



Purchasing Policy

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PURCHASING POLICY

SECTION ONE: INTRODUCTON

The purpose of the Purchasing Policy is to provide a complete source of purchasing information to assist departments of the City in obtaining supplies, materials and services in an economical and timely manner. The City will use a de-centralized purchasing system subject to the control of this Policy and, within that, at the discretion of the Department Head. In order to obtain a maximum savings on those purchase items that are used frequently by all departments for normal office operations (office supplies, janitorial supplies, etc.) the departments will order such items in bulk.

SECTION TWO: OBJECTIVES

- To simplify, clarify and modernize the procedures governing purchasing by the City;
- To provide for public confidence in the procedures followed in City purchasing;
- To ensure the fair and equitable treatment of all persons who deal with the purchasing system of this City;
- To provide economy in City purchasing activities and to maximize the purchasing value of City funds;
- To foster effective competition;
- To provide safeguards for the maintenance of a purchasing system of quality and integrity; and
- To provide budgetary control and financial oversight of the procurement process.

SECTION THREE: PURCHASING

Written competitive bids or price quotations are required for the purchase of any capital item as specified in this Policy. All purchases, capital or operational, less than \$25,000 that are approved in the annual budget and where sufficient budgetary authority and capacity exists may be implemented by the City Manager without prior approval by the City Commission. The City Manager may report any purchases within this threshold to the City Commission at his discretion. All purchases greater than \$25,000 shall require prior approval by the City Commission. All non-routine, non-budgeted purchases shall require the prior approval of the City Commission. Department Directors remain responsible for compliance with the annual operating budget for his or her own department(s).

SECTION FOUR: INFORMAL PURCHASING

All purchases in excess \$10,000 shall meet the following requirements:

1. Shall be based on at least three (3) competitive bids;
2. A purchase order must be filled out, attached to the invoice and signed by both the Department Director and City Manager;
3. Informal bid form or bid tabulation shall be attached to invoice for payment; and
4. Shall be awarded upon approval of the City Manager and/or City Commission as specified under Section 3 of this Policy.

All purchases in excess of \$2,500, but under \$10,000, shall meet the following requirements:

1. Shall be based on at least three (3) competitive bids;

2. A purchase order must be filled out, attached to the invoice and signed by both the Department Director and City Manager;
3. Informal bid form or bid tabulation shall be attached to invoice for payment; and
4. Shall be awarded upon approval of the City Manager as specified under Section 3 of this Policy.

All purchases under \$2,500 shall meet the following requirements:

1. Shall be based on at least three (3) verbal quotes;
2. A purchase order must be filled out, attached and signed by the Department Director.
3. Be awarded by Department Director based on departmental procedures for such purchasing.

SECTION FIVE: FORMAL PURCHASING

All purchases in excess of \$50,000 shall be formally bid using the following requirements:

1. Notification shall be sent to interested vendors that have requested to be placed on a Bidder's List. The City shall also publish notification at least once in the official newspaper and on the City's website. The City Manager shall have the authority to designate other project-specific venues for publication of notification if required by the project (i.e., grant requirements) or the City Manager determines that such notification could be beneficial to the City.
2. Proposals shall be sealed when submitted to the City Clerk and receipted in by the City Clerk or other authorized employee.
3. Sealed bids will be publicly opened, with a witness present, by the City Clerk or designee. A tabulation of the bids shall be available for public inspection. The City Engineer and/or the Project Engineer will be responsible for verifying the bid tabulation on all public infrastructure projects requiring engineering services.
4. The City Commission shall have the authority to reject all or parts of all bids and waive any irregularities.
5. The City Clerk shall not accept the bid of a contractor who is in default on payment of monies due to the City or who is otherwise blacklisted by the City Commission.
6. Bids submitted after the bid deadline will not be opened or considered.
7. Construction contracts for capital improvements shall be approved by the City Commission prior to execution and issuance of a Notice to Proceed. The City Manager shall have the authority to administratively approve change orders the lesser of \$50,000 or 3% of the total contracted project costs provided that sufficient funds exist in the project funding sources and the change order does not change the scope of the project. The City Manager shall notify the City Commission of any exercise of this authority within three business days of the payment of the change order. The City Commission shall be required to approve all change orders greater than \$50,000 or 3% of the total contracted project costs. All change orders exceeding the contracted costs, project funding sources, or that change the project scope shall be approved by the City Commission prior to the expenditure of public funds.
8. The City shall require general contractors submitting bids for public projects to include as part of their bid any and all costs associated with subcontractors, outside vendors and/or consultants that will be included as part of the base bid or otherwise considered as part of the project. These costs shall be separated in line-item form at the time the bid is submitted to the City. The City shall have the ability to verify any and all line-items submitted as part of the bid to ensure accuracy. General contractors not conforming to this provision shall be disqualified from the bid process and may be ineligible from participating in future bid solicitations of the City.
9. The applicable Department Director will advise all bidders of all bids received.

SECTION SIX: NON-COMPETITIVE PURCHASING

In an effort to demonstrate excellent stewardship of public funds, procurement shall be conducted competitively to the maximum extent possible. Sole source purchasing shall require written justification to the City Manager from the Department Director and shall be approved prior to finalizing any purchase transaction. The City Manager shall have the authority to request or investigate options that could facilitate competition on any proposed sole source purchase. The City Manager may also require alternates be included as part of the bidding process if it is determined that this would allow for more competition in certain public purchases.

SECTION SEVEN: LOCAL PREFERENCE

Whenever the City of Abilene lets quotations or bids for goods or services, and the low quotation or bid is submitted by a vendor domiciled outside of Dickinson County, a vendor domiciled inside Dickinson County may be deemed the preferred vendor and awarded the purchase order or contract if all of the following conditions are met (domicile shall be defined as being physically located in Dickinson County; a post office box shall not qualify):

- a. The quality, suitability, and usability of the goods or services are equal to or exceed the requirements of the City and fully comply with the minimum quotation/bid specifications, and the vendor has the capability to adequately service the product.
- b. The amount of the quotation/bid of the vendor domiciled within Dickinson County is not more than five percent (5%) greater than the amount of the low quotation/bid if the low quotation/bid is under \$10,000, or not more than three percent (3%) greater than the amount of the low quotation/bid is greater than \$10,000.
- c. The quotation/bid does not pertain to: 1) new construction; 2) involve State or Federal funding; or 3) joint government purchases.

SECTION EIGHT: NEGOTIATIONS; COMPETITIVE AND NON-COMPETITIVE PURCHASES

Competitive negotiations are initiated by publishing or soliciting Request for Proposals (RFP) or a Request for Qualifications (RFQ). The RFP is used when price is a factor in selection; the RFQ is used when qualifications are considered before consideration of price and is usually reserved for professional services. In both instances, the services to be procured are clearly defined, as are the criteria to be used in evaluation and selection. All proposals received are to be reviewed according to the defined selection criteria and the review should be in writing.

For RFQs, an invitation is made to one or more respondents to negotiate a price or fee. For both RFPs and RFQs, selection is made on the basis of the most responsible offer, price and other factors considered. Unless there is not need for negotiations with any of the offerors, negotiations shall be conducted with offerors who submit proposals determined to have a reasonable chance of being selected for award, based on evaluation against the technical and price factors as specified in the RFP. Such offerors shall be accorded fair and equal treatment with respect to any opportunity for negotiation and revision of proposals. The purpose of negotiations shall be to seek clarification with regard to and advise of the deficiencies in both the technical and price aspects of their proposals so as to assure full understanding of and conformance to the solicitation requirements. No offeror shall be assisted in bringing its proposal up to the level of any other proposal. Offerors shall not be directed to reduce their proposed prices to a specific amount in order to be considered for award. A common deadline shall be established for receipt of proposal revisions based on negotiations. Preparation and signing of a contract formalizing a scope of work and the terms of compensation is required.

Non-competitive negotiations can be used only when the following criteria are met: 1) the use of competitive negotiations is not feasible; 2) a public emergency has been declared by the City, State, or Federal government; or 3) when donor-designated funds require that a specific product, service or

equipment be purchased. Negotiations are conducted with the selected company regarding a scope of work and price. Preparation and signing of a contract formalizing a scope of work and the terms of compensation shall be required prior to the transaction.

SECTION NINE: ENVIRONMENTAL CONSIDERATIONS

The City is committed to buying more environmentally preferable goods and services as long as they meet the City's performance needs and are available within a reasonable period of time at a reasonable and competitive cost. Nothing in this Policy shall be construed as requiring a purchaser or contractor to procure products that do not perform adequately for their intended use, exclude adequate competition, or are not available at a reasonable price or in a reasonable period of time.

When comparing cost, the City will not focus exclusively on the initial price, but will evaluate and compare total costs over the life expectancy of the item or service, which includes the initial cost, along with maintenance, operating, insurance, disposal, replacement, and potential liability costs. Examining life cycle costs will save money by ensuring departments are quantifying the total cost of ownership before making purchasing decisions.

The City of Abilene recognizes that competition exists not only in prices, but also in the technical competence of suppliers, in their ability to make timely deliveries, and in the quality and performance, including environmental performance, of their products and services. Balancing these sometimes competing factors means that initial cost should never be the only consideration. It also means that at times the City will sometimes pay more for higher performing goods and services, including those with superior environmental performance.

The City shall define "environmentally preferable" goods and services as those goods and services that have reduced effect on human health and the environment when compared with competing products and services serving the same purpose. This comparison considers all phases of the product or service's life cycle, including raw materials, acquisition, production, manufacturing, packaging, distribution, operation, maintenance, and disposal, including the potential for reuse or ability to be recycled.

SECTION TEN: LIFE CYCLE COST ANALYSIS (LCCA)

Life Cycle Costing begins with the acquisition of the product or service, and includes all the associated costs of ownership, such as purchase price, shipping, maintenance and repair, longevity, and includes disposition costs at the end of life. The initial acquisition price is adjusted with additional cost streams expected to occur over the anticipated life of the product or service. These additional cost streams must be clearly thought out costs or adjustments (i.e., the time value of money, cost uncertainty, inflation factors, etc.), and must be based upon reasonable assumptions. Cost streams are discrete elements of costs that relate to the particular purchase considered for Life Cycle Costing. In some cases, cost streams may include negative costs or savings that are expected to result in a particular cost stream.

Life Cycle Cost methodology may be used for purchases of products or equipment under \$100,000, but shall be required of such items that exceed \$100,000 in value. City departments may also consider using LCCA whenever the costs of system operation, support, and disposal, and other quantifiable costs are significant in comparison with the cost of acquisition and are above the then current sealed bid threshold.

There are a number of established LCCA industry standards for various products or equipment. These can be the basis of an LCCA, or departments may propose their own LCCA with appropriate justification. Use of LCCA in procurement decisions requires prior approval by the City Manager.

Criteria:

1. *Determine the operating cycle for the product or equipment:* types of operation, routine maintenance, overhaul sequence, and other operating factors, detailing how the machine functions or what will be done in each step of this cycle.
2. *Identify and quantify the factors that affect the costs:* power consumption and rates at various levels of operation, labor requirements and rates, maintenance requirements and rates, average time between failures, time between overhauls, average downtime costs, etc.
3. *Calculate all costs at current rates and prices.*
4. *Project costs to the future date at which they will be incurred:* adjust for expected inflation or deflation, consider estimated salvage value and complete Life Cycle Cost matrix.
5. *Discount all future costs and benefits to their present values.*
6. *Sum all costs and benefits* to obtain the total Life Cycle Cost, expressed in present value terms. Note that all of the costs are brought back to year one by using present value factors directly related to the jurisdictions' cost of money.

Requirements:

1. When utilizing LCCA as the basis for an award, the solicitation must advise prospective offerors how Life Cycle Costing will be considered in an award decision.
2. Awards may be made based on the lowest evaluated cost resulting from LCCA. Under this approach, the evaluation includes Life Cycle Costs in the solicitation issued.
3. Awards of Invitations to Bid to the lowest Bidder include the Life Cycle Costs as part of the bid evaluation methodology and award. The lowest total Life Cycle Cost is considered the low bid; or
4. Awards of RFPs may include a Life Cycle Costing award factor in two ways:
 - a. The RFP may include Life Cycle Costs as part of the total points awarded for costs. In this method, all Life Cycle Costs are calculated and the lowest total Life Cycle Costs is awarded the maximum points allocated for cost in the RFP; or
 - b. The RFP may include a separate Life Cycle Cost Factor that is assessed as weight or points and is considered in addition to other factors in the proposed evaluation methodology. As a separate evaluation factor, it may be used in addition to costs, when the cost factor does not consider Life Cycle Costing elements.
5. The Solicitation: The solicitation must provide relevant information (e.g., projected item usage, operating environment, the operating period, and other information that will be considered in the evaluation of the offer). It may include projections and estimates of life and cycle times from independent third party sources. The solicitation must describe how Life Cycle Cost will be applied in the award process. Factors not described in the solicitation may not be used in the evaluation. The solicitations must describe what relevant costs, along with appropriate information to support life costs, the Offer must provide. Typical elements used in Life Cycle Costing Awards may include:
 - a. Average unit price, including (when appropriate) recurring and nonrecurring production costs;
 - b. Delivery, shipping and transportation costs;
 - c. Switching costs prepared by originating department that include a reasonable estimate of what it will cost to switch from a current product or brand to another;
 - d. Unit operating and support costs (e.g., manpower, energy, parts requirements, scheduled maintenance, and training);
 - e. Unit disposal costs (e.g., the cost of removing equipment from the Contracting Agency facility);
 - f. Unit salvage or residual value; and
 - g. Related information as requested to support costs such as testing and operational data.

6. Award Decision:

- a. Invitation to Bid - using Life Cycle Cost methods, the award must be made to the responsible firm whose responsive offer provides the lowest overall cost of ownership in accordance with the Life Cycle Cost evaluation factors listed in the solicitation document.
- b. Request for Proposals - using Life Cycle Cost methods, the award must be made to the responsible firm whose responsive offer, after consideration of Life Cycle Cost factors as a part of price evaluation, and other factors listed in the solicitation document are determined to be the most advantageous or best proposal for the City.

SECTION ELEVEN: EMERGENCY PURCHASES

Should an emergency be declared by the City, State, or Federal government any purchase necessary for the City to appropriately address such emergency shall be authorized by the City Manager, or designee. All emergency purchases shall comply with all applicable laws for such situations. Following the emergency, the City Manager shall provide a report summarizing all purchases made in response to the emergency to the City Commission. Such report shall also provide an analysis of the impact of the City's budget.

SECTION TWELVE: PURCHASE CARDS

The City of Abilene has implemented a Purchase Card Program. The purchase cards will largely replace the practice of using open charge accounts at local vendors. In addition, the cards may be used for other approved purposes (out of town travel expenses, etc.). The program was implemented to limit the City's exposure to unauthorized charges, to streamline procedures when reconciling and paying statements, to provide information for staff to review purchases and to place responsibility on the department for obtaining appropriate documentation. Use of the cards is subject to the following conditions:

- Cards are to be used for authorized City purchases only. Any intentional use of the card for private or personal purchases is strictly prohibited. Any employees found to make personal purchases on purchase cards will be required to pay the City for such use. Employees found in violation of this section may be subject to discipline pursuant to the City's Personnel Policy.
- Availability and use of the purchase card does not invalidate any other provision of this Purchase Policy.

SECTION THIRTEEN: SALES AND USE TAX

All departments, as agencies of the City of Abilene, are exempt from paying Kansas sales and use tax per K.S.A. 79-3606(b). Departments are responsible for obtaining the appropriate documentation or certifications for all purchases to ensure that the City is not charged sales or use tax. Departments should consult with the Finance Director for more information on how to implement this provision.

Contractors who have been awarded a contract by the City will be required to purchase all materials using a sales tax certification issued by the City. This certification shall be required as part of the contract documents and will be maintained on file.

SECTION FOURTEEN: PURCHASES WITH DONOR-DESIGNATED FUNDS

If a Department receives a donation of funds, the funds shall be considered public funds. The funds will be used as designated by the donor as allowed by local ordinance and state law. Items purchased will be in compliance with existing policy and consideration will be given to conformity with existing facilities or equipment.

SECTION FIFTEEN: SERVICE CONTRACTS

All service contracts with the City shall be opened for bidding every two years except for audit services, which shall be opened for bidding every five years.

SECTION SIXTEEN: CONFLICT OF INTEREST

No employee, officer or agent of the City of Abilene shall participate directly or indirectly in the selection, award, or administration of any contract if a conflict, real or otherwise, would be involved.

SECTION SEVENTEEN: USE OF CONFIDENTIAL INFORMATION

City officers, employees or agents shall not use confidential information for actual or anticipated personal gain.

SECTION EIGHTEEN: TRAVEL POLICY (Resolution 082718-1)

SECTION 18-1: All travel with a City vehicle beyond Dickinson County must be pre-approved by the Department Director or City Manager. All travel requiring an overnight stay must be approved by the Department Director or City Manager. When possible, it is the intent of the City to require a City vehicle to be used for all travel. The City Manager or Department Director may grant exceptions for cause. If a personal vehicle is used for approved travel, the City will reimburse for mileage at the current IRS rate. Mileage will be calculated using the default address-to-address route suggested by Google maps at www.google.com. Additional transportation expenses including but not limited to rental cars, taxis, and mass transit when necessary are reimbursable. Mileage and expenses are payable upon return and by submitting in writing to the Finance Director a claim including the addresses used to calculate miles, the reason for the trip, the dates of travel, receipts if applicable, and verification of prior authorization.

SECTION 18-2: All approved conferences, trainings, and lodging expenses are to be pre-paid by the City when possible and coordinated through the office of the Finance Director. Employees may use personal means to pay for lodging and request reimbursement with a receipt upon return, or employees may use a City purchasing card – all other provisions of the purchasing policy apply, and any abuse will result in immediate disciplinary action. Hotel meals, entertainment, and any other auxiliary services are not reimbursable or approved purchases. Reimbursement is payable upon return by submitting in writing to the Finance Director a claim including receipt for lodging, the reason for the trip, the dates of travel, and verification of prior authorization.

SECTION 18-3: Employees will receive \$45 per day, including travel days, to assist with meal and incidental expenses only for travel that includes an over-night stay. The per diem is payable upon return by submitting in writing to the Finance Director a claim including receipt for lodging, the reason for the trip, the dates of travel, and verification of prior authorization – no receipts for meals or incidentals are required. Meal expenses incurred while traveling within one day are the responsibility of the employee.