.

- Immediate notification to the Finance Department of any circumstances affecting acceptability performance, or any other reason which may lead to withholding of payment.
- Cooperation with the Finance Department in resolving disputes with vendors regarding terms, quantity, or any questions of performance.
- Designating budget coding of all invoices.
- House documents showing multiple bids or state bid pricing.

Finance Department Responsibilities

The Finance Department personnel are responsible for the following:

- Assistance in seeking vendors to provide the best price availability.
- Reasonable audit tests to determine fund availability, legality and validity of obligations for payment.
- Pay authorized bills that meet procedural requirements.

Competitive Price Quote/Bids

Competitive price quote/bids require the following:

- Purchaser must obtain competitive price quotes/bids for services or commodities as outlined in Contracting Bid Law Section of this policy.
- Purchaser will prepare a purchase order or documented invoice and submit to the Department Director/Manager and the Finance Department for approval.
- A documented invoice allows all necessary information and approvals to be placed directly on the invoice. This would apply to emergency purchases of goods and services and to routine items such as utility bills.

Purchases

Purchases under \$5,000 are approved by department directors/managers when in the budget.

Unbudgeted expense under \$5,000 must have City Administrator sign off.

Purchases from \$5,000 to \$175,000 will have approval from department directors/managers and the City Administrator when in the budget. Unbudgeted expense over \$5,000 must be approved by City Council.

Purchases over \$175,000 will be approved by City Council during a City Council meeting.

Payments over \$100,000 must be paid via ACH transfer.

Expense Vouchers

Expense vouchers must have the following:

- Tabulation of quotes/bids where appropriate;
- Account number and project information if applicable;
- Budget appropriation for item or service requisitioned;
- Department Director/Manager approval;
- Date ordered and approximate date to be received;
- Full vendor name/address – no abbreviations;

- All items purchased must be listed separately with respective costs;

Additional Provisions/Resources

The provisions noted in this policy are not intended to be an exhaustive list of Minnesota laws. Additional resources on purchasing include:

- Handbook for Minnesota Cities, published by the League of Minnesota Cities
- Emergency Contracts, published by the League of Minnesota Cities
- City of Hastings Finance Department

Authority for Implementation and Enforcement

All employees are responsible for adhering to this policy when purchasing goods or services. Managers are responsible for monitoring performance within their areas of jurisdiction. The City Administrator is the chief purchasing officer of the city. Responsibility for administering established Purchasing Policies and Procedures has been delegated to the Finance Department.

Updated August, 2024