

Introduction

Policy Purpose

The purpose of this document is to establish policies and clarify the procedures for purchasing supplies, materials and services by City of Jerome employees.

This document does not create any enforceable rights or causes of actions in third parties. The provisions of this document are subordinate to the purchasing requirements of any grant requirements or federal, state or city laws governing purchasing. City staff is at risk of disciplinary action for unauthorized departure from these guidelines.

Policy Goals

The City's purchasing, contracting and property disposal goals are to:

- 1) Guarantee purchases of the City comply with State and Federal law.
- 2) Clarify purchasing procedures and ensure requirements are consistently followed by all City departments and employees.
- 3) Save money by encouraging competition for good value.
- 4) Enhance public confidence and prevent fraud and theft through internal controls and inventory tracking.
- 5) Promote the local business climate by providing equal opportunities to compete for businesses located within the City.
- 6) Dispose of surplus property in accordance with state law.
- 7) Ensure purchasing decisions set high ethical standards, guard against favoritism and promote the fair and equitable treatment of all persons who deal with the City's purchasing system.

Purchasing Ethics

A. All City of Jerome employees and elected officials responsible for purchasing goods or services shall:

- 1) Follow the rules and regulations of the City of Jerome and the laws of the State of Idaho.
- 2) Avoid activities that would compromise or give the perception of compromising the best interest of the City.
- 3) Reduce the potential for any charges of preferential treatment by actively promoting the concept of competition.
- 4) Act as good custodians of public money by obtaining maximum benefit for funds spent.
- 5) Never solicit or accept money, loans, credits or prejudicial discounts, gifts or entertainment, favors, or services from your present or potential suppliers which might influence or appear to influence purchasing decisions. This does not apply to trivial benefits not to exceed a value of \$50 incidental to personal, professional or business contacts and involving no substantial risk of undermining official impartiality.

B. All City of Jerome elected officials and employees responsible for obtaining goods or services are reminded of the following state laws regarding ethics in purchasing:

- 1) No officer or employee shall influence or attempt to influence the award of a contract to a particular vendor, or to deprive or attempt to deprive any vendor of an acquisition contract. This includes attempting to circumvent the competitive process by splitting purchases, creating false emergencies, etc. (Idaho Code 67-5726(2))
- 2) No officer or employee shall conspire with a vendor or its agent, and no vendor or its agent shall conspire with an officer or employee, to influence or attempt to influence the award of a contract. (Idaho Code 67-5726(3))
- 3) No public servant having any discretionary function to perform in connection with contracts, purchases, payments, claim or other pecuniary transactions of the government shall solicit, accept or agree to accept any pecuniary benefit from any person known to be interested in or likely to become interested in any such contract, purchase, payment, claim or transaction. (Idaho Code 18-1356(2))
- 4) A public servant commits a misdemeanor if he solicits, accepts or agrees to accept compensation for advice or other assistance in preparing or promoting a bill, contract, claim, or other transaction or proposal as to which he knows that he has or is likely to have an official discretion to exercise. (Idaho Code 18-1357(1))
- 5) No public servant shall use public funds or property to obtain a pecuniary benefit for himself. (Idaho Code 18-1359(a))
- 6) City Officers must not be interested in any contract made by them in their official capacity, or by any body or board of which they are a member. (Idaho Code 59-201)
- 7) City Officers must not be purchasers at any sale nor vendors at any purchase made by them in their official capacity. (Idaho Code 59-202)

Purchase Management

Vendor Relationships

Developing and maintaining good relationships with our suppliers is important. To the highest extent possible, business ethics, professional courtesy, timeliness, and competence should be practiced in all transactions. Adhere to and protect the supplier's business and legal rights to confidentiality for trade secrets, purchase quotes and bids, and other proprietary information.

Tax Exempt Status

The City of Jerome is exempt from Federal, State and Local taxes. An exemption statement is available from the City Treasurer and can be furnished to any of the City's suppliers upon request.

Budget Requirements

Any purchase or expenditure must be included within the current year's budget and appropriation ordinance, except for emergency expenses authorized by Idaho Code and approved by the Mayor and Council.

Purchasing Deadlines

All payments are typically approved by the City Council at regularly scheduled meetings on the third Tuesday of every month. Department Heads or their designees must provide final invoices and receipts to Accounts Payable by Wednesday prior to the Council meeting where payment is approved. To promote timely payment of vendors, Department Heads or their designees should process bills for payment as quickly as possible. Ideally, receipts should be turned into Accounts Payable on a daily basis as they are received, not held and turned in all at once.

Review of Purchases

To assure adequate cross-check and internal control, the A/P Department will match purchase orders to invoices and then forward them to the City Treasurer. The Treasurer shall review each invoice and receipt as they are processed to verify compliance with state statutes, city policies and the City's annual appropriation ordinance.

Whenever possible, local vendors are to be used for services and supplies. When quality, cost and service are comparable, Department Supervisors should strive to rotate business between local vendors. Only City employees are permitted to charge on vendor accounts in the name of the City of Jerome. Contractors of the City are not allowed to charge purchases on City accounts. After a purchase is made, employees shall immediately provide the receipt and/or invoice to their supervisor.

The Department Supervisor should be familiar with the purchases made by their employees before they are made. The Department Supervisor should closely review

invoices prior to signing and approving the expenditure. If a Department Head questions an employee's expenditure, steps should be taken to immediately resolve the problem to the supervisor's satisfaction because primary responsibility for the correctness of the expenditure rests with the Department Supervisor who signs the invoice. Department Supervisors are not to "rubber stamp" invoices without knowledge and authorization of the purchase.

Responsibilities of Department Heads

In accordance with this document, the Department Head shall:

- 1) Make no attempt to split projects or equipment purchases in order to avoid the formal or informal bid requirements. This is a violation of State Law subject to a fine up to \$5,000.
- 2) Provide accurate and complete information on items requested and prepare purchase orders and invoices in a timely manner.
- 3) Manage expenditures in order to prevent a negative fund balance in their department(s).
- 4) Guarantee that all expenditures above \$25,000 comply with Idaho Code Chapter 28, Section 67-2801, et seq.
- 5) Provide a quarterly report to the Council listing planned improvements or projects which fall under the category of repair and maintenance and expected to have a completion cost of more than \$2,500. Council should be advised in writing via the quarterly report prior to work starting on all major upgrades to existing buildings and property.
- 6) Plan project and equipment purchases of over \$2,500 in order to allow approval by the Mayor, sufficient time to obtain quotations or bids, determine best vendor, obtain Council approval and issue orders or contracts with reasonable lead time for delivery and payment and to eliminate avoidable emergencies.
- 7) Furnish the City Treasurer with complete information regarding the full cost of equipment and projects over \$5,000, including architectural or engineering costs required.
- 8) Furnish the City Treasurer with complete inventory information regarding purchases of equipment between \$500 and \$5,000. **Use budget line item 4134 for tracking purposes.**
- 9) Recommend to the Council for their approval any gift of equipment with a value of more than \$500 and furnish the City Treasurer with details for inventory purposes.
- 10) Recommend to the Council for their approval any gift of land and furnish the City Treasurer with details for asset management purposes.
- 11) Recommend to the Council for their approval any disposal of land or equipment with value of more than \$500 and furnish the City Treasurer with details regarding that disposal.
- 12) Notify the City Treasurer of purchases of \$5,000 or more for renewals or parts replacement of equipment when it equals 33% or more of the original cost of the equipment.

- 13) Inspect or supervise the inspection of delivered supplies, services, equipment and construction, determining the acceptableness of their quality, quantity and conformance with specifications.
- 14) Every department head will review, understand, and take measures to comply with the Capitalization of Fixed Assets Policy.

Purchasing Guidelines

Thresholds for Equipment and Capital Projects

Each Department Head or designee within the City will have the authority to purchase in accordance with the following guidelines:

Donations. The Department Head will obtain approval from the Mayor and Council prior to acceptance of all donations of land and any donation of equipment or services that may require any expenditure of City funds for installation, maintenance, etc. The Department Head will notify the Mayor and Council in the month in which the donation is provided, and provide the information to the City Clerk within one month of the receipt of the donation for possible addition to the City's insurance list and asset management program. The City Clerk will provide a copy of the receipt to the donor for tax purposes as all donations to the City are tax deductible.

Firearms Purchases. For security and safeguarding reasons, all law enforcement weapons will be accounted for in the City's asset or inventory management program. The Police Chief will provide a written report to the City Treasurer in August which includes all information regarding acquisition or disposal of weapons for entry into the City's asset/inventory management program.

Negative Fund Balance. It is the Department Head's responsibility to monitor their department's fund balance on each monthly Treasurer's Report. With the exception of reimbursable grant funds, negative fund balances are to be prevented through management and timing of expenditures. If a fund shows a negative fund balance discretionary spending is limited to those expenditures required to sustain day to day operations. Mayor and Council approval is required prior to expenditures for all capital projects, equipment, or unusual maintenance and repairs.

Mayor and City Administrator Spending Authority -- The Mayor and City Administrator have spending authority up to, but not to exceed \$10,000 and \$5,000 respectively. This dollar limitation shall apply to a single expenditure or a group of expenditures under extraordinary circumstances and shall not be construed to allow said individuals unlimited discretion of the expenditure of public funds without prior council approval.

Department Head Spending Authority -- Purchases up to \$2,500. Purchases up to \$2,500 can be made at the discretion of the Department Head if: 1) the expenditure is within the appropriated budget; and, 2) actual revenues are being received as projected; and/or, 3) the fund is not showing a negative fund balance. In January the Department Head must confirm with the City Treasurer availability of funds prior to any equipment or project purchase over \$2,500. All equipment purchases between \$500 and \$5,000 must be accompanied by a signed Inventory Tracking Form showing all identifying information and approval by the Department Head. This approval takes place when the form is issued, before any obligation has been incurred. In other words, employees are not to purchase equipment over \$500 without the signed approval of the Department Head prior to purchase.

Purchases between \$2,500 and \$25,000. A Request to Purchase must be submitted to the City Council for approval and the expenditure must be within the Department's appropriated budget. For purchases of this amount the City can purchase from any vendor believed to provide the best value, however, the Mayor or City Council may request that informal quotes be provided from more than one vendor for the purpose of comparison. This purchase must be accompanied by an Inventory Tracking Form available for the City Treasurer. On very rare occasions purchases of a time-sensitive nature may be made by the department head without a formal request to purchase, although the check for payment will be ratified at the next regularly scheduled Council meeting. This purchase must be of immediate necessity, the most cost effective option and in the City's best interest. If these conditions exist, the purchase is allowed only if the funds are available in the department budget, legal requirements are met and contact has been made with the Council verbally or via e-mail prior to purchase.

Purchases over \$25,000. All purchases in this category require the approval of the Mayor and City Council and also must comply with Idaho Code Chapter 28, Section 67-2801, et seq. There are various provisions and exceptions regarding purchases of service contracts, equipment and public works construction projects in this category. It is the Department Head's responsibility to review the appropriate code sections prior to requesting a purchase of this amount. A copy of this chapter of Idaho Code is included as an attachment to this policy. Details regarding these purchases shall be provided to the City Treasurer for addition to the City's asset management system.

Determination of Need to Contract Services

Competitive bidding is not required for professional services provided to the City. Examples of services would be repair and maintenance services or various types of professional consulting. Even though bidding is not required, purchases of services must be in the Department's budget and included within the annual appropriation ordinance.

- 1) A contract may be established as the result of a bid or a Request for Proposals (RFP). (See Request for Proposals section of this document.) In agreements where a vendor is performing a specific service defined by the City that will exceed \$10,000, a written contract is required.
- 2) The City Attorney must review all contracts for legal adequacy.
- 3) The Mayor must review all contracts prior to placement on the Council agenda.
- 4) All contracts must be placed on the City Council agenda for their review and approval.
- 5) All contracts must be signed by the Mayor with the City Clerk attesting to the Mayor's signature.
- 6) The original signed contract will be retained by the City Clerk and kept in a central location. Copies of all signed contracts will be available upon request from the City Clerk. The City Clerk will forward a signed copy to accounts payable for payment verification.
- 7) The City Attorney must approve any decision to breach a contract due to failure to perform. After notification of the City Council, the City Attorney will perform the steps necessary to legally terminate the contract.

- 8) On projects for which the professional service contract is expected to exceed \$25,000 for design professionals including architects, engineers, landscape architects, land surveyors, and construction managers, see Idaho Code Section 67-2801, et seq. attached.
- 9) Contracts that provide city administration operations (office equipment maintenance, software licensing, software support, etc.) may be signed by the City Administrator or City Treasurer, except that contracts exceeding \$5,000 shall be presented for approval before the City Council.

Leases

The City may enter into lease agreements. Regardless of the financing method, the City must use the applicable competitive bidding process based on the cost of the item being leased.

- 1) The City Attorney must review all lease agreements for legal adequacy.
- 2) All lease agreements must be placed on the City Council agenda for their review and approval and require passage of a resolution prior to signing.
- 3) The Mayor must sign all lease agreements and the City Clerk shall sign attesting to the Mayor's signature.
- 4) All lease agreements must contain a non-appropriations clause indicating the City Council cannot obligate funds beyond the current fiscal year.
- 5) No leased equipment should be in the City's possession until the lease agreement has been approved by the City Council and signed by the Mayor.
- 6) A signed copy of every lease agreement shall be retained by the City Clerk and kept in a central location. Copies of all signed lease agreements will be available upon request to the City Clerk. The City Clerk will forward a signed copy to accounts payable for payment verification.
- 7) Equipment purchased through a lease agreement is added to the City's inventory during the budget year in which it is received, regardless of when the first lease payment is made and the City Treasurer is to be advised of such purchases.
- 8) If the lease payment meets or exceeds the guidelines for purchases, the same rules and laws applicable to purchases are also applicable to lease payments.

Risk Management and Insurance Requirements

The City Administrator serves as the City's Risk Manager. Departments must work with the City Administrator to ensure that all insurance requirements are met for their projects. This includes Public Works licensing for all Public Works contractors. The City Administrator will maintain necessary documentation at City Hall and have it available for audit upon request.

Workers' Compensation – Providers of services to the City are required to file a certificate of Workers Compensation Insurance. Each department is responsible for ensuring a copy of the certificate is filed with the contract if appropriate.

Liability Insurance and Bonding – Contractors with the City are required to have liability insurance coverage and may be required to be bonded.

Credit Accounts

To improve efficiency and offer convenience within a controlled environment, purchasing via an authorized City Credit Account is allowed. These accounts are tax exempt and are to be used for City purchases ONLY. Contractors are not allowed to use a City credit account for materials or other purposes. City employees are not allowed to charge items for their personal use with the intent of reimbursing the City for the purchase or to open lines of credit or apply for and receive charge cards as individuals. Such accounts will be canceled and any unauthorized use of City credit accounts will be considered cause for disciplinary action up to and including termination and/or prosecution. Only regular City employees are permitted to use credit accounts, and then only with the authorization of the Department Head. There are three categories of credit accounts:

- 1) Credit Cards – The City will maintain a limited number of bank credit cards, which can be checked out by authorized employees from Department Heads. The use of credit cards is discouraged and should be used during travel or when a store charge account is not available. When using credit cards, receipts showing the detailed nature of the purchase should be immediately turned over to the employees' supervisor, who will then provide it to Accounts Payable, who provides it to the City Treasurer for reconciling of account statements. Employees who fail to turn in receipts are responsible for the charges.
- 2) Fuel Cards – The City maintains a limited number of fuel credit cards for use with the City's authorized vendor. Fuel cards should only be used by regular city employees during working hours in equipment owned by the City. Permanent City employees will be issued a PIN number for use with their fuel card. Employees should never share their PIN number with any other person, nor should it be recorded in writing and visible by others. Employees will be held responsible for any fuel charges using their PIN number. Using a City fuel card for a personal vehicle is cause for disciplinary action, possible dismissal and/or prosecution.
- 3) Vendor Credit Accounts – In store charge accounts with vendors are to be set up by the Department Head only, using the following criteria:
 - a. Inquire whether an account already exists for the City of Jerome, Idaho. If not:
 - b. Inform the vendor of the City's tax exempt status. If a form is required by the vendor, contact the City Treasurer and one will be provided by mail or fax.
 - c. Inform vendor that invoices are paid after Council approval on the 3rd Tuesday of each month.

- d. Absolutely no account should be opened in a department name, with the exception of the Public Library, whose purchasing falls under a specific section of the Idaho State Code. All vendors should be directed to use ONLY the City Hall address for billing or the Public Library address if applicable. Other than the library, whose billings must be approved by an independent board prior to approval by the Council, all departments will use “City of Jerome” for an account name, rather than an individual department name:

City of Jerome
152 East Avenue A
Jerome, ID 83338

- e. The shipping address should be the department’s address.

Bidding Process

Formal and Informal Bids for Purchases over \$25,000

All purchases in this category require the approval of the Mayor and City Council and also must comply with Idaho Code Title 67, Chapter 28, Section 67-2801, et seq. There are various provisions and exceptions regarding bids for services not otherwise excluded, equipment and public works construction projects in this category. It is the Department Head's responsibility to review the appropriate code sections prior to requesting a purchase of this amount. A copy of this chapter of Idaho Code is included as an attachment to this policy. Details regarding the purchase shall be provided to the City Treasurer for addition to the City's asset management system.

Request for Proposals

The City may on occasion use a Request for Proposals as the preferred method in the acquisition of services or complex purchases. An RFP describes a problem or need in general terms and seeks a written response including pricing information, which describes the solution or means of providing the property requested by the RFP. Price might be one evaluation criteria for proposals, but will not necessarily be the predominant basis for contract award.

The RFP is written so that potential respondents understand the problem they are being asked to address. Any limits or conditions that apply must be included. The RFP must state in general terms all of the evaluation factors and their relative importance, including price.

The evaluation must be based on the evaluation factors as set forth in the RFP. Numerical rating systems are frequently used but are not required. Factors not specified in the Request for Proposal shall not be considered in evaluating offers or determining award of contract.

A written determination shall be made explaining how the award was found to be most advantageous for the agency based on the evaluation criterion set forth in the RFP.

If only one proposal is received in the response to a Request for Proposal, the City, as it deems appropriate, may make an award, reject the proposal, or if time permits, re-solicit for the purpose of obtaining additional proposals.

Exclusions to Competitive Bidding

Specific exclusions from purchasing requirements established in Idaho Code are described in Code Section 67-2803, 67-2807 and 67-2808, attached. Among those exclusions are:

- 1) A contract for goods or services that has been competitively bid by the State of Idaho. The Division of Purchasing contract information is located at: <http://www2.state.id.us/adm/purchasing/agyinfo.htm> If local businesses cannot meet

purchasing needs, City employees are strongly urged to use State of Idaho contracts. State contracts are developed to include price, delivery, reporting capability and other beneficial services. They meet the important competitive bidding criteria and save the time and effort the employee spends shopping around.

2) Departments may also “piggy-back” on other City or County bids within six months if the pricing is consistent with the original bid and the bid process followed complies with state statutes. All bid documentation must accompany the request and payment voucher. Departments must first contact the “piggy-back” City to request permission and to get copies of purchasing documentation.

3) Emergency Purchasing - Any sum may be expended by the City in the event of an emergency. The Mayor must designate the emergency and provide expenditure approval. This circumstance would typically be extraordinary circumstances such as “fire, flood, storm, epidemic or other disaster, if it is necessary to do emergency work to prepare for national or local defense or to safeguard life, health or property.” Such contracts may not be for a period that exceeds one year.

4) Professional or Consultation Services - Professional and consultation service contracts may be entered into without formal bidding, however design professional services must be chosen based on the provisions of Idaho Code Section 67-2320. Professional service contracts require review by the City of Jerome attorney for legal adequacy, approval by the City Council and the Mayor’s signature. If over \$10,000 annually these contracts must be published according to Idaho Code 59-514. Professional Services is work rendered by an independent contractor who has a professional knowledge of some department of learning or science. This includes but is not limited to legal, accounting and auditing, education and research. Consultation Services may be rendered by either independent individuals or firms who possess specialized knowledge, experience, and expertise including but not limited to such areas as management, personnel, finance, accounting, planning information systems and data processing. Design professional services include engineering, architectural, landscape architecture, construction management and land surveying and must be chosen according to the provisions of Idaho Code Section 67-2320.

5) Use of Correctional Industries - The City can purchase Correctional Industries furniture and other goods or services without competitive bidding. The City may also utilize Idaho Department of Correction labor crews without competitive bidding.

6) Use of State Surplus Equipment – The City can purchase equipment from State Surplus Auctions without competitive bidding.

Surplus Property

Guidelines for Disposal

When the economic or useful life of property owned by the City is less than the cost of maintenance, transportation, storage or other requirements, that property may be deemed “surplus property”.

Surplus property will be disposed of in the manner that maximizes the value received by the City of Jerome in accordance with following guidelines:

- 1) All employees of the City, including their spouses, dependents, or any person acting on the employee’s behalf, are prohibited from acquiring surplus property from the City unless the property is acquired through a competitive bidding process, such as an auction or sealed bid;
- 2) No elected official of the City, including their spouses, dependents, or any person acting on the official’s behalf, can purchase or obtain surplus property from the City, based on Idaho Code Section 59-202.
- 3) When property is of nominal value having a value of zero or less than what it would cost to dispose of or repair the property, the items may be donated to a charitable organization that qualifies under Section 501-C and 501-C(19) of the Internal Revenue Service or to any state or local government pursuant to Idaho Code Section 50-1405; or, the item may be disposed of at a local refuse site or be removed by an outside party willing to pay for it’s removal.
- 4) Property of less than \$1000 in value may be sold or transferred to another state or local government without public advertisement or competitive bid; or, sold at public auction conducted by a licensed auctioneer; or, sold to the highest bidder in response to notice of public sale advertised for at least one week in a newspaper of general publication.
- 5) Property of greater than \$1000 in value can be sold at public auction conducted by a licensed auctioneer; or, sold to the highest bidder in response to notice of public sale advertised for at least one week in a newspaper of general publication; or, with the approval of the Mayor and City Council, may be donated to 501-C(3) and 501-C(19) charitable organizations or transferred to a state or local government.