

CITY OF WACONIA

FINANCIAL POLICY AND GUIDELINES

SECTION ON EXPENDITURES & PURCHASING ONLY

Adopted April 28, 2005
Amended September 6, 2005
Amended June 15, 2009
Amended November 22, 2010



Expenditure Objectives

The objectives of the expenditure guidelines are:

- To support the local firms and merchants within the community whenever possible subject to meeting other expenditure guideline objectives.
- To ensure City funds are only used for public purposes.
- To obtain supplies, equipment, and services as economically as possible.
- To purchase materials which are best suited to the specific needs of departments.
- To improve the speed of delivery to departments by predetermining, through contracts or other appropriate means the sources of supply before the actual needs.
- To promote fair and open competition among bidders.
- To ensure compliance with all applicable policies, statutes, and regulations of the City, the State, and the Federal Government.

Local Purchasing Objectives & Criteria

Purchasing from local business and merchants is a high priority to support the economic vitality of the Waconia business community. Whenever economically possible, local vendors will be included in obtaining bids, quotes, or estimates to obtain supplies, equipment, and services. A local vendor may be selected on the following criteria:

- Low Cost
- Availability of goods and services required by city departments
- Reduction of shipping or delivery costs and delivery time
- Quality of Service and/or Products

All employees of the City shall comply with all City, State, and Federal statutory requirements regarding purchase of materials or services. The following practices are also specifically forbidden so as not to create a conflict of interest:

- Using information available to an employee solely because of their position for personal profit, gain, or advantage.
- Directly or indirectly furnishing estimating services, or any other services or information not available to all prospective bidders, to any person bidding on, or who may reasonably be expected to bid on, a contract.
- Using their position or status in the City to directly or indirectly solicit business of any kind for private use or to obtain supplies and equipment at special discounts or with special concessions from any vendor who sells or solicits sales to the City

Public Purpose Expenditures

All expenditures made by City employees using City funds must be for a public purpose. An expenditure is made for a public purpose if it meets all of the following criteria:

- It will benefit the community as a body;
- It is directly related to functions of government; and
- It does not have as its primary objective the benefit of a private interest.

Guidelines Regarding Certain Employee Expenditures

To ensure City funds are only used for public purposes in regard to certain employee expenditures, City employees must observe the following guidelines:

Expenses Related to Work Assignments

The City may pay reasonable expenses directly related to the performance of an official City activity including expenses for travel, lodging, meals, and appropriate incidental expenses that are directly related to the performance of an employee's official job duties for the City.

Employee Safety Programs

The City may pay reasonable expenses directly related to the operation of an employee safety program when the program is required by law or the benefit of the program is clearly demonstrated and a written outline of the program is approved by the City Council.

Employee Training and Development Programs

The City may pay reasonable registration, tuition, and travel expenses for a conference, seminar, workshop or similar employee training (internal or external) or development opportunity when it is directly related to the performance of the employee's official job duties for the City.

Employee Wellness and Recognition Programs

The City may pay reasonable expenses related to employee wellness and recognition programs, including non-monetary service awards to recognize employee performance and length of service. Any such program shall be outlined in writing and approved by the City Council. A program primarily of a social nature, however, does not qualify. Further, the City shall not pay for spouses or third parties to attend any wellness or recognition event.

Meals and Refreshments

The City may pay reasonable meal and refreshment expenses when the meals or refreshments are provided:

- As part of a structured agenda of a conference, workshop, seminar or meeting when the employee is authorized by the City to attend and the topic relates to the official business of the City.
- As part of a City sponsored meeting, conference, or workshop when the employee is required by the City to attend and the majority of the participants are not City employees.
- As part of a City-sponsored event where registration fees are charged and the majority of the participants are not City employees.
- During an official meeting of the City Council or any official meetings of City Council committees, task forces, work group, or advisory committees, provided the provision of meals or refreshments is necessary to sustain the flow of the meeting and to assist the participation of the attendees.
- As part of a formal meeting that consists primarily of City employees when the meals or refreshments are an integral part of the formal meeting or training and are necessary to sustain the flow of the meeting, to retain the captive audience, and to assist the participation of those employees and attendees, but only if the meeting is a City or department-wide staff meeting for all City or department employees, as applicable.

Expenses Not Covered

The following expenses are not public purpose expenditures:

- Refreshments or meals for routine staff meetings.

- Private organization memberships unless specifically allowed by a Minnesota law. For each such expenditure paid by the City, the specific statutory authority allowing the expenditure must be determined.
- Alcoholic beverages.
- Employee parties (including holiday parties).
- Employee entertainment.

Reimbursement Procedures

In addition to the requirements contained in this section regarding public purpose expenditures, any expense for which reimbursement is sought shall also be subject to the employee reimbursement policies set forth in this Financial Policy and Guidelines document, the purchasing requirements found in Section 250.21 of the Waconia City Code, and any applicable personnel policies.

Purchasing – Standards and Methods

In general, each department shall make purchases for the requirements of the City. Purchases will not be separated into smaller purchasing components in order to eliminate a threshold authorization requirement. To facilitate a sound and cost effective purchasing operation, City departments shall follow one of the following procurement methods:

Purchases less than \$500

Purchases under \$500 will be allowed by staff in the course of normal business with approval by the department manager. Petty cash is not allowed. Purchaser must submit a sales receipt to the department manager for proper account coding. The department manager must determine funds availability within the approved department division budget. Staff will attempt to purchase all goods and services at the lowest possible cost. The department manager may give approval for certain employees to make recurring purchases without approval.

Purchases \$500 to \$5,000

Purchases \$500 to \$5,000 are allowed to be made by department managers. Determination for the purchase should include funds availability as defined in the approved department budget. Department managers will attempt to purchase all goods and services at the lowest possible cost and will obtain more than one quote for such purchases when possible. The following exceptions are made:

- Utility bills, including electrical, fuel oil, natural gas and telephone
- Fringe benefit and other payroll related costs
- Postage
- Mandatory public safety training
- Investments
- Liability insurance, including workers' compensation
- Water meters
- Refuse tipping fees
- Automotive gasoline and diesel fuel
- Mandated licenses, permits, and fees to the State of Minnesota and U.S. Government
- Professional services under contract approved by City Council
- Debt Service principal and interest

Purchases over \$5,000 but less than \$100,000

Purchases over \$5,000 but less than \$10,000 must be initiated by the department manager and approved by the City Administrator in advance of the purchase or contract. Department managers may, in the Administrator's discretion, secure at least two (2) quotations if practical and reasonable or may recommend purchase on the open market. The department manager must determine funds availability within department budget.

If a purchase or contract cost is expected to exceed \$10,000 but not to exceed \$100,000, department managers may, in the City Administrator's discretion, use the sealed bid process or make the contract by direct negotiation. If direct negotiation is used, managers must get at least two (2) quotations and keep them on file for at least one year. Approval of the City Council is required in advance of the purchase. Public improvement contracts will follow other requirements as outlined in MN Statutes.

Purchases over \$100,000

Cities with populations of 2,500 or more must use the sealed bid process for contracts estimated to exceed \$100,000. The department manager or designee shall prepare contract and bid specifications in conjunction with the project. The City Council shall approve the specifications and authorization to place and advertise for bids. Following the bid opening and bid analysis, the City Council may approve or deny the purchase or contract. Public improvement contracts will follow other requirements as outlined in MN Statutes.

Bulk Purchasing

There are a variety of goods and services that when purchased in bulk is a cost savings to all departmental budgets. The finance department and staff purchasing committee will seek to purchase bulk items at the lowest possible cost and will determine a list of items on an annual basis. The purchasing committee will make recommendations on inventory control and methods for obtaining bids and quotes.

Life-Cycle Costs

Initial bid prices or quotations shall generally govern in determining the source from which to acquire particular goods or services. However, as the initial purchase price or construction cost measures only one part of the total overall expenditure, life-cycle costs may be considered in many bidding situations. This may be factored in one of two ways:

- Specifications may demand a product with characteristics that will assure utility and economy. This may include additional specifications so as to exclude bids from suppliers of goods that are not economical or suitable for the intended use.
- "Total cost" bidding may be utilized, which takes into account mechanical durability. In this case, bidders generally guarantee limitations on the City's cost of ownership for operation of the product.

When all other factors of the acquisition process are equal, preference shall be given to businesses located within the City of Waconia.

Special Purchases in Emergency Situations

Emergency purchases are those made by department managers where an immediate purchase is necessary to correct a situation, which would adversely affect the life, health, or safety of the citizens.

To the greatest extent possible, the preceding procedures should be followed. However, in case of an emergency, a department manager may purchase directly any supplies, materials or services necessary to alleviate the emergency. Every effort shall be made to contact the City Administrator whether the emergency occurs during or after normal working hours. On the next business day, such emergency shall be documented with the Business Development & Finance Director.

In the event where emergency purchasing is related to natural disaster events, the Business Development & Finance Director shall review and approve of all account coding for all emergency purchases and maintain a separate chart of accounts according to FEMA requirements and GFOA recommended practices for emergency management recordkeeping.

Purchasing – Procedures

Accountability

Department managers will be accountable for the purchasing done within their departmental budgets. Financial reports will be distributed to department managers on a periodic basis and are available in electronic detail through Business Portal. Assistance will be available to help department managers analyze their budgets to insure proper spending.

Purchases that exceed a departmental annual budget are not allowed. Failure to follow purchasing procedures could result in disciplinary action, loss of purchasing privileges and a personal liability for purchases.

Department managers may only code expenditures to division budgets and/or funds under their management oversight unless written approval from another department manager is obtained.

A purchase request memo shall be submitted to the City Administrator and then to the City Council for all operating purchases in excess of \$5,000, prior to incurring the expense. Employees are encouraged to obtain more than one quote accordingly.

Claims/Acquisition Process

The City executes purchases depending on the dollar amount and nature of the purchase. Staff making purchases according to standards and methods will adhere to the following process:

- Sales receipts must include the signature of the purchaser, description of purchase, and reference to department or division.
- Sales receipts must be turned in to the Accounts Payable. When turning in more than one (1) receipt from a single vendor, receipts must be organized in date order.
- All invoices shall be mailed or delivered to City of Waconia, Attention: Accounts Payable, 201 Vine Street South, Waconia, MN 55387.
- Claim registers or vouchers of departmental purchases are reviewed and electronically approved by the department manager to ensure accuracy of coding and to be in line with departmental budget.

- The Business Development & Finance Director prior to City Council reviews the claim register.
- City Council reviews all purchases by City staff including informational, purchasing card, and outstanding claims at each Council meeting.
- The Mayor and City Administrator sign the approved claim register.

Check Signing

The required signature on all checks is two of the following: Mayor, City Administrator, City Clerk, and Business Development & Finance Director (Treasurer).

Joint Purchasing

In certain instances, in the discretion of the City Administrator, purchase requirements of more than one department may be grouped together for more cost effective purchasing. In these instances, the authority granted to departments to manage their purchases as outlined above will be overridden by the decision of the City Administrator and joint purchasing instructions of the City Administrator will be followed.

Credit Cards

The use of credit cards (purchasing cards) by staff for City business is an authorized payment method, and not a method of creating debt, therefore all credit card balances shall be paid off on a monthly basis without delinquency fees or finance charges. Failure to avoid finance fees will require the discontinued use of the respective credit account. This guideline is intended that an employee neither gain nor lose financially from the use of credit cards. All employees shall be responsible for complying with these directives.

Authorized Employees

The City carries several credit cards with one named vendor previously approved by the City Council. The Business Development & Finance Director will authorize the opening, use and distribution of all purchasing credit cards. All cards authorized to employees must be activated with a member of finance staff along with a signed affidavit noting card policy, procedures for use, and card holder responsibility. The finance department will maintain a listing of accounts, limits, and personnel authorized to purchase with the respective credit cards. Credit cards will be kept in a secure location by employees when not in use.

Review of card activity and limits is completed by the Business Development & Finance Director on a quarterly basis. Limits are lowered or increased if needed based on past purchasing history. Any changes in limits must be requested by a department manager and authorized by the Business Development & Finance Director or City Administrator.

Cases of fraud and misuse are reported to the Business Development & Finance Director or City Administrator for further investigation and handling. Fraud or misuse maybe reported by the card vendor or by City staff and dealt with accordingly.

Authorized Purchases

Purchases will be authorized per Section xx of this policy. Since use of the purchasing credit card is restricted to purchases for the City, no personal use is permitted and all purchases must be for a public purpose. State Statute provides that if officers and employees make purchases for the City that are not authorized by the City Council, they become personally liable for the amount of the purchase. In the event that an employee fails to provide adequate documentation (i.e. sales receipt or carbon copy) the following steps may occur: 1) Missing receipt affidavit must be signed by both the employee and

department manager with a complete explanation of the expense and the reason for the missing receipt; 2) Failure to complete affidavit will result in disciplinary action up to and including termination of employment; and 3) Amount of purchase will be deducted from employee pay.

State Statute provides that claims presented for payment must be in writing and itemized. Department managers will be responsible for ensuring receipts and invoices meet this requirement and provide them to the finance department for prompt payment of the credit card statement.

Credit card purchases should be the primary method for making City purchases. If a vendor does not accept credit cards as a form of payment, the vendor is required to receive payment for goods and services via electronic funds transfer (EFT). No open house accounts are allowed at any vendor. Credit card purchases may be used for authorized travel, education, meals, refreshments, operating supplies, small equipment purchases, contracted services and fuel for the operation of city vehicles.