



Purchasing Manual

As Approved
By City Council
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PURCHASING MANUAL

City of Red Wing, Minnesota

TABLE OF CONTENTS

<u>PURPOSE AND INTRODUCTION</u>	Page 1
<u>CHAPTER I - GENERAL PROVISIONS</u>	Page 1
1.1 Purchasing Agent	Page 1
1.2 Policy	Page 1
1.3 Powers and Duties of the Purchasing Agent	Page 2
1.4 Central Services Fund	Page 3
1.5 Relations with Suppliers' Representatives	Page 3
1.6 Authorized Signatures	Page 3
<u>CHAPTER II - FORMS USED IN PURCHASING</u>	Page 4
Materials Requisition	
2.1 Purpose	Page 4
2.2 When Prepared	Page 4
2.3 Emergency Orders	Page 4
2.4 Who Prepares	Page 5
2.5 How to Prepare	Page 5
2.6 Routing	Page 5
2.7 General Information	Page 6
Purchase Orders	
2.8 Purpose	Page 6
2.9 When Issued	Page 6
2.10 Who Issues	Page 6
2.11 Distribution of Purchase Order	Page 7
Emergency Purchases	
2.12 Definition	Page 7
2.13 Authority	Page 7
2.14 Emergency Purchase Procedures	Page 7
2.15 General Information	Page 8
Invoices	
2.16 Definition	Page 8
2.17 Agency That Received Invoices	Page 8
2.18 Signatures & Account Coding	Page 8
<u>CHAPTER III - DEPARTMENTAL PURCHASING PROCEDURES</u>	Page 9
3.1 Requisitions and Purchase Orders	Page 9
3.2 Invoice Processing Procedure	Page 9
3.3 General Information	Page 10
3.4 Departmental Purchasing Responsibilities	Page 10

PURCHASING MANUAL - Table of Contents
 City of Red Wing

CHAPTER IV - BIDDING AND QUOTATIONS Page 12

4.1 Basic Methods Page 12

4.2 Formal Bids Page 13

4.3 Formal Proposals Page 15

4.4 Written Quotes Page 16

4.5 Verbal (Including Telephone) Quotes Page 16

4.6 Contractual "Change Orders" Page 17

4.7 Sole Source Purchases Page 18

4.8 Cooperative Purchasing Page 19

CHAPTER V - CONTRACTUAL SERVICES Page 20

5.1 Utilities Page 20

5.2 Communications Page 20

5.3 Legal Advertising Page 20

5.4 Gasoline, Oil and Parts Page 20

5.5 Other Services Page 21

5.6 Engineering Department Responsibilities Page 21

5.7 Postage Page 21

CHAPTER VI - CENTRAL STORES Page 22

6.1 Supplies Request Page 22

CHAPTER VII - DISPOSAL PROCEDURE Page 23

7.1 Sale of Property Page 23

7.2 Sale of Real Estate Page 23

7.3 Bids on Real Estate Page 24

7.4 Terms of Sale Page 24

7.5 Documentation Page 24

CHAPTER VIII - PETTY CASH FUND Page 25

CHECK LIST
GLOSSARY OF TERMS

EXHIBITED FORMS

Materials Requisition Form Exhibit "A"

Purchase Order Exhibit "B"

Supplies Request Form Exhibit "C"



PURCHASING MANUAL

City of Red Wing, Minnesota

PURPOSE AND INTRODUCTION

The purpose of this manual is to set rules, regulations and necessary procedures to facilitate the purchasing operation. The City of Red Wing follows purchasing guidelines as identified in the Federal Model Procurement Code. The Model Procurement Code for State and Local Governments is issued by the State of Minnesota's Procurement Policy Office and establishes "policies, procedures, and guidelines relating to the procurement, management, control, and disposal of supplies, services, and the construction, as applicable under the authority of the Minnesota Procurement Code. These regulations are designed to achieve maximum practicable uniformity throughout the State of Minnesota. Hence, implementation by and within Minnesota agencies, if any, shall be consistent with these regulations."¹ Information concerning the model procurement code may be obtained from the Purchasing Agent and on line at www.red-wing.org

CHAPTER I - GENERAL PROVISIONS

1.1 PURCHASING AGENT

The Council Administrator will designate a Purchasing Agent who shall be responsible for City purchasing as outlined in this manual. The designated Purchasing Agent shall be referred to as "Purchasing Agent" throughout this manual.

1.2 POLICY

- (a) Purchases for all departments and divisions of the City are to be made centrally, as much as possible, through the Purchasing Agent/staff. Central Purchasing shall mean combining all like commodities throughout the City departments to obtain the best possible value from the combined volume for all quantities. The Purchasing agent shall be responsible to negotiate or bid the various commodities for centralized purchasing. When a department or division needs to purchase a unique material or service, they may obtain price quotes as per the instructions set forth by this Purchasing Manual.



¹ American Bar Association, The Model Procurement Code, The American Bar Association, 1981

1.2 POLICY (cont.)

- (b) Each department head will be able to purchase supplies and services with a value up to a maximum of \$25,000.00, provided they stay within the current City budget. The exception to this procedure is the purchasing of materials and/or goods for the direct repair or maintenance of City vehicles, buildings or machinery, and when standardized supplies are reordered to conduct routine City business. These purchases shall be centralized and be made by the Purchasing Agent. In all such cases the department head should contract for the lowest possible price from the vendor. Price quotes should be obtained from at least three vendors to verify the lowest cost possible. The Purchasing Agent/Staff shall be available to all departments for assistance, if needed, for these purchases.
- (c) All purchases shall be of a quality to suit the intended purpose at the lowest responsible cost.
- (d) All purchases shall be in compliance with applicable Minnesota and federal law.

1.3 POWERS AND DUTIES OF THE PURCHASING AGENT

- (a) The Purchasing Agent shall let contracts for goods, services or purchases as defined by the State of Minnesota's Uniform Municipal Contracting Law 471.345 as the same shall be amended. Purchases for specific items up to \$100,000.00, previously approved during the budget process, may be let with the approval of the Council Administrator. Contracts for all other items shall require City Council approval.
- (b) The Purchasing Agent will be charged with the purchase of supplies, materials and equipment required by the various departments, offices and institutions of the City, subject to the regulations established by City Council. Through consultation with the heads of departments and other administrative officers, the Purchasing Agent shall prepare specifications for the supplies, materials, equipment and services as needed for public use.
- (c) The Purchasing Agent shall have charge of such storerooms and storehouses of the City as may be established for the storage of supplies and materials purchased by the City and not delivered directly to the various departments. The Purchasing Agent shall keep informed and maintain records as to the source of supplies for all classes of purchases, trends of prices and other pertinent matters.

1.4 CENTRAL SERVICES FUND

The Purchasing Agent/Staff shall have the following responsibilities regarding the Central Services Fund:

- (a) Staff shall maintain and stock a City Storeroom with materials and commodities used in common by various City departments. It shall be the responsibility of the Purchasing Agent/Staff to dispense supplies to the various departments upon written request.
- (b) As near as is practicable to the first of each month, the Purchasing Agent/Staff will provide to the Finance Division a cost report of materials furnished for each department.
- (c) The using department shall have the responsibility of filling out a Supplies Request form for all items requested from the Central Services Storeroom. This form shall be completely filled out and presented to the storekeeper before items are received. (see exhibit "D")

1.5 RELATIONS WITH SUPPLIERS' REPRESENTATIVES

- (a) The Purchasing Agent/Staff shall maintain a file on possible suppliers as well as catalogues, advertising, etc.
- (b) All employees of the City shall keep themselves free of obligation to any of the City's suppliers.

1.6 AUTHORIZED SIGNATURES

An authorized signature for payment shall be that of a Department/Division Head or an individual approved by the Council Administrator and the Finance Division, as their designated person to sign on behalf of the Department Head. All authorized signatures shall be that of an exempt employee. As required by the City's internal control procedures, no employee of the City of Red Wing that is not serving in a supervisory or administrative position shall be allowed to contract for goods or services for the City.

CHAPTER II
FORMS USED IN PURCHASING

Materials Requisition
(see exhibit "A")

2.1 PURPOSE

The Materials Requisition Form serves to inform the Purchasing Agent/Staff of the needs of the requisitioning agency and to define exactly the materials, supplies, equipment or service requested. A Materials Requisition Form is not a payment authorization; it is merely a means of asking the Purchasing Staff to procure the needed materials.

2.2 WHEN PREPARED

Requisitions shall be prepared far enough in advance to allow sufficient time for delivery to be made prior to the actual need of the requisitioned material or service. Minor purchases of services and operating supplies in amounts of less than \$10,000.00 may be made directly by the department. Purchases over \$10,000.00 shall require review by the Purchasing Agent to determine the proper means of acquiring the supplies or services.

2.3 EMERGENCY ORDERS

Emergency orders for more than \$10,000.00 may be placed by the ordering departments. Such orders must be followed by a confirming letter to the Council Administrator explaining the nature of the emergency as soon as practicable after the order. Emergency orders are those that occur when the normal purchasing channels are not available. New equipment will not be included in emergency orders. Emergency orders should only be made when life or property are at risk.

2.4 WHO PREPARES

The head of the department or someone authorized to act on their behalf, shall sign all requisitions. It shall be the responsibility of the department head to refrain from requisitioning items that have not been budgeted. After the Purchasing Agent has obtained bids for the goods and/or services requisitioned, if it is shown that the current budget does not have sufficient funds to cover the expense, then it shall be the responsibility of the requisitioning Department Head to get the signature of the Council Administrator to approve the purchase prior to an order being placed.

2.5 HOW TO PREPARE

A properly prepared purchasing requisition shall contain the following information:

- (a) Date,
- (b) Department or agency,
- (c) Date needed by department,
- (d) Delivery point,
- (e) Quantity requested,
- (f) Description,
- (g) Cost - The cost shall be given. When definite cost figures are not available, a reasonable estimate shall be given. When an estimate is given it will be designated as such.
- (h) If the requesting department knows of a source for the material being requested, the company name and address should be provided.
- (i) The signature of the person authorized to sign the requisition.

2.6 ROUTING

Two copies of the requisition shall be prepared. The original is to be submitted directly to the Purchasing Agent. The department initiating the purchasing requisition shall retain the duplicate. An example of an acceptable purchasing requisition is attached as Exhibit A – “Material Requisition Form”. Electronic requisitions may also be acceptable provided all necessary information is included.

2.7 GENERAL INFORMATION

- (a) If a requisition is incomplete or not properly prepared, it shall be returned to the department initiating such requisition for additional information.
- (b) The requisitioner shall not split orders to circumvent any provisions of the City Code, this manual, or any policies established by the City Council.
- (c) A request for materials from the Central Supply Room need not be made on a purchasing requisition. (A Supplies Request form should be filled out as noted in section 1.4, c.)

Purchase Orders (see exhibit "B")

2.8 PURPOSE

A Purchase Order authorizes the vendor to ship and invoice materials or services, or both, as specified. Purchase Orders shall be prepared and signed by the Purchasing Agent. No Purchase Order shall be sent to a vendor unless a specific price is noted for each item listed on the Purchase Order. A signed Purchase Order is a binding contract between the City of Red Wing and the named vendor for the furnishing of goods and/or services.

2.9 WHEN ISSUED

A Purchase Order shall be issued only upon receipt of an acceptable requisition, except under emergency conditions as set forth in the "Emergency Purchases" section of this manual.

2.10 WHO ISSUES

The Purchasing Agent shall prepare and sign all Purchase Orders. After preparation, the Purchasing Agent shall transmit them to the supplier. An exception is made under emergency conditions as set forth in the "Emergency Purchases" section of this manual.

2.11 DISTRIBUTION OF PURCHASE ORDER

Once properly executed, the Purchasing Agent will send the designated vendor their copy of the Purchase Order. This Purchase Order will serve as a contract for the vendor to supply the listed materials or services. The purchasing agent will retain a copy of the Purchase Order, along with all of the additional documentation according to the City's retention schedule, for future verification of the transaction.

Emergency Purchases

2.12 DEFINITION

Emergency purchases are those made by departments that have not been previously approved through the budget process. Emergency purchases should occur only when normal operations of the department would be hampered by the delay resulting from the submission of a requisition in the normal manner, or where property, equipment or life are endangered through unexpected circumstances. Emergency purchases shall be held to a minimum as they normally result in higher costs to the City.

2.13 AUTHORITY

In case of an emergency, any department head may purchase directly supplies, materials or services, which are necessary for the continuation of the department's work. Such purchases and the emergency causing them shall be reported by the receiving department to the Council Administrator no later than one work day following the date of purchase. A verifying report shall be filed with the Purchasing Agent as a public record of the purchase.

2.14 EMERGENCY PURCHASE PROCEDURES

- (a) When a purchase is made, an invoice or sales ticket shall be obtained by the purchaser. An employee of the City of Red Wing must sign all sales tickets.
- (b) At the first opportunity, the invoice or sales ticket shall be submitted to the Department Head.

2.15 GENERAL INFORMATION

When an emergency purchase is made, the department will make the purchase at the best possible price. In most cases, the order should be issued to the vendor from whom materials and supplies have previously been purchased.

Invoices

2.16 DEFINITION

An invoice is an itemized listing of quantities and charges for the purchase of supplies, materials, equipment or services that have been furnished to the City. An invoice is the means by which the supplier informs the purchaser (City of Red Wing) of its obligation, plus any conditions imposed by the supplier, such as discounts, payment due date, etc.

2.17 AGENCY THAT RECEIVED INVOICES

When an invoice is received the department head shall have the opportunity to check for correctness of quantity, price and suitability of materials.

2.18 SIGNATURES AND ACCOUNT CODING

An employee of the City of Red Wing shall sign all invoices at the time the materials are received. All invoices forwarded to the Purchasing Staff must be account coded and signed by the department head of the using department, or their appointed agent, before payment will be made. After the invoice has been approved and coded it shall be forwarded for payment within three (3) working days to the designated purchasing staff.

CHAPTER III DEPARTMENTAL PURCHASING PROCEDURE

3.1 REQUISITIONS AND PURCHASE ORDERS

- (a) The department initiating a purchase will complete a requisition or give other written request for the desired material or service, and submit it to the Purchasing Agent or Council Administrator according to the conditions and regulations of the Purchasing Manual.
- (b) A Purchase Order, if one is required, shall be prepared and distributed by the Purchasing Agent according to the regulations of the of the Purchasing Manual.

3.2 INVOICE PROCESSING PROCEDURE

(a) **Payment Processing:**

- 1. It shall be the responsibility of the using department, to process each invoice received for payment. The manner and procedures in which payment shall be processed shall be determined by the Finance Department.
- 2. The exception to the above procedure is when invoices are received from the City's Monthly Statement Vendors. (A complete list of these vendors can be obtained from the Purchasing Agent/Staff, and shall be posted on the City's internal "I" drive.) All invoices from these vendors shall be coded and signed by the Department Head or their designee. These invoices shall then be forwarded directly to the Purchasing Agent/Staff within three days. The Purchasing Agent/Staff will compile all invoices by vendor and upon receipt of the monthly statement, shall process payment accordingly.

(b) **Contractual Purchases:**

- 1. Where a purchase results from a contractual arrangement, either by written agreement or acceptance of a bid for contractual services or supplies, the receiving Department Head, or their designee, must sign for receipt of the supplies or services as indicated by invoice directly on the invoice.
- 2. After payment is approved by the authorized signator, a check for payment will be prepared by the Finance Division and mailed to the supplier.

3.3 GENERAL INFORMATION

- (a) All invoices shall be processed as expeditiously as possible. Particular care shall be taken to insure that the City does not lose any discounts allowed by suppliers. This requires the timely cooperation of all departments involved in each purchase.
- (b) The Department Head, by signing the invoice or payment authorization, is indicating all goods and services listed have been received and are satisfactory.
- (c) The Finance Division will complete the processing of those invoices that allow discounts and prepare and mail to the supplier a check in time to take advantage of the discount. The using department is responsible to get these invoices to Finance in a timely manner to take advantage of those discounts. Invoices not providing for discounts shall be processed and paid as soon as they are routinely prepared by the Finance Division.

3.4 DEPARTMENTAL PURCHASING RESPONSIBILITIES

- (a) The Purchasing Staff provides a service for all other departments and agencies of the City. The purchasing function depends upon the cooperation and participation of all departments involved in each purchase.
- (b) Purchasing Staff Responsibilities:
 - 1. Process all requisitions with the least possible delay.
 - 2. Process all invoices as expeditiously as possible. All monthly statements should be processed prior to the 20th of the current month.
 - 3. Aid and cooperate with departments in the procuring of needed materials or services.
 - 4. Aid and cooperate with departments in writing bid specifications for needed materials or services.

3.4 DEPARTMENTAL PURCHASING RESPONSIBILITIES (cont.)

(c) Receiving Department Responsibilities:

1. Allow ample time for the Purchasing Staff to place the order and the supplier to deliver the materials.
2. Provide full and accurate description of supplies, materials, equipment or services to be purchased.
3. Check to determine that authorized budget appropriations are not overspent.
4. Submit all requisitions for goods and services of more than \$25,000.00, to the Council Administrator for approval. Orders for more than \$25,000.00 should not be placed without this approval.
5. Process invoices and payment authorizations within three days of receipt so as to not incur finance charges.

CHAPTER IV BIDDING AND QUOTATIONS

4.1 BASIC METHODS

The guidelines established by Appendix A, Minnesota State Statute 471.345, as set forth below, shall apply to the purchasing or lease of materials, equipment or services.

Purchases less than \$25,000.00: Purchases can be made by direct negotiation in open market.

Purchases from \$25,000.00 to \$100,000.00: Purchases in this category need not be advertised. Purchases in this price range can be made by either sealed bids or direct negotiation by obtaining two or more quotations when possible.

Purchases over \$100,000.00: Formal bid procedures must be followed. Specifications shall be prepared. An advertisement for bids shall be published according to the procedures set forth in this Purchasing Manual.

The four basic methods, which will be used, are:

- (a) Formal bids,
- (b) Formal proposals,
- (c) Written quotes,
- (d) Verbal (including telephone) quotes.

The decision on the appropriate methods to be used will be made by the Purchasing Agent, except in the case of a purchase of \$100,000.00 or more, in which case, formal bid procedures will be used in accordance with Minnesota Statutes Section 471.345. Generally, the greater the value of the purchase, the more formal the purchasing method. In all cases, a written record shall be made and preserved by the Purchasing Agent.

4.2 FORMAL BIDS

The following procedures shall be used whenever the formal bidding procedure is specified:

- (a) Written Contract: All awards shall be made the subject of a written contract. A Purchase Order shall be a sufficient written contract and may be drawn only in cases where the expenditure is in the usual and ordinary course of the City's affairs. In no case shall it be sufficient for public works construction projects, the contracting for supplies or services over any period of time, or where the quality of the goods, materials, or the scope of the services bargained for is not wholly standardized.
- (b) Notice to Bidders: Notices inviting sealed competitive bids shall be published in the official newspaper of the City at least 21 days before the final date for submitting bids thereon. In addition, all bids for construction projects will be published in the Construction Bulletin 21 days prior to the final date for submitting bids whenever possible. Such notice shall give briefly the specifications of the supplies, materials or equipment, or construction project or other matter to be contracted for, and shall state the amount of bond or other security to be given with the bid, and the amount of bond or other security to be given with the contract. The notice shall state that the right is reserved to reject any or all bids. Any other considerations or awards of the contract shall also be stated in general terms.
- (c) Solicitation and Posting: The Purchasing Agent shall also solicit bids from a reasonable number of such qualified prospective bidders by sending each a copy of the notice requesting bids. Department heads shall help in compiling a list of known qualified prospective bidders.
- (d) Security Deposits: Unless prescribed by the City Council, the Council Administrator shall prescribe the amount of any security to be deposited with any bid. This deposit shall be in the form of a certified or cashier's check, bid bond written by a surety company authorized to do business in the State of Minnesota, or an irrevocable Letter of Credit. The amount of such security shall be expressed in terms of percentage of the bid submitted. Unless fixed by the City Council, the Council Administrator shall fix the amount of the performance bond, and in the case of construction contracts, the amount of the labor and materials bond to be required of the successful bidders.

4.2 FORMAL BIDS (cont.)

- (e) Bid Opening Procedure: Bids shall be opened in public at the time and place designated in the notice requesting bids. Any bids received after the designated time of opening shall be rejected and returned to the vendor unopened. Bids shall be referred to the Department Head and the Purchasing Agent to be examined and tabulated and shall be reported to the City Council, with the recommendation of the Department Head, at the next City Council meeting.

- (f) Award of Contract: Provided that the City Council shall find any of the bids satisfactory, the City Council shall award the contract to the lowest responsive and responsible bidder, unless the City Council shall determine that the public interests will be better served by accepting a higher bid. The City Council shall have the right to reject any or all bids and to waive irregularities in bidding requirements. The contract to be executed, in a form approved by the City Attorney, shall be submitted to the City Council for authorization to execute. The City Attorney as to form and content shall first approve the filing of any bonds, which may have been required. Upon satisfying itself that the conditions have been met, the City Council may award said contract by resolution or ordinance.

All contracts for any public work with a contract price exceeding \$75,000 are not valid unless the contractor gives both a payment bond and a performance bond to the City of Red Wing. The bonds must be given to the City Clerk before work can begin on a project. (Minn. Stat. 574.26, subd.2) The bonds must list the address of the contractor and the surety that provided the bonds and the bonds must be approved by the Finance Director. (Minn. Stat. 574.28)

- (g) Payment and Performance Bonds: Where required, at the time the contract is executed, the contractor shall file a payment bond and a performance bond executed by a surety company authorized to do business in the State of Minnesota, to the City, conditioned upon the performance of said contract and saving the City harmless from all losses or damage caused to any person or property by reason of any carelessness or negligence by the contractor and from all expense of inspection, engineering, or otherwise, caused by the delay in the completion of any improvements and further conditioned to pay all laborers, mechanics, sub-contractors and material suppliers as well as all just debts, dues and demands incurred in the performance of such work. In all cases the amount of the surety required shall be set by the City of Red Wing.

4.2 FORMAL BIDS (cont.)

- (h) Bidder's Security: All bid bonds or certified checks will be retained by the City until the contract is awarded and signed. If any successful bidder fails or refuses to enter into the contract awarded in the time specified after the same has been awarded, or file any bond required within the same time, the deposit accompanying the bid shall be forfeited to the City, and the City Council, at its discretion, may award the contract to the next lowest responsive and responsible bidder unless the City Council shall determine that the public interests will be better served by accepting a higher bid, or said contract may be re-advertised.

4.3 FORMAL PROPOSALS

The purpose of this method is to utilize as much as possible the procedures included under formal bidding, but it allows deviations where strict adherence would limit competition (such as surety requirements which might exclude small contractors) or prevent the timely delivery of needed goods or services. This method will generally be used for purchases of approximately \$25,000.00 to \$100,000.00. Whenever this method is used, the Purchasing Agent or the Department Head will report the results to the Council Administrator. Care shall be exercised to use as many of the procedures of formal bidding as possible and in all cases the public opening and reading of bids shall be used.

4.4 WRITTEN QUOTES

The purpose of this method is to provide a very flexible method of receiving competitive prices that will be provided by qualified suppliers. This method shall only be used when a reasonable number of suppliers are available to assure competition and when the amount of the purchase is between approximately \$10,000.00 - \$25,000.00. When this method is used, a quotation outline shall be prepared outlining as completely as is necessary, the scope of services or quality of goods to be provided.

This outline will then be submitted to all known qualified bidders with a specific date noted for their return. Anyone wishing to submit a quote shall be provided with the outlined specifications. A list of all parties receiving the form shall be prepared and included in a record with the quotations received. This record shall be maintained for 30 days after the annual audit.

4.5 VERBAL (INCLUDING TELEPHONE) QUOTES

The purpose of this method is to provide an extremely expeditious method for receiving competitive prices for relatively inexpensive items, or to establish a standard competitive price for small items that are frequently purchased. In this case, a quotation recap will be completed on which will be indicated the time and date of the contract and the name of the person requesting the quote. In addition, the name of the firm contacted and the name of the person responding will be noted as well as the quoted price if one is given. If the person is unable or unwilling to give a quote, this should be noted on the form. All forms should then be made a record that will be maintained for 30 days after the annual audit. Purchasing from "Telephone Vendors" shall be discouraged. Complete written proposals may be expected before purchase.

4.6 CONTRACTUAL "CHANGE ORDERS" *(as revised by Council on 5/11/09)*

All City capital improvement project budgets for major facilities or other major capital improvement projects and purchases require minimum budgeted contingency funding of ten percent of the total estimated project cost at origination. This percentage may be reduced to five percent after formally accepting a contract(s) or initiating project construction.

The project contract cost(s) once established by City Council resolution(s) plus the budgeted project contingency, shall represent the maximum obligation(s) to the City. Any subsequent "Change Orders" which may affect the cost of said contractual obligation(s) shall be reviewed by the architect, engineer or the City Official responsible for managing the contract, who then shall forward the justification for such change order to the Council Administrator for approval.

The Council Administrator will have the authority to approve Change Orders if they can be funded within the existing project contingency. All Change Orders so approved shall be communicated to the City Council within 30 days of such authorization if they exceed \$1,000.

If the Change Order cannot be funded within the existing project contingency the Change Order shall require City Council approval. Such approval shall be by a resolution authorizing the necessary budget amendment. Said resolution shall describe the nature of the requested change(s), the additional cost(s), and the revenue source(s) to finance the requested change. The City Council shall adopt the resolution prior to authorizing the work to proceed.

Council Administrator Urgent Approval Authorization The Council Administrator is authorized, with the Council President's consent, to approve certain change orders exceeding the council approved budget if such approval is necessary prior to the next scheduled City Council meeting if the following criteria are met:

- The scope of the change does not materially change the nature or project from that originally approved by Council.
- No conflict of interest arises from this approval.
- Written documentation exists that justifies the need for staff approval prior to Council approval of the change order at its next scheduled meeting in order to address significant life/safety issues or to avoid delays that are likely to result in claims against the City.

The City Council shall be notified of any change orders authorized under this section within one (1) business day of such authorization. Formal approval by the Council must be obtained at a subsequent council meeting.

4.7 SOLE SOURCE PURCHASES

The City of Red Wing will recognize sole source purchases only in the instance where the vendor is holding a U.S. Patent or Copyright for the needed materials. In all sole source purchases, legal documentation must be obtained to verify this sole source. (Regional sales rights are not sufficient cause for a sole source purchase.) Sole Source Procurement as defined by The National Institute of Governmental Purchasing is: a contract for the purchase of goods and services entered into after soliciting and negotiating with only one source, usually because of the technology or uniqueness required.

4.8 COOPERATIVE PURCHASING

The City of Red Wing is a member of the State of Minnesota's Cooperative Purchasing Venture (CPV). Through this agreement the City of Red Wing can access many of the contracts that have been bid by the State's Materials Management Division. The Purchasing Agent will check these contracts against any requisition to see if a contract exists that would benefit the City in this purchase. Purchases made through the CPV do not have to be bid locally; the bid requirements have been met by the State of Minnesota.

The City of Red Wing may also contract for the purchase of supplies, materials, equipment or services without regard to the competitive bidding requirements of this manual 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.

The City of Red Wing may also enter into joint purchasing agreements with the Red Wing School District and/or Goodhue County for the mutual benefit of each party. These types of joint purchases are encouraged and should be considered anytime the resulting agreement would save taxpayer dollars. The Purchasing Agent should continually look for opportunities to work with other local governments on contracts that could be shared across jurisdictions.

CHAPTER V CONTRACTUAL SERVICES

Contractual services are those services generally obtained from organizations or agencies that supply services not ordinarily or feasibly supplied by the City itself, such as:

5.1 UTILITIES

Services for the normal usage of these utilities (water, electric gas) are billed monthly through the Purchasing Agent/Staff without any involvement of the using departments. Special installations or labor must be requisitioned.

5.2 COMMUNICATIONS

Communications shall refer to telephone land lines, long distance services, cell phone service, two-way radio service and other commonly accepted communication services.

Billings for this service may be mailed directly to the Purchasing Agent/Staff for payment without involvement of the using departments. The only time a requisition form would be issued would be for the purchase of new equipment such as car radios and their installation, the installation of other new equipment, or revisions of equipment as budgeted.

5.3 LEGAL ADVERTISING

This would apply generally to the Engineering Department and City Clerk for all legal advertising in the local newspaper. No requisition form is issued for this and the legal notice is submitted to the newspaper directly by the City Clerk. The City Council annually designates the official publication sites for all such advertisements.

5.4 GASOLINE, OIL AND PARTS

Each department is charged monthly for the actual usage. Any purchase of gasoline or oil other than through the Government Services Division must be purchased on an emergency basis or if an employee is traveling outside of the local service area.

5.5 OTHER SERVICES

Services of consultants, engineering firms, title companies, etc., are secured by contract upon approval of the Council Administrator or the City Council.

5.6 ENGINEERING DEPARTMENT RESPONSIBILITIES

The Purchasing Agent need not be involved in the preparation of specifications, letting of contracts, or approval of invoices for contractors engaged in constructing streets, utilities or buildings where the supervision of such work is the responsibility of the City Engineer/Engineering Director.

5.7 POSTAGE

The City Clerk shall control the expense of postage and postage meters, and shall charge such expenses against the proper division of the operating budget.

**CHAPTER VI
CENTRAL STORES**

Supplies Request
(see exhibit "C")

The using department shall fill out a Supplies Request form indicating the quantity, item, date and department. Each month the Purchasing Agent will complete a summary report with a copy submitted to the Finance Division. This form will indicate the amount of money charged against each department for store supplies received for the month. No items will be removed from the Central Storeroom without a Supplies Request form, as each item must be accounted for. The Purchasing Agent will be responsible for supervision, maintenance and issuance of these supplies. No employee other than the Purchasing Agent, or designee, is to remove any supplies from the Central Storeroom. Any item carried in the Central Storeroom must be purchased through this source and not purchased from outside vendors without approval of the Purchasing Agent.

CHAPTER VII DISPOSAL PROCEDURE

7.1 DISPOSAL AND SALE OF PROPERTY

Whenever City property, real or personal, is no longer needed for corporate or public purposes, the same may be offered for sale. Personal property not exceeding ten thousand dollars (\$10,000.00) in value may be sold for cash by the Purchasing Agent, upon approval of the Council Administrator. This sale may be concluded by receiving quotations or competitive bids for the best price obtainable, or by public auction. (Electronic auctions shall be considered an appropriate means for disposal of these items.)

Property with a value in excess of ten thousand dollars (\$10,000.00) may be sold after the items have been declared surplus and approval of the sale has been given by the City Council. Surplus items exceeding \$10,000.00 in value shall be sold by means of publicly advertised sealed bids, contracting with a public auction service, or by using a publicly advertised auction. If a public action is used for the sale of surplus property the Purchasing Agent, or his/her appointed agent, shall be present at the auction to assure that the interests of the City have been met.

7.2 SALE OF REAL ESTATE

Real estate may be sold or leased when not required for corporate purposes upon the approval of City Council. Real Estate may be sold or leased without utilizing the competitive bidding process. If the competitive bidding process is used, the notice of sale or lease inviting bids shall contain a brief description of the property in addition to other information considered pertinent to interested bidders.

7.3 BIDS ON REAL ESTATE

If bids are requested for the sale of real estate, the City Council shall accept, if it desires to accept any bid, the bid which is the most advantageous to the City, and it shall have the right to reject the highest bid if, the public interests would not be best served by selling the real estate being offered to the highest bidder.

7.4 TERMS OF SALE

The terms for real estate sales shall be cash.

7.5 DOCUMENTATION

A complete itemized list of all assets sold with an original acquisition cost exceeding \$5,000.00 shall be forwarded to the Finance Division for removal from the fixed assets inventory of the City of Red Wing.

CHAPTER VIII PETTY CASH FUND

It is the City's policy to hold petty cash purchases to a minimum. No employee may make such a purchase without prior authorization of their department head or supervisor. The number of petty cash funds to be maintained will be designated by the City Council. Requests for new petty cash funds or increases in the amount of dollars available in an authorized petty cash fund will require prior City Council approval. A custodian will be designated for each petty cash fund. The custodian will be responsible for the petty cash fund under their control. All petty cash funds will be protected/safeguarded at all times. The Finance Division shall supervise the operation of such funds. Each petty cash fund will be maintained on an "imprest" system, which requires that each disbursement must be supported by proper documentation. Replenishment of petty cash funds will be made by submitting a report of disbursement along with the supporting documentation to the City Council. Each petty cash fund will be audited periodically.

QUICK CHECK LIST

- A. Purchases under \$25,000 - These Purchases and/or contracts do not need to be advertised. Each Department Head has the authority to purchase budgeted items up to this amount at their discretion. Price comparisons should be made to assure that the City is getting the best price for the service or materials purchased.
- B. Purchases from \$25,000 to \$100,000 - These purchases and/or contracts do not need to be advertised. The Department Head shall work with the Purchasing Agent to obtain quotations for the service or materials. Once quotations have been reviewed, a recommendation shall be forwarded to the Council Administrator for approval of the expenditure.
- C. Purchases over \$100,000 - All purchases and/or contracts in this amount shall be bid through the purchasing department. (Public Works construction projects are bid through engineering.) Specifications shall be prepared and distributed to possible vendors. Bids shall be advertised. City Council must approve the award of the bid.
- D. Purchases over \$100,000. - All construction projects in this amount must follow the policy for formal bid procedures and should also be advertised in the Construction Bulletin.

GLOSSARY OF TERMS

A

Acquisition: The process of obtaining supplies, services or construction through purchase, lease or grants. The process includes the establishment of needs, description of requirements, selection of method of procurement, selection of sources, solicitation of offers, award of contract, financing and contract administration.

Advertise: To make a public announcement or legal notice of forthcoming solicitation with the aim of increasing the response and enlarging the competition, often required by law.

Advertising: The act of preparing and distributing advertisements which call attention to a contemplated public purchase or sale.

Agreement: 1.) A duly executed and legally binding contract. 2.) The act of agreeing. 3.) A consensus of two or more minds in respect of anything done or to be done.

Award: The presentation, after careful consideration, of a purchase agreement or contract to the selected bidder or offeror.

B

Best Value: An assessment of the return which can be achieved based on the total life cycle cost of the item; can include an assessment of the functionality of the item; can use cost/benefit analysis to define the best combinations of quality, services, time and cost considerations over the useful life of the acquired item.

Bid: An offer submitted by a prospective vendor in response to an invitation for bid (IFB) issued by a purchasing authority; becomes a contract upon acceptance by the buyer. Compare with proposal.

Bid Analysis: Analysis of the provisions of a bid or offer, usually for the purpose of comparing the strengths and weaknesses of the bids received based on the requirements and criteria set forth in the invitation for bids (IFB).

Bid Bond: An insurance agreement accompanied by a monetary commitment by which a third party (the surety) accepts liability and guarantees that the bidder will not withdraw the bid; the bidder will furnish bonds, as required; and if the contract is awarded to the bonded (insured) bidder, the bidder will accept the contract as bid or else the surety will pay a specific amount. Also, bid guarantee.

Bid Deposit: A sum of money or a bond issued by a surety and deposited with a procurement activity guaranteeing the bidder will not withdraw the bid for a specified period of time; will furnish bonds as required; and will accept a contract, if awarded; or forfeit the deposit.

Bidder: One who submits a response to an invitation for bid (IFB). Compare with offeror.

Bid Opening: The formal process in which sealed bids are opened, usually in the presence of one or more witnesses, at the time and place specified in the invitation for bids. The amount of each bid is recorded and bids are made available for public inspection.

Bond: 1) A form of financial protection against damages. 2.) A binding agreement executed by a bidder or vendor and another party (the surety) to guarantee the performance of certain obligations or duties to the purchaser.

C

Cash Discount: A discount from a bill if payment is made within a specified period of time.

Centralized Purchasing: A system of purchasing in which a separate individual or department within an organization has the authority to make some or all the purchases for that organization.

Certified Check: A check whose value is guaranteed by the bank upon which the check is drawn.

Change Order: A written alteration to a contract or purchase order, signed by the purchasing authority, in accordance with the terms of the contract unilaterally directing the contractor to make changes.

Competitive Bid Solicitation: Solicitation of two or more qualified sources by invitation or public notice for the same requirement.

Competitive Sealed Bidding: Preferred method for acquiring goods, services and construction for public use in which award is made to the lowest responsive and responsible bidder, based solely on the response to the criteria set forth in the IFB; does not include discussions or negotiations with bidders. Also called formal bid or formal advertised bid.

Contract: 1.) A legally binding promise, enforceable by law. 2.) An agreement between parties, with binding legal and moral force, usually exchanging goods or services for money or other consideration. 3.) All types of agreements regardless of what they may be called, for the procurement or disposal of supplies, services or construction.

Contractor: Any individual or business having a contract with the governmental body to furnish goods, services or construction for a certain price.

Cooperative Purchasing: 1.) Procurement conducted on behalf of two or more public procurement units. 2.) The combining of requirements of two or more public procurement units in order to obtain the benefits of volume purchases and/or reduction in administrative expenses. 3.) A variety of arrangements under which two or more governmental entities pool their commodity and/or service requirements to buy a given good or service from the same vendor as a result of a single request for competitive sealed bids. (Sometimes called joint purchasing.)

E

Emergency Purchase: A purchase made to alleviate a situation in which there is a threat to health, welfare or safety under certain conditions defined as an emergency by the jurisdiction that does not allow time for normal, competitive purchasing procedures.

Evaluation of Bids: The examination of bids, after opening, to determine the bidder's responsibility, responsiveness to requirements and other aspects of the bid to determine the successful bidder.

F

Formal Bid: A bid which must be submitted in a sealed envelope and in conformance with a prescribed format to be opened in public at a specified time.

I

Informal Bid: A competitive bid or price quotation for supplies or services that is conveyed by letter, telephone or other means and does not require a sealed bid, public opening or public reading of bids.

Informality: A minor or immaterial defect in a bid that is a matter of form rather than of substance; a variation of a bid or proposal from the exact requirements of the IFB or RFP, which can be corrected or waived without being prejudicial to other schedule for the goods, services or construction being procured.

Invitation for Bids (IFB): A formal request to prospective vendors soliciting price quotations or bids; contains or incorporates by reference the specifications or scope of work and all contractual terms and conditions.

L

Letter of Credit: 1.) A document issued by a bank authorizing the bearer to draw a specified amount from that bank or its agents. 2.) A letter or similar statement extending credit up to a given amount at certain affiliated banks for a person who had paid or guaranteed that amount to the issuing bank; may be considered in lieu of a performance bond.

M

Multiple Award: The award of a contract to two or more vendors or contractors to furnish the same or similar supplies or services where more than one vendor is needed to meet the contract requirements for quantity, delivery or service.

N

Negotiation: 1.) a bargaining process between two or more parties, each with its own viewpoints and objectives, seeking to reach a mutually satisfactory agreement on, or settlement of, a matter of common concern. 2.) Contracting through the use of proposals and discussions or any contract awarded without the use of sealed bidding.

Non-Responsible Bid: A bid from a vendor who does not have the capability to perform fully, the contract requirements, or who does not have the integrity and reliability to assure performance.

Non-Responsive Bid: A bid that does not conform to the mandatory or essential requirements of the invitation for bid.

Notice of Award: A written notification from the jurisdiction to the successful bidder or offeror stating that there is an award of a contract in accordance with a bid or proposal previously submitted, and that effective with receipt, the vendor or contractor shall proceed with performance and allows work to start while contract is printed and readied for distribution.

P

Payment Bond: A bond which assures payments as required by law to all persons supplying labor or material for the completion of work under the contract. (Also called labor and material bond.)

Performance Bond: A bond executed subsequent to award by a successful bidder to protect the buyer from loss due to the bidder's inability to complete the contract as agreed; secures the fulfillment of all contract requirements.

Procurement: 1.) Purchasing, renting, leasing or otherwise acquiring any supplies, services or construction; includes all functions that pertain to the acquisition, including description of requirements, selection and solicitation of sources, preparation and award of contract and all phases of contract administration. 2.) The combined functions of purchasing, inventory control, traffic and transportation, receiving, receiving inspection, storekeeping and salvage and disposal operations.

Proposal: In competitive negotiations, the document submitted by the offeror in response to the RFP to be used as the basis for negotiations for entering into a contract.

Protest: A written objection by an interested party to an IFB or RFP solicitation, or to a proposed award or award of a contract, with the intention of receiving a remedial result.

Purchase Order: A purchaser's written document to a vendor formalizing all the terms and conditions of a proposed transaction, such as a description of the requested item(s), delivery schedule, terms of payment and transportation.

Purchase Requisition: A request to obtain material or services and authority to commit funds to cover the purchase.

Purchasing: The act and the function of responsibility for the acquisition of equipment, materials, supplies and services. In a narrow sense, the term describes the process of buying. In a broader sense, the term describes determining the need, selecting the vendor or contractor, arriving at fair and reasonable price and terms, preparing the contract or purchase order and following up to ensure timely delivery.

Purchasing Manual: A document which describes the rules, regulations, policies and procedures to be followed by the purchasing activity and the using agencies.

Q

Qualified Bidder: A bidder determined by the purchasing organization to meet the minimum set standards of business competence, reputation, financial ability and product quality for placement on the bidders list.

Quotation: A statement of price, terms of sale and description of goods or services offered by a vendor to a prospective purchaser; may be non-binding if solicited to obtain market information for planning purposes.

R

Request for Proposals (RFP): All documents, whether attached or incorporated by reference, utilized for soliciting competitive proposals.

Request for Quotations (RFQ): An information solicitation or request for information, where oral or written quotes are obtained from vendors, without formal advertising or receipt of sealed bids. Used only where statutes do not require formal sealed bids, such as small or emergency purchases but price competition is desired.

Responsible Bidder or Offeror: A bidder or offeror who has the capability in all respects to perform fully the contract requirements, and the experience, integrity, perseverance, reliability, capability, facilities, equipment and credit which will assure good faith performance.

Responsive Bidder: A vendor who has submitted a bid which conforms in all material respects to the requirements stated in the IFB.

S

Sealed Bid: A bid submitted in response to an invitation for bid. Bid is submitted in a sealed envelope to prevent dissemination of its contents before the deadline for the submission of all bids [see competitive sealed bidding].

Single Source Procurement: A contract for the purchase of goods and services entered into after soliciting and negotiating only with one source, usually because of the technology required or uniqueness of the service provided.

Sole Source Procurement: Only one vendor possesses the unique and singularly available capability to meet the requirement of the solicitation, such as technical qualifications, ability to deliver at a particular time or services from a public utility.

Solicitation: A request for bids to provide supplies, services or construction items.

Specifications: Description of the physical or functional characteristic, or of the nature of a supply, service or construction item; the requirements to be satisfied by a product, material or process, indicating if appropriate, the procedures to determine whether the requirements are satisfied.

Surplus Property: Property in excess of the needs of an organization and not required for its foreseeable need.

T

Tabulation of Bids: The recording of bids and bidding data listing items offered, prices, delivery schedules, etc., submitted in response to a solicitation for purposes of comparison, analysis and record keeping.

Telephone Quotation: A quote received over the phone for prices and terms.

U

Unsuccessful Bidder: A vendor whose bid was not accepted for reasons of price, quantity or failure to comply with specifications.

V

Vendor: One who sells goods or services – a supplier.

Exhibit A

Material Requisition Form

MATERIAL REQUISITION

0001

(NOT A PURCHASE ORDER)

TO:	DATE:
DELIVER TO:	
CHARGE TO JOB NO.	

QUANTITY	SHOP KEEPER: PLEASE SUPPLY	PRICE	AMOUNT
1			
2			
3			
4			
5			
6			
7			
8			
9			

PRICED BY:	EXTENDED BY:	CHECKED BY:	ENTERED BY:	SIGNED
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Exhibit B

Purchase Order Form

Purchase Order

City of Red Wing
Central Purchasing
P.O. Box 34, Red Wing, MN 55066
(651)-385-3674 * FAX (651)-388-0243

10096

Purchased From:

Reed's Sales & Service
1260 Payne Ave.
St. Paul MN 55101

Shipped To:

Public Works Building
Parks
229 Tyler Road No.
Red Wing mn 55066

Order Date:	Date Required:	FOB:	Order Placed By:	
9/4/1998	9/15/98	Red Wing	Henry	
Quantity:	Description:	Price:	Amount:	
1	HTP3 8HP Honda/Homelite 3" Pump	\$1,367.99	\$1,367.99	
0		\$0.00	\$0.00	
0		\$0.00	\$0.00	
0		\$0.00	\$0.00	
0		\$0.00	\$0.00	

IMPORTANT
Our order number must appear on all correspondence, invoices and packages. Notify us immediately if unable to ship order completed by date specified.

By _____
Jay T. McCreary, CPFB, Deputy Director of Public Works

Order is not valid unless signature appears above



Exhibit C

Supplies Request Form

SUPPLIES REQUEST

The following supplies are needed from the Central Services Supply Catalog.

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____
11. _____
12. _____

Using Department: _____

Signed By: _____

Date Requested: _____

Date Delivered: _____