

ELYSIAN BUDGET & FINANCE ADVISORY COMMITTEE

January 20, 2011

City Hall

The meeting convened at 3:03 pm. Members present: Wayne Unke, Pat Nusbaum, Jason Moran, Katy Anttila. Absent: John Stephanie. Visitor Present: Brian Ziemer. The agenda was approved.

Committee Chair Wayne Unke and Secretary Katy Anttila retained their positions on vote of the Committee.

Discussion was held to consider amending the 2011 Budget to include overtime in Dept 43125 – Ice & Snow Removal. The Committee recommends that the budgeted amount remain at zero, noting that the 2011 budget for ice and snow removal is higher than 2010 and more than twice the amount spent in 2009. Although it is possible that overtime cannot be avoided, the use of flex time could keep the amount spent for wages within the budgeted total. The Committee recommends that the City Council consider and approve at each Council meeting a dollar limit on overtime allotted for the following month.

The Committee reviewed the proposed Purchasing Policy and recommended its adoption by the City Council with two modifications: Written quotations should be required and kept on file for one year following purchase and payments should be authorized from invoices only, not from statements. These modifications are included in the attached draft (bold and italicized: Chart—Procurement Method, Item #18 and Item #27 Subd1).

Discussion of billing utilities by postcard was tabled until the next meeting.

The Committee prioritized its review of City functions as follows:

1. Sanitation. Pat will schedule Waste Management to meet with the Budget & Finance Committee at 3:30 pm February 10.
2. Water & Sewer
3. Parks
4. Building Inspection. A copy of the current contract for building inspection will be emailed to Committee members.
5. Ice & Snow

Our next meeting will be at 3 pm, Thursday, February 10, at City Hall.

The meeting adjourned at 4:52 pm.

Respectfully submitted,
Kathleen Anttila

CITY OF ELYSIAN PURCHASING POLICY

- 1. Authority.** The purchasing policies of the City are established and implemented by the City Council.
- 2. Purpose.** The purpose of this policy is to provide for the fair and equitable treatment of all persons involved in public purchasing for the City of Elysian, to maximize the purchasing value of public funds in procurement, and to provide safeguards for maintaining a procurement system of quality and integrity.
- 3. Application.** This policy applies to the procurement of materials, supplies, services and construction. It shall apply to every expenditure of City funds, irrespective of their source. When the procurement involves spending Federal or State assistance or contract funds, the procurement shall be conducted in accordance with any applicable mandatory Federal or State laws and regulations which are not reflected in this policy.
- 4. Policy.** To facilitate a sound and cost effective purchasing operation, all purchases shall be of a quality and quantity to suit the intended purpose at the lowest possible cost.
- 5. Vendor Opportunity.** Opportunity to do business with the City shall be provided to all responsible vendors. To this end, the City Office shall develop and maintain a directory of potential vendors for various types of supplies, equipment and services. Any responsible vendor may be included in the directory upon request. The directory may be used to develop a mailing list for distribution of purchase specifications and invitations to bid.
- 6. Employee Conflict of Interest.** It shall be unethical for any employee to participate directly or indirectly in a procurement when the employee knows that (a) the employee or any member(s) of his/her immediate family has a financial interest pertaining to the procurement; or (b) any other person, business or organization with whom the employee or any member of his/her immediate family is negotiating or has an arrangement concerning prospective employment is involved in the procurement. An employee or any member of his/her immediate family who holds a financial interest in a disclosed blind trust shall not be deemed to have a conflict of interest with regard to matters pertaining to that financial interest. No purchase shall be made which would violate Minnesota State Statutes pertaining to elected officials' conflicts of interest.
- 7. Sales Call Policy.** It is the strict policy of the City that no sales calls shall be received without an appointment scheduled in advance. Lunch time meetings scheduled with vendors are deemed part of the employee's regularly scheduled lunch period and shall not exceed the length of time ordinarily scheduled for that lunch.
- 8. Gratuities and Kickbacks.** No person shall offer, give or agree to give any gratuity, gift, or offer of employment to any employee in connection with any City purchasing recommendation or decision. No employee or former employee shall solicit, demand, accept or agree to accept any gratuity or offer of employment currently or in the future in connection with any purchasing recommendation or decision. Any gift outside of this policy shall require the approval of the City Council or the Council's designee.
- 9. Departmental Purchasing Responsibilities.** Purchases for the City are made for each department through the department head, or in the case of emergencies, upon notice to the City Council or its designee.

10. Quotations and Bidding. Whenever possible and as enumerated in section 11, competitive prices shall be obtained for the purchase of materials, equipment, or services. Generally, the greater the value of the purchase, the more formal the method used.

11. Quotations and Bidding Policy. The following procurement methods shall be used, and in all cases a written record shall be made and preserved by the City Office:

<u>Level of Purchase</u>	<u>Procurement Method</u>	<u>Authorization</u>
\$1 to \$499.00	Direct Purchase	Department Head
\$500 to \$999.99	2 Written Quotations (minimum)	Department Head
\$1,000 to \$49,999.99	2 Written Quotations (minimum)	City Council
\$50,000.00 and above	2 Formal Bids	City Council

12. Discretionary Authority. Competitive purchases shall not be made on the sole basis of low quotations. Said purchases shall be based on factors such as life-cycle costs, quality, delivery period and availability of goods and maintenance service, as determined by discretion hereby given.

13. Local Purchases. In the event that local and nonlocal proposals for goods or services of like amount, quality, delivery period and availability are made at the same price, the local proposal shall be accepted. Local vendors are hereby defined as those business establishments which have a significant portion of their physical plan within the corporate boundaries of the City of Elysian.

14. Purchase Authorization and Procedures. Except as set forth below, approval for purchases shall be granted following the submission of a purchase order and shall be processed in accordance with administrative procedures. The purchase order serves to define the quantity and intended use of requested materials, supplies and services, and to provide better control over financial resources. The purchase order also serves to inform the City Council of pending financial obligation. It authorizes a vendor to ship supplies, materials and equipment, or to perform services and invoice same.

15. Purchases under \$500. All purchases under \$500 may be initiated without a purchase order, subject to the department head's approval.

16. Purchases over \$500. All purchases of goods over \$500 shall be initiated by a purchase order signed by the department head. All purchases of service on City electronics, machinery and equipment over \$500 shall be initiated by a purchase order signed by the department head.

17. Purchases over \$1,000. Purchase orders signed by the department head shall be presented to the City Council for approval prior to purchase. Any additional charges above and beyond the vendor's original estimate must be submitted to the City Council for approval.

18. Written quotations (whether or not accepted for purchase) will be kept on file for one year following purchase.

19. Purchases Exceeding Budget. In all cases, a purchase order is required for any amount exceeding the budget for that purpose and shall be signed by the department head, then presented to the City Council for approval prior to purchase.

20. Purchases Over \$50,000—Formal Bids. All formal bid awards shall be made the subject of a written contract. A purchase order alone shall be a sufficient written contract only in cases where the expenditure is in the usual and customary course of the City's affairs. In no case shall a purchase order be sufficient for the construction of public works or the contracting of supplies or

services over any period of time or when quality of the goods or materials or the scope of the services bargained for is not wholly standardized.

Subd.1 Notice to Bidders. Notice inviting sealed competitive bids shall be published in the official newspaper of the City at least ten (10) days before the final date for submitting bids thereon. Such notice shall cite the specifications of the supplies, materials, equipment or construction project or other matter to be contracted for, and shall state the amount of bond or security to be given with the contract. The notice shall state the time limit, the place for filing and the time for opening bids, and shall also state that the right is reserved to reject any or all bids. Any consideration or award of the contract shall also be stated in general terms.

Subd.2 Bid Security Deposit. This deposit shall be in the form of a certified cashier's check or a bond written by a surety company authorized to do business in the State of Minnesota. The amount of such security shall be expressed in terms of a percentage of the bid submitted. The City Council shall prescribe the amount of any security to be deposited with any bid.

Subd.3 Bid Opening. Bids shall be opened in public at the time and place designated in the Advertisement for Bids. Bids shall be referred to the City office to be examined and tabulated and shall be reported to the City Council with a recommendation. After opening, all bids shall be available for inspection.

Subd.4 Award of Bid. Provided that the City Council shall find any bids satisfactory, the Council shall award the contract to the lowest responsible bidder, unless the Council shall determine that the public interest will be better served by accepting a higher bid. The Council shall have the right to reject any or all bids, to waive irregularities in bidding, and to accept bids which do not conform in every respect to the bidding requirements. Upon satisfying itself that the conditions have been met, the Council may award the contract by resolution.

Subd.5 Bidder's Security. All bid bonds or certified cashiers' checks shall be retained by the City until the contract is awarded and executed. If any successful bidder fails or refuses to enter into the contract awarded to him/her within the specified time after the contract has been awarded, or fails to file any bond required within the same time, the deposit accompanying his/her bid shall be forfeited to the City, and the City Council at its discretion may award the contract to the next lowest responsible bidder, unless the Council shall determine that the public interest will be better served by accepting a higher bid, or said contract may be re-advertised.

Subd.6 Performance Bonds. In the case of construction contracts, the amount of the labor and materials bond to be required of successful bidders will be fixed by the City Council using the engineer's recommendation. Said performance bond shall be executed by the City conditional upon the performance of said contract and holding the City harmless from all losses or damages caused to any person or property by reason of any carelessness or negligence by the contractor, and from all expenses from inspecting, engineering, and otherwise caused by the delay in the completion of any improvement. The bond shall further be conditioned to pay all laborers, mechanics, subcontractors and materials suppliers, as well as all just debts incurred in the performance of such work.

21. **Contracts.** Only the City Council may make contracts on behalf of the City. After approval by Council resolution, the mayor and clerk-administrator may sign the contract.
22. **Purchase Order Policy.** Purchase authorization should be sought far enough in advance to allow for delivery prior to actual need. Ideally, similar purchases by various departments should be aggregated on one purchase order to allow for better unit prices and lower delivery costs. Purchases shall not be split in order to circumvent any provision of this Policy or applicable Minnesota State Statutes.
23. **Emergency Purchases.** When an emergency occurs that may jeopardize public safety or the health and welfare of employees or citizens, department heads may authorize a necessary emergency purchase. Emergency purchases and the reason for the purchase shall be reported to the City Council within 24 hours. In an emergency situation, the City Council may dispense with the bidding requirements of state contract law. Before deciding if an emergency exists, the City Council shall consult with a competent attorney.
24. **Routing.** Purchase orders shall be prepared in triplicate in ascending numerical order. One copy will be forwarded to the appropriate vendor. The City Office shall retain a copy in a numerical file. The final copy shall be attached to all property reconciled invoices forwarded for payment.
25. **Blanket Purchase Orders.** To avoid excessive paperwork and administrative delays, frequently used vendors may be issued a blanket purchase order. No one item purchased via a blanket purchase order may exceed \$500 and the total accumulated purchases may not exceed \$1,000. The City Council shall provide the vendor with a list of employees authorized to purchase via the blanket purchase order.
26. **Receipt/Return of Materials.** Vendor-issued packing slips or other pertinent documentation shall be forwarded to the City Office which shall attach same to the appropriate purchase order for future reference. The City Office shall complete a Returned Materials Report which identifies items returned to vendor due to damage or other valid reason for non-acceptance. Issuance of a Returned Materials Report should be acknowledged by the vendor by a credit memorandum.
27. **Invoices.** An invoice is a means by which a vendor informs the City of its financial obligation. Invoices should contain an itemization of quantities and charges for supplies, materials or services furnished to the City, as well as special conditions such as discounts and due dates.

Subd.1 Invoice Procedures. Upon receipt of an invoice the City Office shall reconcile the purchase order, packing slip, Returned Material Report and credit memorandum to the invoice. Any and all discrepancies in quantities and costs must be reconciled by the department head before an invoice is forwarded for payment. All vendors with blanket purchase orders shall provide monthly invoices. ***Payments will be made only from the original invoice; payments from statements are not allowed.***

Subd.2 Coding. All invoices, whether accompanied by a purchase order or not, must be regularly coded by the department head to the appropriate department's budgetary line item before the invoice is forwarded for payment.

Subd.3 Payment. At appropriate intervals, the City Office shall prepare a schedule of invoices payable for City Council review and approval. Payment shall be made only following Council approval. Such approval is indicated by the presence of the mayor's signature on the claim document.

Subd.4 Compliance. It shall be the responsibility of the City Office to match invoices to purchase orders and other documents, and in every case to determine compliance with the Purchasing Policy.

28. Inventories. To facilitate budget preparation, purchase planning, and the preparation of the annual audit, all department heads shall make an annual inventory of capital equipment, materials, supplies and goods under their control. The first inventory document shall be submitted to the City Council within three months of adoption of this policy. Thereafter, the inventory shall be completed as of the end of the calendar year and submitted to the City Council by January 31 of the following year.

Adopted by the City Council on _____.