
ADMINISTRATIVE POLICIES AND PROCEDURES

SECTION: FINANCE

CATEGORY: CITY CODE - PROCUREMENT §30.20 - §30.35

TOPIC: INTERNAL PROCUREMENT PROCEDURES

REFERENCE NO: AP16-046

EFFECTIVE DATE: July 22, 2016

STATEMENT OF PURPOSE:

The City of El Mirage (City) will purchase commodities, services, and technology in accordance with the Arizona Revised Statute (A.R.S.). The informal purchasing procedures presented are established by the City Manager. The procedures are designed to direct City personnel in making purchases efficiently and effectively by providing systematic guidance for municipal expenditures as set forth in the fiscal budget. It is the City's mission to promote fairness in purchasing with the business community. The purchasing procedures are intended to advance this mission by directing City personnel to implement purchasing practices consistent with the Purchasing Code.

POLICY:

I. AUTHORITY

- A. The City Manager shall authorize all purchases \$30,000 and below, pursuant to the City of El Mirage Code §30.23(A). These purchases shall constitute as informal purchases. The City Manager shall establish procedures for informal purchases.
- B. The following schedule shall be followed prior to the purchase of good or services.

Dollar Threshold	Quotation, Bid or Purchase Order Requirements
\$0.01 - \$5,000.00	<ul style="list-style-type: none"> • No quotations or bids required. • No Purchase order required. • Department Head approval required.
\$5,000.01 - \$10,000.00	<ul style="list-style-type: none"> • Telephone or informal quotations required. • Purchase order required. • Department Head approval required. • Finance Director approval required. • City Manager approval required.
\$10,000.01 - \$30,000.00	<ul style="list-style-type: none"> • Written quotations required. • Purchase order required. • Department Head approval required. • Finance Director approval required. • City Manager approval required.
\$30,000.01 and over	<ul style="list-style-type: none"> • Considered Formal Purchase. • Refer to the City Code §30.23(B) • City Council approval required. • Purchase order required.

II. DEFINITIONS

Capital Improvements: The construction of a building or structure, or additions to or alterations of existing buildings or structures. The term structure shall include without limitation paving, concrete, or other mortar work, streetlights, traffic signals, drainage facilities, pipes, grading, major improvements to landscaping and other construction work.

Change Order: A written order signed by the City Manager that authorizes a change in the scope, quantities, items, time for performance and/or pricing, etc. of a previously issued contract.

City Manager Designee: A City employee designated the authority granted to the City Manager pursuant to a written document executed by the City Manager, which is effective until revoked.

Competitive Selection: A process whereby a public solicitation is used to select the best provider of materials, services, concessions or capital improvements. Methods of competitive selection include request for bids, request for proposals, and request for qualifications.

Concession: An authorization allowing use of City property for the purpose of making profit by the contractor, the City or both.

Consulting Services: Services provided by a vendor to study, advise and/or assist in solving specific management or programmatic problems involving the organization, planning, direction, control or operations of a City department/program.

Contract: All types of agreements regardless of what they may be called, for the procurement or purchasing of materials, services, concessions or capital improvements. Oral contracts are strictly prohibited.

Emergency Purchase: Purchases necessary for the immediate preservation of the public peace, health, or safety and for which compliance with established purchasing procedures is impracticable or contrary to the public interest.

Government Agency: The State of Arizona or a political subdivision thereof, any other state of the United States or a political subdivision thereof, or any department of the federal government.

Government Organization: An organization, the members of which are governmental agencies.

Group Purchasing Organization, (GPO): An entity that is created to leverage the purchasing power of a group of businesses to obtain discounts from vendors based on the collective buying power of the GPO members.

Master Agreement, (MA): A document between two parties used to establish a term agreement with estimated deliverables that sets out standard terms that apply to all the transactions entered into between those parties. Each time that a transaction is entered into, the terms of the master agreement do not need to be re-negotiated and apply automatically.

Materials: Supplies, commodities, and equipment. Materials do not include land or an interest in real property.

Maintenance Services: Recurring, routine maintenance and repairs performed on existing facilities, structures, buildings or real property.

Non-Professional Contract Services: Services which are primarily provided through semi-skilled labor. The primary criteria in the selection process will be qualifications of the vendor and price.

Personal Property: Tangible or intangible property, other than real property.

Procure/Procurement: The purchase, rent or lease of materials, services, or the contracting for capital improvements. Procurement includes development of requirements, solicitation and selection of sources, and contract administration.

Professional Services: Services which require special knowledge, education or training the primary criteria in the selection process will be the qualifications of the vendors. Professional services include, but are not limited to; advertising, appraisers; architects; attorneys; consultants; certified public accountants; engineers; entertainers; environmental studies; financial and operational audits; personnel and benefits studies; physicians and other health professionals; land surveyors; landscape architects; renewals of proprietary computer hardware and software licensing; trainers and teachers; and other technical registrants as defined in Arizona Revised Statutes.

Purchase Order (PO): A form of contract between the City and a vendor to acquire materials, services or capital improvements for an agreed upon price. When accepted by the seller, it becomes a contract binding on both parties. Most vendors require a purchase order before an order will be placed.

Purchasing Administrator: An employee appointed by the City Manager with the authority and responsibility to administer day-to-day procurement activities pursuant to the El Mirage City Purchasing Code, this procedure and Arizona Revised Statute

Purchasing Card Program, (Pcard): An authorized employee of the City of El Mirage who is approved by the City Manager to execute purchase transactions on behalf of the City.

Real Property: Land and its permanently affixed buildings or structures.

Services: Intangible products such as accounting, banking, cleaning, consultancy, education, insurance, expertise, medical treatment, or transportation. This includes professional and non-professional.

Service Contract, (SC): An agreement whereby a contractor supplies time, effort, and/or expertise instead of a good (tangible product). Service Contracts are used for services when the nature of the purchase is relatively simple with a set deliverable.

Sole Source: A procurement or purchase in which there is only one source for the required material, service, concession or capital improvement.

III. RESPONSIBILITY FOR PURCHASES

A. No purchase shall be made without proper authorization.

B. The City Manager will appoint a Purchasing Administrator to oversee the day-to-day procurement functions, and ensure compliance with the El Mirage Purchasing Code.

D. Department heads are responsible to ensure that their staffs comply with all procurement policies, establish controls so purchases receive appropriate internal approvals, and to ensure that their purchases are of an appropriate nature and are required for the effective and efficient operation of their areas. Department heads may delegate purchase authority to staff, however Department heads are accountable to ensure that designee(s) are aware and comply with all applicable procedures and the City of El Mirage Purchasing Code. Departments are responsible for maintaining documentation of the purchases for audit purposes and for compliance with records retention requirements (available on the intranet).

E. Accounts Payable is responsible for paying claims that arise from the City's purchases.

F. All purchases are subject to audit.

IV. PURCHASING ETHICS

A. General

It is the policy of the City to promote courtesy, fairness, impartiality, integrity, service, professionalism, economy, and government by law in the procurement process. The responsibility for implementing this policy rests with each individual who participates in the procurement process, including employees and other agents of the City, respondents and contractors.

B. Employee Responsibilities

Public employees responsible for the expenditure of public funds have a responsibility to ensure that their conduct will not violate the public trust placed in them. They must make certain that their conduct does not raise suspicion or give the appearance that they are in violation of that public trust. Employees and agents of the City having responsibility for purchasing at all levels shall:

1. Encourage competition, prevent favoritism, and obtain the best value in the interest of the City and the public.
2. Place professional responsibilities above personal interests.
3. Ensure fair, competitive access to City procurement opportunities.
4. Deal with the public and contractors with courtesy, consideration, and even-handedness.
5. Use information gained confidentially in the performance of City duties solely in the City's interest.
6. Disclose any potential conflict of interest to their supervisor and the Purchasing Administrator.
7. Recuse themselves from any specific procurement for which there is a conflict of interest.
8. Report corruption and unethical practices, wherever and whenever discovered, to the appropriate official and/or take other such action as is warranted by the situation.

V. SOURCE SELECTION

Procurements should be viewed on a fiscal year basis for the purposes of determining the appropriate purchasing process when possible and reasonable. Purchases shall not be artificially divided to avoid the requirements set forth in this procedure, City of El Mirage Purchasing Code, or other applicable laws. The dollar values in this section are applied on a fiscal year basis for the contract term.

A. Capital improvements and related professional services all procurements for capital improvements and related professional services, as defined herein, shall be awarded in accordance with the requirements of state law. Procurements for public improvements that exceed the amounts established in accordance with A.R.S. §34-201(c) shall be awarded in accordance with the procedures established in A.R.S. Title 34, including the procedures for alternative contracting. Procurements for public improvements that do not exceed the amounts established in accordance with A.R.S. 34-201(c) may be awarded in accordance with the El

Mirage City Code or in accordance with the procedures established in A.R.S. Title 34 for alternative contracting. Capital improvements do not include maintenance services as defined.

B. Purchases up to \$5,000 do not require multiple quotes, but it is the Department's responsibility to ensure that the purchase is made in a manner consistent with sound business practices and that the City receives the best value for the price paid. If an individual Purchase is less than \$5,000, but will be procured again on an ongoing basis, request guidance from the Purchasing Administrator and Finance Director. Departments are responsible for maintaining selection documentation related to these purchases for audit purposes and for compliance with records retention requirements. Departments should use El Mirage local businesses whenever possible and economical.

C. Purchases of materials and contracted services greater than \$5,000 and up to \$10,000 the department will obtain at least three (3) documented quotes. In the event three documented quotes are not available in a timely fashion, the department shall obtain as many documented quotes/proposals as are reasonably available and a memo must accompany the purchase requisition explaining why three documented quotes/proposals were not obtained. Departments should obtain documented quotes/proposals from El Mirage businesses whenever possible. Before approving a purchase order, the Purchasing Administrator will review the quote/proposal documents, and has the right to reject quotes/proposals or to obtain additional quotes/proposals as needed. The Purchasing Administrator generally does not obtain quotes/proposals for these purchases but is available for assistance upon request.

D. Purchases of materials and contract services greater than \$10,000 and up to \$30,000 the department will obtain at least three (3) formal written quotes/proposals. In the event three written quotes/proposals are not available in a timely fashion, the department shall obtain as many written quotes/proposals as are reasonably available and a memo must accompany the purchase requisition explaining why three written quotes/proposals were not obtained. Departments should obtain written quotes/proposals from El Mirage businesses whenever possible. Before approving a purchase order, the Purchasing Administrator will review the quotes/proposals and has the right to reject quotes/proposals or to obtain additional quotes/proposals. The Purchasing Administrator generally does not obtain quotes/ proposals for these purchases but is available for assistance upon request.

E. Purchases of materials and contract services Over \$30,000 shall be referenced in chapter §30 of the City Code.

F. Concessions

Concessions where the resulting agreement is exclusive to one or more awardees shall be procured pursuant to competitive selection. The City Manager may grant an exception upon written recommendation by the Department Head that competitive selection is not practicable or advantageous to the City. A copy of said recommendation approved by the City shall be kept in the Department's procurement file and a copy shall be forwarded to The Purchasing Administrator. Concessions where the resulting agreement is inclusive of all those who meet the minimum requirements may be made without competitive selection but in a manner that affords fair and equal opportunity.

G. Services/Expenditures Excluded from Quote/Competitive Selection Requirements

The following Services are excluded from the requirement of multiple quotes or Competitive Selection:

1. Artists and entertainers, professional witnesses, attorneys and judges
2. Advertising
3. Former employees contracted on a temporary or consulting basis
4. Attendance at standard commercially available training seminars
5. Memberships in professional associations
6. Subscriptions to trade/professional magazines or journals
7. Travel-related expenses for employees or others while traveling on authorized City business
8. Payments for regulated services, such as postage and utilities where there are no practical competitive alternatives
9. Non-Profit corporations partnered with the City as approved by the City Manager and/or City Council to provide certain services.

H. Computer Licensing and Maintenance

The initial purchase of computer hardware and software is considered a purchase of materials for determining the procurement method herein. Subsequent hardware and software licensing renewals and software maintenance are considered a professional service for determining the procurement method herein. Departments are responsible for using the most cost-effective manner in which to procure license renewals and software maintenance and/or for negotiating the best cost to the extent possible. The Purchasing Administrator is available for assistance in all procurement negotiation. Ongoing licensing and maintenance costs should be identified and estimated to the extent practicable during the initial purchase approval process.

I. Renting or Leasing Tangible Personal Property (Other Than Capital Improvements)

Renting or leasing tangible personal property where there is no purchase or purchase option at the end of the term shall be procured as a non-professional contract service following the procedures set forth in this policy. Leasing tangible personal property where there is a purchase or purchase option at the end of the term shall be procured as a material following the procedures set forth in this policy. All rental and lease agreements must be reviewed and approved by the Finance Director, City Attorney's office, and City Manager before execution.

J. Cooperative Purchasing

In many cases, a procurement process conducted by another governmental agency or group purchasing organization (GPO) will satisfy the competitive selection processes required by the City. Due diligence by the Purchasing Administrator will be performed to ensure the contract was established with the intent to be used for cooperative procurement and that the cooperative procurement was conducted in a manner consistent with the City of El Mirage competitive selection requirements and provides the best value for the City.

K. Sole Source

Sole source procurements should be avoided when possible by using generic specifications or multiple manufacturers' products that meet the City's need. Generally, procurements become

sole source because they use a name brand only specification (a specific product is required and no other brand/product will suit the specific need). Often name brand only specifications can be multi-quoted/bid by using multiple distributors of the product. When only one manufacturer or distributor sells the name brand material or service; this is considered sole source procurement. A justification memo and a sole source letter from the vendor shall be attached to any sole source procurement. The memo justification will include why a specific material or service must be purchased to the exclusion of others. Examples of these circumstances include: compatibility of parts or services; trial use or testing; purchases for commercial resale; proprietary materials; and copyrighted or patented items. The memo shall be approved by the appropriate Department, pursuant to the approval thresholds in this policy. Sole source procurements over \$30,000 are exempt from competitive selection requirements, but will be approved through Council action.

L. Emergency Purchases

The City Manager may authorize emergency procurements when necessary for the immediate preservation of the public peace, health, or safety and compliance with established procurement procedures are impracticable or contrary to the public interest. Such emergency procurements shall be made with such competitive evaluation as is practicable under the circumstances. Emergency procurements are conducted as outlined in the Purchasing Code.

M. Use of Existing City Contracts

Departments shall utilize existing City contracts to satisfy their needs for those same materials and services covered by such contracts where practicable. If an additional contract is in the best interest of the City a memo is required. Department preference will not be considered a valid motive for executing additional contracts.

VI. PURCHASING METHODS

Purchasing and payments shall not be artificially divided to avoid the thresholds set forth in this Policy.

A. Procurement Card Program (Pcard)

Procurement cards are the preferred procurement method for purchases \$5,000 and under. The City Procurement card program is available to authorized employees (cardholders) of the City of El Mirage approved by the City Manager to execute purchase transactions on behalf of the City for expediting small purchases. The Department Head and City Manager will preapprove each cards maximum transaction limit and a monthly maximum limit.

B. Purchase Orders (PO)

A purchase order is a buyer-generated document that authorizes a purchase transaction. When accepted by the seller, it becomes a contract binding for both parties tracking compliance and delivery. Most vendors require a purchase order before an order will be placed. A purchase order must be approved by the Department Head, Finance Director, and City Manager. A purchase order will only be issued before materials and services are rendered. A purchase order is required on all purchases over \$5000 and will encumber budgeted funds when entered into the financial management system (Caselle).

C. Contract

A contract is a voluntary, deliberate, and legally binding agreement between competent parties and the City of El Mirage. Contracts are written with specific terms for materials and/or services when the nature of the purchase is complex and there is a greater need to track multiple project

milestones.

D. Service Contract (SC)

A service contract is an agreement whereby a contractor supplies time, effort, and/or expertise instead of a good (tangible product). Service Contracts are used for services when the nature of the purchase is relatively simple with a set deliverable.

E. Master Agreement (MA)

A master agreement is a document between two parties used to establish a term agreement with estimated deliverables that sets out standard terms that apply to all the transactions entered into between those parties. Each time that a transaction is entered into, the terms of the master agreement do not need to be re-negotiated and apply automatically.

VII. LICENSE, INSURANCE AND SECURITY REQUIREMENTS

Departments are responsible for ensuring contractors have, and maintain, the appropriate professional licenses, insurance, and security (bonds) to provide the materials or services required. For procurements performed by the Purchasing Administrator through a formal solicitation, The Purchasing Administrator will work with the Department to ensure contractors have the appropriate professional licenses, insurance and security (bonds) to provide the materials or services required. All licenses, insurance and bonds required shall be obtained **before** any work is initiated.

VIII. APPROVAL LIMITS

Employees up to and including Department Heads shall not approve their own request and requests shall not be artificially divided to prevent review by a higher level.

A. Department Head Approval

The City Manager's procedure delegates authority to Department Heads to approve payments up to \$5,000 and to determine designees and corresponding approval limits within their department. A purchase order must be approved by the Department Head, Finance Director, and City Manager.

B. City Council Approval

The Procurement of Materials, Non-Professional Contract Services and Capital Improvements exceeding \$30,000 shall be prior approved by City Council.

D. Change Orders

1. Change Order increase requests are subject to the approval requirements in section I. (A) and (B) above. Change Order requests that will take a previously approved Purchase Order over a threshold shown above, will require appropriate approval based on the revised amount.

2. Change Orders that are cumulatively within the dollar limit identified in section I. (A), may be approved by the City Manager or Designee. Change Orders that will exceed the previously approved, are subject to the approval requirements in section I. (B).

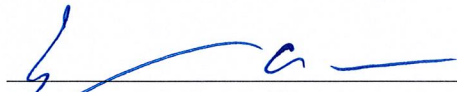
IX. PAYMENT POLICIES

Prepayment of invoices is limited to those required by Contract or approved by the City Council or City Manager or Designee.

Where operationally possible, there should be a separation of duties between the person creating the award document, receiving the materials and the person approving the invoice.

A properly formatted invoice is required to process payment. A guide to the required elements of an acceptable invoice is available on the accounting pages of the Intranet. The City's normal payment terms with suppliers and contractors is Net 30, unless otherwise required by law or negotiated, which means that the City has thirty calendar days to make payment after the materials or services have been received and/or accepted. Staff should not promise shorter payment terms without consulting Accounts Payable.

APPROVED:



Dr. Spencer A. Isom, City Manager

APPROVED AS TO FORM:



Robert M. Hall, City Attorney