



Policy: **Purchasing Policy**
Effective: //2019
Revised: //2019

DRAFT WORKING DOCUMENT 9-23-19

Purpose To comply with the Uniform Municipal Contracting Law (“UMCL”), Minnesota Statutes, Section 471.345, and to establish specific guidelines for contracting and the purchase of goods and services by the employees of the City of Northfield (“city”).

Policy It is the policy of the city to acquire goods and services through a competitive process whenever practical that results in materials, equipment and 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 4.56.

Legal Authority This purchasing policy is established by the City Council pursuant to City Charter, City Code and State Statute. City funds may only be spent for purposes that are expressly or implicitly authorized by State Statutes or by the City’s Charter and must be for a public purpose. The following legal authority governs this policy:

1. Uniform Municipal Contracting Law (“UMCL”), Minnesota Statutes, Section 471.345.
2. City Charter, Sections 7.3, 8.1 and 9.7:
 - a. Section 7.3. - Powers and Duties of the Administrator.
 - i. Subd. 1. The administrator shall administer the city in accordance with state law, this Charter, city ordinances, and council policies.
 - ii. Subd. 7. The administrator shall supervise the purchase of all materials and equipment. The administrator may establish purchasing procedures subject to the approval of the council.
 - b. Section 8.1. - Contracts. All contracts entered into on behalf of the city shall comply with provisions of the Minnesota Uniform [Municipal] Contracting Law [Minn. Stat. § 471.345], where applicable.
 - c. Section 9.7. - Enforcement of the Budget. The administrator shall strictly enforce the provisions of the budget. The administrator shall not authorize any payment or the incurring of any obligation by the city unless an appropriation has been made in the budget resolution and there are sufficient unexpended funds left after deducting the total past expenditures and encumbrances against the appropriation.



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No officer or employee of the city shall place any order to make any purchase except for a purpose and to the amount authorized in the budget resolution. No check shall be issued or transfer made to any account other than one owned by the city until the claim to which it relates has been supported by an itemized bill, payroll, or time-sheet or other document approved and signed by the responsible city officer who vouches for its correctness and reasonableness.

3. City Code, Section 2-161. Duties and responsibilities.

- a. (e) The administrator shall prepare the budget annually and submit it to the mayor who shall submit the recommended budget to the city council. The budget shall be submitted with supporting material showing the important features of the budget. The administrator shall keep the mayor and council advised of the city's present financial condition and future needs, and make recommendations as the administrator may deem desirable. The administrator shall supervise the purchase of all material and equipment for which funds are provided in the budget and as directed by the council.
- b. (f) The administrator may issue such rules governing purchasing procedure within the administrative organizations as the council shall approve.

Budget

Under State statute and City Charter, the annual adoption of the budget shall constitute City Council appropriations for the year at the “fund” level. Budgetary control shall be exercised on the “department” and *fund* levels. The City Administrator shall identify Department Heads or other staff who shall be responsible for each *fund* or *department* in the annual budget. These individuals shall be responsible for compliance with the annual budget and for all expenditures for their *departments* and *funds*. The City Administrator, in consultation with the Finance Director, must approve total expenditures above those budgeted at the *department* level, subject to the annual budget and City Council alterations thereto pursuant to City Charter, section 9.8, as applicable.

Support of Local Firms and Merchants

It is the policy of the city to support local firms and merchants. Acknowledging, based on the type of contract and contract price, that different legal requirements apply, to facilitate this policy, when products or services can reasonably be supplied by local merchants or firms, requests for bids, proposals or quotations, as applicable to the type of contract, may be solicited by phone, mail or facsimile and/or advertisement in the official city newspaper and/or trade journals as required by law to attempt to provide an opportunity for local merchants to participate in the solicitation process. For contracts required to be competitively bid pursuant to Minnesota Statutes, Section 471.345, advertisements for bids shall be published in accordance with the state law. For projects required to be competitively bid, award of bids shall be made in accordance with state law to the lowest responsible bidder.



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Decentralized Purchasing

The majority of city purchases are decentralized, meaning that each department handles procurement of materials, supplies, equipment and services needed for their own operation. The responsibility lies with each department to obtain bids, proposals, quotes, or purchase on the open market, meeting the requirements of applicable law, maintain records of the same, place actual orders, receive deliveries, and approve invoices for payment.

To be uniform and save time and money in quantity purchases, the City Administrator may assign a department to centrally purchase some products. An example of this would be office supplies.

Types of Contracts and Purchase

The following are some of the types of contracts and purchases made by the city:

1. **UNIFORM MUNICIPAL CONTRACTING LAW.** It shall be the policy of the city that the UMCL shall govern all contracts and purchases to which it applies. Changes to the UMCL shall automatically become the policy of the city. UMCL covered contracts are any contracts entered into by the city 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. The categories and requirements of the UMCL are discussed further below under the Uniform Municipal Contracting Law Requirements section. City policy may be more restrictive than State Law, but may not be less restrictive. Records of quotes and bids, as applicable under the UMCL, shall be retained for at least one year after the completion of the contract or purchase or until the annual audit for the year of the purchase is completed, whichever is longer.
2. **PROFESSIONAL SERVICES CONTRACTS.**
 - a. **Applicability.** This procedure applies to all advisory, auditing, engineering, financial, legal, personnel, technical, training, or other services.
 - b. **Competency.** Contracts shall be made only with responsible consultants who have the capability to successfully fulfill the contractual requirements. Consideration shall be given to their past performance and experience, their financial capacity to complete the project, the availability of personnel, and other appropriate criteria.
 - c. **Solicitation.** The nature of the professional service shall be illustrated in either; a request for proposals for services of greater magnitude, or in a description of work for services of lesser magnitude. This shall be advertised or otherwise distributed to likely and potential service providers commensurate with the value of the contract.



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d. Selection. Professional service providers shall be selected so as to provide the best value to the City considering the difficulty of the work proposed, its value to the City, the expertise and capacity of the consultant and cost.

3. EMERGENCY PURCHASES. Occasions arise where an immediate purchase is necessary to protect the life, health, safety, or convenience of the citizens or to preserve the property of the city or its citizens. To the greatest extent possible, normal purchasing procedures shall be followed. However, when expediency is required to rectify an emergency situation, any or all of these procedures may be waived pursuant to Minnesota Statutes, Sections 12.29 and 12.37. If possible, the City Administrator shall be contacted to approve the purchase. In the absence of the City Administrator, a Department Head shall approve the purchase and report to the City Administrator at the earliest opportunity. A report to the City Council shall be made at the next regular City Council meeting.

4. 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 Venture Program. By using the State's plan, bidding requirements are already fulfilled.

Pursuant to Minnesota Statutes, section 471.345, subd. 15, for a contract estimated to exceed \$25,000, a municipality must consider the availability, price and quality of supplies, materials, or equipment available through the state's cooperative purchasing venture before purchasing through another source.

Alternatively, as provided in Minnesota Statutes, section 471.345, subd. 15 (b), if the city does not utilize the state's cooperative purchasing venture, the city may contract for the purchase of supplies, materials, or equipment without regard to the competitive bidding requirements of state law if the purchase is through a national municipal association's purchasing alliance or cooperative created by a joint powers agreement that purchases items from more than one source on the basis of competitive bids or competitive quotations.

Under any of the foregoing, the City Council or City Administrator, as applicable, must still be notified and approve the contract/purchase as defined in and in accordance with this policy.

5. ROUTINE PAYMENTS. The City Administrator or the Finance Director may authorize certain routine payments subject to the requirements of this policy. These may include, but are not limited to the following: partial or



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progress payments on contracts or bids previously awarded by the City Council; payments to federal, state, or other local governments under a cooperative agreement previously approved by the City Council or as required by law; payment of employee payroll withholdings, taxes, and benefits; and payment of ongoing monthly utility services to city buildings and properties. At a minimum, these costs shall be reviewed during the annual budget preparation.

Uniform Municipal Contracting Law Requirements

If the city desires to enter into certain contracts governed by the UMCL and defined therein as those agreements 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, the city must abide by the requirements of the UMCL relating to contracting and bidding based upon the estimated contract cost categories listed below. The UMCL was established to place respective dollar limit categories upon cities for those contracts as defined above that shall or may be entered into on the basis of competitive bids, quotations or purchase or sale in the open market.

The UMCL establishes the following categories and basic requirements for those city contracts covered by the UMCL (based upon the estimated contract amount):

1. **UMCL Contracts over \$175,000.** For contracts covered by the UMCL where the estimated contract price is estimated by the city to exceed \$175,000 – sealed bids shall be required and solicited by public notice in the manner and subject to the particular requirements of the city. The sealed competitive bids shall be solicited by public notice and be kept on file. The City Council shall approve all contracts under this category .
2. **UMCL Contracts exceeding \$25,000 but not \$175,000.** For contracts covered by the UMCL where the estimated contract price is estimated by the city to exceed \$25,000 but not to exceed \$175,000 – the contract may be made either upon sealed bids or by direct negotiation. If by the contract is made based upon direct negotiation, city staff shall obtain 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. These contracts will be approved either by city staff or City Council, as applicable based on the categories defined in the Purchases Section below.

In accordance with Minnesota Statutes, section 471.345, subd. 15, for a contract estimated to exceed \$25,000, the city must consider the availability, price and quality of supplies, materials, or equipment available through the state's cooperative purchasing venture before purchasing through another source.

3. **UMCL Contracts of \$25,000 or less.** For contracts covered by the UMCL where the contract price is estimated by the city to be \$25,000 or less – the contract may be made either upon quotation or in the open market, in 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. These contracts will be approved, as applicable, based on the categories defined in the Purchases Section below.

Extra care should be exercised when using sole source vendors to ensure that legal requirements establishing a vendor as a sole source have been satisfied. The City Administrator and Finance Director must approve such purchases in advance and the same must meet the requirements of the UMCL for those contracts for which the UMCL is applicable.

Purchasing Categories

Table 1. The following purchasing categories and approvals shall apply to all contracts and purchases:

ESTIMATED VALUE OF PURCHASE OR CONTRACT	SOLICITATION METHODS ALLOWED	APPROVALS REQUIRED
UMCL covered contracts over \$175,000	<ul style="list-style-type: none"> Sealed competitive bids State cooperative purchasing venture national municipal or joint powers purchasing alliance 	City Council
Other contracts over \$175,000 (not covered by UMCL, such as professional services)	<ul style="list-style-type: none"> Sealed competitive bids RFP's Proposals Quotes Open market Direct negotiation 	City Council
UMCL covered contracts exceeding \$25,000 but not over \$175,000	<ul style="list-style-type: none"> Sealed competitive bids Direct negotiation with at least two quotes State cooperative purchasing venture 	City Council if unbudgeted at fund level City Administrator, City

	<ul style="list-style-type: none"> • National municipal or joint powers purchasing alliance 	<p>Clerk if unbudgeted at the department level</p> <p>City Administrator, City Clerk if budgeted</p>
Other contracts exceeding \$25,000 but not over \$175,000 (not covered by UMCL, such as professional services)	<ul style="list-style-type: none"> • Sealed competitive bids • RFP's • Proposals • Quotes • Open market • Direct negotiation 	<p>City Council if unbudgeted at the fund level</p> <p>City Administrator, City Clerk if unbudgeted at the department level</p> <p>City Administrator, City Clerk if budgeted</p>
UMCL covered contracts exceeding \$10,000 but not over \$25,000	<ul style="list-style-type: none"> • Sealed competitive bids • Direct negotiation with at least two quotes • Open market 	<p>City Council if unbudgeted at the fund level</p> <p>City Administrator, City Clerk if unbudgeted at the department level</p> <p>Department Head , City Clerk if budgeted</p>
UMCL covered contracts of \$10,000 or less	<ul style="list-style-type: none"> • Sealed competitive bids • Direct negotiation with at least two quotes • Open market 	<p>City Council if unbudgeted at the fund level</p> <p>City Administrator, City Clerk if unbudgeted at the department level</p> <p>Department Head, if budgeted</p>
Other contracts exceeding \$10,000 but not over \$25,000 (not covered by UMCL, such as professional services)	<ul style="list-style-type: none"> • Sealed competitive bids • RFP's • Proposals • Quotes 	<p>City Council if unbudgeted at the fund level</p> <p>City Administrator, City</p>



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	<ul style="list-style-type: none"> • Open market • Direct negotiation 	Clerk if unbudgeted at the department level Department Head, City Clerk if budgeted
Other contracts of \$10,000 or less (not covered by UMCL, such as professional services)	<ul style="list-style-type: none"> • Sealed competitive bids • RFP's • Proposals • Quotes • Open market • Direct negotiation 	City Council if unbudgeted at the fund level City Administrator, City Clerk if unbudgeted at the department level Department Head, if budgeted

Execution of Contracts

All City contracts shall be executed by those individuals who have the respective authority as defined in this policy under Table 1 above, which policy has been approved by the Mayor and City Council delegating such authority pursuant to applicable law and Charter. The City Attorney shall review and advise on all contracts prior to execution for which such review is requested.

Every contract that requires City Council approval as summarized in Table 1 shall be executed on behalf of the city by the Mayor and City Clerk, with the corporate seal affixed, and only pursuant to authority from the City Council, unless otherwise specified in the authorizing City Council resolution approving a contract.

All staff authorized for approvals as summarized in Table 1 shall be executed on behalf of the city by the individuals who fill that role, with the corporate seal affixed.

Every contract that requires City Council approval as outlined in this policy shall be executed on behalf of the city by the mayor and clerk, with the corporate seal affixed, and only pursuant to authority from the City Council.

Department Head/Director/Manager Responsibilities

For purposes of this policy, Department Heads include the City Administrator, Police Chief, Library and Information Technology Director, and Community Development Director.

Department Heads/Directors/Managers and other persons authorized to purchase under this policy are responsible for certain functions related to purchasing and payment for goods and services received. The responsibilities include but are not limited to the following:



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- 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.
- No reimbursement for use of 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 in a timely manner.
- 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.

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.

Expense Vouchers

Expense vouchers must have the following:

- Explanation justifying request;
- Tabulation of quotes/bids where appropriate;
- Account number including business unit and object code;
- Budget appropriation for item or service requisitioned;
- Department Director/Manager approval;
- Date ordered and approximate date to be received;



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- Full vendor name/address – no abbreviations;
- All items purchased must be listed separately with respective costs;
- All packing slips shall be signed and dated and have the appropriate department/division indicated on them and forwarded to the Finance Department.

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, Chapter 22: Expenditures, Purchasing and Contracts. Available online at:
<https://www.lmc.org/media/document/1/expenditurespurchasingandcontracts.pdf?inline=true>
- League of Minnesota Cities Information Memo: Competitive Bidding Requirements in Cities. Available online at:
<https://www.lmc.org/media/document/1/competitivebidding.pdf?inline=true>
- League of Minnesota Cities Information Memo: Public Purpose Expenditures. Available online at:
<https://www.lmc.org/media/document/1/publicpurposeexpenditures.pdf?inline=true>
- Contact the City of Northfield Finance Director for policy questions and clarifications.

Violations

Employees who violate this policy will be subject to discipline up to and including discharge.