



**CITY OF DENISON
PURCHASING POLICY
FY 2012 EDITION**

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RESPONSIBLE STEWARDS OF THE PUBLIC'S DOLLAR

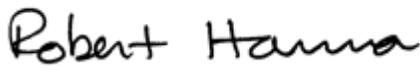
This manual has been prepared to inform and instruct each department, division and employee in the many methods of procurement, and the duties and responsibilities of those involved in the purchasing process for the City of Denison. Government is a service based industry. In the conduct of our business, we are called to be responsible stewards of the Public's dollar. In the simplest terms, we should all give the same attention to spending the public's dollar as we give to spending our own money.

Many of the methods identified in this manual are not new. That being said, the process involved in using them have certainly changed from what you have been accustomed to. For those of us who dislike bureaucratic red tape (I include myself in this group), these changes might seem a step backward and even frustrating. Nevertheless, creating a fundamental level of financial control is necessary to ensuring the long term financial health of any organization. These procedures will help us better measure our spending with greater speed and accuracy so that we can proactively manage our budget, rather than react as the budget unfolds before us. Ultimately, this manual is an attempt to help monitor, track and control our expenses across the organization so that timely and accurate information is available.

Your role in all of this is to read and understand this manual and to faithfully and efficiently follow the purchasing methods and processes identified herein. If you have any questions, I encourage you to ask your supervisor, department head or the City's purchasing coordinator.

Thank you for your continued service and dedication to the citizens of the City of Denison.

Sincerely,



Robert Hanna
Robert Hanna
City Manager
City of Denison, Texas

GLOSSARY OF TERMS

The following definitions are intended to assist you in understanding the language used throughout this manual. When using this manual, if you find a word or words that you may not clearly understand and if it is not defined in this section, please do not hesitate to contact someone in the Purchasing Division for clarification and/or interpretation.

Appropriated – The City Council appropriates funds through the adoption of the annual budget and subsequent amendments. Appropriated funds are funds that are able to be used for the purchase of goods and services, another way of saying this would be to say funds are budgeted and authorized for the intended purchase.

Award - Approval by the City Council, City Manager, Chief Financial Officer or their designee, under whose authority a purchase order is issued.

Best Value - If the sealed competitive bidding requirement applies to the contract for goods or services, the contract may be awarded to the lowest, responsible bidder (see definition on page 4) or to bidder who provides goods or services at the best value for the City. In determining the best value for the City, we may consider:

- the purchase price;
- the reputation of the bidder and of the bidder's goods or services;
- the quality of the bidder's goods or services;
- the extent to which the goods or services meet the City's needs;
- the bidder's past relationship with the City;
- the impact on the ability of the City to comply with laws and rules relating to contracting with historically underutilized businesses and non-profit organizations employing persons with disabilities;
- the total long-term cost to the City to acquire the bidder's goods or services, and
- any relevant criteria specifically listed in the request for bids or proposals.

Bid advertisement - A public notice put in a newspaper of general circulation, containing information about an Invitation For Bid or a Request for Proposal.

Bid list - A list of vendors who have indicated in writing an interest in submitting bids for particular categories of goods and services. This list is a compilation of recommended vendors from the department and a database of vendors maintained by Purchasing.

Bonds:

- a. **bid bond** - A bond required of a contractor that ensures that the contractor will enter into the contract for which he has submitted a formal written bid and/or proposal.

- b. **payment bond** - A bond required of the contractor that ensures that all suppliers and subcontractors of the contractor will be paid for work and/or material supplied in the course of the contract.
- c. **performance bond** - A bond required of the contractor that guarantees vendor performance during the execution of the contract.

Capital equipment – Property with a useful life of three years and a purchase cost of at least \$5,000.

Change Order – see page 21

City Council - The elected officials of the City of Denison, Texas.

City Manager Approval Form - This form should be used for routing all written contracts below \$50,000. It is intended to provide the City Manager with enough information to make an informed decision regarding the approval of requested purchases. At a minimum this information should include: summary information of purchase request, background information, number of bids solicited, number of bids received, funding source, budget vs. actual cost and summary tabulation.

Commodity code - A specific group of goods or services categorized into distinct classes that have been assigned a numerical reference number within the purchasing and inventory system.

Competitive bidding - The process wherein a vendor openly competes with other vendors, through a formal or informal process, for the City's business.

Component purchases – Purchases of component parts that in normal purchasing practices would be purchased in one purchase.

Consulting Services - The service of studying or advising the City under a contract that does not involve the traditional relationship of employer and employee.

Contract - An agreement between the City and a Supplier to furnish supplies and/or services over a designated period of time, during which purchases are made of the commodity specified.

Contractor - The successful vendor(s) awarded a contract by the City of Denison.

Delivery date – The date by which goods or services are needed.

Emergency – Purchases that are made to meet a critical, unforeseen need of the City, where the City's ability to serve the public would be impaired if purchase is not made immediately. Emergency purchases are exempt from standard purchasing procedures and must qualify for exemption as outlined in *Local Government Code 252.022*.

Encumbrance - The process wherein the City reserves funds for the purchase of supplies, goods, services, and equipment in one budgetary-accounting period, and pays for the purchase in another budgetary-accounting period.

Expedite – When the purchasing process is accelerated through normal procedures in order to prevent work stoppage or loss of government’s money.

FOB destination point – Free on Board (FOB); the vendor pays freight charges to the destination; title to goods passes to buyer at his receiving dock; freight claims must be filed and handled by the seller.

FOB shipping point – Free on Board (FOB); shipment becomes ‘collect’ from seller’s shipping dock; freight charges may be prepaid and added to the invoice; City pays freight charges; title to goods passes to buyer at the shipping dock of seller; freight claims must be filed and handled by buyer.

Goods - A generic term that includes all types of property to be purchased by the City; equipment, supplies, materials, components and repair parts.

Invitation to Bid – This is a formal written document that requests from bidders a firm price and delivery details for specified merchandise listed on a purchase requisition. An Invitation to Bid is always required when the anticipated level of expenditure will be greater than \$50,000. It may be used any time the Purchasing Manager, the Department, or the City Manager feels it is justified.

Lowest responsible bidder – This is the vendor who offers the lowest bid which meets all the specifications, requirements, terms and conditions of the Invitation to Bid. It is expressly understood that the lowest responsible bid includes any related costs to the City, using a total cost concept. The term "responsible" refers to the financial and practical ability of the bidder to perform the contract. The term is also used to refer to the experience or safety record of the vendor.

Personal Services - Services provided to the City personally by a particular individual. Any contribution of machinery and equipment compared to total cost must be substantially less than the contribution of wages.

Planning Services - Services primarily intended to guide the City to ensure the orderly and coordinated development of land areas.

Professional Services - Services rendered by a person or firm that requires years of education and service for one to attain competence and which calls for high order of intelligence, skill and learning.

Purchase - An act that includes the acquisition of goods or services, to include the act of leasing personal or real property. Separate, sequential, and component purchases shall be treated as a single purchase.

Purchasing - The act, function, and responsibility for the acquisition of goods and services.

Purchasing Division - A division of the Department of Finance and Administration that is responsible for assisting all departments with the acquisition of goods and services to support their departmental mission.

Purchase order - A formal, binding, legal agreement issued by the City's Purchasing Coordinator. A purchase order is requested by a departmental requisition that details the merchandise or services required. When accepted by a vendor without qualifications within a specified time period, the agreement becomes a contract. A Purchase Order grants the vendor the authority to deliver the goods or services and invoice for the same. It is the City's commitment to accept the goods or services and pay for them at the agreed price.

Request for Proposal - A formal written document requesting that potential vendors make an offer for services to the City. The Request for Proposal method of procurement may be used for goods or services including high technology and insurance when it is determined that the proposal process provides the best value to the City. When the RFP is used for the selection of professional services as allowed in the *Local Government Code 252.022(a)(4)*, the City shall comply with *Local Government Code 2254.003* in the procurement of these services. The City shall not award a contract for these services based on competitive bids but shall make the selection and award on the basis of demonstrated competence and qualifications for a fair and reasonable price. Fees must be consistent with and not higher than the recommended practices and fees published by the applicable professional associations and may not exceed any maximum(s) provided by law.

Request for Qualifications - a formal written document used when soliciting providers of architectural, engineering or land surveying services. The City shall comply with *Local Government Code 2254.004* in the procurement of these services. The City must first select the most highly qualified provider of those services on the basis of demonstrated competence and qualifications. After a firm has been selected based on qualifications and experience, then a fair and reasonable fee shall be negotiated. If a satisfactory contract cannot be negotiated with the most highly qualified provider of architectural, engineering, or land surveying services, the City shall formally end negotiations with that firm and select the next most highly qualified firm and begin negotiations with that provider for a fair and reasonable price.

Reverse Auction - Single or multiple-item, open, descending-price auction. The initiator specifies the opening bid price and bid decrement. Each bidder submits a successively lower bid and at the end of the auction, bidders with the lowest bid win. Each winning bidder sells at a price equal to the bid he/she made.

Separate purchases – Purchases made separately of items that in normal purchasing practices would be purchased in one purchase.

Sequential purchases – Purchases made over a period of time of items that in normal purchasing practices would be purchased in one purchase.

Services - A generic term to include all work or labor performed for the City on an independent contractor basis, including maintenance, construction, manual, clerical or professional services.

Sole source – Purchases of goods or services that are available from only one supplier. There may be just one vendor because of patents or copyrights, or simply because the vendor is the only one that supplies the good or service. These purchases are exempt from the standard bidding requirement and must qualify as outlined in *Local Government Code 252.022*.

Specifications - Statements containing a detailed description of the terms of the contract, as well as specific details for the goods and/or services. The details or specifications should be descriptive, but not restrictive.

State contract purchase - An item available through the State of Texas General Services Commission Cooperative Purchasing Program. The State has publicly advertised and received qualified bids for specific items. These appear on a listing periodically published by the State. The City of Denison has elected to participate in the cooperative purchasing program for governmental subdivisions and other state agencies.

Surplus – Item(s) no longer needed by a department, regardless of its value or condition.

Vendor - A generic term applied to individuals and companies alike, who provide goods and services to the City.

STATEMENT OF POLICY

I. GENERAL STATEMENT OF POLICY

It is the policy of The City of Denison that all purchasing shall be conducted strictly on the basis of economic and business merit to best promote the interest of the citizens of Denison, Texas. The City of Denison encourages free and unrestricted competition on all bid requests and purchases, ensuring the taxpayers the best possible return on each dollar. All contracts and purchases shall be handled so as to obtain the best value for the City, with bids, proposals or quotations solicited whenever practical. The best value does not always mean the cheapest price.

The Purchasing Division has been established to assist each department head, division manager and their staff to procure necessary goods and services at the best possible price within all Federal, State and Municipal purchasing laws. The Texas State Legislature has passed and made *Chapter 252* a part of the *Local Government Code* and it shall be the policy of the City of Denison, Texas to fully comply in all aspects with the rules, regulations, and procedures contained therein.

II. ELECTRONIC PROCUREMENT POLICY

- A. Electronic sealed bids or proposals shall be in accordance with Section *252.0415(a)* of the *Local Government Code* requiring the identification, security, and confidentiality of electronic bids or proposals to remain effectively unopened until the proper time.
- B. Electronic reverse auctions shall be in accordance with Section *271.906* of the *Local Government Code* and defined by Section *2155.062(d)*, *Local Government Code*, requiring a real-time bidding process taking place during a previously scheduled Internet location with multiple suppliers, anonymous to each other, submitting bids to provide goods or services.

III. PROCUREMENT CARD POLICY

The purchasing card is provided to City of Denison employees based on their need to purchase business related goods and services. The card is not an entitlement, nor is it reflective of title or position and it may be revoked at any time.

The card shall be used for business related purchases only. **Personal charges shall not be made on the card.** The employee whose name appears on a card is the only person entitled to use the card. That person is responsible for all charges made with the card.

In those rare circumstances where an individual's name does not appear on the card, the employee who was issued the "departmental" card will be responsible for all transactions made with the card while in his/her care and custody.

Improper use of the card may be considered misappropriation of City funds, which may result in disciplinary action, up to, and including termination and criminal prosecution.

Cardholders must comply with internal control procedures in order to protect the City's assets. These procedures include keeping receipts, reconciling transactions at least weekly, reviewing monthly statements and following proper security measures. Failure to follow policies and procedures and/or failure for supervisors to review and approve procurement card transactions in a timely manner will negatively affect the employee's performance review and may include reimbursement of expenses, suspension of card privileges, or other disciplinary action up to and including termination.

A cardholder must surrender his/her card upon termination of employment (i.e. retirement, voluntary or involuntary termination), or at any time when requested to do so by their supervisor, department head, Chief Financial Officer or the City Manager.

In summary, the purchasing card is one of many purchasing tools that provide an efficient and effective method of purchasing. All related purchasing policies and procedures must be followed when using the procurement card. *The use of a purchasing card is not a right, it is a privilege. Failure to use it appropriately will result in you no longer being able to use it, and it may further result in disciplinary action up to and including termination.*

IV. ARCHITECT, ENGINEERING, AND LAND SURVEYING PROCUREMENT POLICY

A. Engineering, Architectural, and Land Surveying Services

All Engineering, Architectural, and Land Surveying Services ("A/E services") will be procured as provided in *Chapter 2254, Professional Services Procurement Act, V.T.C.A., Local Government Code*, which requires the selection of the firm which is the most highly qualified provider of those services on the basis of demonstrated competence and qualifications.

B. Criteria for Evaluation

The following criteria will be used for the evaluation of Architect, Engineering and Land Surveying firms. The criteria used will be specific to each RFQ solicited and may not include every listed criterion. Weighting factors may be utilized to identify the relative importance placed upon these items.

1. The competence and qualifications of the individual who will be directly responsible for the proposed work based upon education and experience pertinent to the work considered.
2. Technical adequacy of the personnel and sub consultants to be utilized for the proposed work based upon education and experience pertinent to the work considered.
3. Demonstrated experience of the prime firm based upon previous work similar to that of the type considered.
4. Demonstrated success of the prime firm based upon the record of performance for City and other projects.

5. Demonstrated commitment of the prime firm to their continued involvement in project success throughout the entire period of the project life.
6. Prime firm's history of accuracy of cost estimates and ability to perform within budget constraints.
7. Prime firm's workload capability and current workload as well as the firm's history of performing work within a specified schedule.
8. The approach proposed for the design project or study.
9. Knowledge of the City of Denison administration, contracting, local contractors, codes, adopted design criteria and specifications, and local site conditions.
10. Consideration for the utilization of a prime firm or individuals that have prior experience with an existing project that is proposed for continuation or modification.
11. Demonstrated ability of key team personnel to work with City staff and/or other project managers in relation to the schedule and budget requirements, comments, suggestions, design rationale, and project alternatives.

C. Availability of Funds

No contracts may be entered into unless funds are available.

D. Approval Authorization

1. Any services contract with a total fee amount exceeding the approval authorization granted by the Council to the City Manager requires Council approval.
2. Standard contracts for services with a total fee **not** exceeding the approval authorization granted by Council to the City Manager can be negotiated at the staff level with approval by the City Manager.

E. Request for Qualification (RFQ) Process

1. The RFQ process is required only under the following conditions:
 - a. For A/E services on construction projects with an estimated construction cost greater than or equal to \$1,000,000.
 - b. For planning and analysis projects or studies where the professional services fee is estimated to be greater than or equal to \$50,000.

- c. If any portion of the scope of work of a project includes architect/engineering services, a Request for Qualifications (RFQ) is required subject to the provisions provided in this policy.
 - d. Projects may be grouped allowing for a single RFQ process to be used to hire multiple projects.
 - e. A single consultant can be hired for a group of projects or multiple firms can be selected and assigned projects from the list. The consultant list obtained by this process cannot be used for projects not stated at the time of the RFQ.
 - f. The RFQ process may be used to hire a program or project manager for a group of projects.
2. The RFQ process can be waived in cases where a proposed project is the extension or expansion of a previous project, and it is in the best interest of the City to use the same consultant because of his/her familiarity with the project.

F. Selection of Qualified Firms

In procuring architectural or engineering services, the City shall:

1. First select the most highly qualified provider of those services on the basis of demonstrated competence and qualifications; and
2. Then attempt to negotiate with that provider a contract at a fair and reasonable price.
3. If a satisfactory contract cannot be negotiated with the most highly qualified provider, the City shall formally end negotiations in writing with that provider and begin negotiations with the next most highly qualified provider.
4. The City shall continue this process to select and negotiate with providers until a contract is entered into.

G. Fees for Professional Services

In no case will the City pay unreasonable fees for professional services.

V. ALTERNATIVE PURCHASING PROCEDURES

This manual cannot address every situation. When an unusual situation occurs or a difficult legal problem arises, the City Manager may approve exceptions to this Policy, when in the best interests of the City, so long as the proposed exceptions are consistent with the local, state, and federal law. The final authority for City purchasing procedures is the law itself.

DUTIES AND RESPONSIBILITIES IN THE PURCHASING PROCESS

I. PURCHASING

A. Responsibility

The Purchasing Division along with the City Clerk's office shall be responsible for the following activities:

1. Legal advertising, invitations to bid, bid openings and assisting the departments in presentation of bids to the City Council for all materials, supplies and construction contracts should it be necessary.
2. Encourage competition between vendors through negotiations, competitive bidding and bulk buying by continuously monitoring requisitions by all departments to facilitate the consolidation of purchases where possible.
3. To solicit discussion, evaluation and recommendation from user departments on bids received from suppliers.
4. To encourage, promote and explore the use of Cooperative Purchasing Programs with the State of Texas and other local governments.

II. DEPARTMENTS

A. Responsibility

Departments are responsible for the following items:

1. To allow for sufficient time for the Purchasing Division to issue a purchase order and the vendor to make delivery.
2. To assist the Purchasing Division with specifications and bid requirements that requires an engineering or a technical background.
3. Under any circumstance, not to obligate the City without having followed the methods and procedures identified within this Purchasing Manual.

PURCHASING PROCEDURES

I. PURCHASES LESS THAN \$5,000

A. General Information

1. Purchase requisitions and purchase orders are not required for purchases less than \$5,000. Purchases less than \$5,000 may be made by Directors or their respective designees without further approval of the Purchasing Division.
2. A sufficient unencumbered, appropriated balance must be available to pay for the supplies, materials, equipment or contractual services for all transactions less than \$5,000.

B. Workflow for Purchases less than \$5,000

1. The Department identifies a purchase less than \$5,000 must be made and takes the time to be reasonably certain the item(s) to be purchased offer the best value to the City of Denison.
2. The Department ensures that unencumbered and appropriated funds are available for the purchase.
3. The Department places the order using either the City's Purchasing Card or to be invoiced to the City.
4. The Department receives the order, and ensures it is what was ordered and the order is complete.
5. If the Purchasing Card was used, the department retains the invoice or itemized original receipt for submittal with the reconciliation form within 2 business days of receiving the goods or services.
6. If the Department is to be billed, the invoice should be forwarded to Accounts Payable within 2 business days of receiving the invoice. The department should write: "OK to pay" followed by the account number that will be used to pay for the expense and initial and date underneath.
7. Accounts Payable pays the invoice or, Accounts Payable pays for the Purchase Card statement when it is settled on a monthly basis.
8. A copy of the invoice is attached to a copy of the check and filed in the permanent paid file maintained by Accounts Payable.

II. PURCHASES OF \$5,000 OR MORE, BUT LESS THAN \$50,000

A. General Information

1. When feasible and practical, three (3) or more competitive quotes shall be solicited on all purchases of \$5,000 or more, but less than \$50,000. These may be telephone or E-mail quotes if written on an approved telephone or E-mail quote sheet form (See Appendix). Departments are responsible for obtaining their own quotes and selecting the vendor based on these quotes.
2. Pursuant to *Chapter 2161 of the Texas Government Code*, at least two historically underutilized businesses (HUBs) must be contacted on a rotating basis when making expenditures of \$5,000 or more, but less than \$50,000. A list of HUBs may be found on the State of Texas Procurement and Support Services Website, which can be found at <http://www.window.state.tx.us/procurement/cmb1/hubonly.html>. If the list fails to identify a HUB located in Grayson County that provides the goods or services needed by the City, then the City is exempt from this requirement.
3. The selected vendor should be informed of the correct “bill to” and “ship to” addresses and reminded to show the purchase order number on the invoice to avoid a delay in payment.
4. All purchases of \$5,000 or more, but less than \$50,000 require the use of a Purchase Order. No contract or order shall be issued to any vendor unless and until the Chief Financial Officer, or his or her designee certifies that a sufficient unencumbered and appropriated balance is available to pay for the expense.

B. Workflow for purchases \$5,000 or more, but less than \$50,000

1. The purchaser completes a purchase requisition and provides the necessary supporting documentation to the Purchasing Division.
2. The Purchasing Division reviews the Purchase Requisition, certifies the availability of funds, appropriateness of account codes and either: (1) completes a Purchase Order and provides it to the purchaser; or, (2) asks the purchaser for additional information and then completes the Purchase Order once the additional information is received.
3. Once the purchaser receives a Purchase Order from the Purchasing Division, the purchaser may place the order. *Remember, the purchaser must give the Purchasing Division sufficient time to process the information. In some cases, this may be a few hours. In other instances, it may take a day or more. Departments should remember the adage, “Poor planning on my part, does not constitute an emergency on your part.” That being said, the Purchasing Division will work to accommodate true emergencies and special situations.*
4. After the goods or services purchased are received, the purchaser retains all receiving information such as: delivery tickets, packing slips, freight bills, etc. for their records.

Invoices for actual goods or services received are to be forwarded to A/P with appropriate purchase order information attached or on the invoice.

5. Upon payment of the invoice, the A/P clerk will receive the goods or services as instructed on the invoice or purchase order into the software. Partial payments will be recorded in the software as such. Once a purchase order is complete, A/P or the Purchasing Division will need to be notified to verify this in the system.
6. Accounts Payable scans all information into the software and files a copy of the associated backup, check and invoices in the permanent paid file.

III. PURCHASES OF \$50,000 OR MORE

A. General Information

1. Purchases of \$50,000 or more have specific legal requirements that must be met, before a purchase of this magnitude can be made, it must have the written approval of the City Manager in certification that all purchasing requirements have been completed.
2. The City Council is authorized to give local preference pursuant to *Local Government Code 271.9051* and may consider doing so on a case-by-case basis. In relevant situations, staff will use the following criteria in determining whether to recommend a higher bid from a local vendor: (1) the employment of residents of the City of Denison created through the award of the bid to the local vendor, and (2) any increase in tax revenue created through the award of the bid to the local vendor.

B. Workflow for purchases of \$50,000 or more

1. The department director works with the Purchasing Coordinator to develop a Request for Proposal for the goods or services to be purchased.
2. The City Clerk is responsible for advertising and opening the sealed bids.
3. The Purchasing Coordinator creates the bid tabulation and sends it to the Department Head.
4. The Department Head prepares an Agenda Information Sheet for the proposed purchase and presents the item for Council's consideration.
5. Upon approval by the City Council, Purchasing will prepare and issue the Purchase Order(s) and the purchaser will place the orders with the appropriate vendors.
6. After the goods or services purchased are received, the purchaser retains all receiving information such as: delivery tickets, packing slips, freight bills, etc. for their records. Invoices for actual goods or services received are to be forwarded to A/P with appropriate purchase order information attached or on the invoice.

7. Upon payment of the invoice, the A/P clerk will receive the goods or services as instructed on the invoice or purchase order into the software. Partial payments will be recorded in the software as such. Once a purchase order is complete, A/P or the Purchasing Division will need to be notified to verify this in the system.
8. Accounts Payable scans all information into the software and files a copy of the associated backup, check and invoices in the permanent paid file.

IV. PROCUREMENT CARD PROCEDURES

A. Introduction

The Procurement Card (P-Card) is a purchasing tool that offers an alternative to the existing City of Denison's purchasing processes. It provides an extremely efficient and effective method of purchasing and paying for goods and services with a value of \$4,999.99 or less. In most cases, the purchasing card will replace the Department Purchase Order, some reimbursement requests, and other associated paperwork.

This policy describes the procedures for appropriate purchasing card use. By signing the cardholder agreement form, the employee promises to comply with program rules and regulations. A purchasing card will be issued to an employee upon management approval and after the employee executes a signed agreement form. Upon receipt of the card, the employee should immediately sign the back of the card and keep it in a secure place.

The purchasing card is issued to one employee only. No other person is permitted to use another employee's card. As a cardholder, the employee is responsible for the appropriate use of City funds. Although the card is issued to the employee, it remains City property and may be rescinded at any time. The employee should use the card only for the types of purchases described in this guide. In those rare circumstances where an individual's name does not appear on the card, the employee who was issued the "departmental" card will be responsible for all transactions made with the card while in his/her care and custody.

Each employee should document any questions, suggestions or difficulties he/she or the suppliers have regarding the purchasing card program. This feedback will provide vital information to our program during evaluations. Also, the employee should notify a Program Administrator of any suggestions for improvements or changes.

B. Card Issuance

A card will be issued to a City employee upon the approval of the department director. An individual will only receive the card after completing the application form, receiving Procurement Card Instruction from the Director of Finance and signing a Cardholder Agreement Form.

In addition to the above, the cardholder is required to read and sign the Procurement Card Cardholder Agreement and adhere to all procurement card policies and procedures of the City and his/her department. Each employee issued a card should read the entire documents carefully. It will explain appropriate card use, merchant participation, record keeping and reconciliation procedures.

Once an employee receives his/her card, it should be signed and kept in a secure place. Although the card has been issued to the employee, it is City property and may only be used for the purchases outlined in this document.

C. Purchasing Guidelines

The purchasing card program will not circumvent the City's purchasing rules and procedures. Instead, it is designed to streamline smaller purchases that are made on-site, via Internet, telephone, fax or mail.

Each employee is responsible for the security of the card he/she is issued and for the purchases made with it. Consequences for card misuse are severe, and penalties may include reimbursement of expenses, suspension of card privileges, or other disciplinary action up to and including termination.

In general, all business related expenses are eligible for purchase using the purchasing card, and all non-business related purchases are ineligible. Employees in doubt over whether or not a purchase is eligible should contact their supervisor, department head, or the purchasing card Program Administrator for assistance in determining purchase eligibility BEFORE they decide to make the purchase.

Each employee's card has been assigned an individual credit limit based on the department director's approval. If that limit becomes too low to accommodate monthly requirements, the employee may request an increase through the department director. Written authorization by a department head is required before a Program Administrator will change the credit limit.

D. Proof of Purchase Documentation and Reconciliation

Cardholders are required to keep a P-Card Transaction Log and attach their proof of purchases, invoices and receipts from their purchasing card activity as required by the Finance Department.

E. Lost or Stolen Purchasing Card

It is the responsibility of the cardholder to immediately report a lost or stolen procurement card by calling the 1-800 number on the back of the card-be sure you have this number written down for easy access for this purpose. As soon as possible thereafter, the cardholder must also report the lost or stolen card to the department head and the Finance Department. The City of Denison is liable for all transactions until the card is reported lost or stolen. Unauthorized use of the card will be reported to the City of Denison Police Department.

Verbal reports of lost or stolen procurement credit cards must be followed in writing to the department director and to Finance using the "Lost or Stolen Procurement Card Notification". A replacement card may be issued to the cardholder within 10 days. The employee's quick response will reduce the risk of fraud.

F. Conclusion

The purchasing card should be used responsibly. Since the card is issued in the employee's name, all purchases are assumed to be made by the employee. Each employee should be aware that improper use might result in disciplinary action, up to and including termination and criminal prosecution. The department may maintain a purchasing card log, but the original sales receipts shall be forwarded to Accounting. The cardholder may be randomly audited to track purchasing and record keeping activity.

By using the procurement card for business transactions, the employee will help save the City of Denison both time and money. We welcome your feedback and suggestions for improvement. If you have any questions, or need further assistance, please contact Accounting or Purchasing.

V. CONTRACT RENEWAL PROCEDURES

A. Terms

Renewal terms for contracts subject to competitive bidding should be limited to two (2) renewals following the original term. Exceptions to this policy may be made on a case by case basis when in the best interest of the City.

B. Multiple Award Contracts

When multiple vendor awards occur, if all vendors do not agree to renew, the contract in its entirety should be rebid.

C. Contract Changes

The renewal must be under the same terms and conditions as the original contract, provided that the unit price bid under the original contract may, by mutual agreement of both parties, be increased by no more than eight (8%) percent of the original contract price.

D. Vendor Performance

Vendor performance will be a critical decision factor when deciding whether or not to renew or rebid a contract. In addition to vendor performance, price and overall best value to the City will also be critical decision factor elements.

VI. CONTRACT ROUTING PROCEDURES

A. General Information

All written contracts, regardless of procurement methodology, require the approval of the Finance Director and the City Manager. A copy of all contracts will be kept in the City Clerk's office.

1. Contracts greater than or equal to \$50,000 require Council approval. The City Attorney must approve the contract in advance of Council action.
2. A City Manager Approval Form (See Appendix) should be attached for all contracts less than \$50,000. The City Attorney must approve the contract in advance of City Manager approval.

VII. CHANGE ORDERS

A. General Information

A change order is required if, after the contract has been executed one or more of the following events occur:

- (a) Changes in plans or specifications are necessary;
 - (b) It is necessary to decrease or increase the quantity of work to be performed; or,
 - (c) It is necessary to decrease or increase the quantity of materials, equipment or supplies to be furnished.
1. Material changes in scope, quantities, or related work may not be made. A material change is defined as substantial revisions.
 2. All change orders must include sufficient explanation or detail for the City Manager to make an informed consent to change the original contract. Such information should be communicated in a memorandum to the City Manager with the Change Order attached.

B. Change Order approvals

1. Change Orders involving an increase or decrease of less than \$50,000, may be approved by the City Manager provided that:
 - (a) the original contract price may not be increased by more than twenty-five (25%) percent; and,
 - (b) the original contract price may not be decreased by more than twenty-five (25%) percent without the written consent of the contractor.
2. Change Orders \$50,000 or more must be approved by the City Council.

VIII. REQUEST FOR PROPOSAL PURCHASING

A. General Information

Solicitations for goods and services, including insurance and high technology may be solicited through a request for proposal (RFP). The City Manager has authorized the Finance Director, or his or her designee, in consultation with the appropriate department, to determine the best procurement method for goods and services that provide the best value to the City of Denison.

B. Best value criteria

In determining the best value for the City, the City may consider, but is not limited to, the following factor:

1. Conformity to specifications;
2. the purchase price, including payment discount terms;
3. the reputation of the bidder and of the bidder's goods or services;
4. the quality of the bidder's goods or services;
5. the extent to which the goods or services meet the City's needs;
6. the bidder's past relationship with the City;
7. the impact on the ability of the City to comply with laws and rules relating to contracting with historically underutilized businesses and nonprofit organizations employing persons with disabilities;
8. delivery terms;
9. payment terms;
10. availability of repair and maintenance parts;
11. financial condition;
12. the total long-term cost to the City to acquire the bidder's goods or services; and
13. any relevant criteria specifically listed in this request for proposal.

Although the cost of products to be provided is an essential part of a bid, the City is not obligated to award a contract on the sole basis of cost when using the best value methodology.

As such, all RFP's should be bid using the best value methodology unless otherwise authorized by the Finance Director.

C. Negotiations

Discussions may be conducted with offerors who submit proposals and who are determined to be reasonably qualified for the award of the contract. Offerors shall be treated fairly and equally with respect to any opportunity for discussion and revision of proposals. To obtain best and final offers, revisions may be permitted after submissions but before award of the contract.

IX. TECHNOLOGY AND TECHNOLOGY RELATED PURCHASES

A. General Information

All technology related purchase requests including, but not limited to computer equipment, software, telecommunications and related services, copiers, printers and any device that accesses or uses City network resources must be submitted to the Information and Technology Department for review and technical evaluation before a purchasing decision is made.

B. Pre-approved purchases

The IT Department will provide a list of simple technology purchases that are pre-approved for purchase without further consultation and approval from the IT Department. The list will be updated as necessary.

LEGAL REQUIREMENTS

I. City Attorney Approval Required

A. Review by the City Attorney

The City Attorney shall review all documents, contracts and legal instruments in which the City may have an interest, unless otherwise determined by the City Attorney. Equipment, materials, supplies and service contracts bearing any special terms and conditions, other than administrative provisions, not previously approved by the City Attorney, shall be submitted for such approval and must receive approval prior to issuance.

B. Previously reviewed terms and conditions

Written agreements and contracts having been once approved by the City Attorney are considered to have been reviewed by the City Attorney for renewal or re-use purposes, unless substantial changes to the terms and conditions have been made.

II. Interlocal Cooperation

The Interlocal Cooperation Act, *Chapter 791 of the Local Government Code* authorizes local governments to enter into cooperative purchasing agreements with other jurisdictions such as Independent School Districts and Counties (*Local Government Code 271, Subchapter F*). Furthermore, *Local Government Code 271, Subchapter D* provides for the extension of state contract prices/bids to participating local governments when the General Services Commissions considers it feasible.

Wherever possible, the City of Denison shall attempt to make use of these Interlocal Cooperation provisions to meet State purchasing requirements.

III. Prompt Payment Act

Chapter 2251 of the Local Government Code stipulates that the City shall pay all payments owed not later than 30 days after the goods or services are received, or the date that the invoice is received and approved, whichever is later. This act also requires that when payment is not made as required, the City shall automatically add interest to the payment at the rate of one percent per month.

IV. Bonding

Chapter 2253 of the General Government Code requires bonds for payment and performance of contracts on certain public works projects, and sets the standards for when the bonds are required and the amount of the bond.

V. Professional Service Procurement Act

Chapter 2254, VTCA Government Code states that contracts for the procurement of defined professional services may not be awarded on the basis of bids. Instead, they must be awarded on the basis of demonstrated competence and qualifications, so long as the professional fees are consistent with, and not higher than the published recommended practices and fees of the various professional associations and do not exceed any maximums provided by the law.

VI. Purchasing and Contracting Authority of Municipalities

A. Authority

1. *Local Government Code, Chapter 252* has the competitive bidding requirements and the exceptions to competitive bidding. It also provides that certain municipal charter provisions prevail over the statute. It covers areas such as awarding bids, time warrants, changes to plans and specifications, the alternative competitive proposal for goods and services, and criminal penalties for violation of the chapter.
2. *Local Government Code, Chapter 271, Subchapter H* governs the alternative delivery methods for certain projects. When entering into a contract for the construction of a facility, the City may use alternative methods that provide best value for the City. However, the City must, before advertising, first determine the method that provides best value.

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APPENDIX

The following forms are approved for use in conjunction with this policy document:

1. Telephone or E-Mail Quote Sheet
2. City Manager Approval Form