



Standard Administrative Policy and Procedures Manual

Title: **FINANCIAL POLICY**
Section: **PURCHASING POLICY**

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SECTION 1 – PURPOSE

The purpose of this purchasing policy is to ensure that sound business judgment is utilized in all procurement transactions and that goods and services are obtained efficiently and economically and in compliance with applicable federal and state laws and to ensure that all procurement transactions will be conducted in a manner that provides full and open competition.

SECTION 2 – APPLICATION

This policy applies to the procurement of all goods and services that include any federal program funding. In regards to any such federal programs, all procurement will be done in accordance with 2 CFR; Part 200.

SECTION 3 – PURCHASING POLICY

- A. It shall be the responsibility of the Department Director to ensure that his/her department follows all policies and procedures.
- B. Only the purchasing methods described herein are available for purchasing goods and services on behalf of the City.
- C. The City's purchasing system is considered decentralized (each department's responsibility) except for those goods, services, and equipment that qualify or are designated for centralized purchasing.
- D. All applicable paperwork should be forwarded to the Finance Department as promptly as possible to expedite processing.
- E. No purchase made by an employee shall bind the City to receive and/or pay for the goods or services procured, unless authorized by the methods described herein.
- F. Noncompliance with these policies and procedures may result in the return of improperly authorized or prepared documents, nonpayment of vendor invoices, cancellation of purchase orders or purchasing privileges, or other sanctions as

determined necessary after consultation with the department director and/or city manager.

- G. The Finance Department will approve requisitions and will issue or deny purchase orders within 24 hours of receiving a properly authorized requisition.
- H. Transactions should not be split into smaller parts in order to circumvent the dollar limitations and requirements of this policy.
- I. The City does not prepay for goods or services or utilize prepaid devices such as gift cards. If a vendor requires prepayment for goods or services, authorization must be obtained from the City Manager's Office or the Finance Department.
- J. Employee reimbursements should be kept to a minimum (i.e. emergencies and travel/training).

SECTION 4 – PURCHASING LIMITATIONS

A. Informal Quotation Process (Informal)

- 1. The purchase of any goods or services with a total value between \$1,000 and \$4,999 requires at least three quotations. These quotations can be either telephone quotations or from a suppliers catalog. These quotations need to be documented on the purchase requisition.
- 2. The purchase of any goods or services whose total value is between \$5,000 and \$39,999 shall require written quotations from at least three suppliers. Quotations should be retained by the purchasing department with other related paperwork and be documented on the purchase requisition.
- 3. Purchases for public improvements qualifying under Chapter 26.3 of the Code of Iowa that are less than \$89,000 for highway, bridge, or culvert work, less than \$114,000 for buildings, utilities, sidewalks, trails, etc. or have been declared *emergency repair work* qualify for informal quotations. These purchases shall adhere to the following requirements:
 - a. The contractor must provide a performance and payment bond for a public improvement project of more than \$25,000 (Chapter 573.3 of the Code of Iowa).
 - b. The City Manager shall solicit City Council affirmation of contracts over \$50,000 at the next regularly scheduled or special called meeting.

B. Competitive Quotation Process (Semi-Formal)

- 1. The purchase of any goods or services with an estimated value in excess of \$40,000 shall require the taking of competitive bids based on written bid specifications with the cooperation of the Finance Department.

All bid documents shall receive prior approval from the City Manager or his designee. All amendments to bid specifications shall be made in writing. In the event it is deemed necessary to verbally inform a vendor of a bid specification change, such verbal communications shall be immediately followed up with written confirmation of the change. A notice to bidders may be published in an authorized publication, but is not required.

The written bid documents will include the time, place, and manner for filing quotations, which may be received by mail, fax, or e-mail. A report outlining all bids received, including the vendor names and the amount of the bids shall be submitted. If the bid is being awarded to a vendor other than the low bidder, the report shall also state why the bid is not being awarded to the low bidder. The report shall also include the amount budgeted for this purchase. The City Manager or his designee may award the contract bid, execute the contract, authorize work to proceed under the contract, and/or approve performance and payment bonds. The City Manager shall solicit City Council affirmation of all semi-formal bids, contracts, and purchases at the next regularly scheduled or special meeting.

2. Purchases for public improvements qualifying under Chapter 26.3 of the Code of Iowa that are between \$114,000 and \$206,000 and have not been declared *emergency repair work* and are not for highway, bridge, or culvert work qualify for competitive bidding (semi-formal) and shall adhere to part B.1 of this section. The contractor must provide a performance and payment bond.

C. Competitive Bidding (Formal)

1. Purchases for public improvements qualifying under Chapter 26.3 of the Code of Iowa that are in excess of \$206,000 or are for highway, bridge, or culvert work in excess of \$89,000 must use formal bidding as defined by Chapter 26 of the Code of Iowa, unless the improvements are declared *emergency repair work*.
2. Formal bids must be taken with the cooperation of the City Manager and the City Clerk using the following steps:
 - a. Detailed and written plans and specifications and a detailed cost estimate must be prepared for the public improvement project, approved by the City Manager, and placed on file with the City Clerk's office.
 - b. A notice to bidders must be published by the City Clerk not less than four days and not more than forty-five days before the date for filing bids. Notices must include:
 - i. Time and place for filing sealed proposals
 - ii. Time and place sealed proposals will be opened and considered on behalf of the governing body

- iii. The general nature of the public improvements on which bids are being requested
 - iv. In general terms, when the work must be commenced and when it must be completed
 - v. Bid security and bid bond requirements
- c. A notice of public hearing on plans, specifications, form of contract, and cost estimate must be published by the City Clerk not less than four days and not more than twenty days before the public hearing.
 - d. A formal opening and announcement of sealed bids on published date by the City Manager; review, consideration, and recommendation of bid award by City Manager; City Manager prepares report of bids received.
 - e. A public hearing on plans, specifications, form of contract, and cost estimate on published date by the City Council.
 - f. City Council receives City Manager report of bids received.
 - g. City Council passes or rejects resolutions to adopt plans, specifications, form of contract, and estimate of cost, to award construction contract, and to approve construction contract and bond with the lowest responsive, responsible bidder who has met all bid security and bid bond requirements following the public hearing.

D. Miscellaneous

1. Contracting for professional services (legal, engineering, etc.) or for ongoing technical services (maintenance, utilities, etc.) may be done on a negotiated basis. Where practical, however, those vendors providing such services should be asked to submit formal proposals to provide the services requested. Such proposals shall be evaluated on the basis of the vendor's reputation, experience, and understanding of the work to be done. Price, while being a factor, should not be the primary factor. City Manager and City Council authorization or affirmation is still required at the same dollar limitations as semi-formal or formally bid contracts.
2. All purchases involving a sole source bid (no competitive bids) where competitive bids are required shall be accompanied by written justification from the Department Director detailing the reason for a sole source purchase.
3. Bids solicited by the United States of America or an agency thereof, the State of Iowa, Polk County, or another governmental unit may be used as a replacement to the bidding requirements unless bidding is required by the Code of Iowa, the City Council, or the City Manager. The availability of a bid from another

government agency does not preclude the City from seeking and obtaining bids in a manner provided through this policy.

4. All purchases funded through a State or Federal grant must follow all additional procedures required by the grantor. All bid specifications for a purchase that is funded through a State or a Federal grant must list all additional specifications for the goods or services that are required by the grantor. Any contract funded through a federal grant shall comply with 2 CFR 200.326 and Appendix II to Part 200.
5. Contractors must be evaluated when bids are received on their ability to meet State or Federal requirements. The City will not award a federally funded contract to a party listed as debarred, suspended, or otherwise excluded in the System for Award Management (SAM). www.sam.gov

In addition, no purchases to be covered by a grant can be made prior to the execution of the grant agreement unless approved by the grantor.

6. Purchase transactions for goods or services with a City employee (the employee, employee's spouse, or employee's business) are limited to \$1,500 per fiscal year per employee in total as per State law. Any transactions with an employee that will exceed this limit are required to go through formal bidding requirements.
7. For any given purchase, due to the nature of the contract, the competitiveness of the vendors, or for other reasons, the department may choose to use the bidding procedures for a higher dollar threshold than which the purchase falls under. The department may not, however, select bidding procedures for a lower dollar threshold than what is prescribed.
8. In instances where federal funds apply, affirmative steps will be taken to assure, to the greatest extent possible, that contracts be awarded to qualified small and minority firms, women's business enterprises, and labor surplus area firms whenever they are potential sources.
9. *Emergency repair work* is declared via resolution by the City Council and a certificate from an external, registered, professional engineer certifying that the emergency repairs are necessary.

E. Contract Administration

1. The City Manager or his designee will advertise and bid all contracts qualifying for formal bidding procedures. The City Manager or his designee will oversee receiving, opening, and announcing all formal bids. Bids received late will be immediately returned to the late bidder unopened.
2. Formally bid contracts will be executed by the Mayor and attested to by the City Clerk. The City Manager or his designee shall execute all other contracts on behalf

of the City as permitted by State law. Copies of all contracts should be forwarded to the Finance Department.

3. The City Manager or his designee will administer all contracts on the authority of the City Council.
4. The City Manager or his designee will approve all change orders to contracts. City Council must approve all change orders for contracts that were bid using formal bidding procedures.
5. Contractual payments on formally bid contracts must be approved, individually, by City Council action. Other contractual payments must be approved by the City Manager or his designee and listed on the formal claims list presented to City Council.
6. Where appropriate, retainage shall be withheld on contracts for public improvements as provided for by State law or on other contracts as deemed appropriate or necessary. Retainage on a contract may not exceed 3% of the cost of the public improvement. An application by a contractor for early release of a retainage requires City Council consideration and approval.
7. The final acceptance (certificate of completion), the final contractor payment, and the release of retainage authorization (unless early release applied for) of a formally bid contract shall be approved by City Council action.

SECTION 5 – PURCHASING METHODS

All purchases, greater than \$1,000, must use one of the following purchasing methods. These methods of purchasing goods and services are available for purchases not requiring formal bidding and council approval:

- Purchase order
 - Blanket purchase order
 - Emergency purchase order
 - Petty cash
 - Certain exceptions
- A. The purchase order is the preferred method of purchase. It requires that a purchase requisition be submitted to the Finance Department by the purchasing department bearing the proper authorizations. This is done prior to placing the order with the vendor. The Finance Department then approves the requisition and issues a purchase order.

All purchase requisitions shall be approved, at a minimum; in the following manner (department directors may set more restrictive approval requirements within their departments):

1. Between \$1,000 and \$2,000 must be approved a by a supervisor, division administrator or higher and approved by the Finance Department.
 2. \$2,000 or over must be approved by a Department Director or higher position and approved by the Finance Department.
 3. The City Manager, Assistant City Manager, Director of Administrative Services or Finance Officer may approve any purchase requisition.
- B. The blanket purchase order may be issued to qualified vendors for the procurement of regular, ordinary, and necessary purchases. An initial requisition is required to create the blanket purchase order and should include the estimated total cost of the blanket purchase order and the time period that it will be in effect. This time period shall not extend past the end of the current fiscal year. A requisition is not required for each purchase under a blanket purchase order. Improper use of a blanket purchase order will result in its cancellation. Blanket purchase orders should not be used for:
1. Travel and training
 2. Initiating ongoing service contracts
 3. Purchasing minor equipment or capital (4354 or 44** account numbers)
- C. The emergency purchase order may be used if a situation arises that meets any of the following emergency procurement conditions:
1. The situation threatens public health, welfare or safety; or
 2. The department must act to preserve critical services or programs; or
 3. The need is a result of events or circumstances not reasonably foreseeable.
- In the event that any of these situations occurs, the purchasing department must request a purchase requisition formally documenting the occurrence and justifying the expenditures made under the emergency exemption.
- D. Petty cash may be used to make purchases of under \$40. Approval is required by the supervisor or higher and must be signed out from the petty cash custodian prior to making the purchase. A receipt is required for all petty cash purchases. The Finance Department must authorize any increases or decreases to a department's petty cash. Starting cash drawer money is not considered petty cash and should not be used to make any purchases. The Parks and Recreation Department, Public Services Building, and the Finance Department have authorized petty cash funds. If a petty cash fund is desired, it must be requested and approved through the Finance Department. Petty cash should not be used for:

1. Travel and training

2. Purchases where the City has a credit account
 3. Employee reimbursements
- E. Certain exceptions to the above purchasing methods are as follows:
1. Annual dues renewals
 2. Subscription renewals
 3. Recording fees
 4. Budgeted rents and leases
 5. Maintenance agreement and service contract renewals
 6. Scheduled agency contributions
 7. Travel and training
 8. Contracts and purchases approved by City Council

Unless listed above, all purchases greater than \$1,000 requires some form of purchase order.

SECTION 6 – PURCHASING PROCEDURES

The following steps comprise the procedures related to the purchase order and accounts payable system:

A. Purchase order (purchase over \$1,000 or requested by vendor)

Step 1 - A purchase requisition is submitted to the Finance Department via Incode. The form must be properly completed, including appropriate descriptions, required approvals, and correct fund/department numbers. All the information is reviewed and approved by the Finance Department.

Step 2 - A purchase order is issued and is provided to the purchasing department.

Step 3 - The purchasing department orders the goods or services.

B. Blanket purchase order

Step 1 - A purchase requisition form must be submitted to the Finance Department via Incode similar to that of a regular purchase order. A blanket purchase order is issued for a period of time not to extend past the end of the current fiscal year. It should also include an estimate of the amount to be purchased over this period of time or less. The department's budget will be encumbered by the amount estimated. The amount to be encumbered cannot exceed the

amount available in the budget. Once the estimated purchase amount or the time period has been exceeded, the blanket purchase order will be canceled.

Step 2 - The purchasing department should make arrangements with the vendor to purchase under the blanket purchase order. Every department wishing to purchase with a vendor using a blanket purchase order should submit for its own blanket purchase order with that vendor.

Step 3 - The purchasing department orders the goods or services. Each purchase under a blanket purchase order does not require a requisition. The blanket purchase order number must be known in order for a purchase to be made from the vendor.

C. Emergency purchase order

Step 1 - At the conclusion of the situation, the purchasing department must request a purchase requisition formally documenting the occurrence and justifying the expenditures made under the emergency exemption.

Step 2 - The Finance Department will issue a purchase order to the purchasing department.

D. Petty cash

Step 1 - The Supervisor or higher should authorize any petty cash purchase prior to the purchase. The purchase shall not exceed \$40.

Step 2 - The petty cash custodian will issue the appropriate amount of money to the purchasing agent. The purchasing agent and the petty cash custodian should sign a slip indicating the amount withdrawn.

Step 3 - After the purchase has been made, the Department Director or the individual responsible for preparing and managing the activity's budget should stamp the purchase receipt with the approval for payment stamp, sign, and date.

Step 4 - The purchasing agent should return the stamped and signed receipt of purchase and any change to the petty cash custodian. The petty cash slip should be completed in its entirety. The petty cash custodian should attach the petty cash slip to the receipt of purchase.

Step 5 - The Finance Department will reimburse the petty cash funds when proper documentation is received (receipts and reconciliation forms). Reconciliation forms should be completed and submitted with receipts at least once every two months or more frequently if necessary.

SECTION 7 – CENTRALIZED PURCHASING

- A. Goods, services, and equipment that are determined to qualify under any of the following criteria will be purchased and bid by the Finance Department:
 - 1. Where bulk purchasing or exclusiveness can save the City money
 - 2. Where consistency across departments creates organizational efficiency
 - 3. Where no department is directly responsible for a good or service that affects many departments
 - 4. Where the City Manager determines that it is beneficial for the City to do so
- B. The Finance Department will create bid specifications, solicit bids, and manage contracts for goods, services, and equipment that are deemed to qualify.
- C. For the goods, services, or equipment qualifying under this section, departments must contact the Finance Department for vendor issues, complaints or other related activities.
- D. Qualification for centralized purchasing will be determined by the City Manager and the Finance Department.