

**CITY OF LEXINGTON
WORKSHOP AGENDA
Thursday, March 15, 2018
Immediately following Council meeting
City Hall**

- 1. Call to Order:** Mayor Kurth
- 2. Roll Call:** DeVries – Hughes – Harris - Murphy
- 3. Discussion Items:**
 - A. Discuss City of Lexington Purchasing Policy
 - B. Discuss City of Lexington Proposed Purchasing Policy
- 4. Staff Input**
- 5. Council Input**
- 6. Adjourn**

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CITY OF LEXINGTON

PURCHASING POLICY

The Purchasing Policy has been developed to ensure proper accountability of the public funds entrusted to the City of Lexington and to maintain controls necessary for the City to operate efficiently. The Purchasing Policy applies to all employees and officials of the City and relates to the procurement of services and/or goods, unless specifically exempted in this policy. Failure to comply with the policies and guidelines could result in disciplinary action and/or personal financial liability.

Purpose

It is the purpose of this policy to:

- Clarify the system of purchasing contractual services, material, and equipment for the City;
- Determine the levels of approval necessary before purchasing contractual services (except professional services), material, and equipment for the City;
- Provide public confidence in the procedures used in public purchasing;
- Ensure fair treatment of all persons who deal with the City procurement system;
- Provide economy and value in City purchasing activities;
- Foster competition within the free enterprise system where possible and appropriate;
- Provide safeguards for the assurance of a purchasing system of quality and integrity.

General Guidelines

The City Administrator is hereby designated the Purchasing Agent, hereinafter named "Agent," for the City. The Agent may delegate authority to any designee for the preparation of specifications, the obtaining of quotations as may be required, and the purchase of items as specified in this policy.

- The terms of this policy are applicable to the purchase of all budgeted goods and non-professional services.
- City departments shall adhere to this purchasing policy.
- The Agent is hereby granted the authority to make all budgeted purchases in accordance with the provisions of this policy for all items not specifically requiring Common Council approval. For items requiring Council approval, the Agent is authorized to solicit bids or quotes for Council approval.

Purchases Requiring Council Approval

Prior approval of the City Council is to be sought for all purchases in excess of one thousand dollars (\$1,000.00), except for the following:

- Professional services such as legal, engineering, auditing that are rendered under an approved contract for such services.
- Utility expenditures such as electricity, natural gas and telephone services for all city owned properties.
- Payroll and related expenses such as employee medical premiums, pension payments and mandatory State and Federal withholding.
- Routine expenditures such as insurance premiums and bond payments which received prior Council approval and authorization through the budgetary process.
- Public improvement projects ordered by the City Council such as street paving, seal coating, sewer, water and storm sewer.
- Inventory purchases for the Off-Sale Liquor Store.

Petty Cash Disbursements

Items purchased having a value that is less than twenty dollars (\$20.00) may be paid for from the Petty Cash Fund. The Petty Cash Fund shall be maintained at City Hall. All reasonable effort shall be made to maintain the petty cash fund cash on hand at less than two hundred dollars (\$200.00). A log of petty cash fund transactions shall be maintained by City Hall.

Purchases Up To \$1,000.00

The City Administrator or Designee is authorized to purchase materials, equipment and services having a value up to one thousand dollars (\$1,000.00) without prior approval, providing there is funding in the budget for said purchases. Generally, these types of purchases are for services, materials, supplies and equipment needed for day-to-day operations. For purchases over three hundred dollars (\$300.00), quotations shall be obtained from at least two (2) vendors. These quotations may be written or verbal, but, if they are verbal, the details of the quotations shall be recorded on a sheet attached to the purchase.

Purchases Over \$1,000.00 and Up To \$10,000.00

Written quotations shall be obtained from at least two (2) vendors for purchases having a value over one thousand dollars (\$1,000.00) and up to ten thousand dollars (\$10,000.00), and those quotations shall be presented to the City Council for approval. Whenever feasible the purchase shall be made from the lowest bidder offering quality merchandise.

Purchases Over \$10,000.00

All materials, equipment and services costing more than ten thousand dollars (\$10,000.00) must be purchased on a formal advertised bid basis. All purchases shall be let to the lowest responsible bidder, and the following procedure shall be followed:

1. The City Administrator or Designee shall be provided with notification concerning the requested expenditure of funds for the purchase of an item(s) with a cost greater than ten thousand dollars (\$10,000.00), including supporting narrative as to whether or not the purchase is a budgeted item, and the intended source and availability of funds.

2. If the requested purchase is a budgeted item, Council approval prior to bid letting is unnecessary.
3. If it is a non-budgeted item, the request shall be placed on the agenda for the next council workshop for discussion. If the Council recommends the purchase, the matter shall likewise be placed on the agenda for the next Council meeting.
4. If the Council authorizes bids for the purchase, the City Administrator or Designee shall see that appropriate notices are published, and distribute plans and specifications to interested persons/companies.
5. Bids shall be sealed, and held in the Administrative Office of the City of Lexington prior to the formal bid opening.
6. When it is time for the formal bid opening, the City Administrator or Designee shall open all sealed bids which have been submitted for consideration, and read each and every one aloud. The City Administrator or Designee shall then see that a report is made to the Council concerning the bids received. The report shall contain his/her recommendation concerning the bid to be accepted, and, if a bid other than the lowest bid is recommended, the report shall state the reasons for such recommendation.
7. If the Council approves the report, a motion authorizing the acceptance of the bid shall be made.
8. The Council may, in times of emergency or when otherwise impractical, waive the provisions of this section.
9. Professional services are excluded from the requirements of this section, where quality of service as well as fee will determine the acceptance of the proposals.

Non-Budgeted Items

It is the assumptions of this purchasing policy that all requested expenditures have been provided for in the current budget. However, purchases over five hundred dollars (\$500.00) which have not been provided for in the current budget will require Council approval. The City Administrator, upon receipt of the non-budgeted expenditure request, shall place the request on the next agenda for Council consideration. If the Council approves the non-budgeted expenditure, the purchase may be processed.

Emergency Purchases

In an emergency situation, or when time is of the essence, the City Administrator, or the Mayor in the absence of the City Administrator, is authorized to allow the purchase of any item or combination of items not included in the budget or not previously authorized by the City Council in an amount exceeding \$1,000 provided that Council approval is sought at the next regular scheduled City Council meeting. Such purchase may not cause a budget line item to be exceeded.

Local Merchants and Businesses

Taking price and service into account, the City shall give due consideration to local merchants and businesses.

Version date: 12/13/2013
Council adoption date: 12/19/2013
Effective / implementation date: 12/19/2013

Proposed Policy

CITY OF LEXINGTON PURCHASING POLICY

The following policy is established for the purchase of goods and services on behalf of the City of Lexington:

CITY OF LEXINGTON PURCHASING POLICY

1) PURPOSE: It is the purpose of this policy to:

- a) Clarify the system of purchasing contractual services, material, and equipment for the City;
- b) Determine the levels of approval necessary before purchasing contractual services (except professional services), material, and equipment for the City;
- c) Provide public confidence in the procedures used in public purchasing;
- d) Ensure fair treatment of all persons who deal with the City procurement system;
- e) Provide economy and value in City purchasing activities;
- f) Foster competition within the free enterprise system where possible and appropriate;
- g) Provide safeguards for the assurance of a purchasing system of quality and integrity.

2) APPLICATION

This policy applies to all procurements of supplies, services, and construction, entered into by the City of Lexington after the effective date of this policy. It shall apply to every expenditure of public funds by a City employee for City purchasing irrespective of the source of the funds. When the procurement involves the expenditure of federal assistance or contract funds, the procurement shall be conducted in accordance with any mandatory applicable federal and state laws and regulations. Nothing in this policy shall prevent any City employee from complying with the terms and conditions of any grant, gift, or bequest that is otherwise consistent with law.

3) PURCHASING AGENT:

The City Administrator is hereby designated the Purchasing Agent, hereinafter named "Agent," for the City. The Agent may delegate authority to any designee for the preparation of specifications, the obtaining of quotations as may be required, and the purchase of items as specified in this policy.

- a) The terms of this policy are applicable to the purchase of all budgeted goods and non-professional services.
- b) City departments shall adhere to this purchasing policy.

- c) The Agent is hereby granted the authority to make all budgeted purchases in accordance with the provisions of this policy for all items not specifically requiring City Council approval. For items requiring City Council approval, the Agent is authorized to solicit bids or quotes for City Council approval.

4) PURCHASES THAT ARE NOT REQUIRED TO FOLLOW THE PURCHASING POLICY PROCEDURES.

- Professional contracted service such as legal, architectural, engineering, auditing, maintenance contracts, or janitorial contracts. These expenditures have prior approval through the budgetary process.
 - Utility expenditures such as electricity, natural gas, and telephone services. The Finance Director shall automatically charge the appropriate departmental budgetary account for said expenditures.
 - Payroll and related expenses such as employee hospitalization, insurance payments, pension payments, and mandatory state and federal employee withholding. The Finance Director shall automatically charge the appropriate departmental budgetary account for said expenditures.
 - Routine expenditures such as insurance premiums and bond payments which received prior City Council approval and authorization through the budgetary process. The Finance Director shall automatically charge the appropriate departmental budgetary account for said expenditures.
 - Employee reimbursement for miscellaneous out of pocket expenses. Receipts and documentation must be attached to an "Expense Report" form prior to payment.
- **Any budgeted non-capital or capital expense not initiated in the year that it was budgeted for must be brought back to the Common Council for re-approval for the following budget year.**

PROCEDURES TO BE FOLLOWED WHENEVER PURCHASES ARE MADE.

4) PURCHASING CATEGORIES

Purchases made by the City of Lexington shall be categorized as follows:

- A. Purchases under \$20.00 (Petty Cash Disbursements)
- B. Purchases up to \$2000.00;
- C. Purchases over \$2000.00 and up to \$10,000.00;

- D. Purchases over \$10,000.00 and less than \$100,000
- E. Purchases over \$100,000
- F. Non-budgeted Items
- G. Emergency Purchases;
- H. Work Orders

(A) PETTY CASH DISBURSEMENTS

Items purchased having a value that is less than Twenty Dollars (\$20.00) may be paid for from the Petty Cash Fund. The Petty Cash Fund shall be maintained in the Finance Director's Office. All reasonable effort shall be made to maintain the petty cash fund and at less than two hundred dollars (\$200.00). When such fund exceeds that amount, a receipt will be generated and excess monies deposited into the General Fund balance as miscellaneous revenues. A log of petty cash fund disbursements shall be maintained by the Finance Director.

B) PURCHASES UP TO \$2000.00

City Department Heads are authorized to purchase materials, equipment and services having a value up to Two Thousand Dollars (\$2000.00) without prior approval, providing there is funding in the budget for said purchases. Generally, these types of purchases are for services, materials, supplies and equipment needed for day-to-day operations. For purchases over Five Hundred Dollars (\$500.00) quotations shall be obtained from at least two (2) vendors. These quotations may be written or verbal.

The authority to award or reject any and or all bids, proposals, and/or quotes in the amount of \$1,999.00 or less for all budgeted purposes may be delegated by the Agent to an appropriate designee, but such purchases shall be subject to approval by the Agent and/or designee.

(C) PURCHASES OVER \$2000.00 AND UP TO \$10,000.00

Written quotations shall be obtained from at least two (2) vendors for purchases having a value over Two Thousand Dollars (\$2,000.00) and up to Ten Thousand Dollars (\$10,000.00), and those quotations shall be presented to the Agent or City Council for approval – depending on the cost of the purchase. Whenever feasible the purchase shall be made from the lowest bidder offering quality merchandise.

Levels of purchasing authority shall be as follows:

- a) The authority to award or reject all bids, proposals, and/or quotes equal to or greater than \$10,000 shall remain with the City Council.
- b) The authority to award or reject any and/or all bids, proposals and/or quotes in the amount equaling \$2,000 - \$9,999 for all non-budgeted items shall also remain with the City Council. (Refer to Section (F) NON-BUDGETED ITEMS).
- c) The authority to award or reject any and/or all bids, proposals and/or quotes in the amount of \$9,999.00 or less for all BUDGETED purposes shall be granted to the Agent.
- d) Any department head or designee wishing to purchase an item falling within this price range which was not budgeted for must follow the procedures delineated under Section (F) – NON- BUDGETED ITEMS.

(D) PURCHASES OVER \$10,000.00 AND LESS THAN \$100,000

All materials, equipment and services costing more than Ten Thousand Dollars (\$10,000.00) and less than (\$100,000) must have written quotations from a minimum of two vendors. All purchases shall be awarded to the lowest responsible bidder, and the following procedure shall be followed:

1. The Department Head shall provide the Agent with notification concerning the requested expenditure of funds for the purchase of an item(s) with a cost greater than Ten Thousand Dollars (\$10,000.00), including supporting narrative as to whether or not the purchase is a budgeted item, and the intended source and availability of funds. It is the responsibility of the requesting Department Head to prepare specifications with Agent assistance.
2. If the requested purchase is a budgeted item, City Council approval prior to obtaining written quotes is not necessary.
3. If it is a non-budgeted item, the request shall be placed on the agenda for the next Workshop meeting for discussion.
4. If, following the Workshop meeting, a recommendation to the City Council that the purchase shall take place, the matter shall likewise be placed on the agenda for the next City Council meeting for approval.
5. If the City Council authorizes bids for the purchase, the Agent shall see that appropriate written quotations are obtained and distributed plans and specifications to interested persons/companies.
6. A report and recommendation for approval of a bid from the Agent shall be provided to the City Council at the next appropriate Regular meeting shall be provided.
7. If the City Council approves the report, a legislation authorizing the acceptance of the bid/quotation shall be made.

8. The City Council may, in times of emergency or when otherwise impractical, waive the provisions of this section.
9. Professional services are excluded from the requirements of this section, where quality of service as well as fee will determine the acceptance of the proposals.

****These purchasing procedures are not to be used for Public Works-type improvements where all or a portion of the costs are paid from special assessments to benefiting properties. Procedures established in Minnesota Statutes for public works contracts shall apply – the City Engineer shall handle this process.**

(E) PURCHASES OVER \$100,000

Under the uniform municipal contracting law, the City of Lexington must use a competitive bidding process for purchases that exceed \$100,000 (Minn. Stat. 471-345 and Minn. Stat. 412.311)

(F) NON-BUDGETED ITEMS

It is the assumption of this purchasing policy that all requested expenditures have been provided for in the current budget. However, purchases over \$2,000.00 which have not been provided for in the current budget will require City Council approval. The Department Head shall first notify the Agent that said non-budgeted expenditure is being requested. Upon receipt of the expenditure request, the non-budgeted expenditure request shall be placed on the agenda for and addressed at the next Workshop meeting. If the City Council agrees that the requested expenditure should be made, a recommendation shall be made to the City Council that the necessary budget transfer(s) take place. The issue shall then be placed on the agenda for the next regularly scheduled City Council meeting for approval, and, if the Council directs that the non-budgeted funds expenditure take place, the purchase may be processed.

(G) EMERGENCY PURCHASES

Under emergency conditions, purchases may be made by authorized departmental personnel, under the consultation of the Agent or designee (if available), provided a report of such purchase is made to the City Council at its next regularly scheduled meeting. Emergency conditions shall be defined as those purchases necessary to protect life, health, and safety.

(H) WORK ORDERS

Work orders requested by individual members of the City Council that incurs an expense would need to be reviewed by the Agent and/or designee to determine the availability of funds and the time required to perform the duties prior to performing the work. The work orders shall be regulated by the Agent and/or designee by the authority of the City of Lexington purchasing policy.

(5) LOCAL MERCHANTS

Taking price and service into account, the City shall give due consideration to local merchants.

(6) AUTHORIZED PERSONNEL

The City Council has delegated authority to purchase supplies, services, or construction items with a value not to exceed Two Thousand Dollars (\$2000.00) to the following personnel:

DEPARTMENT	AUTHORIZED PERSONNEL:
City Administration	City Administrator and Finance Director
Public Works	Lead Public Works
Liquor Store	Liquor Store Manager
Fire Department	Fire Chief

(7) FAILURE TO COMPLY WITH PROCEDURES.

Employees who fail to follow the purchasing procedures may be disciplined. Repeated failure to follow the purchasing procedures and policies in general shall be grounds for disciplinary action up to and including termination.