



CITY OF WATAUGA – PERSONNEL, ADMINISTRATION AND FINANCIAL POLICIES AND PROCEDURES MANUAL

POLICY TITLE	Purchasing
INITIAL EFFECTIVE DATE	June 25, 2018
LAST REVISION DATE	Replaces <i>Section 23.1, 23.2, 23.3, 23.4, 23.5, 23.6, 23.7, 23.8, 23.9, 23.10, 23.11 and 23.12</i> of the Personnel, Administration and Financial Policies and Procedures Manual approved on February 24, 2014.
POLICY NUMBER	13.01

OBJECTIVE This policy sets forth measures to effectively manage purchasing by City employees using City funds.

SCOPE This policy applies to all eligible employees.

POLICY

A. Purchasing Policy

The following are the policies and procedures for procurement activities by the City of Watauga. All procurement activities for the City shall be administered in accordance with the provisions of this policy, State and local laws and regulations, and City Charter and ordinances. Its purpose is to provide guidance and instruction to all employees for the procurement process. It is the intention to promote open and fair conduct in all aspects of the procurement process.

It is the purpose of these procedures to establish uniform guidelines for procurement of supplies, materials and services for the City. The procedures are designed to

1. Ensure compliance with State and local laws pertaining to municipal purchasing;
2. Meet the operational needs of the City;
3. Provide a timely and cost effective method for acquiring goods and services;
4. Provide reasonable and efficient internal controls;
5. Assist in prevention of any unauthorized purchases by the City, and any evidence of collusion by vendors;
6. Provide the citizens and taxpayers of the City assurance that the best use of the available resources of the City are being realized;
7. Promote competition among bidders and vendors interested in providing products or services to the City.

The Purchasing Division is responsible for ensuring that the City complies with federal, state, and local statutes regulating the public procurement process. The Purchasing Division should be included in all stages of acquisition - planning, requisition, ordering, and receiving. Purchasing is responsible for issuing purchase orders and bids, and negotiating and executing contracts to deliver goods and services. This is to ensure compliance with State of Texas

purchasing statutes and the City's policies.

B. Purchasing Function

The basic function of a municipality's purchasing system is to support and enhance the delivery of City services. The optimum performance of this function requires that the purchasing system continually provide City departments with proper quality, as well as, proper quantity of requested commodities within an acceptable timeframe and at the best value.

C. Procurement Requirements and Legal Considerations

Section 9.08 of the Home Rule Charter states the City of Watauga provides that all contracts, purchases and expenditures exceeding the maximum amount permitted by state law in effect at the time of the expenditure must be expressly approved in advance by the City Council and subject to competitive bidding or competitive sealed proposals and shall be let to the bidder who is most responsive to the needs of the City after consideration all factors and circumstances surrounding the bid, including, but not limited to the lowest price. The City Council retains the right to reject all bids.

The exceptions to bidding requirements as stated in Local Government Code Section 252.022, as now or hereafter amended, shall constitute exceptions to this provision.

In accordance with a City Council Resolution adopted in January 2000, the General Services Commission is authorized to provide purchasing services for the City pursuant to Sections 271.082 and 271.083 of the Local Government Code, as now or hereafter amended. If goods and services, in excess of the maximum amount permitted by state law in effect at the time of the expenditure are purchased through the General Services Commission Cooperative Purchasing Program, the competitive bid process in Section 23.2 and 23.3 of this manual does not have to be followed. General Service Commission has already undertaken the competitive bidding process required in Section 9.08 of the Home Rule Charter. However, before such goods and services can be contracted for, the City Council must approve each purchase in excess of the maximum amount permitted by state law in effect at the time of the expenditure. These same rules apply to all organizations that have undertaken the competitive bidding process.

Purchases of supplies and services per commodity must comply with applicable State laws and must have prior approval by City Council when applicable. When purchasing these items each department shall provide enough lead-time to allow for the appropriate solicitation and City Council when required.

Items that are on existing contract with a vendor should not be procured from any other vendor. To do so may constitute a breach of contract and may result in violations of the competitive bidding statutes.

D. Procurement Procedures and Information

1. Purchases not subject to formal competitive bidding

Purchases less than \$50,000 are not subject to competitive bidding, as defined by the Texas Local Government Code. It is the policy of the City, however, that all purchasers seek to acquire goods and services in a competitive environment. Departments may authorize purchases less than \$50,000 as stated below:

- a. Purchases less than \$3,000 in a fiscal year period may be made without competitive price quotations, and require approval. Individual Directors may exercise discretion regarding the procurement of these purchases.
- b. Purchases greater than \$3,000, but less than \$10,000 in a fiscal year period requires approval through the informal quote process, utilizing the Informal Bid form. Competitive price quotations may be obtained verbally or in writing. Per Local Government Code 252.0215, the City must contact at least two (2) Historically Underutilized Businesses (HUBs) on a rotating basis, based on the information provided by the Texas Comptroller pursuant to Chapter 2161 of the Texas Government Code. If the list fails to identify a HUB in the county, the City is exempt from this section.
- c. Purchases between \$10,000 and \$49,999.99 in a fiscal year period require a minimum of three (3) written formal price quotations utilizing the assistance of the Purchasing Division with a formal Request for Quote process. These purchases must be authorized by Department Director or their appointed designee. All Department Directors must inform Finance of the appointed designees.

2. Purchases subject to formal competitive bidding

The Texas Local Government Code requires either competitive bidding or competitive Requests for Proposals (RFP) for City purchases \$50,000 and greater. City employees are prohibited from making “separate, sequential, or component “purchases to avoid the competitive bidding requirements.

City Council approval is required for the purchases of goods and services \$50,000 and greater.

3. Purchases subject to formal competitive bidding – exceptions

Except for those contracts and/or bids which have been awarded by other local governmental entities with which the City has an existing interlocal or cooperative purchasing agreement, purchases in excess of \$50,000 shall be competitively bid, unless an exception to the competitive bidding statute applies. All purchases in excess of \$50,000 shall be awarded by the City Council.

Exceptions to the competitive bidding requirements shall comply with Local Government Code, Section 252.022 General Exemptions.

4. Procurement of Professional Services

Contracts for professional services shall comply with Section 2254 of the Government Code.

The City Council shall authorize any professional service contract which will exceed \$50,000 during a fiscal year period, as outlined in Chapter 2254 of the Government Code.

5. Local Government Cooperative Purchasing

Whenever it is determined to be advantageous to the City, cooperative purchasing with other local governmental agencies may be used. Purchasing will work with other governmental entities to take advantage of the benefits of joint purchasing arrangement. Purchasing will utilize various cooperative programs available to the City. Such cooperative agreements shall be approved by all governing bodies for each local agency participating in any purchasing cooperative. The provisions of the Local Government Code (Subchapter D, Sections 271.081 through 271.083) and Interlocal Cooperation Contracts Government Code Chapter 791 shall apply.

6. Authorization and Approval of Change Orders

The City Council hereby authorizes the City Manager or their appointed designee to approve any and all individual or cumulative change orders which involve a decrease or an increase of \$50,000 or less, provided the total contract expenditures do not exceed the budgeted amount. Individual or cumulative change orders involving a decrease or an increase in excess of \$50,000 will require approval of the City Council, in accordance with Local Government Code, Section 252.048 Change Orders. Individual or cumulative change orders may not increase more than 25% of the original contract price or decrease the original contract by more than 25%. Any individual or cumulative change greater than 25% will require a new solicitation (or a finding by the City Council that an exception to bidding, such as "health and safety" is applicable to the additional amount).

7. Emergency Purchases

Local Government Code Section 252.022 items 1-3. Emergency purchases are extremely unique and must be considered on a case-by-case basis. An employee who is making a purchase that falls under one of the categories below is not required to comply with the competitive bidding process, but shall still comply with the general purchasing procedure. The three (3) basic categories per the Code include:

- a. Items purchased in case of public calamity to relieve the needs of the citizens or to preserve City property
- b. Items to preserve or protect the public health or safety of the residents of the City
- c. Items necessary because of unforeseen damage to public property

Process of emergency purchases:

- d. The purchasing employee must obtain approval from the City Manager or their designed for all emergency purchases.
- e. The purchasing employee should coordinate with Finance to ensure funds are available.
- f. Purchasing employee should communicate with the vendor(s) and Purchasing in order to complete the request. Purchasing will issue a purchase order number verbally when it is not feasible to obtain a purchase order number, and department

will submit a purchase requisition within 48 hours after the issuance of an emergency order.

8. Sole Source Purchases:

State law allows for a limited exemption from competitive bidding for the purchase of goods where the functional requirements of the City can be satisfied by only one source. This applies to purchases where competition is precluded such as:

- a. The existence of patents, copyrights, secret processes or natural monopolies
- b. The purchase of films, manuscripts or books; purchases of gas, water, or other utility services
- c. Purchase of captive replacement parts or components for equipment

A product is eligible for sole source purchase only when there is a significant functional difference between the product and other similar products on the market, and when the item is available from only one vendor. The following are not sufficient justifications for a sole source purchase:

- d. Product is made by only one manufacturer, if products from other manufacturers are available that perform a similar function
- e. A particular name brand of product is preferred over other brands
- f. Only one local vendor offers a product, if other vendors who offer the product can meet the City's needs

Sole source purchases in excess of \$50,000 will be approved by the City Manager and the City Council prior to the purchase. When City Council approval is necessary, a detailed explanation of the sole source basis for the purchase will be included by the Department on the agenda request.

E. Notice Requirements

Section 252.041 of the Local Government Code specifies the notice requirements for municipalities. Consistent with the local code, the following procedures shall be followed:

- a. If the competitive sealed bid or proposal requirement applies to the contract, notice of the time and place at which the bids will be publicly opened and read aloud must be published at least once a week for two consecutive weeks in a newspaper published in the municipality. The date of the first publication must be prior to the 14th day before the date set to publicly open and read the bids.
- b. If the contract is for the purchase of machinery for the construction or maintenance of roads or streets, the notice for bids and the order for purchase must include a general specification of the machinery desired.
- c. Departments are responsible for submitting requests for bids and proposals to Purchasing in sufficient time for the necessary advertisements prior to bid or proposal opening dates. Purchasing will work with the City Secretary's Office for placing the advertisements as required. Purchasing is responsible for preparing Invitations to Bid forms and ensure that each firm known to be interested in bidding on the good or service receives notification.

F. Ethics

Public employment is a public trust. Public employees must discharge their duties impartially so as to assure fair competitive access to governmental procurement by responsible vendors and contractors. Moreover, employees should conduct themselves in such a manner as to foster public confidence in the integrity of the procurement process. When in doubt, it is best to avoid any situation which might influence or appear to influence purchasing decisions. At all times, City officials and employees shall:

- a. Comply with all State and local regulations governing conflicts of interest, including Texas Local Government Code Chapter 171
- b. Not knowingly use confidential information for actual or anticipated personal gain
- c. With the exception of the Finance staff, not communicate with vendors during the solicitation process which can lead to vendor disqualification

G. Historically Underutilized Business (HUBs)

Per Texas Local Government Code Section 252.0215 the City, in making an expenditure of more than \$3,00 but less than \$50,000, shall contact at least two (2) historically underutilized businesses on a rotating basis, based on information provided by the Comptroller pursuant to Chapter 2161, Government Code.

If the list fails to identify a historically underutilized business in the county in which the municipality is situated, the municipality is exempt from this section.

Departments should contact Purchasing for assistance with this compliance.

H. Debarment

The City of Watauga may suspend or debar vendors from the consideration of award of contracts. Grounds for suspension or debarment include, but are not limited to:

- a. If the vendor misrepresents its qualifications, experience or provides false information on a bid, proposal or quote response
- b. If the vendor is indicted at the time of submitting a bid, proposal, or quote response for or otherwise criminally or civilly charged by a governmental entity with commission of other similar services or contracts
- c. If the vendor, within a three year period preceding the bid, proposal or quote due date, had one or more public transactions terminated for cause or default
- d. If the vendor violates any Federal, State, and local governmental laws, rules, and regulations relating to its responsibilities, as set forth in the documents or agreement.

I. Order Processing

1. **Purchase Requisition** is an internal electronic form that is part of the City's Incode Financial software system. It is used to inform Purchasing of the needs of a department and to identify the goods or services requested for purchase. All purchase requisitions

are entered into the automated procurement system. Requisitions should be prepared far enough in advance so as not to create an emergency situation. This allows Purchasing adequate time to ensure compliance with policies, laws, and bids, obtain quotes or bids as needed, and ensure reasonable delivery by the vendor.

All requisitions must be approved by the Department Director prior to submitting to Purchasing for assignment of a purchase order. Requisitions numbers are not the same as purchase order numbers. REQUISITIONS MAY NOT BE USED AS PURCHASE ORDERS.

Requisitions in the system that do not have the necessary information will not be approved until all requested information is received by Purchasing.

Once a requisition is approved, the funds for that purchase are “encumbered” or reduced from your available budget.

2. **Purchase Orders** are prepared in Purchasing by converting the information on the purchase requisition into a purchase order. A purchase order is the vendor’s authorization to ship materials or provide services as specified. It acts as a contract between the City and the vendor. No orders are to be placed with vendors except through the issuance of a purchase order by Purchasing.

The purchase order is created and distributed as follows:

- a. One is sent to the vendor via email when available (copied to end user)
- b. One is filed in accounts payable, along with any supporting documentation
- c. One is sent to the User Department (pink receiving copy)

Purchasing will approve packets daily to ensure a timely ordering process. All purchase orders will be processed with vendors by purchasing upon approval.

J. Exceptions

There may be purchasing requirements that are an emergency or of an immediate need in nature. In these instances, contact Purchasing and an appropriate procedure will be worked out so that your department needs are met within a timely manner.

K. Online Orders

On-line orders such as Office Depot should be processed as follows:

- a. Enter your order information as usual
- b. Place order on hold (do not submit order)
- c. Enter Purchase Requisition and follow same procedures above
- d. Backup documentation should be sent to Purchasing, as requested
- e. Once backup documentation has been received, Purchasing will approve the requisition accordingly and release on-line order for order submittal.

L. Blanket Purchase Orders

Blanket purchase orders may be created by the Finance Department for repetitively ordered supplies or services. These are created as a convenience and should be limited to small, repetitive items. Such orders are appropriate when they will reduce the number of purchase orders, administrative costs and paperwork. Rather than issue a separate purchase order for each purchase, one purchase order is issued in advance to cover all purchases made during a specified time period.

The Finance Department shall provide the vendor with the names of City employees authorized to make a purchase under each blanket purchase order.

M. Canceling Purchase Orders

Purchasing may cancel a purchase order upon written request from the User Department. Upon cancellation of the purchase order, all encumbered funds are released.

N. Receiving

It is the department's responsibility to ensure that the order is complete and inspected for quality and quantity and to report any discrepancies to the vendor. There should be an actual inventory of the goods at the time of delivery. If the shipment is complete and undamaged, then the packing slip, and/or delivery ticket along with the pink signed receiving purchase order should be sent to Accounts Payable. The signed pink receiving purchase order is to be sent to Accounts Payable as authorization and verification that the products and services have been received and are complete and ready for payment. The Department Director, or appointed designee, should sign these purchase orders. No invoice, with exception of blankets, will be sent to the Department from Accounts Payable. If there is a discrepancy in the invoice amount and the purchase order, the User Department will be notified prior to any payment.

Should the department receive only a partial shipment, or return part of a shipment due to damage or the wrong item delivered, this must be noted on the packing slip, delivery ticket or receiving purchase order before sending to Accounts Payable.

If the User Department receives an invoice with the shipment, it should be sent immediately to Accounts Payable for payment processing.

State Statute requires the City to make prompt payment to vendors no later than the 30th calendar day following the day on which the City received supplies, materials, or equipment, or the day on which performance of services was completed, or the day on which the City received an invoice, whichever is later. It is very important that the User Department promptly process the receiving documents once the products have been received or the services have been completed.

Payment does not have to be made by these deadlines if there is a bona fide dispute over the invoice and/or delivery or service.

If you will be paying in multiple payments, make copies of the purchase order for each payment, mark through the total amount, write "partial payment" and write the amount to be paid with this payment.

If you have problems with a vendor regarding delivery and/or service, contact Purchasing for assistance.

1. Returns

When the materials received are not the same as ordered on the purchase order, contact the Purchasing and the vendor immediately. The Department should notify the vendor as to the discrepancy and arrange exchange, return, or cancellation of the materials. Purchasing should be made aware of all correspondence with vendors. A detailed account should be recorded and forwarded to Accounts Payable.

2. Canceling or Changing Orders

The information on a purchase order may need to be altered for several reasons, which may include: incorrect pricing, substitute item, etc. or canceled altogether. In the event any changes are needed, the Department should notify Purchasing immediately. The purchase order will be revised as needed by Purchasing and the revised purchase order will be sent to the vendor and copied to the Department. The distribution of the revised purchase order will be the same.

In the event an order is to be canceled, the Department is to notify Purchasing immediately. Purchasing will notify vendor that the order is being canceled, followed by confirmation to the Department that the order has been canceled. The receiving pink purchase order should be sent to Purchasing with "CANCELED" indicated and Purchasing will then void the order from the system.

O. Payment Authorization

The Finance Department shall review all purchases prior to issuing payments. Payment authorizations must be properly completed with all necessary signatures. Authorizations signatures verify that all products have been received or services rendered in compliance with the order.

Payment to vendor is based on three documents:

1. Purchase order
2. Appropriately authorized and signed receiving pink purchase order form department indicating receipt of product or services
3. Invoice

Payment will not be made without these three documents.

P. General Steps In Procurement Process

1. Department identifies purchase need.
2. Department generates purchase requisition.
3. Department Director approves purchase requisition.
4. Purchasing ensures compliance in procurement and converts requisition to purchase order.
5. Purchase order is sent to vendor and User Department.
6. Department receives products or services.

7. When order is complete, the Director, or authorized designee, signs copy of the pink receiving purchase order as complete and authorization for payment and sends it along with shipping documents to Accounts Payable.
8. Accounts Payable matches invoice(s) to purchase order and receiving documents and if all match, payment is made. If there is a discrepancy, Accounts Payable will notify the User Department and appropriate action will be taken by Finance.

Q. General Provisions

The following are general provision to be followed with regard to the bid or proposal procedures and projects.

1. As bids and proposals are received by the City, they shall be stamped with the date and time of receipt, and remain unopened.
2. On the date and time of bid opening as designated in the published notice, Purchasing or other persons as designated by the City Manager open the bids at a public meeting. Upon request, bidders should be provided a tabulation of the bids/proposals received and should be informed of the process and schedule to be observed in awarding the contract.
 - a. If the contract is for construction of public works, the successful bidder must provide a bond for the faithful performance for the full amount of the contract.
 - b. Consistent with the Watauga City Charter, the Mayor is the only person authorized to sign contracts and conveyances and the City Council must approve any contract, purchase or expenditure that exceeds the maximum amount permitted by state law at the time of the expenditure subject to competitive bidding or sealed proposals including utilization of purchasing agreements with other entities.
 - c. It shall not be permissible to make several purchases of the same or similar items for the purpose of circumventing the competitive bidding or proposal requirement.
 - d. The Watauga Parks Development Corporation Board and the Watauga Crime Control and Prevention District Board may impose more stringent requirements concerning purchasing and payment authorization requirements.