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City of Hiawatha

Finance Director's Office
319-393-1515

Memo:

To: Mayor and Council Members
From: Cindy Kudrna, Finance Director
Date: March 29, 2019
Re: Purchasing Policy

As you may recall, during our strategic planning work session, council asked staff to move forward with increasing the staffs purchase threshold ability. I have attached a draft policy tracking and showing the changes made.

The draft language allows a department head to make purchases up to $2,500 without prior approval from the City Administrator and/or the Mayor.
Purchases from $2,501 to $10,000 must be submitted to the City Administrator and/or the Mayor with 3 written quotes for approval.
Purchases of $10,001 and above must have 3 written quotes in matrix format and submitted to council for approval.
All purchases for infrastructure will follow the State Code for bidding thresholds. We previously listed the threshold amounts, these tend to change every year according to the state, so by stating we will follow the state code we will not have to change our policy every year to meet the requirements of bidding/quote procedure for infrastructure projects.

If you have any questions, please call me prior to the meeting.

Exhibit "A"

CITY OF HIAWATHA
PURCHASING POLICIES & PROCEDURES

PRINCIPLES OF PURCHASING

1. Consider the best interests of the City in all transactions and to carry out its established policies.
2. Purchase without prejudice, seeking to obtain the maximum value for each dollar of expenditure.
3. Work consistently to become knowledgeable of the equipment, materials, supplies and services required for use by the City and establish practical purchasing procedures for obtaining them.
4. Avoid all unethical practices and the appearances of the same.
5. Subscribe to and work for honesty and truth in buying and refrain from all forms of conflict of interest.
6. Develop and maintain goodwill between the City and its suppliers and its vendors.

Having budgeted funds available is not justification for spending. All purchases must be justified on an as needed basis & be within budget.

DEPARTMENTAL PURCHASE ORDER LIMITS:

Purchases ~~$500~~ $2,500 or less: All invoices for purchases ~~$500~~ $2,500 and under must have account number(s) and signature of the appropriate department head or authorized purchaser on them before submitting them to the Finance Director for payment. In addition, some department employees can make purchases through the City's Credit (Procurement) Card Program. This program also has a ~~$500~~$2,500 transaction limit without a purchase order. Items available through the City's membership in joint purchasing group and/or limited source proprietary shall be exempt from bidding/quotes, but shall be documented as such as part of this policy.

~~**Purchases $501 - $1,499:** A purchase order requisition is required prior to ordering or obtaining service and is to be turned into the Finance Director for processing. Department Heads are authorized to place purchase orders for routine purchases from $501 up to $1,499 total per purchase order. This may be accomplished without quotation requirements. Purchase Order Requisitions shall be submitted to the Finance Director only after the department head or authorized purchaser verifies that adequate funds remain in the department's budget. Department Heads are encouraged to shop around for the best possible price.~~

QUOTATION PROCEDURES AND LIMITS: All purchases with a single dollar purchase limit above ~~$1,500~~ $2,500 must be submitted for approval as follows:

~~**Purchases from $1,500 - $2,999:** a purchase requisition request is to be submitted to the City Administrator and /or the Mayor in addition to the requirement of THREE VERBAL QUOTATIONS to include a Hiawatha-based business when possible. The City Administrator and/or the Mayor and the Department Head will discuss the merits of the three quotes and unless extenuation circumstances dictate otherwise, the order will be placed based on the lowest quote~~.

Purchases from ~~$3,000 - $4,999:~~$2,501 - $10,000: a purchase requisition request is to be submitted to the City Administrator and /or the Mayor ~~in addition to the requirement of~~ and THREE WRITTEN OR ELECTRONIC QUOTATIONS to include a Hiawatha-based business and a state bid when possible. The City Administrator and/or the Mayor and the Department Head will discuss the merits of the three quotes and unless extenuating circumstances dictate otherwise, the order will be placed based on the lowest quote. If department head is unable to obtain 3 written or electric quotes due to the product or item to purchase is only supplied by a sole source vendor. This needs to be explained on the purchase requisition.

Purchases from ~~$5,000 - $46,999:~~$10,001 and above: a purchase requisition request is to be submitted to the City Administrator and/or the Mayor ~~in addition to the requirement of~~ and THREE WRITTEN OR ELECTRONIC QUOTATIONS to include a Hiawatha-based business and a state bid when possible. The three quotes must be in a matrix format. The matrix format will list the purchase specifications down the left-hand side of the matrix with the businesses quoting on the purchase listed across the top. The matrix will be filled in with the specific line item

quotes from each business when applicable. The quotes from each business will be totaled on the bottom line. In the event extenuating circumstances dictate making the purchase from a business whom is not the lowest bidder, a bullet point explanation addendum must be attached to the purchase matrix. If department head is unable to obtain 3 written or electric quotes due to the product or item to purchase is only supplied by a sole source vendor. This needs to be explained on the purchase requisition. The purchase matrix and explanation addendum will be added to the next City Council Agenda and copies will be provided to each City Council Member in their respective packets. Upon approval by the City Council, the purchase may be completed. If the purchase is above the state threshold the city will then follow the appropriate bid/quote procedure as dictated in the Iowa State Code Chapter 26.

~~The purchase matrix and explanation addendum will be added to the next City Council Agenda and copies will be provided to each City Council Member in their respective packets. Upon approval by the City Council, the purchase may be completed.~~

The City Administrator and/or the Mayor may give approval by telephone for emergency purchases or expenditures during non-business hours with written requisitions and approval to follow on the next regular business day.

~~**COMPETITIVE QUOTE PROCEDURES OR PURCHASES FOR VERTICAL INFRASTRUCTURE BETWEEN $55,000 AND $135,000:**~~
~~State of Iowa Code requires a formal Competitive Quotation Procedure for all purchases between $55,000 and $135,000.~~

~~**COMPETITIVE BID PROCEDURE OR PURCHASES FOR VERTICAL INFRASTRUCTURE EXCEEDING $135,000 OR MORE:**~~
~~State of Iowa Code requires a formal Competitive Bidding Procedure for all purchase exceeding $135,000.~~

~~**COMPETITIVE BID PROCEDURE OR PURCHASES FOR HORIZONTAL INFRASTRUCTURE EXCEEDING $47,000 OR MORE:**~~
~~State of Iowa Code requires a formal Competitive Bidding Procedure for all purchase exceeding $47,000.~~

BID/QUOTE THRESHOLDS
The City will follow Chapter 26 of the Iowa State Code regarding thresholds for public improvement projects.

RESOLUTION NO. 19-
City Council

RESOLUTION AMENDING PURCHASING POLICIES AND PROCEDURES

WHEREAS, the City Staff has determined it necessary to amend the City's Purchasing Policies and Procedures for the following purposes:

- Raising the department heads purchasing threshold

NOW, THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF HIAWATHA, IOWA that said Purchasing Policies and Procedures as shown in "Exhibit A" are hereby amended, approved, and adopted.

AYES:
NAYS:
ABSENT:

PASSED AND APPROVED this 3rd day of April, 2019.

_____
Bill Bennett, Mayor

ATTEST:

_____
Kari Graber, City Clerk