

ADMINISTRATIVE POLICIES

OFFICE OF THE CITY MANAGER

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1. PURPOSE.
As attached.

2. AUTHORITY.
As attached.

3. APPLICATION.
As attached.

4. DEFINITIONS:
As attached.

5. POLICY.
As attached.



Don Dorman, City Manager



Date

City of Tulare



Purchasing Policy

Approved by the Tulare City Council on October 6, 2015 by Resolution 15-36

Received by the Board of Public Utilities on October 15, 2015

Administrative Policy 15-04

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1. GENERAL PROVISIONS

The Purchasing Division of the City of Tulare is responsible for oversight of the procurement of materials, equipment, and supplies for all city departments. It is also responsible for the administration of the warehousing facilities (to the extent they are established) and oversight of the city's inventory programs. These activities will be conducted in the most cost effective and efficient manner consistent with city requirements, schedules and sound purchasing practices. The policies contained herein are intended to be consonance with policies and directives from the City Council and the City Manager.

This Purchasing Policy ("Policy"): (a) provides for a coordinated and controlled purchasing system; (b) effects City Council delegations of authority to conduct purchasing activities and to execute related contracts to specified staff; (c) promotes a system of financial and administrative internal controls for the efficient expenditure of public funds in accordance with City Council policies; and (d) sets forth the limits for City purchasing and for public works contracts identified in City Charter Sections 23 and 46, respectively.

The procurement methods described below are the approved procurement specifications for each purchasing category and are to be used to make purchases once the appropriate purchasing category is determined.

No purchase order or contract shall be approved unless the Authorized Department Purchaser (defined below) making the purchase first certifies that there exists an adequate unencumbered balance of the appropriation(s) to be charged with the cost of the order or contract. Upon adoption by the City Council and Board of Public Utilities of their respective budgets (both Operating Budgets and Project Budgets), the appropriations included in the adopted budgets will constitute the authority to spend for the public purposes indicated in the budgets, subject to the methods and authorities set forth in this Policy.

As used only in this Policy, the following terms shall include the following positions or bodies:

- (a) "**Senior Purchasing Manager (SPM)**" means any person so designated in writing by a Department Head to supervise departmental purchasing activities, or any person designated by the Finance Director or City Manager to supervise purchases affecting multiple departments. Department Heads and Division Managers are automatically included as Senior Purchasing Managers for their Department or Division.
- (b) "**Department Head**" includes those positions determined by the City Manager to function as a Department Head.
- (c) "**City Council**" includes the Board of Public Utilities as to purchases within the purview of the Board of Public Utilities under the City Charter Sections 52 through 56.
- (d) "**Division Manager**" mean those managers designated by Department Heads as being responsible for operating divisions as defined within the City's accounting structure.

- (e) **“Purchasing Manager”** means the Finance Director, or designee, responsible for coordination of the entire purchasing system, maintaining written purchasing procedures, conducting annual purchasing procedures training, and identifying and correcting any purchasing system deficiencies. In the absence of the regular Purchasing Manager, the Finance Director may designate a temporary person to fulfill the duties. The Purchasing Manager is also a Senior Purchasing Manager.
- (f) **“Authorized Department Purchaser (ADP)”** is the position(s) in each department occupied by a person(s) authorized in writing by each Department Head to purchase goods and services for that department. An ADP may also be a SPM whose purchases are supervised by a Department Head.
- (g) **“Authorized Requester”** means a person authorized in writing by a Department Head to request the purchases for City programs and projects with which the person works.
- (h) **“Project Manager”** means those assigned project management responsibility under the Tulare Project Management System (TPMS) Program Policies.

The Finance Director may request that the City Manager specifically review any Department Head’s delegation of authority described above and will identify any specific reasons for the request.

City policy is to optimize usage of its computerized purchasing system which is integrated into the City’s computerized financial accounting system. Document and approval routing will occur within the computerized purchasing system in order to take advantage of the system’s data-integration features. Such features are intended to: (a) reduce errors, (b) maximize administrative and financial internal controls, and (c) make “funds available” status checks more accurate by encumbering appropriations upon purchase order issuance. All executed contracts shall be entered into the computerized purchase order system to encumber the appropriations.

This Policy assumes the following sequence for Purchases:

1. Authorized Requester requests a particular Purchase for non-inventoried items (the inventory control processes are not discussed in this Policy).
2. An order is placed or a Purchase Order Document is generated per this Policy.
3. The Purchase Order Document is routed for approvals and to confirm that unencumbered appropriations are available to be spent.
4. A person authorized to generate the signed Purchase Order does so within their dollar authority limits using the computerized purchasing system.
5. Order is placed if using a Purchase Order.
6. Authorized personnel receive the goods or services and document satisfactory (or unsatisfactory) vendor performance.
7. If the received goods or services are satisfactory, authorized personnel approve the vendor’s reviewed vendor’s invoice for payment, which approvals may be made on a summary sheet of the approved invoices.

8. Properly approved invoices are paid by Finance Accounts Payable after all purchase records are matched and all procurement-related internal control procedures are satisfactorily applied.
9. Purchase Order is closed when all goods and services under it are received thereby relieving any unused appropriations.

Purchase Orders related to annual appropriations will be closed at the end of each fiscal year. Purchase Orders related to the City Projects Budgets continuing into the next fiscal year will continue intact until the Purchase or contract to which they relate are completed and closed by the Project Manager.

At least annually, the Purchasing Manager will review each department's purchasing operations and the City-wide purchasing system for Policy compliance and will make a written report with recommendations to the City Manager and the Finance Director regarding any Policy non-compliance or recommended improvements. The Purchasing Manager will also conduct training, at least once annually, for personnel who participate directly in the City's purchasing system. The Purchasing Manager's review of transactions may be done on a sampling basis, but sufficient purchase orders and purchases will be sampled throughout the fiscal year to be able to render a reasonable conclusion as to whether the system (both department and city-wide) are working according to this Policy.

2. ETHICAL CONSIDERATIONS

1. Confidential Information

Information furnished by suppliers and/or contractors in open market bidding regarding price, terms, performance specifications or other data will be held confidential until after award for purchase. This shall not apply to public bid openings. After award of bid, all papers pertaining to a transaction are public information and will be available for review upon request by an interested person, unless good cause exists for a bidder to specifically request that certain proprietary information (under patent, trademark, or copyright) not be released.

2. Employee Interest in Supplies/Contractors

No city employee who participates in the selection or approval of a contract for products, sources of supply, specifications or who has supervisory responsibility for such employees, shall have any financial interest in the company which furnishes the supplies or services being procured.

3. Standards and Ethics

The very highest ethical standards will be maintained in all purchasing activities. All purchasing shall be in accord with appropriate codes of the City of Tulare and the State of California Government Code, as well as the standards of good business practice. The Purchasing Division will also operate under the principles and standards of purchasing advocated by the National Association of Purchasing Management and the California Association of Public Purchasing Officers.

4. Gifts and Rebates

The Purchasing Officer and every officer and employee of the city are expressly prohibited from accepting any rebate, gift, money, or anything of value whatsoever, when could be perceived in any way as intent to influence the employee in his/her official capacity.

Officers and employees may accept token advertising items (e.g. pens, hats, coffee mugs, etc.) so long as the value remains below mandated disclosure limits set by the Fair Political Practices Commission limits for gifts for the current year. Additionally, other gifts may only be accepted when approved by a Department Head and shared with other employees in the department. Gifts accepted by a department head shall not exceed the Fair Political Practices Commission's gift limitations.

Any and all rebates that are given in the regular course of business will be turned over to the purchasing division. The purchasing division will use the rebates in a way that maximizes utility for the city.

5. Vendor-Paid Meals

Vendor-paid meals may be accepted in limited circumstances. There are times when it is acceptable for a city employee to accept a meal paid for by a vendor. The Purchasing Officer and every officer and employee of the city are expressly prohibited from accepting any meal, when it could be perceived in any way as intent to influence the employee in his/her official capacity.

Employees may only accept vendor-paid meal if the following criteria are met:

- Vendor is in attendance
- There is a legitimate business purpose to the meeting with the vendor.
- The meal is not overly extravagant.
- The meal is for the convenience of the participants or process.
- The meal is promptly reported to your manager.
- The meal is valued under the Fair Political Practices Commission's disclosure limits for the current year.
- No alcoholic beverages are consumed during the meal or paid for by the vendor.

6. Purchasing for Personal Use Prohibited

Purchases shall not be made for any city employee's personal use using the city's procurement personnel, facilities, processes or accounts.

3. PURCHASING CATEGORIES

City Purchases are classified into the purchasing categories below based on the dollar amounts involved and the type of purchases. Each category establishes a separate purchasing authorization limit, specifies the Authorized Approvers, and invokes procurement procedures tailored to reduce risks of loss or error.

Where a Department Head, Senior Purchasing Manager, or the Finance Director have reason to believe that a particular vendor's total Purchases under multiple purchases will exceed any of the limits contained in this Policy within a fiscal year, the procuring party will follow the procedures specified with regard to the expected level of total Purchases for the fiscal year.

Type	Amount	Approver	PO Required	Bid/RFP	Contract Required
Petty Cash	\$50 or less	DM or SPM	No	No	No
Minor Purchases (not requiring PO)	\$2500 or less	ADP	No	No	No
PO Required Purchases	\$2501 or more	ADP or SPM	Yes* (if not exempt)	No, if <\$25,000 informal OK	No if <\$50,000
Minor Contracts	Below \$50,000	CM	Yes* (if not exempt)	Yes; >\$25,000 Formal Proposal	No if <\$50,000
Major Contracts- City Council Approved	\$50,000 or more	CC	Yes* (if not exempt)	Yes – Formal Proposals	Yes generally
Professional Services	Follows above	Follows Above	Yes* (if not exempt)	Not Always	Yes
Public Works Contracts	Below \$100,000	Follows Above	Yes* (if not exempt)	Based on amount- See Above	Based on amount- See Above
Public Works Contracts	\$100,000 or more	Per City Charter Sec. 46	Yes* (Finance)	Yes	Yes
Change Orders	Approve Percent	Approved Percent	No – amends contract	Typically Written	Amends Contract
Grant or Governmental Contract Purchases		Based on amount- See Above	Based on amount- See Above	Based on amount – See above - Follow Grant Rules	Follow Grant Rules

* Refer to page 10 for PO exemptions

Authorized Approver Legend:

DM – Division Manager	SPM – Senior Purchasing Manager	ADP – Authorized Department Purchaser
PM – Project Manager	CM – City Manager	CC – City Council

A. Petty Cash Purchases - \$50 or less

The petty cash fund may be used to pay reimbursement to City employees for the direct and immediate Purchases of less than \$50 per transaction. The goods and services that may be purchased are of minimal cost including, but not limited to, the following:

- 1) Freight and postal charges due upon delivery
- 2) Purchase of materials, goods, supplies, equipment or services needed for "immediate use"
- 3) Reimbursement of employee travel/meeting expenses

A "petty cash voucher form" must be completed by the person requesting petty cash and approved by his/her SPM or Division Manager. A detailed receipt itemizing each charge must support all expenditures. Advances of petty cash are permitted on a limited basis where the person will make the purchase and turn in the receipt and unused funds within the same business day. Petty cash reimbursements should be requested in a timely fashion but no later than two weeks after the purchase date.

B. Minor Purchases Not Requiring Purchase Orders (POs) - \$2,501 or less

Unless exempted, all purchases in excess of \$2,500 require a purchase order be issued upon making the purchase. Budgeted and unencumbered appropriations must be available prior to making any approved purchases. All original invoices and/or receipts for such purchases must be authorized, documented, and processed by a department Authorized Department Purchaser under the supervision of either the Department Head or a Senior Purchasing Manager. Authorized Department Purchasers may initiate Purchases costing less than \$2,501 without soliciting Proposals or use of a Purchase Order (PO), except as the following:

Recurring Purchases

For Purchases occurring on a regular interval (e.g. monthly, quarterly, etc.), submittal of a PO Document and issuance of a PO by Finance is required even if the anticipated individual purchases may not meet the minimum \$2,500 level requiring PO's, as more fully described below.

Open Accounts/Blanket Purchase Orders (BPOs)

BPOs are created and reviewed annually by both Finance and the Department Heads to allow for open account billing from vendors for items such as: office supplies, building maintenance, supplies, vehicle fuel, meeting refreshments, etc. Open accounts are used as a cost efficient way of replenishing or purchasing low dollar cost items used routinely in operations and are not intended to be used to circumvent the PO approval process outlined in this Policy. Open accounts are assigned a maximum values annually and individual transactions may not exceed \$1000 per item/unit or \$2,500 per total transaction. Upon annual review the maximum value of the BPO will be determined. Approval of BPOs will follow purchasing categories by dollar amount as defined in this document. Purchasing will assign a SPM or ADP to each BPO issued. This person will be responsible to manage the use of the BPO.

C. Purchases Requiring Purchase Orders (POs) - \$2,501 or more

Authorized Department Purchasers may initiate purchases of \$2,501 or more by processing a PO. Each purchase requiring a PO is required to be approved by an Authorized Approver who is separate from the person initiating the Purchase. The following purchases are exempt from the PO requirement because their circumstances render it unlikely that appropriations will be inadvertently over-expended.

PO Exemptions

The following financial disbursements are exempt from Purchase Order requirements:

- Disbursement for refundable deposits.
- Disbursements to public agencies for which the City collects fees on behalf of the agency.
- Disbursement for payroll, payroll liabilities, and employee benefits.
- Disbursements for refunds of city fees collected (e.g. Building & Planning fee).
- Disbursement for debt service payments and payments on approved loan agreements.
- Disbursements for Litigation related agreements (e.g. Settlements and cost payments).
- Workers compensation payments for medical and related expenses.
- Public utility purchase of water, power and related services when no competition is available.
- Materials, equipment or services purchased from federal or state agencies
- Specialized seminar, training, educational classes, meetings and travel.
- Contracts for employment and public employee labor agreements.
- Non-profit funding and sponsorship agreements.
- Cost of City membership with multi-agency organizations.
- Disbursements for standing "on-call" services rendered through contract where the service provider will only be called in case of an emergency or after hours situation requiring immediate response.
- Such other items as are exempted by City Council resolution.

For Purchases of at least \$2,501 but less than \$25,000, departmental staff shall at least informally solicit and document Proposals in writing (via mail, email or fax) from a minimum of three (3) vendors or from as wide a range of vendors as considered practical. The solicited Proposals shall be attached to the PO Document as back up support. If any vendor's Proposal is not attached, the SPM must submit written justification, approved by a Department Head, as to why the transaction should be exempt from this requirement. The City's Purchasing Manager, Finance Director, Deputy City Manager, or City Manager will approve or reject the request for exemption.

Upon approval by a SPM who did not initiate the Purchase transaction, or by the City Purchasing Manager if there is no SPM eligible to approve the PO Request, the department may generate and issue the PO through the computerized purchasing system. All supporting documents will be attached to the PO in the system prior to issuance. Accounts Payable will match every invoice received for payment with the PO and approved payment authorization documents (receiving reports and approved invoices

and payment authorization transmittal forms) before making payment. Where no receiving report is generated, the invoice or a photocopy of the invoice or a summary of invoices from the same vendor approved by an Authorized Approver may substitute for the receiving report.

The originating Department will be responsible for placement of the orders with the vendors.

D. Minor Contracts - Below \$50,000

Purchases for less than \$50,000 do not require a contract, but if a Department Head elects to enter into a contract, or if a contractor or vendor requires that the City enter into a contract, the contract shall be reviewed by the City Attorney before routing for approvals. Contracts for less than \$25,000 must be approved and executed by the Department Head (as attested by the City Clerk), approved as to content by the SPM, approved as to form by the City Attorney. The PO will not be approved by the Authorized Approver until the contract is fully executed.

Purchases for more than \$25,000 and less than \$50,000 do not require a contract, but do require POs. However, if a department elects to enter into a contract, or if a contractor or vendor requires that the City enter into a Purchase contract of such an amount, the contract shall be reviewed by the City Attorney before routing for approvals. Contracts for sums in this range (\$25,000 - \$50,000) must be approved and executed by the City Manager (and attested by the City Clerk), approved as to content by the requesting Department Head, and approved as to form by the City Attorney. Unless waived by the City Manager, vendors will execute any contract before it is presented to the City Manager for signature.

Waiving Insurance Requirements

Due to the variety of services provided to the City, and based on an evaluation of risk exposure involved, there is occasionally the need to waive insurance requirements. For all contracts below \$25,000 the Risk Manager or a person so designated in writing by the Risk Manager, may waive insurance requirements taking into consideration a recommendation of the City Attorney. For all contracts above \$25,000 and below \$50,000, the City Manager or a person so designated in writing by the City Manager may waive the insurance requirements taking into consideration a recommendation of the City Attorney.

E. Major Contracts - \$50,000 or more

Purchases of \$50,000 or more shall be awarded by contract (which may include a detailed PO) and must be reviewed and approved as to form by the City Attorney before routing for approvals. Major contracts of \$50,000 or more (except for Professional Services as per below) require formal proposal procedures (i.e. request for proposals, request for qualifications, or otherwise) and also require the approval of the City Manager and the City Council. After City Council approval and delegation of authority to the City Manager to execute, the contract will be executed by the City Manager on behalf of the City Council, approved as to content by the requesting Department Head, approved as to form by the City Attorney and attested by the City Clerk. Before such contracts are presented to the City Council for approval, Finance must verify appropriations are available for the purchase, and unless waived by the City Manager must be executed by the vendor. The PO must be issued by the Finance Department, and will

not be processed by Finance until the contract is fully executed by the vendor, except on written waiver of this requirement by the City Manager.

Waiving Insurance Requirements

Due to the variety of services provided to the City, and based on an evaluation of risk, exposure involved, there is occasionally the need to waive insurance requirements. For all contracts of \$50,000 or more insurance waivers are subject to the approval of the City Council, taking into consideration a recommendation from the City Manager, Risk Manager and City Attorney.

F. Professional Services - Any Amount

The selection of professional services is to be based on demonstrated competence and on professional qualifications evidencing background, experience, training and education likely to result in satisfactory performance. After a qualified firm is selected, the SPM or City Attorney may negotiate a satisfactory contract with a price determined to be fair and reasonable. The emphasis for selection is therefore based upon qualifications rather than the lowest price (Departments must follow the dollar thresholds established in his Policy with regard to Authorized Approvers).

G. Public Works Contracts below \$100,000

Public Works Contracts below \$100,000 will follow the procedure outlined above depending upon the dollar amount of the contract.

H. Public Works Contracts

Public Works Contracts in excess of \$100,000 will be awarded in accordance with provisions of Section 46 of City of Tulare Charter.

4. ADDITIONAL POLICIES

A. Annual and Multi-Year Contracts

When economically advantageous, ordered materials and services may be procured through the use of annual or multi-year contracts. These contracts must include terms which specify conditions of renewal each year for the duration of the contract. An annual review will be made by the Purchasing Officer to determine if the contract will be renewed.

B. Unit-Based Pricing Contracts

In the case of material purchase contracts, unit based pricing may be utilized. Purchasing thresholds follow the same purchasing guidelines as outlined in the purchasing categories in this document. Unit based pricing contracts may be annual or Multi-year contracts and may be used across the entire organization. The Authorized Department Purchaser making a purchase using a unit-based pricing contract must certify that there exists an adequate unencumbered balance of the appropriated budget. Unit based contracts can be used for capital projects as well as day-to-day operations.

C. Change Orders; Amendments

The Tulare Project Management System (TPMS) Program Policies provides a framework policy for the City to successfully complete projects. The TPMS policies authorize percentages of major projects to be used to appropriate dollar cost contingencies for unforeseen project events. Project Managers are allowed to allocate such contingency budgets to project cost budget line items that would otherwise be exceeded due to the unforeseen events to avoid budget over-expenditure. In instances where the contingency budget fully covers the additional costs connected with an unforeseen event no further City Council action is needed and the City Manager is authorized to execute the change orders. The City Manager may delegate to the City's overall City Project Manager (by position title) the authority to execute changes orders of \$50,000 or less on construction projects.

When a change in the scope of service(s) is necessary and causes additional work that is required to continue the progression of an authorized purchase or an awarded contract the following shall apply:

1. The scope of the change order should be clearly identified and assigned a number so they can be easily referenced by all parties involved in the project. The project manager can determine if it is appropriate for multiple changes to be included in a single change order.
2. A change order shall be created and approved in the City's financial system. A change order will directly change an existing purchase order and the amount of encumbered funds. Change orders can be positive or negative. No change order contract is to be signed or approvals given without a change order reflecting the fiscal impacts being created and approved. This will ensure that the encumbered funds match commitments that have been made.
3. Upon change order approval a formal a change order document and a revised PO can be generated. The change order document only contains the change order information of the single change order, while a revised purchase order contains the most current version of the purchase with all posted change orders.
4. Changes in scope that cause the total purchase or contract amount to remain within the total appropriated project budget, including contingency appropriations, may be authorized by the approval procedure outlined above with regard to unforeseen events. Cumulative changes in scope which cause the total appropriated project budget, including contingency appropriations, to be exceeded require further City Council action.
5. City Council action for additional project appropriations will be sought before the change order is approved. In circumstances where delay will not cause the City to incur penalties, liquidated damages, de-mobilization/re-mobilization costs, or other costs due to delay. In circumstances where City Manager determines in his or her discretion that significant delay-related costs are likely to be incurred, the City Manager may approve limited change orders necessary to avoid such costs pending further City Council review and action regarding additional project budget appropriations at the next regular City Council meeting (where time is available for proper meeting notification). For original project contract appropriations of \$750,000, or more, that are a result of formal proposal procedures (e.g., Requests for Proposals), cumulative changes in scope necessitating additional payment(s) by the City of less than \$50,000 may be approved by the City Manager and submitted to the City Council at the end of the project for ratification.

D. Grant or Governmental Contract related Purchases

The City will comply with all special Purchasing requirements imposed by grants-in-aid (state, federal or otherwise) or state or federal contracts with special Purchasing requirements. However, if the City has discretion or if the grant or contract is silent the provisions of the City's Purchasing Policy will prevail in the event of any conflict or potential conflict among purchasing provisions. Among the requirements related to federal grants, the City will comply with the following:

1. **Debarment and Suspension.** There will be no Purchase contracts related to federal grants awarded to any person debarred or suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549. Finance will establish and administer procedures for the effective use of the List of Parties Excluded from Federal Procurement or "Non-procurement" programs to assure that they do not award assistance to listed parties in violation of the Executive Order. Finance will also establish procedures to provide for effective use and/or dissemination of the list to assure that no City staff and no sub-grantees (including contractors) at any tier make awards in violation of the non-procurement debarment and suspension common rule.
2. **Buy America** – All steel, iron, and manufactured products used in projects requiring a Buy America provision must be manufactured in the U.S., as demonstrated by a Buy America certificate, or, in the case of rolling stock, the cost of components produced in the United States is more than 60 percent of the cost of all components and final assembly of the vehicle takes place in the U.S. (49 CFR part 661). Additionally, Appendix A to 49 CFR section 661.7 provides general waivers of the Buy America program.
3. **Specify Federal Grant Amounts.** Authorized Purchasers are to be aware of and comply with the requirement enacted in Section 623 of the Treasury, Postal Service and General Government Appropriations Act, 1993, and reenacted in Section 621 of the fiscal year 1994 Appropriations Act. This Section requires grantees to specify in any announcement of the awarding of contracts with an aggregate value of \$500,000 or more, the amount of Federal funds that will be used to finance the acquisitions.
4. **Accounting and Reporting.** Finance and Project managers (as to grant funded projects) will establish and maintain procedures to assure compliance with all grant requirements concerning Purchases accounting and recordkeeping, grant cash management, and reporting to the grantor.

Additional requirements the city will comply with for Transit purchases are included in City of Tulare Transit supplemental Procurement Section incorporated as an appendix of this document.

The above list is not intended to be a complete listing.

E. Business License Required - Any Amount

City Municipal Code Section 5.04.070 requires that anyone conducting a business, service or contracting work in the City of Tulare obtain a City business license. All City staff initiating or approving any purchases are responsible for ensuring that vendors have a current business license in good standing

prior to incurring costs with the vendor, which requirement will be confirmed by Finance before processing any requested PO Documents or payment invoices.

F. Emergency Purchases

In certain situations, it may be necessary to make emergency purchases, which shortcut the pre-approvals, as outlined above. An emergency purchase may be made when there is an immediate need to acquire particular materials, goods, supplies, equipment or services not already available to City staff to deal with an emergency.

For purchasing purposes, an emergency situation is one in which there is an immediate threat to life or property or a substantial disruption of a vital public service or where the public health, welfare or safety may be at substantial risk. The emergency must be of such a nature that the Department Head and possibly the City Manager would be contacted to advise them of the situation, regardless of when such emergency may occur. Such situations must be determined to be an emergency (subject to later justification for such determination) and such emergency purchases must be approved by a Department Head or by the City Manager. Any such emergency purchases in excess of \$25,000 will be reported to the City Council at the next regularly scheduled meeting where time is available to give the required public notice of the agenda item.

G. Pre-qualification

The City may maintain a list of pre-qualified contractors for particular types of work or may pre-qualify a list of contractors for a particular project requiring City-specified minimum levels of background, experience, training, and education to be able to satisfactorily perform a task or type of project. The specific processes and approvals for pre-qualification will be established by the City Manager and City Attorney. Formal Proposals and Requests for Qualifications will be solicited in any such process to give maximum exposure to all potential contractors of the opportunity to apply for inclusion on such a list. Pre-qualification lists created shall expire no later than the end of the second fiscal year after they are created, subject to a one-year extension by the City Manager.

H. Sole Source

The request for proposal provisions of this Policy may be waived as set forth below. The Sole Source procedures may be used if: there is reasonably only one reliable source for the needed Purchases, or because of the City has standardized on a product line due to system cost savings by avoiding wasteful inventorying of multiple product lines; and the intent of this policy is achieved that City Purchase be at a reasonable price that is unaffected by improper favoritism towards any vendor. The SPM will submit a completed Sole Source Justification Form approved by their Department Head along with any other information to the City Manager or Finance Director who may approve the sole source purchase upon determining that the conditions above are satisfied. Where the justification for the sole source purchase is that the vendor's product line is part of the City's standard part's inventory, such justification will be reviewed by the City Council at least once every two years or at the expiration of the contract related to such systems, whichever is later.

I. Local Preference

Unless otherwise prohibited by law, preference to local businesses, if deemed responsive and responsible, shall be provided involving the purchase of materials, goods, supplies, equipment or services (collectively, "the item purchased") in an amount not to exceed five (5) percent of the local business' total proposal price, up to a maximum preference amount of twenty thousand dollars \$20,000. A local business is defined in the definitions section of this Policy. This Local Preference shall not be granted where it is disallowed by law, the terms of any grant or contract paying for such purchase, or where the City Manager determines that the item purchased as proposed by the vendor is of inferior quality or is not responsive to the requested item to be purchased.

J. Recycled Goods

The Purchasing Officer will evaluate recycled and environmentally friendly products to determine the extent to which they may be used by various City departments and will purchase recycled, recyclable, or environmentally friendly products whenever their use is practical and feasible.

K. Equipment Purchases

All equipment purchased (new or used) must comply with all local, state and Federal laws regarding their use and appropriate permits must be obtained to operate. All vehicles (new or used) must be approved by the City Manager and Fleet Maintenance. All computer equipment and equipment that will connect to the city computer network must be approved by Information Services.

L. Capitalization

The city's capitalization threshold, including intangible assets, is \$5,000. Capital assets are capitalized if they have a cost in excess of \$5,000 and have an expected useful life of three or more years. Capital assets that have a cost below \$5,000 are deemed expended during the fiscal year they are acquired. Items that meet the capitalization threshold must be identified and communicated to the Finance Department through the capital asset accounting process established and overseen by the Finance Department.

M. Value and Price Policies

1. Standardization

Departments are expected to make maximum use of standard products. The Purchasing Division will work with departments to achieve standardization of purchased materials, supplies, and services to the extent that such action serves the needs of the city.

2. Full Value Analysis

When bids are solicited from responsible vendors/contractors which are qualified, capable, and willing to meet city requirements/specifications it is the city's desire to achieve the lowest ultimate cost to the City.

In order to assure that every reasonable effort is made to buy only those items which represent true value in relation to their necessary function, SPMs or ADPs may be required to perform a full value analysis, when the potential benefits of the analysis outweigh the certainty of the costs to perform the

analysis. This analysis will be a comparison of offers based on total costs and value to the city which includes, but is not limited to, the following factors:

- a. Actual cost
- b. Delivery costs
- c. Life expectancy
- d. Maintenance costs
- e. Parts availability

N. Surplus and Property Transfers

All supplies and equipment which are surplus to the city's needs shall be identified by the using departments and reported to the Purchasing Division by an itemized listing. The itemized listing will identify all items for surplus and identify those items that have salvage/resale value. A complete itemized list of surplus items will be circulated to all departments to determine if there is use by another department. Once the listing has been circulated, items having an estimated salvage or resale value in excess of \$5,000 will be submitted to the City Council or Board of Public Utilities for approval to surplus. Items that have a value of less than \$5,000 will be submitted to the City Manager for approval to surplus.

The city division that typically uses the type of item may use the item(s) as a trade-in on new equipment, sell to the highest bidder, or otherwise dispose of the surplus item in accordance with current practices. In addition, the appropriate SPM will encourage the reuse or recycling of materials by their department, other governmental agencies, or the public (by our public auction methods) over landfill disposal practices.

Employees may bid and purchase items at auctions, provided, however, that neither employees nor members of their immediate family may participate in the purchase or purchase items for which such employees has information concerning the item's value and condition which is not made available to the general public.

City equipment and property that is being transferred to another department is placed "in service" by the requesting department at the time of acquisition. Maintenance contracts, depreciation records, insurance inventories, etc., make it necessary to pinpoint the location of all such property through the transfer process. All equipment or property must be transferred and accounted for through the city's capital asset accounting policies and related processes and procedures.

Disposition of any equipment purchased with grant funds will be handled in accordance with grant requirements. It is the responsibility of the using department to notify purchasing of any disposition requirements.

This policy recognizes that there is a tradeoff between controls of our surplus property and the costs and disadvantages of storing, retaining and safeguarding surplus property. The policy benefits must consider speed of disposal and process value.

O. Use of Cooperative Purchasing or "Piggy-Back" contracts

SPMs can request variance from this Policy to take advantage of competitively bid purchasing agreements from other agencies or organizations through cooperative purchasing opportunities, if such

variance will not violate any applicable laws and will provide the City with benefits intended under this Policy. Approval for such variance shall be obtained from the Department Head for purchases under \$25,000 and from the City Manager for purchases over that amount. In each instance the SPM will consult with the City Attorney with regard to applicability of such variance. Authorized Approvers may execute any contracts and approve purchases through such Cooperative Purchasing contracts within their authorized approval limits. Cooperative Purchasing contracts must be the result of the underlying purchasing organization receiving Proposals under processes that are at least as protective of fair procurement as the City's Formal Proposal Procedures.

P. Conflict of Interest Disclosure

Conflict of interest arises whenever the personal or professional interests of a person authorized to act under this Policy are potentially at odds with the best interests of the City. Any such authorized person should disclose any personal conflict of interest to their SPM prior to any purchase and/or approval. A SPM shall disclose any personal conflict of interest to their appointing Department Head. The SPM and Department Head, with the assistance of the City Attorney if requested, will determine the proper steps to resolve the conflict of interest. Under no circumstances shall a purchase or acquisition be made where such conflict of interest would result in a violation of Federal, State or local laws. Such violations may be subject to both civil fines and penalties under Federal and State laws.

Q. Formal Proposal

A formal Proposal solicitation (Request for Proposal and Requests for Qualifications) shall be utilized when required under this Policy. The use of formal proposal does not guarantee the award of a contract to any vendor for materials, goods, supplies, equipment or services even if such vendor is the lowest cost proposer. A formal proposal is as follows:

- Authorized Requesters may request a needed Purchase be made through the SPM. The SPM is responsible for initiating and administering Purchase processes. The City Manager may assign responsibility for purchases affecting two or more activities to a single Department Head or to Finance who will coordinate with other purchasing departments as necessary.
- SPMs will coordinate with all potentially affected parties and all reviewing parties to prepare the appropriate draft Request for Proposals/Qualifications and related documents. The draft Request for Proposals/Qualifications will be submitted to the Finance Director, or designee, for funding review and for compliance with this Purchasing Policy and to the City Attorney for legal review. All Requests for Proposal/Qualifications involving City infrastructure and public works will be submitted for review to the City Engineer and the Public Works Director, or their designees, for review. A Request for Proposal/Qualifications shall be sent to potential vendors (within reason, but a minimum of three and any vendors who have filed a written request for notice of particular types of requests for proposal with Finance) of which the SPM has knowledge. The Request for Proposals/Qualifications must also be placed online. In addition to being online, other means of public advertisement are strongly encouraged for contracts of

\$50,000 or more. A list of proposals received shall be maintained for a minimum period consistent with City's retention policy.

- SPMs are responsible for ensuring that the proposal package clearly, adequately and accurately describes the technical requirements for the materials, products or services to be procured within the purchase scope and identifies all requirements that vendors must fulfill including factors to be used in evaluating bids. A City checklist will be used to help ensure completeness. The checklist will be maintained jointly by the Finance purchasing officer, the employee in the City's Project Manager Position, the City Engineer, and the City Attorney and will contain potential provisions with regard to standard Proposal specifications and language. The checklist will at a minimum list, and Proposers shall be advised of, any performance bond requirements, insurance requirements, contract requirements, business license requirements, affirmative action requirements, minority business enterprise requirements and other requirements are applicable. An evaluation panel will be formed to review the Proposals. The size and composition of the panel shall be determined by the SPM, or either the responsible Department Head or the City Manager. Each evaluation panel member must document a ranking of Proposals received based on the requirements of the Requests for Proposals.
- The SPM will compile the evaluation panel's recommendation and prepare a recommendation to the responsible Department Head. If approved, the Department Head will prepare a recommendation and a City Council agenda item staff report for review by the City Manager. The summary staff report will be attached to the contract and placed on the agenda for City Council approval. The City Manager can require any item eligible for consent calendar to be presented as a separate action item on the Council agenda.
- The City Manager may reject all proposals and re-advertise at his or her discretion unless City Council action is required by State or local laws.
- If two or more proposals received are for the same total amount or unit price, quality and service being equal, and if the public interest will not permit the delay or re-advertising for proposals, the City Manager may select one in his or her sole discretion.
- The City Clerk shall receive and maintain all proposal documents necessary to support the proposal process and vendor selection in accordance with the records retention schedule and funding source of the purchase.

After the City Council has approved the contract or service purchase resulting from a Request for Proposals, departmental staff must prepare the Purchase Order (PO) Document for Submittal to the Finance. The Purchase Order (PO) Document must be accompanied by a copy of the executed contract and any other documents required. Once all the required documents are received by Finance, the purchase amount will be encumbered by the PO process. The resulting PO will be distributed back to the originating department.

Exemptions from Formal Bidding Procedures and PO Requirements of this Policy

The following financial disbursements are exempt from formal bidding procedure and/or from PO Document requirements:

- Disbursements for refundable deposits.
- Disbursements to public agencies for which the City collects fees on behalf of the agency.
- Disbursements for payroll, payroll liabilities, and employee benefits.
- Disbursements for refunds of city fees collected (e.g. Building & Planning fees).
- Disbursements for debt service payments and payments on approved loan agreements.
- Disbursements for litigation related agreements (e.g. Settlements and cost payments).
- Workers compensation payments for medical and related expenses.
- Public utility purchases of gas, telecommunications, power and related services when no competition is available.
- Materials, equipment or services purchased from federal or state agencies.
- Specialized seminar, training, educational classes, meetings and travel.
- Contracts for employment and public employee labor agreements.
- Non-profit funding and sponsorship agreements.
- Cost of City membership with multi-agency organizations.
- Any other exemptions set by City Council resolution.

R. Post-Purchase Procedures

To the extent possible the following functions will be segregated among different persons: purchase authorization and procurement, receipt of purchased goods and services acknowledgement, and payment authorization, and cash payment for Purchases. Where the above division of duties is infeasible, City staff will implement compensating internal controls within the constraint that the benefits achieved should be more than the costs of implementing such compensating controls.

S. Acknowledgement of Receipt of Purchases

Department Heads shall designate and submit to Finance a list of persons authorized to receive and acknowledge receipt of Purchases depending upon the practical functioning of the department's divisions and processes. Upon receipt of purchased goods and services such authorized persons shall enter evidence of receipt with any annotations regarding defects into the City's procurement system. Forms acknowledging receipt of goods and services, like packing slips, must be approved to authorize invoices to be paid and becomes the payment authorization. Invoices or photocopies of invoices may substitute for such acknowledgement forms. Invoices may be approved on summary sheets listing each invoice number and amount approved, provided that each invoice is stamped "Approved - See List"

T. Invoice and Payment Approvals

Department Heads shall designate and submit to Finance a list of persons authorized to approve payments under authorized POs and contracts, and for purchases not requiring POs or contracts under this Purchasing Policy. Generally, Department Heads and City Manager's designees may approve payments of any amount. SPMs (who may be Division Managers) may approve payments of any amount

for costs incurred as part of the normal functioning of their division, but not to exceed \$25,000. Invoices of greater amount must be approved by the Department Head, City Manager's designee or a SPM. Designated employees may be authorized in writing by the Department Head to approve payments not requiring a PO or contract. Approvals may be controlled through electronic means in the City computerized financial system. To the extent practicable, all invoices will be directly sent to Finance for final matching of all purchasing documents. Authorized purchasers will assist Finance staff in matching invoices received by Finances to their specific purchases.

Department Heads are responsible for establishing and enforcing procedures within their departments to assure that all records and documentation are processed to support any purchases. However, the Finance Department is the official record depository for all the City's financial records and remains responsible for matching supporting documents to assure complete payment record packages related to all City purchases before making any payments.

No POs will be created when the work is complete (or product has been accepted) and the final invoice is ready for payment, notwithstanding any provision in this policy to the contrary. However, as part of the control review process, purchases specified under this policy as needing a purchase order that end up without one will be reviewed and analyzed for control and system improvement purposes.

6. Key Definitions

"Business" means a corporation, partnership, individual, sole proprietorship, joint stock company, joint venture, or any other private legal entity.

"City" means the City of Tulare unless otherwise provided in this Policy.

"City Attorney" means the City Attorney or his/her designee.

"City Clerk" means the City Clerk and Board Secretary of Board of Public Utilities.

"City Council" means the City Council as elected by the City of Tulare voters or otherwise installed by provisions of State or local laws.

"City Manager" means the City Manager or his/her designee.

"Contract" means agreement, regardless of what they may be called, for the procurement of materials, goods, supplies, equipment or services, including Public Works.

"Contractor" or "Vendor" or "Business" means any person having a contract or PO with the city awarded pursuant to this policy.

"Local Business" means a business that has a valid physical business address located within the City of Tulare, at least six months prior to bid or proposal opening date, from which the business operates or performs business on a day-to-day basis, and holds a valid City business license.

"Materials, goods, supplies, equipment" means any article, thing or personal property.

“Professional services” means those services which involve the exercise of discretion and independent judgment together with an advanced or specialized knowledge, expertise or training gained by formal studies or experience or training gained by formal studies or experience, and where the qualifications of persons rendering the service are of primary importance.

“Proposal” means a written proposal that includes a Quote for providing requested materials, goods, supplies, equipment or services accompanied by information relevant to the elements affecting the Quote, information pertaining to the quality of service or products provided by the proposer and information pertaining to the experience, reputation and professionalism of the proper.

“Purchase order (PO)” means a written commitment or written documentation to procure materials, goods, supplies, equipment or services.

“Purchasing” means the procurement of materials, goods, supplies, equipment or services sought by the city.

“Purchase order (PO) Document” means the electronic document that is used to initiate the request of a Purchase order. In the event electronic systems are not available, a paper document can be used.

“Quote” means an oral or written expression of the dollar amount for which the vendor is willing to exchange providing requested materials, goods, supplies, equipment or services accompanied by other information requested by the City. Where the Quote is received orally, the Senior Purchasing Manager will create a written document at or near the time of receiving the oral Quote that memorializes the dollar amount for inclusion with the purchase documentation.

“Request for Proposal” means a formal written solicitation for written proposal that includes the request for information regarding price or cost of providing requested materials, goods, supplies, equipment or services accompanied by information relevant to the elements affecting the offered price or cost, information pertaining to the quality of service or product provided by the proposer and information pertaining to the experience, reputation and professionalism of the proposer.

“Services” means the furnishing of labor, time, or effort by a contractor for the direct benefit of the City,

“Specifications” means the description of the physical or functional characteristics or the nature of materials, goods, supplies, equipment or services sought by the City.

7. Standard Insurance Requirements

Below are the minimum insurance requirements; however, the requirements may vary in accordance with the type and size of project which would require a higher limit of liability as recommended by City's Risk Manager, City Attorney or City Self Insured pool Administrator.

A. Insurance Requirements

Parties must secure all required policies from a good and responsible company or companies authorized to do insurance business in the State of California, and possessing a Best's rating of no less than A-:VII, and furnish to the City copies of certificates of insurance with endorsements on or before the commencement of the term of any agreement. Parties must agree to ensure that the most current certification of insurance is on file with the City at all times during the term of any agreement. Any deductible or self-insured retention must be declared and approved by the City. At the City's option, parties shall demonstrate financial capability for payment of such deductibles or self-insured retentions.

Parties performing services for the City shall procure and maintain at their own expense, during the term of the agreement, commercial general liability insurance of not less than One Million Dollars (\$1,000,000) combined single limit per occurrence, and Two Millions Dollars (\$2,000,000) in the aggregate, for bodily injury, personal injury, advertising injury, death, loss or damage resulting from the wrongful or negligent acts of the parties or their officers, employees, servants, volunteers, subcontractors and agents doing working on behalf of the City of Tulare. Parties shall provide insurance on an occurrence, not claims-made basis, and for purposes of clarification with the intention of avoiding gaps in coverage with any umbrella or excess insurance, personal and advertising injury coverage shall be triggered by an "offense" while bodily injury and property damage coverage shall be triggered by an "occurrence" during the policy period.

Parties performing services for the City shall procure and maintain at their own expense, during the term of the agreement, commercial vehicle liability insurance coverage personal injury and property damage, of not less than One million Dollars (\$1,000,000) per accident combined single limit, and Two Million Dollars (\$2,000,000) in the aggregate, covering any vehicle utilized by the parties or their officers, employees, servants, volunteers, subcontractors and agents doing performing the services required by the agreement or less with the express written approval from the City.

All parties must require that all contractors (including but not limited to subcontractors, architects, engineers or any other third party with whom the parties enter into contracts, or whom the parties hire or retain in any way related to the performance of the agreement) provide, at minimum, the same insurance coverage required of the parties, and name the City and the parties as additional insureds to each policy. Parties must agree to monitor and review the insurance policies of contractors, and agree to assume all responsibility for ensuring that such coverage is provided in conformity with all requirements.

All parties must agree that, if any contract or other agreement which requires insurance coverage to be in place, is terminated for any reason prior to the completion of all obligations and requirements of the agreement, then the parties shall maintain all required coverages until the City provides written authorization to terminate the coverages following the City's review and determination that all liability posed under the agreement as to the parties providing insurance has been eliminated.

All parties must agree and acknowledge that if they fail to obtain all of the required insurance, or to obtain and ensure that the coverage required is maintained by any contractor or other third parties involved in any way with the performance of the agreement, then the parties shall be responsible for any losses, claims, suits, damages, defense obligations, or liability of any kind or nature incurred by the City or its officers, employees, servants, volunteers, subcontractors and agents doing work on the behalf of the City of Tulare.

B. Workers Compensation Insurance

All parties subject to Worker's Compensation laws (generally, any party with one or more employees) shall procure and maintain at their own expense, during the term of the agreement, Workers' Compensation insurance providing coverage as required by the California State Workers' Compensation Law, and must agree that if any class of employees employed by the parties is not protected by the California State Workers' Compensation Law, then the parties shall provide adequate insurance for the protection of such employees to the satisfaction of the City. Additionally, parties must agree to waive their statutory immunity under any Workers' Compensation or similar statute, as respecting the City, and to require any and all contractors, third parties, and any other person or entity involved in the performance of the agreement to do the same. Any party that is not subject to California Workers' Compensation law must agree to execute a certificate attesting to such to the satisfaction of the City.

C. Professional Liability Insurance

All parties performing design professional or professional services shall procure the above-mentioned policies in addition to a professional liability policy. Such parties shall procure and maintain at their own expense, during the term of the agreement, professional errors and omissions liability insurance for protection against claims alleging negligent acts, errors or omissions which may arise from the parties' performance of the agreement, whether by the parties themselves or by their employees, subcontractors, or sub consultants, to the extent such person other than the parties are permitted to perform the agreement. Parties must agree that the amount of this insurance provided by such policy shall not be less than One Million Dollars (\$1,000,000) per claim, and Two Million Dollars (\$2,000,000) in the aggregate.

D. Endorsements

All parties must agree that, notwithstanding any inconsistent statement in any required insurance policies or any subsequent endorsements attached thereto, the protection offered by all policies, except for workers' compensation, professional liability or errors or omissions, shall bear an endorsement whereby it is provided that the City and its officers, employees, servants,

volunteers, subcontractors and agents doing work on behalf of the City of Tulare, including without limitation, the City Manager and the City Attorney, are named as additional insureds, and that all additional insureds shall be entitled to the full benefit of all insurance policies in the same manner and to the same extent as any other insureds without limitation to the benefits conferred upon them other than policy limits as to coverages.

All parties must agree to require that the carriers of all required insurance policies waive their rights of subrogation against the City and its officers, volunteers, employees, contractors and subcontractors.

All parties must agree to require that each policy be endorsed to provide that the policy shall not be cancelled or reduced in coverage (except by paid claims) unless the insurer has provided the city with thirty (30) day prior written notice of cancellation or reduction in coverage.


All parties must agree to require that each policy be endorsed to provide that the policy shall apply on a primary and noncontributing basis in relation to any insurance or self-insurance, primary or excess, maintained or available to the City, and its officers, employees, servants, volunteers, subcontractors and agents doing work on behalf of the City of Tulare.

All parties must agree to require that each policy bare an endorsement stating that any failure to comply with reporting provisions of the policies shall not affect coverage provided to the City, its elected or appointed of officers, officials, employees, agents or volunteers.

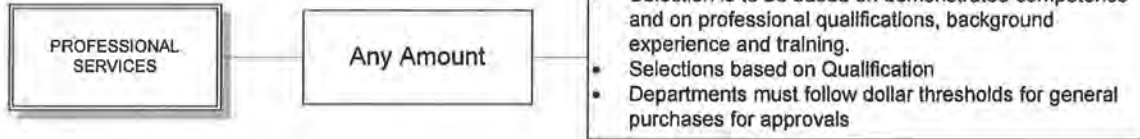
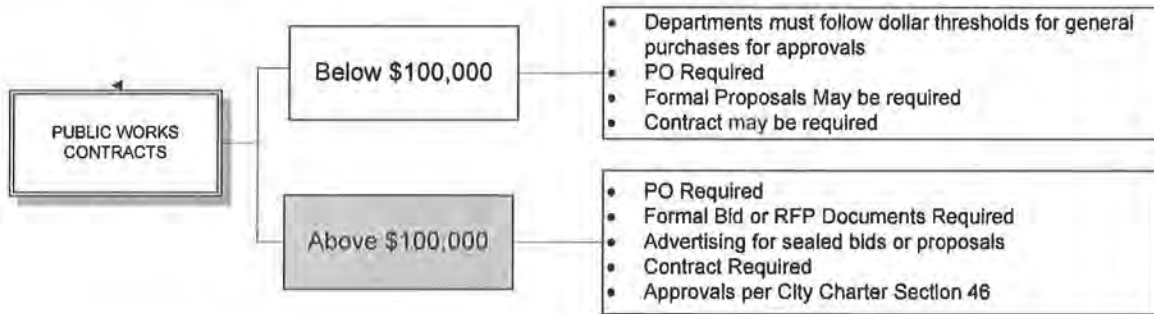
8. Appendix A – Purchasing System Overview

The following diagram is a visual representation of the policies outlined in the City of Tulare Purchasing Policy. In the event of inconsistency between the policy and the overview, the policy will prevail.

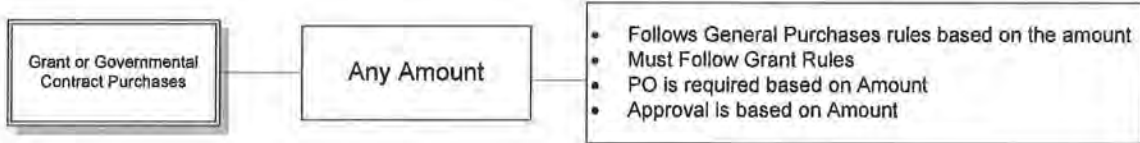
Type	Category	Features
<p>GENERAL PURCHASES</p> <p>Includes supplies, equipment, operating or maintenance services</p>	<p>Petty Cash</p> <p>\$50 or Less</p>	<ul style="list-style-type: none"> • Petty Cash Voucher Required • Detailed Receipt Required • Reimbursement must be requested in timely fashion • Approved by Senior Purchasing Manager or Division Manager
	<p>Minor Purchases</p> <p>\$2,500 or Less</p>	<ul style="list-style-type: none"> • Purchase order is not Required • Budgeted and unencumbered funds must be available • Authorized Department Purchasers
	<p>\$2,501 to \$25,000</p>	<ul style="list-style-type: none"> • Purchase order is Required (Unless exempted) • 3 Informal written proposals • Proposals shall be attached to PO as support • If Contract, reviewed and executed by Department Head, attested by City Clerk, Approved as to content by Senior Purchasing Manager, approved as to form by City Attorney • Budgeted and unencumbered funds must be available • Approved by Senior Purchasing Manager
	<p>\$25,001 to \$50,000</p>	<ul style="list-style-type: none"> • Purchase order is Required (Unless exempted) • If Contract, needs to be reviewed by City attorney, approved and executed by City Manager. Approved as to content by Department head. • Formal Bid or RFP documents required • Advertising for sealed bids or proposals • Insurance Requirements met, unless waived in writing by risk manager with recommendation from City Attorney • Unless waived, vendors will execute contract prior to presentation to City Manager • City Manager approves soliciting for bid or proposals and awards the contract
	<p>\$50,001 and Above</p>	<ul style="list-style-type: none"> • Formal Bid or RFP documents required • Contract Required • Contract requires approval of City Manager and City Council. Executed by City Manager on behalf of council. Approved as to content by requesting Department Head. Approved as to form by City Attorney. Attested by the City Clerk. • Insurance Requirements met, unless waived in writing by City Manager or designee with recommendation from City Attorney • Finance must verify appropriations are available prior to contract execution • Purchase order is Issued by Finance • Unless waived, vendors will execute contract prior to presentation to City Manager • City Manager approves soliciting for bid or proposals and awards the contract


 Formal Bid or Proposal Process

Type	Category	Features
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Includes advisory services from professionals such as engineers, architects, attorneys and other specialized consultants



 Formal Bid or Proposal Process