



# **City of Hot Springs Procurement Policy**

Adopted August 17, 2015

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This manual has been designed to ensure that the policies set by the City Council with regard to the expenditure of public funds are met by all City Departments. If these policies are adhered to, the City will receive the maximum value for each public dollar spent.

The City of Hot Springs is an equal opportunity purchaser and will provide equal opportunity to all vendors and bidders. The City shall not discriminate against any vendor/bidder because of race, color, religion, age, sex, marital status, political affiliations, religious beliefs, national origin, or any other specification that would be a violation of the federal/state legislation.

## **INTRODUCTION**

1. There exists in State Statute, legal requirements covering purchasing and contract limits and procedures to which all Departments in the City Government of Hot Springs will adhere.
2. Procurement of equipment, materials, products, services, and constructed works will be accomplished through procedures that assure that vendors are afforded equal and fair consideration but with the intent that the maximum value and efficiency be obtained for public dollars spent.
3. Procurement of equipment, materials, products, services and constructed works is best initiated at the Department level due to the diverse needs of each City department and the knowledge and experience of their staff in their own sphere of operation and needs.
4. A General Purchasing Policy Manual has been prepared to assist and direct Departments in making purchases and contracts, which is hereby adopted by the City Council of the City of Hot Springs.

## **BASIC GOALS.**

The basic goals of the City's Purchasing Program are:

1. To comply with the legal requirements of public purchasing.
2. To assure vendors that impartial and equal treatment will be afforded all who wish to do business with the City.
3. To receive maximum value for each public dollar spent.
4. To provide city departments the required goods and services at the time and place needed in the proper quantity and quality.
5. To purchase only goods and services for which funds have been approved and not previously obligated.
6. To provide authentication and tracking documentation of purchases.

If the procedures and guidelines established in this manual are followed, each department will effectively manage, control and plan their available resources to meet present and future departmental needs and help the City meet these goals.

## **GENERAL GUIDELINES**

It is important to remember that all City purchasing operates in full view of the public.

These general guidelines should be considered administrative rules and regulations and are to be adhered to as closely as possible by all departments in the procurement of goods and services.

**LOCAL BUYING.** It is the desire of the City to purchase from City of Hot Springs and Fall River County vendors whenever possible. This can be accomplished by ensuring that local vendors that have goods or services available which are needed by the City and that are interested in doing business with the City are included in the competitive process which will precede most purchases. The City has a responsibility to its residents, however, to ensure that the maximum value is obtained for each public dollar spent so comparison shopping is strongly encouraged.

**PLANNING.** Planning for purchases should be done on both a short-term and long-term basis. Small orders and last minute purchases should be minimized, thereby increasing the capability of each department to purchase its goods and services in larger quantities in order to obtain the maximum discounts possible. Planning will also cut down on the number of trips required to obtain materials and minimize the amount of clerical and supervisory time spent on documenting purchases. The purchasing process begins with the preparation of the Annual Budget.

**OVERDRAFTS PROHIBITED.** No purchase will be authorized which would overdraft a budgetary account. Department Heads who are contemplating a purchase that will exceed a budgetary account should contact the City Administrator and/or Finance Officer to ensure that a provision is made for the necessary budget allocation prior to initiating the purchase.

**PURCHASE OF AMERICAN MADE PRODUCTS.** It is the desire of the City to encourage the purchase of products manufactured, assembled, or produced in the United States, if the quality and price are comparable with other goods.

**SALES TAX.** The City is exempt from paying all local and state sales tax. The Finance Department can provide the necessary exemption documents to any vendor upon request.

**PERSONAL PURCHASES.** Purchases for employees with city funds shall be limited to items used in the performance of their duties as employees. City employees are also prohibited from using the City's name or the employee's position to obtain special consideration in personal purchases for private use.

**BUYING PROPER QUALITY.** Quality and service are just as important as price and it is the duty of the requisitioning department to secure the best quality for the purpose intended. Quality buying is the buying of goods or services that will meet but not excessively exceed the requirements for which they are intended. In some instances the primary consideration are durability and reliability. With other purchases, it may be a question of immediate availability, ease of installation, frequency of repair or efficiency of operation that must be given primary consideration. In the case of motor vehicles and similar capital expenditures, departments may want to include life cycle costs or EPA mileage ratings when comparing bids as opposed to utilizing the price as the criterion for determining the lowest

responsible bidder. It is the responsibility of each department head to become familiar enough with the available equipment to determine the appropriate quality required in order to develop specifications.

CREDIT CARD PURCHASES. Credit card purchases must follow the guidelines outlined in this policy and the adopted credit card policy (Resolution 2012-11). Use of the City-issued credit card should not lead to additional incurred charges and should only be used when it is advantageous to the City.

## **PURCHASING PROCEDURES**

The City Council hereby establishes the following policies regulating the degree of formality to be followed in the purchase of goods and services, depending on the costs of the items to be purchased. The intentional splitting of planned or predictable annual purchases into smaller orders to avoid these requirements is to be discouraged and strictly prohibited when total purchases will exceed limits requiring approval or public bids. All purchases shall be preceded by a written Purchase Order. Department heads should designate employees who will be allowed to make purchases. It is the responsibility of each department head to provide internal control procedures to ensure that all purchases are necessary and for legitimate public purposes.

**Purchase Orders and Claims Payable Policy:** Purchase orders must be submitted to the Finance Office completed in their full entirety, including completing the line item within the budget's department, indicating where the funds should be taken from to pay for the expense.

All claims must be submitted on a completed Purchase Order to the Finance Office by the Wednesday prior to the Council Meeting held on the 1<sup>st</sup> and 3<sup>rd</sup> Monday of each month. Any claims after that day will be paid in the claims of the next Council Meeting excluding the pre-approved monthly claims (bills in between).

The department head/authorized purchaser will endeavor to obtain the best price available for the City when circumstances permit by obtaining a minimum of:

- For purchases less than \$500.00 – Consideration will be given to receiving the best price available with preference toward local vendors.
- For purchases more than \$500.00 but less than \$5,000 – a minimum of three (3) written or documented proposals or quotes with preference toward local vendors.
- For purchases over \$5,000 but under the legal bid limit – a minimum of three (3) written competitive proposals or quotes with preference toward local vendors.

Two non-responsive requests for proposals or quotes equates to one (1) written proposal or quote. All vendor contacts made when soliciting proposals or quotes will be recorded and included with formal records. The only exception for this rule will be in the case of sole source suppliers for proprietary materials. All due diligence must be made to ensure the provider truly is a sole source supplier. Fees for all professional services should go through the same selection/documentation process. It is the responsibility of the individual incurring charges to route through their department head to the Finance Office in a timely manner, all invoices, charge slips, credit card receipts, etc.

**For purchases in excess of the State Bid limit** – City Council approval must be obtained before any expenditure or indebtedness against the City in excess of the state bid limit. There are currently two bid limits to consider when we enter into purchase contracts. If the City intends to enter into a contract for any public improvement that involves the expenditure of fifty thousand (\$50,000) dollars or more, or a contract for the purchase of supplies or services, other than professional services, that involves the expenditure of twenty-five thousand (\$25,000) or more, the City shall advertise for bids or proposals (SDCL 5-18A-14). Once the quotations have been obtained by the department, a summary copy should be completed prior to the preparation of a purchase order.

Department Heads are reminded that the use of written quotations requires appropriate planning to ensure that adequate lead time is available to satisfy the purchasing requirements. It is possible to hand carry the Request for Quotations forms to qualified vendors and obtain the quotes, complete the summary section on the top sheet and submit a purchase order in a single day.

1. Department heads anticipating expenditures for goods, or services exceeding the State Limit in value must prepare specifications based upon standards appropriate to meet the City's needs. Specifications should be forwarded to the City Administrator for review, comment and approval and placement on a Council agenda for bid date setting.
2. The Finance Office will then assist with the preparation of the complete bid package, advertisements, contract documents, and specifications to meet the City purchasing policy. Department heads will send an announcement of the bid letting to qualified vendors and contractors and will send a packet containing an invitation to bid, specifications, and general bid documents to vendors and contractors that respond to the legal notice and to appropriate builders exchanges and contractor information publications, and maintain a complete list of all plan holders until the contract has been complete.
3. The first public notice must be advertised in the local newspaper at least ten (10) calendar days prior to bid opening. After the bids are publicly opened, the bids or copies will be turned over to the Department Head for review.
4. The department head will prepare a written tabulation of all bids and draft a memorandum addressed to the City Council, which will include the recommendation for the bid award.
5. The written tabulation and memorandum shall be forwarded to the Finance Office so that it can be placed on the City Council Agenda with the copies being distributed with the agenda to the City Council.
6. All purchases requiring bidding must be awarded by the City Council at a Public Meeting. The award will normally be made to the low bidder meeting specifications, however, there may be instances when the low bid is not from a responsible bidder, doesn't meet minimum specifications or is not deemed to be in the best interest of the City. When such a situation arises, it is incumbent upon the department head to thoroughly document the reasons why the low bidder should be disqualified.

## **SPECIAL PURCHASING PROCEDURES**

Occasionally, the City may need to purchase goods or services under circumstances which do not clearly fit the patterns of normal public procurement and for which normal competitive shopping procedures do not apply. The following guidelines are provided with regard to making such purchases.

**SOLE SOURCES** - In the event that there is only one vendor capable of providing a particular good or service, then the competitive shopping procedures outlined in this manual may be waived by the City Administrator. Whenever a department head determines that, they must purchase goods or service from a "sole source vendor" they should document why only one company or individual is capable of providing the goods or services required. The documentation should be attached to the purchase order.

**COOPERATIVE PROCUREMENT PROGRAMS** -Cooperative purchasing programs should be considered whenever the desired product or services cannot be provided by a local vendor at a competitive price as determined by the Local Purchase Preference. Cooperative purchasing can prove advantageous to the City by taking advantage of the large quantity purchases made by State Government. The State Bid Price List may be obtained at [www.state.sd.us/boa/ouble](http://www.state.sd.us/boa/ouble), (1) click on "Purchasing and Printing"; (2) click on "State Contracts" and then the item(s) you are interested in. Purchases made through these programs have met the requirements of competitive shopping and require no further documentation. The City is encouraged to check with the State regarding cooperative procurement contracts in effect prior to making any large purchase.

**PROFESSIONAL SERVICES** - Normal competitive procedures cannot be utilized in securing professional services such as attorneys, engineers, certified public accountants, planners, and other professional people who, in keeping with the standards of their discipline, will not enter into a competitive bidding process. A Request for Proposal (RFP) can be prepared much the same way as specifications including requirements and minimum standards for the services to be provided. RFPs should be submitted to the City Administrator for review and approval prior to distribution. When an RFP for professional services is approved, a limited number of qualified professionals known to the City will be invited to submit a proposal setting forth their interest, qualifications, and how they can meet the City's needs. In securing professional services, it is the primary goal of the City to obtain the services of a professional who has a proven record of providing, in a professional way, those services required. A contract will be negotiated with the professional deemed to best meet the City's needs.

**OPEN PURCHASE ORDERS** - Open Purchase Orders are for long term contracts for goods or services specified on an "as needed" basis. Examples of Open Purchase Orders include fixed unit pricing on construction materials such as rock, concrete and asphalt, trees and other landscaping materials, automotive supplies such as tires and batteries, hardware, and office supplies such as postage, that would be frequently or routinely utilized by the city and for which the initiation of competitive shopping each time the goods or services are required would be cumbersome and inefficient.

**EMERGENCY PURCHASES**- True emergency situations are rare. The bid procedures outlined in this manual may be waived under emergency conditions. True emergency situations exist when the health or welfare of the people are involved. Given the rarity of such situations, purchasing departments must

attempt to obtain two competitive quotations and thoroughly document the emergency. Occasionally, equipment will require emergency repairs or other circumstances will necessitate emergency purchasing which cannot await compliance with these regulations. department heads faced with an emergency purchase are to notify the City Administrator and Finance Officer as quickly as possible.

## **Contracts**

South Dakota Codified Law (SDCL) restricts City employees from entering into contractual agreements without authorization by the governing body, the Common Council of Hot Springs. The policy of the City of Hot Springs is to be compliant with SDCL 9-1-5 which states:

Contracts to be authorized by governing body--Execution of contracts and other instruments--Delegation of authority. No contract of a municipality is valid unless the contract has been authorized by a vote of the governing body at a duly assembled meeting thereof.

Each written contract shall be executed in the name of the municipality by the mayor or president of the board of trustees, be countersigned by the auditor or clerk, and have the corporate seal attached. However, the governing body of a municipality may, by ordinance or resolution, delegate to any employee of the municipality the authority to enter into a contract on behalf of the municipality and to execute the contract and any other instrument necessary or convenient for the performance of the contract subject to the limitations delegated by the governing body.

The term contract can be summarized as: an agreement with specific terms between two or more persons or entities in which there is a promise to do something in return for a valuable benefit known as consideration.

If you are unsure of whether the purchase you are making is entering the City into a contract, you must consult with the City Administrator prior to proceeding.

## **TRAVEL**

The goal of the City is to allow travel arrangements that (1) conserve public funds, (2) provide equitable treatment of all personnel, and (3) allow travel in a manner that is dignified and reflects credit on the City of Hot Springs. These rules are applicable for all travel expenses incurred on behalf of the City by employees, elected officials, and Council members. Decisions as to which trips will be authorized are generally made through the annual budget process. Attendance at other meetings outside the Hot Springs area may be authorized when the department head is an active participant in the national and/or State organization. The City Administrator must approve all requests in advance in accordance with the department's travel budget using the City's travel request form. Travel must also be approved in accordance with the City's Personnel Policy, 6.7.2. Attendance at various local professional and technical conferences and meetings will be authorized as funds and time permit. Good judgment and a proper regard for economy are expected when incurring travel expense on behalf of the City. There is no

objection to a spouse and/or other family members traveling on an official trip, but no expenses attributable to them will be reimbursed by the City. Within ten (7) days after returning from a trip an expense report must be forwarded to the Finance Office along with all receipts.

### **DISPOSAL OF SURPLUS GOODS**

The governing board may sell, trade, destroy or otherwise dispose of any land, structures, equipment or other property which such governing board has, by appropriate motion, determined to be no longer necessary, useful or suitable for the purpose for which it was acquired. No motion is required to sell, trade, destroy, or otherwise dispose of consumable supplies, printed text, or subscriptions. (SDCL 6-13-1)

## Appendix

### Resolution 2012-11

#### RESOLUTION 2012-11

##### Credit Card/Electronic Transactions Policy

WHEREAS, SDCL 4-3-27 authorizes the use of credit cards and electronic transactions by local government officials and employees for the purchase of materials, supplies, equipment, or other authorized transactions for the benefit of the local government entity; and

WHEREAS, SDCL 4-3-27 requires that the governing board establish policies providing for the use and accountability of credit card purchases and electronic transactions; and

WHEREAS, the Hot Springs Council has determined that the City has a need for credit cards and electronic transactions for the purchase of materials, supplies, equipment, or other authorized transactions; when such expenses are for the benefit of the local government entity .

NOW THEREFORE BE IT RESOLVED by the City of Hot Springs that the following policy is adopted to govern the use of City issued credit cards and electronic transactions by City employees:

1. All purchases made with a City issued credit card or by electronic transaction shall be accounted for with purchase receipts retained from the point of sale at which the item(s) were purchased. The Supervisor is responsible for submitting detailed receipts and is responsible to ensure that duplicate receipts are obtained if the original receipts are lost. He/She will initiate a purchase request to account for charges made on that Department's credit card. The purchaser will advise the vendor that the purchase is tax exempt.
2. Proper documentation of each charge must be forwarded to the Finance Office. If proper documentation is not received, the payment of the charge is the responsibility of the employee and may be deducted from the employee's pay.
3. The Finance Office shall audit the credit card receipts, reconcile the credit card statements and process the charges for payment by the City.
4. Any transaction must comply with all applicable City policies.
5. City issued credit cards may not be used to pay for meals that qualify for reimbursement through per diem.
6. Purchase of alcoholic beverages is prohibited.
7. Cash advances are prohibited and the card cannot be used for tips.
8. City issued credit cards or any electronic transactions may not be used to pay for any item which does not directly benefit the City of Hot Springs.

9. The credit card accounts shall be administered by the Finance Office and a designee from each Department may be assigned to oversee the usage, limits, and processing for that Department.

10. Personal use of the credit card or any electronic transaction is strictly prohibited. Misuse of a City issued credit card or any electronic transaction will be considered grounds for disciplinary action up to and including termination. All improper charges are the responsibility of the employee.

11. Any perks, credits or items of value earned through the use of said City issued credit card shall only be used for the benefit of the City and not for that of any employee. Additional cardholder responsibilities will be communicated as necessary.

Dated August 20, 2012,

Approved:

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Don De Vries, Mayor

ATTEST:

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Harley Lux, Administrator\Finance Officer