

PURCHASING MANUAL

I. PURPOSE

The City has established Centralized Purchasing throughout. Purchases and the processes surrounding the such, as defined herein, shall be executed by the Purchasing Department.

The purpose of this manual is for use as a guide requisitioning purchases, and the receipt and payment process for goods and services. The guide includes statements of purchasing objectives and policies, as well as the procedure to be followed in performing the major purchasing functions.

The primary concern of Council and the City Manager is to provide the City with a complete Centralized Purchasing Service. Purchasing must work closely with all other departments in procuring materials and supplies, goods and services necessary for implementing the work of other departments.

Purchasing decisions must be coordinated with the aims, policies and preferences of the departments served.

II. PURCHASING AUTHORITY AND COMPLIANCE

PRIOR ENCUMBRANCE OF APPROPRIATIONS : No purchases or contracts involving an expenditure are to be processed unless the transaction is first certified by the Finance Officer that the amount required for the expenditure has been lawfully appropriated and is either in the treasury, or in the process of collection, and free from any previous encumbrances.

All precautions should be taken by departments to make sure that budget accounts are not overspent.

Exceptions to the prior encumbrance requirement are:

- a.) Emergency purchases as outlined in Ordinance section 129.07 and section VII of the Purchasing manual.
- b.) Expenditures of less than \$250.00
- c.) Memberships
- d.) Subscriptions
- e.) Medical bills
- f.) Prepayment for services
- g.) Utility bills (including phone)

Violations of the prior encumbrance requirement:

If the purchase or contract is not preceded by an encumbrance of funds as specified above, no payment may be authorized unless the Finance Officer can certify that both at the time the expenditure was made and at the time he is completing his certification, sufficient funds were available, properly appropriated, and free from any previous encumbrances. If the amount of the purchase exceeds \$10,000 and is not preceded by an encumbrance of funds as specified above, the City Manager shall report the facts relating to that purchase to Council.

PURCHASING INSTRUMENTS :

- a.) Continuing contracts to be performed in whole or in part in an ensuing fiscal year - only the amount required to meet those amounts in the current fiscal year, in which the contract is made, need be certified (encumbered). Remaining contract amounts must be provided for in the subsequent fiscal year's appropriations.
- b.) Per unit contracts - need only certify (encumber) the estimated amount to become due in the current fiscal year based upon the agreed unit pricing and estimated quantities. The normal per unit contract length will be twelve months or less.
- c.) Blanket purchase orders against any specific line item account, not extending beyond the current fiscal year, are to be certified (encumbered) against specific line-item appropriations. A list of expenditures paid under each blanket certificate must be maintained by the Finance Department. The use of blanket purchase orders is subject to the approval of the Finance Officer.

III. PURCHASING FUNCTION OBJECTIVES

The objectives listed below will indicate the scope of the purchasing function prior to the act of purchase. These objectives are based upon proven principles of sound purchasing business management:

1. Assisting department in securing goods and services.
2. Cost estimated for budget submission and approval.
3. Processing requisitions and orders.
4. Secure goods and services of the quality, in the required time and at the lowest prices for efficient City operation.
5. Securing quotations and bids, both formal and informal.
6. Develop and maintain sources of supply for goods and services that are capable to meeting the needs of the City.
7. Foster and maintain business relations with vendors and the community in general.

8. Maintain proper inventories.
9. Expedite deliveries.
10. Standardize where possible.
11. Promote good working relations between Purchasing and user departments.
12. Study price and market trends.
13. Be alert for and recommend new products and services that aid users in the performance of their function: A Value Analysis program.
14. Periodically review the City's purchases to assure that user needs are being optimally met by the goods and services being purchased.
15. Take the detail away from department heads to give them more time to successfully conduct departmental functions.
16. Develop a Request for Proposal (RFP) program for use by the City.
17. Report purchases to City Council as required.
18. Maintain vendor bidders lists (with appropriate experience data).
These objectives can be attained with adequate planning and cooperation by all departments working with the Purchasing Office within the framework of a Centralized Purchasing System.

IV. STANDARDS AND ETHICS

The Purchasing Department is the primary contact between the departments and the vendors. Therefore, the Purchasing Department must adhere to high levels of personal conduct and transact business in a strictly ethical manner.

The following principles are the basics for establishing purchasing practices:

1. Consider, first, the interests of the City in all transactions, and carry out its established policies.
2. Recognize value as being a combination of quality, service and price that assures the greatest economy to the user, and buy on this value basis.
3. Buy without prejudice, seeking to obtain the ultimate maximum for each dollar spent.
4. Respect the City obligations and neither express nor imply a promise of performance that we cannot expect to fulfill.
5. Refrain from divulging information acquired in confidence with the intent to giving or receiving an unfair advantage in a competitive business transaction.
6. City employees are prohibited from accepting gifts, entertainment or any other gratuity from any individual or business.
7. Adhere to the National Institute of Governmental Purchasing principles for ethical purchasing.
8. Follow City and State ordinances when applicable.
9. City employees may purchase items from the City when they are sold by sealed bids, public auction or online auction.

All employees of the City participating in the purchasing process must refrain from any private business or professional activity that would create a conflict between personal interests and the interests of the City.

V. REQUISITIONS

PURPOSE: The purpose of a requisition is to inform the Purchasing Office of the needs of the department so that procedures can be set in motion toward the purchase of the needed materials and equipment, goods and services. It also enables the Finance Officer to check availability of funds. In addition, it can save the City from placing duplicate orders, thus saving time and money.

WHEN TO REQUISITION: It is the responsibility of the department head to anticipate the needs of the department as much in advance as possible, so as to not create a situation whereby items need to be purchased on an emergency basis. Thus, the requisition should be submitted far enough in advance to allow the city to take advantage of competitive quotations and bidding.

Delivery time is also a factor to be considered. Orders should be submitted to ensure that the commodity is delivered when it is needed.

HOW TO REQUISITION:

1. Submit to the Purchasing Department the following information:

- General Description (be certain to include physical description and model numbers- if a particular manufacturer's model or catalog number, mention whose it is and give enough information to fully describe what it is)
- Date Required (as close an approximation to date needed)
- Suggested Vendor (list last supplier plus any preferences from past purchases)
- Quantity
- General Ledger account number to be charged

2. Purchasing Department will confer with the ordering department regarding price, delivery, and quality. Purchasing Department will then obtain quotations as outlined in section IX below and forward the results to the department.

3. Prior to order being placed, the purchase requisition will be entered into the City's purchasing software. If proper funds are not available the requisition will be forwarded to the Finance Officer or designee to be processed according to section VI of the Purchasing manual. The Finance Officer or designee will return the approved requisition to the Purchasing Department for conversion of the purchase requisition to a purchase order.

4. A Purchase Order Department copy will be returned to the ordering department.

SINGLE SOURCE PURCHASES: If the item or service is such that it can be supplied by only one source, a written memo explaining fully the conditions which make the supplier an only source must be sent to the Purchasing Department and if deemed correct, then attached to the purchasing copy of the purchase order as justification.

VI. OVER EXPENDITURES AND SUPPLEMENTAL APPROPRIATIONS

If the requisitioned budget account lacks a sufficient balance, the Finance Department will return the requisition to the requisitioning department.

The department head may:

1. Drop the request.
2. Request transfer of appropriations.
3. Request a supplemental appropriation from contingency or surplus to cover the cost of the material or the service requested.
4. An over expenditure of a budgeted account should be fully explained in the form of a memo to the City Manager, who will analyze the request and either approve or disapprove the requisition.
5. Requests for a supplemental appropriation should be directed to the Finance Officer in the form of a memo fully explaining such a request. Normally, only things that could not have been foreseen or reasonably provided for by careful planning, and are of an emergency in nature, will be considered for presentation to Council. Therefore, careful preparation of annual departmental budget requests is a necessity.

VII. EMERGENCY PURCHASES

TRUE EMERGENCIES:

An emergency situation is defined as a situation in which operation of a department would be seriously hampered because of a shortage of goods or services to maintain critical City operations.

EMERGENCY PROCEDURE:

During normal working hours, the department will notify the Purchasing Department of the need for an emergency purchase. The Purchasing Department will assist the department in securing the needs and issue a purchase order number for the items to be purchased. Purchasing will make necessary arrangements for delivery, working in conjunction with the user's department.

REQUISITION: A requisition must be submitted to the Purchasing Department as soon as possible, so that a confirming purchase order can be issued.

OTHER EMERGENCIES:

If an emergency occurs at times other than normal working hours (i.e. nights, weekends, holidays), the department must submit, on the next working day, a requisition

accompanied by the sales slip, invoice and/or explanation for the necessity of the purchase. Purchasing shall follow through with the accompanying paperwork and any appropriate reporting procedures (see Sidney Codified Ordinance section 129.07).

Negligence on the part of the department head to plan properly is not justification for an emergency purchase. Emergency purchases made hurriedly on a noncompetitive basis are costly and possibly not at the best price.

VIII. CENTRAL STORES OF OFFICE SUPPLIES AND JANITORIAL ITEMS

A central store of such items as City of Sidney envelopes, folders, copy paper, legal pads, and paper clips will be maintained as required. An annual inventory will be performed on these items.

IX. QUOTATIONS PROCEDURE

IMPREST CASH: Minor purchases which cost less than fifty dollars (\$50.00) may be made by the department directly from the vendor. The cost, not including sales tax, will be reimbursed from the imprest cash fund administered by the Finance Office, upon presentation of a paid invoice or sales slip.

ITEMS UNDER \$250.00: Items under \$250.00, as well as exceptions listed in Section II, may be paid by submitting the invoice with proper account number and signature indicating approval.

ITEMS EXCEEDING \$250.00 TO \$2,500.00: Items exceeding two hundred fifty dollars (\$250.00) to two thousand five hundred dollars (\$2,500.00) must be requisitioned following the established procedure. The Purchasing Department will obtain informal quotations from at least two (2) qualified vendors.

ITEMS EXCEEDING \$2,500.00 TO \$50,000.00: Items exceeding two thousand five hundred dollars (\$2,500.00) to fifty thousand dollars (\$50,000.00) must be requisitioned by the department in the usual manner. The Purchasing Department, however, will obtain written quotations from two or more vendors before a purchase order can be issued to a vendor.

MATERIALS OR SERVICES \$50,000.00 OR MORE: All purchases exceeding fifty thousand dollars (\$50,000.00) will be based on sealed bids. These purchases will follow the procedure outlined below:

1. Resolution authorizing bids.
2. The invitation to bid will be advertised in the local newspaper as required by law.
3. A notification of bid will be mailed to all qualified companies on the City's

bidders list. Invitations to bid will be sent to requesting bidders, and/or bids will be sent directly to bidders on bid list and those qualified who respond to legal advertisements.

4. Bids shall be opened on the day and time set in the bid announcement, and publicly read.
5. Where required, bids shall be accompanied by a sufficient and acceptable bid bond, in the form of a certified or cashier's check drawn on a solvent bank or a bid bond executed by a surety authorized to do business in the State of Ohio, and made payable to the City, to assure the City, that if a bid is accepted, a contract will be entered into. Where required, a Performance Bond (100%) or a 100% bank "Letter of Credit" shall be secured by the City, prior to commencement of the contract, and approved by the City Law Director.
6. Where required, bidders shall execute and submit a non-collusion affidavit and a disclosure of personal property taxes on the forms furnished by the City. No contract is deemed fully executed until this is done. Upon completion of the project, a signed contractor's indebtedness affidavit must be filed with the City to execute final payment of said contract
7. Prevailing wages shall be paid as required by Ohio law on all projects for new construction, remodeling, and repair projects. Bids shall be submitted accordingly as noted in the bid requirements.
8. The interest earned on all contract retainage shall accrue to the sole benefit of the City.
9. Addendums to bids shall be made available to all known bidders and shall be issued, in a reasonable time, prior to the bid opening. Bids may be postponed as deemed in the City's best interest. The city reserves the right to reject any and all bids, waive informalities and make an award deemed in its best interests.
10. Bidders are to keep informed of all laws and regulations, Federal and State, city ordinances, codes, rules, safety requirements (Industrial Commission) which affect those employed to engage in the work or materials to be used in a project.
11. Project completion (delivery) warranties, references, terms and F.O.B. shall be required by bidders in the Bid Invitation. Non-responsiveness can be determined as a condition for bid disqualification.
12. Bids will be awarded on the basis of best and lowest bids conforming to the specifications.
13. After final authorization, the Purchasing Department shall follow through with the proper purchase order. The bid award shall be made within forty-five (45) days of the bid opening, except when the bid involves use of Federal funds or sale of notes and/or bonds, in which case the award shall be made pending the

availability of funds. Bids may not be withdrawn or modified unless the award is delayed beyond that time.

The City reserves the right to establish its own schedules of construction and payment with any contractor awarded the bid, and to bid each component part of the project as a whole or separately.

14. The Purchasing Department will send a final tabulation to all bidders, specifying which bid or quotation was awarded the purchase.

PURCHASING CARD: Expenditures under two hundred fifty dollars(\$250.00) and/or memberships, subscriptions, education registration, and travel-related expenditures may be made by using the City's purchasing card. Other purchasing card expenditures not listed above, including transactions exceeding \$250.00, may be made only with the prior approval of the Purchasing Department. The use of the purchasing card for transactions exceeding \$250.00 does not eliminate the requirement to have a purchase order in place and funds encumbered prior to the expenditure being executed. The purchase order must be made payable to the financial institution that issued the purchasing card.

X. PURCHASE ORDERS

The purchase order is the vendor's authorization to ship equipment, materials or supplies, or to perform the services specified thereon. It constitutes the contract between the City and the vendor, with the conditions (boiler plate) specified and incorporated into the contract.

HOW PURCHASE ORDER IS HANDLED: The purchase order is made up of three (3) copies: the original (offer) is sent to the vendor, the Purchasing Office copy, and the requisitioning department's copy.

Procedurally, the department receives a colored copy of the purchase order for its files. The invoices are submitted by the Vendor to Finance. The department signs the colored copy for a complete shipment received, and forwards to Finance for payment. For a partial receipt, the colored copy is so noted, and a copy is sent to Finance for payment. The original is completed and sent, once the order is received complete. All department managers must approve actual invoices before payment is processed by the Finance Department.

XI. SPECIFICATIONS

Standard specifications should be set up so that maximum competition can be secured. The description of the commodity and its characteristics should be so definite and precise as to eliminate the possibility of misunderstanding on the part of the purchaser, vendor or user. Wherever necessary, tests will be made to determine compliance with the specifications. Specifications that are considered "closed" (eliminating all competition) shall not be submitted by any department.

Trade or brand name items may be submitted to the Purchasing Office on the requisition, but may not necessarily become a part of the final specifications. Use of brand names shall establish a generally acceptable standard, and other brand names of the same general qualities will be requested to submit bids.

EXCEPTIONS: Where current equipment or materials for parts or replacement are required, alternatives may not be feasible.

XII. ITEMS COVERED BY WARRANTY OR GUARANTEE

DEPARTMENT FILE: The City may purchase items that have a warranty or guarantee for a certain length of time. Prior to the repair or replacement of any items, the Purchasing Office should be consulted to see if the item is covered by such warranty or guarantee. Generally, each department should maintain an active, up-to-date file on such warranty or guarantee with complete information.

XIII. PAYMENT OF TRANSPORTATION

FREIGHT CHARGES: Freight charges will be handled in one of the following ways:

1. F.O.B.: City of Sidney. When the purchase order is marked in this manner, no transportation charges are to be paid by the City.
2. F.O.B.: Shipping Point. In cases where the City does pay freight charges, the charges are to be prepaid by the shipper, and the prepaid bill shall be added to the invoice.

C.O.D. CHARGES: The City will not accept C.O.D. shipments. If shipping charges are to be paid, they will be paid in the above described manner.

XIV. BID AND PERFORMANCE BONDS

Where required, bids shall be accompanied by a sufficient and acceptable bid bond, in the form of a certified or cashier's check drawn on a solvent bank or a Bid Bond executed by a surety authorized to do business in the State of Ohio and made payable to the City, to assure the City, that if a bid is accepted, a contract will be entered into. Performance bonds or bank "Letters of Credit", where required, shall be deposited in the amount of the contract (100%) prior to execution of contract, and approved by City Law Director.

Requiring certified checks or bonds may not always be in the best interest of competition. Therefore, careful study should be given to this matter before a bond is required. In any event, the City Manager or Purchasing Department shall decide when the deposit of a bond or "Letter of Credit" is necessary for a vendor to be awarded a purchase order or contract.

XV. RETURNS

The following procedure should be used for materials, goods, or equipment received requiring return to vendor:

1. Department contacts Purchasing with problem notification.
2. Purchasing contacts vendor for disposition, return authorization.
3. Purchasing notifies department with return instructions and Return Materials Transfer Order (RTMO) form which is sent with return, along with copies for the department and Finance.
4. Finance receives appropriate credit.
5. Department receives appropriate replacement, if required.

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