

	MANAGEMENT POLICY	
	SUBJECT: PURCHASING POLICY AND PROCEDURES	

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I. PURPOSE

The purpose of this management policy is to establish purchasing procedures in compliance with State and local laws and to promote uniformity throughout the City with regard to purchasing practices.

II. DEFINITIONS

Sealed Bids - documents are enclosed in a sealed envelope and submitted in response to an invitation to bid. Sealed bids received up to the deadline date and time are generally opened at a stated place and time that is open to the public.

Written Quotes - a written estimate of a cost or price

Prices - a value that will purchase a finite quantity, weight, or other measure of a good or service

Request for Proposals - a solicited submission by a party to supply goods or services. The response to a request for proposal, normally constitutes a bid.

Due Inquiry - due diligence in getting the best price without a publically sealed bid. This is usually documented with a minimum of three (3) written quotes from vendors if opportunity allows.

III. APPROVAL LIMITS

The purchase of an item costing less than \$2,500 must be approved by the department head or their designee. A purchasing card or check request form may be used to pay for this type of purchase. Splitting a purchase amount to keep a purchase under \$2,500 is forbidden.

A purchase order is required to be completed for all purchases over \$2,500. The purchase order must be approved by the department head or their designee.

Purchase orders that exceed \$10,000 must be approved by the City Manager or his designee. Items costing over \$10,000 must also be budgeted or City Council approval is needed before a purchase order can be issued.

Items or services costing in excess of \$50,000 must be approved by the City Council before a purchase order can be issued. The City Manager or his designee is then authorized to approve the purchase order.

After a good is received or a service is completed, payment should be charged against the outstanding purchase order. Care should be taken not to request a

payment on a check request form.

A quick reference Purchasing Policy & Procedures Matrix is attached as Addendum A.

IV. POLICY STATEMENT

This policy applies to all purchases of materials, equipment, supplies, and services, unless specifically listed as an exclusion in Section I herein. It is the intent of this policy to further define and, in some cases, expand on the guidelines set forth in the Show Low City Code. The purchasing procedures specified herein shall be deemed pre-empted where governed by Arizona or Federal law. The Arizona State Procurement Code may serve as a guide when not inconsistent with this policy. The use of the Arizona State Procurement Code shall not grant rights to any third party thereunder. Every effort should be made to purchase locally.

A. PROVISIONS OF THE SHOW LOW CITY CODE

The following provisions relate to purchasing procedures as cited in:

Title 2, Administration and Personnel, Section 2.15.010, City Manager

- (9) *Purchasing.* The manager shall supervise the purchase of all goods and services for the city.
- All purchases over \$50,000 shall be pursuant to sealed bids approved by the city council. Publication for the request for bids/request for proposals shall be published as provided by A.R.S. § 39-204. Publication may not be required if there are sufficient local vendors (three (3)) to obtain competitive bids. Bids shall be awarded to the lowest qualified vendor.
 - All purchases between \$10,000 and \$50,000 shall be pursuant to a minimum of three (3) sealed written quotes, prices or proposals, if possible. Publication shall not be required. Bids shall be awarded to the lowest qualified vendor. Contracts between \$10,000 and \$50,000 shall be executed by the city manager if the item has been provided for in the budget. In the event that a minimum of three (3) bids, quotes, or prices are not available, an explanatory memo must be included in the file.
 - All purchases between \$2,500 and \$10,000 shall require specific quotes and shall be awarded to the lowest qualified vendor. In the event that a minimum of three (3) bids, quotes, or prices are not available, an explanatory memo must be included in the file. All purchases below \$2,500 shall be awarded to the qualified vendor submitting the lowest price after due inquiry, when practicable.

The manager may issue such rules governing purchasing procedures within the administrative organization as may be necessary to accomplish this function in an efficient and cost-effective manner. The Manager may adopt all or any provisions of the Arizona Procurement Code as applicable to the City. The provisions of this paragraph concerning bidding procedures shall not apply to professional services, including, but not limited to: engineering, architectural, legal, medical, planning, insurance, and similar services.

(10) *Public Emergency.* In case of accident, disaster, or other circumstances creating a public emergency, the manager or his designee may award contracts and make purchases for the purpose of meeting said emergency; but he shall file promptly with the council a report showing such emergency and the necessity for such action, together with an itemized account of all expenditures.

B. COMPETITIVE BID REQUIREMENTS

An invitation to bid, a request for proposals, or any other solicitation to submit an offer shall be based upon specific listed criteria set forth in the invitation to bid or request for proposals. All qualified bids shall be opened in public, and the City shall make a record of the bids received. The record and the bids received shall be subject to public inspection after bid opening in the manner provided by law. Purchases shall not be artificially contrived, divided or fragmented so as to constitute a purchase under this Section or to circumvent the competitive bid requirements.

1. ALL PURCHASES OF GOODS AND SERVICES OR REPAIRS/ MAINTENANCE IN EXCESS OF \$50,000

Written sealed bids or proposals shall be obtained. Publication of the Invitation to Bid / Request for Proposals shall be published as provided in A.R.S. § 39-204. Publication may not be required if there are sufficient local vendors (three (3)) to obtain competitive bids. Additional publication on the City website and by other means, including but not limited to, list-serves, other websites, plan holders or contact with potential bidders will aid in obtaining competitive bids from vendors. Bids shall be awarded to the qualified vendor submitting the lowest bid. The City reserves the right to reject any and all bids. Purchases in excess of \$50,000 shall be executed by the Mayor following approval by the City Council.

A staff summary for award from the department head whose budget will be impacted by the purchase must accompany the request.

2. ALL PURCHASES OF GOODS, SERVICES OR REPAIRS IN EXCESS OF \$10,000 BUT LESS THAN \$50,000

Purchases between \$10,000 and \$50,000 shall be pursuant to a minimum of three (3) sealed written quotes, prices, or proposals. Publication shall not be required. Purchases shall be awarded to the qualified vendor submitting the lowest quote. Purchases between \$10,000 and \$50,000 shall be executed by the City Manager. A requisition with all bid documents shall be executed by the City Manager. In the event that a minimum of three (3) bids, quotes, or prices are not available, an explanatory memo must be included in the file.

3. ALL PURCHASES OF GOODS, SERVICES OR REPAIRS IN EXCESS OF \$2,500 BUT LESS THAN \$10,000

Purchases between \$2,500 and \$10,000 shall require quotes and shall be awarded to the qualified vendor submitting the lowest price. In the event that a minimum of three (3) bids, quotes, or prices are not available, an explanatory memo must be included in the file. Purchases below \$10,000 may be authorized by department heads.

4. PURCHASES OF GOODS, SERVICES OR REPAIRS UP TO \$2,500.00

Purchases below \$2,500 shall be awarded to the qualified vendor submitting the lowest price after due inquiry, when practicable.

5. JUSTIFICATION MEMOS

When sealed bids or written quotes are required by this policy but three bids or quotes are not available, a written justification memo must be signed by the department head. Such documentation shall be submitted with a purchase requisition. The memo must document why the City's best interest is served despite the lack of bids or quotes. Examples of criteria to use when drafting a justification memo include:

a. The source recommended is the only authorized source for the goods or services required. Explain if there are other sources available that offer similar goods or services and why the use of the other sources is not in the City's best interest.

b. Functional superiority of the recommended source's

equipment or services, including such factors as a more efficient, economical or cost-effective operation, longer life span, greater reliability, and/or ease of operation, maintenance and/or repair, as reflected in response to bid specifications / requests for proposals, superior warranty on the goods or services.

- c. Where standardization or compatibility is the overriding consideration.

6. PROCEDURES FOR BID PROTESTS

a. Time Limit for Filing a Bid Protest

All bid protests shall be filed within ten (10) days after the protestor knows or should have known the basis of the protest, or prior to Council consideration of contract award, whichever is earlier.

b. Form of Protest

The protest must be in writing and include the following information:

1. The name, address and telephone number of the protestor;
2. The signature of the protestor or its representative;
3. Identity of procurement project and project number;
4. A detailed statement of the legal and factual grounds of the protest including copies of relevant documents; and
5. The form of relief requested.

c. Where to File

All bid protests must be personally delivered or mailed by certified mail to the City Clerk, City of Show Low, 180 N. 9th Street, Show Low, AZ 85901.

d. Hearing Procedures

The City Manager shall act as hearing officer or appoint a hearing officer. The hearing shall be conducted in an informal manner without formal rules of evidence or procedure. A taped record of the hearing shall be available at cost to the requesting party. Following the hearing, the City Manager shall issue a decision on the Protest within

seven days. An appointed hearing officer shall make a recommendation to the City Manager within seven days based on the evidence presented and to provide findings of fact and conclusions of law. The City Manager may affirm, modify or reject the hearing officer's recommendation in whole or in part, and shall issue a decision within three days. The Protestor may appeal the decision of the City Manager by filing a request for reconsideration by the City Council within three days of the receipt of the decision. The City Council shall consider the decision within fourteen (14) days and the Council may affirm, modify, or reject the decision in whole or in part. The decision of the City Council shall be final.

e. Appeals

Appeals from a final decision of the Show Low City Council shall be in accordance with Arizona law governing appeals from public agencies.

C. PROVISIONS OF A.R.S. TITLE 34, PUBLIC BUILDINGS AND IMPROVEMENTS (PUBLIC WORKS PROJECTS)

1. Employment of Engineers, Architects other Technical Registrants for Work on Public Buildings and Structures (A.R.S. §§ 34-101 - 104)

Contracts with engineers and other technical registrants in excess of \$500,000, and contracts with architects in excess of \$250,000 require selection and procurement by the procedures set forth in A.R.S. § 34-103, which calls for advertising a request for qualifications. Projects within this description and projects utilizing design-build, construction-manager-at-risk, and job-order-contracting delivery methods require consultation with the City Attorney prior to advertising.

Contracts under this section shall be awarded by the City Council.

2. Employment of Contractors Exceeding A.R.S. Title 34 Threshold Amounts (A.R.S. §§ 34-201 - 258)

Construction work of any building, structure, addition or alteration requires advertising for public sealed bids and other specified procedures (including but not limited to: insurance, bid and contract security, contract payment retention, progress payments, and payment and performance bonds) if the total cost of the work

exceeds \$18,058 for Fiscal Year 2007/08 (This amount has historically increased approximately \$400.00 each year based upon the annual percentage change in the GDP price deflator pursuant to A.R.S. §§ 34-201(D)(2) and 41-563.)

Construction work of any street, road, bridge, water or sewer work, other than a water or sewer treatment plant or building, requires advertising for public sealed bids and other specified procedures (including but not limited to: insurance, bid and contract security, contract payment retention, progress payments, and payment and performance bonds) if the total cost of the work exceeds \$193,477 for Fiscal Year 2007/08 (This amount has historically increased approximately \$4,000 each year based upon the annual percentage change in the GDP price deflator pursuant to A.R.S. §§ 34-201(D)(2) and 41-563.)

Contracts under this section shall be awarded by the City Council.

D. EMPLOYMENT OF CONTRACTORS BELOW A.R.S. TITLE 34 THRESHOLD AMOUNTS

Construction work of any building, structure, street, road, bridge, water or sewer work or any addition or alteration thereto requiring a contractor's license, which is below the minimum threshold requirements of Title 34, shall be procured in accordance with the City Code and this policy, and in addition shall require:

1. Execution of a contract approved by the City Attorney.
2. Liability and other insurance coverages naming the City as an additional insured with limits consistent with construction contracts under Title 34.
3. Performance and Payment Bonds, and contract payment retention for all projects exceeding \$10,000; If the project is being paid in a single lump-sum payment at the end of the project then no performance bond will be required. A payment bond is only required if the contractor is using sub-contractors.
4. Lien waivers from all suppliers and subcontractors prior to final payment.

E. ARIZONA PROCUREMENT CODE GUIDELINES

The City may utilize the following additional purchasing procedures as provided in the Arizona State Procurement Code (pursuant to A.R.S. § 41-2501(c)) when not in conflict with the requirements of the City Code, this policy or state statutes. These state procurement code provisions shall be deemed modified to fit the municipal context.

1. Definitions and Supplementary General Principles of Law
(See A.R.S. §§ 41-2503, 2504 & 2531)
2. Sole Source Procurement
(See A.R.S. § 41-2536)
3. Multi-term Contracts
(See A.R.S. § 41-2546 and implementing regulations.)
4. Online bidding and reverse auctions
(See A.R.S. § 41-2671 - 2672; R2-7-101(44))
5. Procurement of Information Systems
(See A.R.S. § 41-2553)
6. Procurement of earth moving material handling, road maintenance and construction equipment
(See A.R.S. § 41-2554)
7. Intergovernmental Procurement
(See A.R.S. § 41-2631-2634)

The City may require the submission of the following information in connection with a purchase under this policy:

1. Cost or Pricing Data
(See A.R.S. § 41-2543)
2. Request for Information
(See A.R.S. § 41-2555)
3. Information to ensure the responsibility or prequalification of bidders
(See A.R.S. §§ 41-2540-2541)
4. Right to Audit Records / Inspect Plant
(See A.R.S. §§ 41-2548, 2547)
5. Information to ensure compliance with federal requirements
(A.R.S. § 41-2637)

F. SELECTION OF BIDDER

Local vendors, businesses or contractors shall be deemed to be the better bid to the extent allowed by law if their bid is within 2% or less of the lowest bid and the difference in the bid is the payment of the local sales tax to the City. "Local vendors, businesses or contractors" for purposes of this subsection shall mean those entities: (a) licensed to do business in the City of Show Low; and (b) whose principal place of business is Show Low.

G. CONTRACT REVIEW / EXECUTION

All contracts with the City shall be reviewed by the City Attorney prior to placement on a Council Agenda, or executed by the City Manager, whichever is applicable.

The City Manager is authorized to execute contracts on behalf of the City below \$50,000 monetary limit specified in § 3-1-1(e)(9) of the Show Low City Code.

The Mayor shall execute all contracts in excess of the \$50,000 limit specified in § 2.15.010(E)(9) of the Show Low City Code.

1. USE OF STANDARD CITY CONTRACTS

Pre-approved standard City contracts shall be used wherever applicable.

The following standard City contracts have been approved by Resolution No. R2010-39:

1. Standard Contract For Professional Services
2. Standard Contract Based on Stipulated Price - Public Bid
3. Standard Contract Based on Stipulated Price - Non-Public Bid
4. Standard Annual Unit Contract for Public Works Projects - Public Bid
5. Assurance of Construction of Subdivision Improvements (Financed)
6. Agreement and Receipt For Cash Assurance of Construction of Subdivision Improvements
7. Commercial Ground Lease and Operating Agreement - Show Low Regional Airport
8. Commercial Operating Agreement - Show Low Regional Airport
9. Non-Commercial Ground Lease - Show Low Regional Airport
10. Addendum to Noncommercial Ground Lease - Show Low Regional Airport (Assignment)
11. Infrastructure Improvement Agreement
12. Police Extra-Duty Services Agreement
13. Standard Contract for Independent Contractor Services

The use of standard City contracts by the City Manager is hereby approved.

Where standard City contracts are used for City Council approval, that fact shall be noted in the staff summary and only the relevant details need be provided to City Council in lieu of the entire standard contract.

2. NON-STANDARD CONTRACTS

The use of non-standard contracts is strongly discouraged. Where non-standard contracts are used for City Council approval, the entire proposed contract shall be provided for review by the City Attorney and placed in the City Council agenda packet for review.

H. DELEGATION OF AUTHORITY

The City Manager has delegated responsibility and limited approval authority for certain types of purchases as follows:

1. The Administrative Services Director is responsible for review of any proposed purchase, rental, lease, lease/purchase, maintenance or repair of tangible personal property to ensure that the transactions comply with the City Code and management policy. See A.R.S. § 41-2551.
2. The City Attorney is responsible for the administration of all purchases and sales of real property. Sales of real property shall comply with A.R.S. § 9-402, or if applicable, § 9-407.
3. Each department head is responsible for the purchase of all services that may be required by his/her department. Such purchases are subject to the requirements of this policy except as excluded.
4. No employee shall award a contract or incur an obligation on behalf of the City if sufficient funds and budget are not available or reasonably anticipated to be available.
5. In accordance with the City Council's policy for purchases from the Mayor and any member of the Council, purchases of goods or services from City employees (except competitive public bidding procurements) shall require the written approval of the Administrative Services Department Head and shall be limited to \$300 per transaction and \$1,000 aggregate per fiscal year.
6. No employee shall award a contract or incur an obligation on behalf of the City in violation of this policy.

I. EXCLUSIONS

The following are excluded from the competitive evaluation requirements of this policy:

1. Certain professional services. Professional services are services of those who through special learning or attainment have acquired

intellectual skills and qualifications in a particular area of endeavor that has been generally accepted as a profession and which requires a prolonged course of specialized instruction and study, including: architects, attorneys, certified public accountants, insurance services, clergy, dentists, engineers, geologists, physicians, nurses, psychologists, teachers, veterinarians and health care facilities which provide a combination of professional and paraprofessional services. All such contracts shall require approval in accordance with the approval limits of this policy and the City Code.

2. Services performed by other government or nonprofit agencies as part of an intergovernmental agreement with the City of Show Low.
3. Any purchase authorized directly by the City Manager, City Council or their designees in response to an emergency which threatens public health, safety, and/or welfare. Evidence of such authorization must accompany the request for payment for such purchases. See A.R.S. § 41-2537; R2-7-E302.
4. Travel related expenses for employees or others while traveling on authorized City business. Examples include common carrier travel, hotel accommodations, registration, and meals.
5. Payment for regulated services such as postage, local telephone service, and utility payments.
6. Agreements negotiated by the City Attorney in settlement of litigation or threatened litigation.
7. Development Agreements approved by the City Council pursuant to A.R.S. § 9-500.05 wherein City's contribution does not exceed the threshold amount requiring public bidding pursuant to A.R.S. § 34-201(G).

J. PURCHASING CARDS

Purchasing Cards will be centrally distributed through the City's finance department. Cards will not be released to the cardholders until each cardholder has gone through orientation, received all supplies related to the program, and signed the Purchasing Card Agreement.

1. CARDHOLDER RESPONSIBILITIES

It is the responsibility of the cardholder to follow the City's Purchasing Policy and Procedures guidelines in regard to purchases, selection of

vendors, security of card and monthly reconciliation. The cardholder agrees that he/she will use the purchasing card with the highest degree of personal and professional integrity and ethics.

2. DEPARTMENT MANAGERS, DIRECTORS, SUPERVISORS RESPONSIBILITIES

The Department Manager, or equivalent, is responsible for designating cardholders and approving monthly purchasing card statements of cardholders to ensure they are within the City's Purchasing Policy and Procedures guidelines. The Department Manager will also assist in assigning cardholder spending limits and regulations.

3. SECURITY OF CARD

The cardholder is responsible for the security of the purchasing card. Guard the purchasing card account number carefully. It should not be posted in a work area, nor left in a conspicuous place. It should be kept in an accessible, but secure location.

The card is to be used for business purposes only.

4. PROHIBITED USE

The purchasing card cannot be used to avoid nor bypass the City's Purchasing Policy and Procedures. Purchasing cards cannot be used for personal expenses. Unauthorized use of a purchasing card constitutes unauthorized use of City property. "Unauthorized use" includes, but is not limited to, use of the purchasing card for any personal use, use to benefit a third party, or use in excess of guidelines for authorized use. Unauthorized use of a purchasing card may be subject cardholder to possible disciplinary actions, including possible termination of employment.

V. STATE AND NATIONAL CONTRACTS

County, state and national approved purchasing contracts may be used for purchases of goods and services. These contracts shall be approved by the city council. If a decision is made to use these purchasing contracts, then requesting quotes from vendors is prohibited.

VI. TYPES OF PURCHASING FORMS

Purchasing forms generally consist of purchase requisitions, purchase orders, and check request forms. Proper use of each form is detailed in Section III.

VII. EXPENDITURE/COST SYSTEM OVERVIEW

The City of Show Low tracks purchases and expenditures through the use of function, object, and program numbers. Object codes classify the type of expenditure within a program. In most cases, an expenditure or purchase encumbrance can be charged directly to the object account code. However, three types of costs are required to be charged to project number: (1) capital or bond projects; (2) costs for repairing damaged City property or performing services which will be billed to an outside party; or (3) grant-related expenditures.

In addition, a project number can be assigned if a department head determines that there would be an informational benefit in isolating the cost of a particular action or job. For example, a project number can be used to track the costs for a job or task that is being studied. While project numbers are used for transactions within a single object code, some purchases or expenditures involve several departments and object numbers. For example, if a project has labor from several departments, expenditure numbers from other programs may be used.

When multiple department or object numbers will be involved in a transaction, a project number is used to group expenditures from different departments together for cost reporting purposes.

A program or object number is set up by consulting with the Accounting Manager or the Budget Analyst.

VIII. DOCUMENT PROCESSING PROCEDURES

Purchase orders must be requested by completing a purchase requisition and obtaining the required approvals. The purchase requisition will then be submitted for generation of a purchase order. Care should be taken not to duplicate purchase requisitions or purchase orders.

Once a purchase order is generated an order can then be placed for the required materials or services. The purchase order number should be supplied to the vendor and referenced on all invoicing. The purchase order should be retained for future reference.

If a purchase order is not used, nor will be used, either partially or in total, it should be closed out. Accounts payable must be informed promptly by the department that the purchase order requires close out.

ISSUED BY:

ED MUDER
City Manager

ADDENDUM A

Purchasing Policy & Procedures
Matrix

All Purchases of Materials,
Equipment, Supplies, and
Services Except as Excluded
Elsewhere in the Policy:

<u>Dollar Limitations</u>	<u>Bids/Quotes (Y/N)</u>	<u>Approval</u>	<u>Purchase Orders (PO's)</u>	<u>Public Opening</u>
Less than \$2,500	Y - When Practicable	Dept Head/Designee	No	No
\$2,500 - \$10,000	Y - Written Quotes (3 minimum)	Dept Head/Designee	Yes	No
\$10,000 - \$50,000	Y - Sealed Quotes (3 minimum)	City Manager/Designee	Yes	No
Over \$50,000	Y - Sealed Bids (3 local)	City Council	Yes	Yes