

CITY OF BRADY
ADMINISTRATIVE PROCEDURES

SUBJECT: Purchasing Policy	EFFECTIVE DATE: 3-04-2014	REVISED DATE: 11-17-20
APPROVED: Resolution 2020-031		

INTRODUCTION

Public purchasing is the process of acquiring all goods and services by the City of Brady (City) that is necessary to provide the public with the services they require.

Much of what is written in this Purchasing Policy is governed by statutory requirements of local, state or federal origin, reference **Chapter 252, Texas Local Government Code** for details (see Appendix A).

Public purchasing has several goals:

1. To purchase the most effective good or service to suit the City's needs.
2. To obtain the best possible price for the good or service.
3. To have the good or service available where and when it is needed.
4. To assure a continuing supply of needed goods and services.
5. To guard against any misappropriation of City's funds.

Public purchasing shall also assure that:

1. Bidders are given a fair opportunity to compete for the government's business. This is done by the statutory requirements for competitive bids and proposals, and by the City's own purchasing procedures.
2. Safeguarding of public funds. To ensure that the best value is received for the public funds.
3. To ensure that public spending is not used to enrich elected officials or City employees, or to confer favors on favored constituents.

ETHICAL STANDARDS

Public employees shall discharge their duties impartially so as to assure fair competitive access to governmental procurement by responsible contractors and vendors. They shall conduct themselves in such a manner as to foster public confidence in the integrity of the City of Brady procurement operation.

To achieve the purpose of this Policy, it is essential that those doing business with the City of Brady also observe the ethical standards prescribed here.

1. It shall be a breach of ethics to attempt to realize personal gain through public employment with the City of Brady by any conduct inconsistent with the proper discharge of the employee's duties.
2. It shall be a breach of ethics to attempt to influence any public employee of the City of Brady to breach the standards of ethical conduct set forth in this code.
3. It shall be a breach of ethics for any employee of the City of Brady to participate directly or indirectly in procurement when the employee of the City of Brady knows that:
 - a. The employee or any member of the employee's immediate family has a financial interest pertaining to the procurement;
 - b. A business or organization in which the employee, or any member of the employee's immediate family, has a financial interest pertaining to the procurement; or
 - c. Any other person, business or organization with which the employee or any member of the employee's immediate family is negotiating or has an arrangement concerning prospective employment is involved in the procurement.
4. Conflicts Disclosure Statement and Conflict of Interest Questionnaire Required. Each City officer shall file a Conflicts Disclosure Statement in accordance with Chapter 176 of the Local Government Code. Each vendor who has a business relationship as defined by Section 176.001(1-a) of the Local Government Code, as amended, and meets the requirements under Section 176.006 of the Local Government Code, as amended, shall file a Conflict of Interest Questionnaire.
5. Gratuities. It shall be a breach of ethics to offer, give or agree to give any employee or former employee of the City of Brady, or for any employee or former employee of the City of Brady to solicit, demand, accept or agree to accept from another person, a gratuity or an offer of employment in connection with any decision, approval, disapproval, recommendation, preparation of any

part of a program requirement or purchase request, influencing the content of any specification or procurement standard, rendering or advice, investigation, auditing, or in any other advisory capacity in any preceding or application, request for ruling, determination, claim or controversy, or other particular matter pertaining to any program requirement or a contract of subcontract, or to any solicitation or proposal therefore pending before the City of Brady.

5. Kickbacks. It shall be a breach of ethics for any payment, gratuity or offer of employment to be made by or on behalf of a subcontractor under a contract to the prime contractor or higher tier subcontractor for any contract for the City of Brady, or any person associated therewith, as an inducement for the award of a subcontract or order.
6. Contract Clause. The prohibition against gratuities and kickbacks prescribed above shall be conspicuously set forth in every purchasing contract and solicitation for purchase.
7. Confidentiality. It shall be a breach of ethics for any employee or former employee of the City of Brady knowingly to use confidential information for actual or anticipated personal gain, or for the actual or anticipated gain of any person.

AUDITING

Auditing is the process of examining information (such as: data and documentation), operations (such as workflow, physical layout and documents in use), requirements (such as laws, procedures, policies), staff (such as personnel and level of training) and results of operations (such as reports of operations, results of statistical tests and counts) to determine the mathematical accuracy, legality, propriety, efficiency, and effectiveness of operations. It is a process of determining whether all transactions are properly recorded in the accounts and appropriately reported to management, and whether the office is operating at its most effective manner.

Certain objectives should be followed in purchasing to ensure that:

1. All transactions are properly authorized.
2. All ordering procedures are correctly followed.
3. Competitive bidding and proposal statutes are followed.
4. Purchases should be sales tax free.
5. All purchasing statutes and policies are followed.
6. Goods, services and fixed assets purchased are received and recorded by the appropriate division.
7. Goods and fixed assets received are properly safeguarded and accounted for.
8. Operations conform to prescribed procedures and policies.
9. Operations are being conducted in the most effective manner.
10. Sufficient funds shall be appropriated before the obligation is incurred.

TYPES OF PURCHASES

There are several acceptable types of purchases. They are as follows:

Non-Stocked Items

These items are not stocked or warehoused by the City. They may or may not be a standardized item, but are not in such constant demand as to be considered a supply or other stocked item. These items are procured by either bids or negotiated price quotes, according to the statutory or local requirement.

Stocked or Warehoused Items

These items are in such constant usage by the City that they are stocked routinely. These items are usually purchased on annual contracts with provisions to replenish stocks as needed. These items should be standardized to the maximum extent possible. Commonly used office products will be maintained in the Service Center inventory managed by the Purchasing Agent.

Emergency Purchases

Emergency purchases are made to meet a critical, unforeseen need to the City. Because the City's ability to serve the public would be impaired if purchases are not made immediately, emergency purchases are exempt from standard purchasing procedures.

Sole Source Purchases

Sole source purchases are goods and services available from only one vendor. There may be just one vendor because of patents or copyrights or simply because the vendor is the only one which supplies the good or service. These purchases are exempt from the standard bidding requirement. Divisions may be required to certify that only one vendor is available. It is a violation of this policy and may lead to disciplinary action to state a vendor is sole source when other sources are available.

Service and Supply Contracts

The City purchases a variety of goods and services obtained through Interlocal Agreements, Cooperative Purchasing Agreements and Federally Funded Contracts.

PURCHASING PROCEDURES

State Law and City policy require seeking competitive pricing or bids for the item or service to be purchased. The procedures for obtaining the competitive bids are categorized by level of expenditure. The four categories by order of magnitude of expenditure are defined below.

Competitive Bidding

It is the policy of the City to use competitive principles in awarding public contracts of any amount with very limited exceptions. This includes the purchase and lease of goods, the purchase of services, and construction projects. These competitive principles will apply to all divisions of the city. Competitive bidding means letting the available vendors compete with each other to provide goods and/or services.

Competitive bidding ensures that public funds are spent properly, legally, and for public projects only, and that the best possible value is received for the money. Secondly, it gives those qualified and responsible vendors who desire to do business with the City a fair and equitable opportunity to do so.

Formal Bids

Formal competitive bidding and competitive proposals are required by statute for purchases amounting to \$50,000 or more.

All formal bids for goods, services, or contractual needs will be initiated through the Purchasing Agent in cooperation with the requesting division. This centralization promotes development and maintenance of records of supply sources, prices, specifications, legal and other requirements.

The formal bid procedure will take a minimum of three weeks before a bid can be awarded to a vendor. Bids shall be on a standard Bid Sheet and with Instructions to Bidders (see Exhibit 1 and Exhibit 2). The initiating division and the Purchasing Agent will be responsible for vendor solicitation prior to the bid opening and vendor notification after the bids are considered and approved by the City Council. All legal advertising will be through the City Secretary's office.

After receipt, the City Secretary will keep the bids and related information in the central files. A copy will be furnished to the division upon request.

The following general requirements apply for the purchase of a formal bid:

1. The bids are to be advertised, based on the specifications and contract conditions of purchase provided by the City. Specification development shall be completed at the user or initiating division level. All formal bids shall be submitted to the Purchasing Agent for processing. The City Secretary will be responsible for advertising the bid request and receiving and opening the bid documents.

2. Bids are received until a certain future date and hour set out in the specifications. After that date and time, no further bids are accepted.
3. The bids are opened at the specified date and hour, and recommended to the City Council. Generally the lowest and best responsive bid is accepted, but only one bid may be accepted. If no bid is found to be acceptable, the entire bidding process shall be repeated or cancelled.

Bids may be subject to bonding requirements. Where there is a question of applicability, requested confirmation shall be by the City Attorney. This is to ensure that, if the bidder attempts to withdraw after his bid is accepted, the City will not suffer loss.

Formal bidding procedures should be used for purchases costing less than \$50,000 whenever it can be expected that by doing so will result in a cost savings to the City.

Competitive Proposals

Competitive proposals are similar to competitive bids, but are limited in scope by Texas statutes. They can only be used for procurements of high-technology products or services. The definition of "high technology" is somewhat vague. Purchasers should keep abreast of recent developments in this area.

1. The specification is written using performance standards rather than the description of the good or service. The specification also lists the factors by which the proposal will be judged, and the weight to be given to each factor.
2. Vendors submit proposals of their own design for a system to satisfy the requirement set forth in the proposal. Proposals may incorporate entirely different hardware or services to accomplish the same performance.
3. After proposals are received, the city government may enter into negotiations with as many vendors as have submitted feasible proposals in order to arrive at the best possible proposal for each vendor.

Informal Bids

Purchases of goods or services costing less than \$50,000 are not required to follow the formal bid process. However, purchases should follow a competitive process to ensure the best and lowest price possible to the City.

COMPETITIVE BIDS ARE CATEGORIZED BY LEVEL OF EXPENDITURE

Purchases \$50,000 and Over

Purchases of \$50,000 or more are formal bids as described earlier. Upon award of the bid to the best value bidder approved by City Council the Purchasing Agent will create and submit a Purchase Requisition Form (see Exhibit 5) for issuance of a purchase order. Receipt of the goods or services shall only occur after issuance of the purchase order.

Purchases between \$5,000.00 and \$50,000.00

When a purchase falls below formal bid limits, but costs between **\$5,000** and less than \$50,000, the following procedures shall apply:

1. A written request to bid shall be sent to at least three vendors; wherever possible, a request for bid should be sent to five or more vendors. Where a list of vendors is maintained, the list should be rotated so that, over time, all vendors are contacted an approximate equal number of times.
2. The request to bid will be on a Quote Sheet (see Exhibit 3). It should contain at least the following information.
Name and address of vendor;
Description of item;
Quantity required;
Last date quotations accepted;
Approximate date delivery is required; and,
Terms and conditions of purchase.
3. The standard form should request certain specific information, such as:
Total or unit price, as specified;
The date through which quoted price will be effective; and
An estimate of shipping and handling cost if applicable.
4. The request to bid should require that the quoted price would be honored during the stated period.
5. A Bid Tabulation Sheet (see Exhibit 4) shall be used to summarize all bids.

Purchases under \$5,000

1. Purchases under **\$5,000** can be made without a purchase order. Where a purchase is less than **\$5,000** the invoice shall be signed by the Division Supervisor and accompanied by a Payment Authorization (see Exhibit 7) form or stamp for invoices that is submitted to Accounts Payable immediately for completion.

COMPETITIVE BIDDING/COMPETITIVE PROPOSALS

Before the City may enter into a contract that requires the expenditure of more than \$50,000, the City must comply with one of the following:

1. Comply with the procedure for competitive sealed bidding;
2. Comply with the procedure for competitive sealed proposals;
3. Comply with the method described in 2269 of the Texas Government Code, as amended.

If a method other than competitive sealed bidding is used, before notice is given, the City will determine the method of purchase that provides the best value to the City.

CONSIDERATION AND AWARD OF BID OR PROPOSAL REQUESTS

Competitive Sealed Bids

If competitive sealed bid requirements apply to a contract, the City will award the contract to either the lowest responsible bidder or to the bidder who provides goods or services at the "best value" for the City. In determining the "best value" for the City, the following factors may be considered:

- The purchase price
- The reputation of the bidder and 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 nonprofit organizations employing persons with disabilities the total long-term cost to the City to acquire the bidder's goods or services
- Specific and appropriate experience of the bidder
- Experience of pertinent staff to be assigned to project
- ANY RELEVANT CRITERIA SPECIFICALLY LISTED IN THE REQUEST FOR BIDS OR PROPOSALS

All advertisement for bids or proposals shall give notice to prospective bidders in the bid specifications that the contract may be awarded either to the lowest responsible bidder or to the bidder who provides goods or services at the best value for the City.

In determining who is a responsible bidder, the City may take into account the safety record of the bidder, of the firm, corporation, partnership, or institution represented by the bidder, or of anyone acting for such a firm, corporation, partnership, or institution. All advertisements for bids or

proposals shall give notice to prospective bidders in the bid specifications that the safety record of the bidder may be considered in determining the responsibility of the bidder.

If the bidder has more than two cases in which final orders have been entered by the Occupational Safety and Health Review Commission (OSHRC) against the bidder for serious violations of the Occupational Safety and Health Administration (OSHA) regulations in the past five years, the City will, at its discretion, determine whether to disqualify the bidder.

If the bidder has more than one case in which the bidder has received a citation or for which a final order has been entered from an environmental protection agency for violations within the past five years, the City will, at its discretion, determine whether to disqualify the bidder.

If the bidder has been convicted of a criminal offense within the past ten years or has been subject to a judgment for a negligent act or omission, which resulted in serious bodily harm or death, the City will, at its discretion, determine whether to disqualify the bidder.

Competitive Sealed Proposals

If competitive sealed proposal requirements apply to a contract, the City will consider the following factors and the discussions conducted under Section 252.042 of the Texas Local Government Code to determine the “best value” for the City:

- The purchase price
- The reputation of the bidder and 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 nonprofit organizations employing persons with disabilities
- The total long-term cost to the City to acquire the bidder’s goods or services
- Specific and appropriate experience of the bidder
- Experience of pertinent staff to be assigned to project
- ANY RELEVANT CRITERIA SPECIFICALLY LISTED IN THE REQUEST FOR BIDS OR PROPOSALS

All advertisement for bids or proposals shall give notice to prospective bidders in the bid specifications that the contract may be awarded either to the lowest responsible bidder or to the bidder who provides goods or services at the best value for the City.

In determining who is a responsible bidder, the City may take into account the safety record of the bidder, of the firm, corporation, partnership, or institution represented by the bidder, or of anyone acting for such a firm, corporation, partnership, or institution. All advertisements for bids or proposals shall give notice to prospective bidders in the bid specifications that the safety record of the bidder may be considered in determining the responsibility of the bidder.

If the bidder has more than two cases in which final orders have been entered by the Occupational Safety and Health Review Commission (OSHRC) against the bidder for serious violations of the Occupational Safety and Health Administration (OSHA) regulations in the past five years, the City will, at its discretion, determine whether to disqualify the bidder.

If the bidder has more than one case in which the bidder has received a citation or for which a final order has been entered from an environmental protection agency for violations within the past five years, the City will, at its discretion, determine whether to disqualify the bidder.

If the bidder has been convicted of a criminal offense within the past ten years or has been subject to a judgment for a negligent act or omission, which resulted in serious bodily harm or death, the City will, at its discretion, determine whether to disqualify the bidder.

Competitive Bidding under Chapter 2269 of the Texas Government Code

If a method, authorized by Chapter 2269 of the Government Code, other than competitive bidding, is used, before notice is given, the City will determine which method will provide the best value for the City.

If Chapter 2269 requirements apply to a contract, the City will award the contract to the offerer that provides the best value to the City based on the following factors:

- The purchase or proposal price
- The offerer's experience and reputation
- The quality of the offerer's goods or services
- 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
- The offerer's safety record
- The offer's proposed personnel
- Whether the offerer's financial capability is appropriate to the size and scope of the project
- Specific and appropriate experience of the bidder
- Experience of pertinent staff to be assigned to project
- ANY RELEVANT CRITERIA SPECIFICALLY LISTED IN THE REQUEST FOR BIDS, PROPOSALS, OR QUALIFICATIONS

The City will also consider and apply any existing law and criteria related to historically underutilized business and the use of women, minority, small, or disadvantaged businesses. All advertisement for proposals under Chapter 2269, other than competitive bidding, will publish the request for proposals or qualifications the criteria that will be used to evaluate the offerors, and the applicable weighted value for each criterion.

PREFERENCE FOR LOCAL BUSINESSES

If two or more bidders have bids that are identical in nature and amount, with one bidder being a resident or local business of the City and the other bidder or bidders being non-residents, the City will select the resident or local bidder. (Local Gov't Code §271.901(b)).

If the City purchases real property or personal property not affixed to real property under Chapter 271 of the Local Government Code and if the City receives one or more bids from a bidder whose principal place of business is in the City and whose bid is within three (3%) percent of the lowest bid price received by the City from a bidder who is not a resident of the City, the City may enter into a contract with either the lowest bidder or the bidder whose principal place of business is in the City. (Local Gov't Code § 271.905(b)). The City has determined that local bidders offer the City the best combination of contract price and additional economic development opportunities, including the employment of residents of the City and increased tax revenues.

If the City purchases real estate, personal property not affixed to real property, or services, and the City receives one or more competitive sealed bids from a bidder whose principal place of business is in the City and whose bid is within five (5%) percent of the lowest bid price received by the City from a bidder who is not a resident of the City, the City may enter into a contract for construction services in an amount of less than \$100,000, or a contract for other purchases in an amount of less than \$500,000 with either the lowest bidder or the bidder whose principal place of business is in the City. The City has determined that local bidders offer the City the best combination of contract price and additional economic development opportunities, including the employment of residents of the City and increased tax revenues. (Local Gov't Code § 271.9051). This provision is limited to contracts for construction services for less than \$100,000. (Local Gov't Code § 271.0951).

The City will give a preference to a local business if there is an out-of-state bidder that has bid on a contract and the out-of-state bidder or manufacturer is located in a state that discriminates against out-of-state bidders in its bid awards in favor of local bidders. (Local Gov't Code § 2252.001). Chapter 2252 of the Local Government Code will determine such preference.

RECYCLED MATERIALS

The City will give preference in purchasing products made of recycled materials if the products meet applicable specifications as to quantity and quality. (Local Gov't Code Sec. 361.426(a) of the Health and Safety Code). The City will regularly review and revise its procurement procedures and specifications for the purchase of goods, supplies, equipment, and materials in order to: (1) eliminate procedures and specifications that explicitly discriminate against products made of recycled materials; (2) encourage the use of products made of recycled materials; and (3) ensure to the maximum extent economically feasible that the City purchases products that may be recycled when they have served their intended use.

THE PURCHASE ORDER PROCESS

Requisitioning is formally requesting that a purchase order be issued. The purchase order authorizes a purchase to be made. The purchase order issuance process begins with requesting (requisitioning) the purchase order. Each division shall make a requisition request for its purchasing needs. The requisition process includes authorization and safeguards so that improper or illegal purchasing is difficult both to initiate and to conceal.

The requisition process is a manual process by preparing the purchase requisition form. Preparation shall be done far enough ahead of the date that the goods or services are needed to allow adequate time for following the procedures established in this policy.

All requests presented to the Finance Department shall be processed within five working days. If a request is to be held (for budget transfers, vendor quotation forms to be sent, etc.) or cannot be processed within a five-day period, the initiating division will be notified immediately. When additional funds are needed, the requesting division will submit a budget transfer/amendment form for the required funds.

The electronic Incode purchase order system does not relieve the initiating or user divisions of the responsibility of completing the appropriate paperwork as defined elsewhere in this policy (see Exhibit 3 (Quote Sheet) and Exhibit 5 (Purchase Requisition Form)). The forms, referred as the backup documents, shall be used for data input into the Incode system.

The electronic approvals for the purchase requisition will be performed by the Purchasing Agent, Finance Director and City Manager in the Incode system. The Purchasing Agent will create and print a copy of the Purchase Order (see Exhibit 6) and attach it to the backup documents to complete the documentation and forward to Accounts Payable with the receiving paperwork and/or vendor's invoice (if available).

Approval Authorization:

There are three levels of electronic approvals provided for issuance of a purchase order. The table below specifies the levels of approvals. (The Department Head is authorized to manually approve purchases for their divisions for the amounts specified below).

The levels required for the various approvals are as follows:

Approval Levels	Purchasing Approval
Department Head (manual approval only)	\$5,000 or less
Purchasing Agent	\$5,000 or greater
Finance Director	\$5,000 or greater
Deputy City Manager	\$5,000 or greater
City Manager	\$10,000 or greater

It is the responsibility of the Purchasing Agent to deliver the purchase requisition form and required documents to the Finance Director and City Manager. Approval will be given and electronically signed in the Incode system once all requirements are met.

Purchasing Agent will print the purchase order based upon the items listed in the purchase requisition register. The purchase order will be electronically signed by the Finance Director (verifying availability of funds) and the City Manager (approving the purchase). The original, copy of the purchase order will be mailed, faxed or emailed by the Purchasing Agent to the vendor. This will confirm the purchase of the item or service.

Financing:

If an item is going to be financed, a purchase order cannot be issued until verification of funding is received from the lender.

EXCEPTIONS TO THE PURCHASING CYCLE

As with any set of guidelines there will be exceptions. This section deals primarily with those more common exceptions to the normal purchasing cycle with the understanding that the exceptions only apply when there is a legitimate and obvious need. Following is a list of the most common exceptions to the normal purchasing cycle:

1. Emergency situations;
2. Blanket purchasing agreements for minor non-inventory purchases;
3. Training and seminars/memberships, subscriptions, registrations and publications;
4. Legal advertising;
5. Contracting for personal/or professional services;
6. Maintenance contracts and construction contracts;
7. Purchases less than \$1,000.00 where the creation of a purchase order document would not be cost effective to the City.

Emergency Situations

An emergency is commonly described as an unforeseen situation, which adversely and unduly affects the life, health, and safety or convenience of the citizens of Brady; or, a circumstance that would cause a loss to the City (such as an inordinate amount of down time). If an emergency arises during normal work hours, the affected Department Head or authorized representative shall:

1. Notify the City Manager and/or Finance Director of the situation;
2. Request a manual purchase order number from the Purchasing Agent;
 - a) Justify the emergency;
 - b) Provide a quote of cost for the material and/or service;
3. As soon as possible, all related paperwork, i.e. invoices, packing slips, or any backup relating to the purchase will be forwarded to the Finance Department.

Blanket Purchasing Agreements

Agreements with contractors/suppliers that allow small purchases by individual divisions without going through the normal purchasing procedures. For example, establishing an agreement with an automobile parts supplier to allow for a quick and effective purchase when a needed part or supply is not in stock. The blanket purchasing agreement also reduces administrative costs for small purchases by eliminating the need for multiple requisitions and purchase orders for low cost items. The City may desire to take advantage of any quantity discounts or to fix the price of the items over the purchasing period. Caution should be exercised in utilizing blanket purchasing agreements to assure that divisions do not exceed budgeted amounts or duplicate purchases. Periodic checking should be done to verify low prices, and assure sales tax is excluded from invoice payment.

Training, Seminars, Memberships, Subscriptions, Registrations, and Publications

A purchase order is not required for expenses incurred in connection with training and seminars, memberships, subscriptions, registrations and publications. However, divisions are responsible for maintaining budget allowances. The City Manager shall approve all expenditures for training and seminars according to the established policy.

Legal Advertising

A purchase order is not required for legal advertising expenses. A copy of the publication shall be attached to the invoice and sent to the Finance Department for processing.

Contracting for Personal/Professional Services

A purchase order is not required prior to contracting for all personal/professional services. Contracting for professional services (engineering consultant, rate analyst, etc.) will be the responsibility of the division seeking such services. Any goods or services consumed in conjunction with a contracted professional service shall be acquired through a request for proposal. However, upon the execution of a contract, it is encouraged to encumber the funds in the Incode system. It shall be the responsibility of the contracting division to notify the Finance Department of the closing or expiration of the contract.

Maintenance Contracts and Construction Contracts

A purchase order is not required for maintenance and construction contracts such as computer maintenance and engineering contracts. Contracting for maintenance and construction services will be the responsibility of the division seeking such services. Any goods or services consumed in conjunction with a contracted maintenance or construction service shall be acquired through a request for proposal. However, upon the execution of a contract, it is encouraged to encumber the funds in the Incode system. It shall be the responsibility of the contracting division to notify the Finance Department of the closing or expiration of the contract.

Purchases less than \$5,000.00

It is not cost effective to create a purchase order for purchases less than **\$5,000.00**.

SUPPLY AGREEMENTS

The purpose of a supply agreement is to contract the acquisition of goods, as they are needed from a chosen vendor at a fixed price for a specified period of time. These agreements are formally bid and vendors are approved by City Council. These contracts eliminate the necessity of bidding goods each time they are needed while allowing the City quantitative purchasing at optimum prices.

Bid data is compiled by listing items and estimated quantities to be utilized over a specific period of time. Quantities are to be estimates only and vendors are advised that actual purchases may vary 25 percent, more or less, than estimated quantities. Purchase orders will be issued for each individual purchase.

There are provisions in the contract for vendors to follow if the increased cost of an item to the vendor exceeds the selling price contracted to the City. Documentation is to be provided before a line item or lot can be re-bid.

Contracts will be awarded on per item, per lot, or all or none basis; decisions for award will be at the discretion of the Division Supervisor utilizing the goods. The contract should also contain a termination clause applicable to both parties; thirty days written notice of intent to cancel is required to conclude the contract.

MAINTENANCE CONTRACTS AND SERVICE AGREEMENTS

Where feasible, the City may enter into annually contractual agreements with selected vendors for various maintenance services. These contracts may include, but not be limited to, office machine maintenance, cleaning services, pest control, and equipment rental agreements. Negotiation of these contracts and agreements are the responsibility of the responsible Department Head. One copy (original signatures) of the agreement shall be provided to the City Secretary for the permanent records and one copy to the Finance Department.

RECEIVING MERCHANDISE/SERVICES

When receiving ordered goods, the responsible division will conduct an initial inspection of the merchandise to determine its condition. A comparison is made of the goods received against the product specifications as established by the City purchase order, if applicable. Once determination has been made that the merchandise received are to the purchase order specifications, the items are then placed in use and a receiving document is processed in the Incode system.

Damaged or Defective Merchandise

If the merchandise is damaged or defective, the division performing the inspection should notify the Vendor. Arrangements should then be made for return and/or replacement of the merchandise. Payment should not be authorized for damaged or defective merchandise. The Purchasing Agent should be notified in writing of the problem and a "hold" placed on the payment of the purchase order.

Incomplete/Partial Orders

In the event an order is incomplete, an inquiry should be made for scheduled shipment of the remaining order. Authorization for payment of a partial order is accomplished by signing the ticket indicating the purchase order number, date, vendor and items received and then forwarding this information by payment authorization or stamp for invoices, specifically noting a partial payment of a purchase order to the Purchasing Agent or Accounts Payable for processing.

If the amount of an invoice does not match the original amount on the purchase order, the Finance Department will approve and process the invoice as long as the amount does not exceed 25 percent of the total amount of the purchase order. Any amount exceeding 25 percent will require the Division to notify the Purchasing Agent for approval to proceed. Approval will require documentation to support the reason for the increase, and verification that funding is available.

PURCHASING AND SERVICE CENTER

When a division recognizes the need for goods, it should first examine the inventory in stock by using the Incode system or inventory listing report from Incode to see if the item is available. If the item is maintained in stock, the Service Center will issue the item to the division. If the item is not maintained in stock, the division should begin the purchasing procedure. Purchase orders are required for all purchases equaling or exceeding **\$5,000.00**.

Bid pricing and bidding limits are established to ensure that sizable purchases are subjected to fair competition among available, responsible vendors. But even though certain purchases are exempt for some reason from the statutory or local ordinance requirements for bids, the division shall maintain adequate controls over purchases to ensure compliance with this policy. Procedures are put in place to ensure that the user is not splitting orders to escape the bidding requirements. A periodic internal audit by the Purchasing Agent will be done to ensure all procedures are being followed.

The City shall maintain an inventory operation that will be responsible for items that are centrally purchased, stocked or warehoused. The three primary purposes in establishing and maintaining a centralized warehouse are:

1. To provide a central receiving, inspection and issuing point for goods;
2. To facilitate the purchasing and storage of larger quantities of frequently used items;
3. To ensure the availability of frequently needed goods on a timely matter.

Stock Levels

The selection of items stocked in the Service Center is determined by the needs of the user divisions. It is the responsibility of Division Supervisor to inform the Purchasing Agent of their need and requirements. Stock levels are determined according to use and demand. The Purchasing Agent shall maintain an Incode Inventory List containing a description of all items maintained in the Service Center.

Users are reminded that before initiating a purchase through normal purchasing procedures, they should check with the Purchasing Agent to determine if the desired good is in stock or on order.

Several factors govern the quantity of inventories. These include:

1. Current user needs;
2. Time required replacing inventory stocks;
3. Available storage space;
4. Market conditions;
5. Monthly turnover rate.

The Purchasing Agent will be responsible for monitoring the above factors to determine if an item not currently in inventory should be stocked, or conversely if a underutilized item should be deleted from inventory stock. Additionally, input from user divisions regarding inventories will always be encouraged. A periodic list will be sent to all divisions to determine reorder levels.

Service Center Procedures

To obtain stock items from the Service Center, authorized individuals shall report their needs to the Purchasing Agent. These items will be charged to the division's budget. The Division Supervisor will be required to give the fund, division and budget code.

To return unneeded stock to the Service Center, users will notify and submit an Inventory Requisition Form (Exhibit 12) to the Purchasing Agent which, upon inspection of the returned good for serviceability, will place the item back into inventory, credit the proper account, and note "returned" on the Inventory Requisition Form initialed by the returnee.

Inventory

A physical inventory of all Service Center stock will be conducted on a monthly basis. It will then be reconciled with that period's activities and forwarded to Division Supervisor and the Finance Department. A summary of monthly division's charge outs will be sent to all divisions for review. At the same time one copy will be sent to the Finance Department for inclusion in the financial report and another will be retained by the Purchasing Agent for future reference.

FIXED ASSETS

A fixed asset is categorized by two factors: (1) whether the initial cost of the item is \$5,000 or more, and (2) if the anticipated useful life exceeds one year. Examples of fixed assets include office machines, furniture, vehicles and equipment. All inquiries should be forwarded to the Finance Department. When a purchase meets the definition of a fixed asset, the user division will complete a Fixed Asset Inventory Form (see Exhibit 8) and forward it to the Finance Department.

INSPECTION OF GOODS

The inspection of ordered goods will be accomplished at one of three locations, depending upon the nature of the goods ordered.

At a City Facility

Authorized representatives will be responsible for inspecting, upon delivery, all normal stock items and general use goods ordered through designated city facility. If the goods have been ordered for a specific division, an authorized representative of that division should be present during the initial inspection. Any discrepancies (damages, improper specifications, etc.) noted upon initial inspection will be reported in writing to the freight carrier and/or the originating vendor. The ordering division shall be aware of arrival for inspection purposes.

At the Vendor's Location

Special order items involving technical specifications and a substantial investment may require inspection at the point of origin. Such items include: rolling stock (such as: refuse trucks, dump trucks, and hauling trailers), heavy equipment, fabricated machinery, etc. Pre-delivery inspections will be conducted by an authorized representative of the requesting division.

At the Job Site

Inspections at the job site will be used to ensure compliance with specifications and to determine that the ordered goods will actually perform and function for which they were purchased. Examples of goods that will require on the job inspections are construction materials such as: concrete, asphalt, pre-coated stone and specialized equipment which has passed pre-delivery inspection.

PROPERTY SALVAGE AND DISPOSAL

Many items may outlive their usefulness and become unserviceable or obsolete. If it is found that the item is no longer serviceable to the City it shall be reported to the employee charged with maintaining the inventory of fixed assets for ultimate disposal. A fixed asset inventory form shall be filled out by the user division and the form transferred to the Finance Department for instructions on the most advantageous method of disposal for the City.

Upon approval by the City Council and City Manager, surplus goods and equipment may be disposed of in one of the following methods:

1. Public auction;
2. Trade-in on new equipment;
3. Sealed bids;
4. Destruction as unsalvageable;
5. Recycled; or
6. Negotiated price by Council.

SPECIFICATIONS

Specification is a concise description of a good or service the City seeks to buy, and the requirements which the vendor shall meet in order to be considered for the award. A specification may include requirements for testing, inspection or preparing an item for delivery, or preparing or installing it for use. The specification is the total description of the purchase, for guidelines and resources see (Appendix C).

COMPLIANCE

Employees shall comply with this policy and any subsequent policy or guidelines issued by the City Manager. Therefore, it is against the City's purchasing policy to procure items with personal funds, with the expectation that the City of Brady will provide reimbursement for the cost of such items. Violations of this policy may subject an employee to disciplinary action up to and including indefinite suspension/termination. These responsibilities are to be included in the designated individual's performance evaluation.

EXHIBITS: FORMS AND INSTRUCTIONS

- Exhibit 1 – Bid Sheet
- Exhibit 2 – Instructions to Bidders
- Exhibit 3 – Quote Sheet
- Exhibit 4 – Bid Tabulation Sheet
- Exhibit 5 – Purchase Requisition Form
- Exhibit 6 – Purchase Order
- Exhibit 7 – Payment Authorization
- Exhibit 8 – Fixed Asset Inventory Form
- Exhibit 9 – Purchasing Procedures Checklist
- Exhibit 10 – Justification for Payment
- Exhibit 11 – Justification for Budget Override
- Exhibit 12 – Inventory Requisition Form
- Exhibit 13 – Conflict of Interest Questionnaire
- Exhibit 14 – Conflict of Interest Statement

APPENDICES

- Appendix A - Chapter 252, Texas Local Government Code
- Appendix B – Incode Purchase Order Processing
- Appendix C – Specification Guidelines