

TOWN OF PECOS CITY

PURCHASING POLICY

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F I S C A L Y E A R
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October 1, 2013 through September 30, 2014

1.0 PURCHASING POLICIES, OBJECTIVES, AND ETHICS

1.1. PURCHASING POLICY

It is the policy of The City of Pecos to assure fair and competitive access by responsible vendors/contractors to the purchasing requirements of the City and to conduct business activities in such a manner as to foster public confidence in the integrity of the City of Pecos. The City of Pecos adheres to all State of Texas laws and regulations as set forth in the State of Texas Local Government Code and as published in the Cities the Finance Department manual and as approved by the City Council of the City of Pecos, Texas.

1.2. PURCHASING OBJECTIVES

The primary objective of the Finance Department of the City of Pecos is to support the City's administrative staff in accomplishing the goals and directives established by the City Council and the City Manager. The Finance Director will comply with all legal and ethical standards in obtaining the specified quality and quantity of materials and services at the City. The Finance Director will promote fair and open competition for the procurement of all goods and services. To accomplish this, the Finance Director will solicit price quotations in accordance with all State and Local Laws, Policies and Regulations.

1.3. PURCHASING ETHICS

All City Staff engaged in procurement for the City of Pecos shall comply with the following ethical standards.

1.4. DISCLOSURE OF CERTAIN RELATIONSHIPS

Effective January 1, 2006, H.B. No. 914 of the 79th Texas Legislature requires a vendor that wishes to conduct business or be considered for business with the City of Pecos, Texas to file a conflict of interest questionnaire. The Disclosure Act applies to all persons or businesses who conduct business with the City, including those who submit bids on City contracts, make purchases of surplus City property, or participate in any other purchase or sales transactions with a City.

Pursuant to the requirements of Section 176.002(a) of the Texas Local Government Code, vendors or respondents who meet the following criteria must fill out a conflict of interest questionnaire no later than the 7th day after the person begins contract discussions or negotiations' with the City or submits to the City 'an application, response to a request for proposals or bids, correspondence, or another writing related to a potential agreement with the City:

A vendor or respondent that-

(1) contracts or seeks to contract for the sale or purchase of property, goods, or services with a local governmental entity;

Or

(2) is an agent of a person described in Subdivision (1) in the person's business with a local governmental entity. Any person who meets the criteria, as for enforcement to ensure the veracity of the vendors, the statute makes it a Class C Misdemeanor to violate the vendor disclosure provisions."

The forms required to comply with the above Government Code are available on the Ethics Commission website at <http://www.ethics.state.tx.us/forms/CIS.pdf>

City Employees are prohibited from bidding on this solicitation in accordance with City Policy.

1.5. PERSONAL GAIN

It shall be a breach of ethics to attempt to realize unauthorized personal gain through employment with the City of Pecos or by any conduct inconsistent with the proper discharge of the employee's duties.

1.6. INFLUENCE OF A PUBLIC EMPLOYEE

It shall be a breach of ethics to attempt to influence any public employee of the City of Pecos to violate the standards of conduct set forth by the City.

1.7. PARTICIPATING IN PROCUREMENT'S WITH FAMILY OR FRIENDS

It shall be a breach of ethics for any employee of the City of Pecos to participate directly or indirectly in a procurement for the City of Pecos when the employee knows that:

- The employee or any member of the employee's immediate family has a financial interest pertaining to the procurement;
- 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
- 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

1.8. GRATUITIES

It shall be a violation of City employment to offer, give or agree to give any employee of the City of Pecos, or for any employee of the City of Pecos 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 of advice, investigation, auditing, or in any other advisory capacity in any proceeding or application, request for ruling, determination, claim or controversy, or other particular matter pertaining to any program requirement or a contract or sub-contract, or to any solicitation or proposal therefore pending before the City of Pecos.

1.9. 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 vendor/subcontractor under a contract to the prime vendor/contractor or higher tier sub-contractor for any contract for the City of Pecos, or any person associated therewith, as an inducement for the award of a sub-contract or order. The prohibition against gratuities and kickbacks shall be conspicuously set forth in every contract and solicitation.

1.10. CONFIDENTIAL INFORMATION

It shall be a violation of City policy for any employee of the City of Pecos knowingly to use confidential information for actual or anticipated personal gain, or for the actual or anticipated gain of any person.

1.11. PURCHASE OF MATERIALS, EQUIPMENT, AND SUPPLIES FOR PERSONAL USE.

Unless specifically approved in writing by the City Manager, no employee may purchase City property for his/her own personal use unless it is purchased through the City's online auction through GovDeals at www.govdeals.com/CityofPecos. This includes new/used equipment, materials or supplies.

1.12. PRIVATE PURCHASES THROUGH CITY FACILITIES

No employee may use the the Finance Department power of the City of Pecos to make private purchases. In addition, employees should not have private purchases sent to the City C.O.D. to be paid for by the employee.

- A. Such purchases may give citizens the erroneous impression that something dishonest is being perpetrated.
- B. It may be considered a mild form of blackmail on the merchant involved who desires to do business with the City.
- C. It may evade sales tax, which is illegal.

1.13. TAX EXEMPT STATUS

The City of Pecos is exempt from Federal, State, and Local taxes except in certain prescribed cases. An exemption certificate is available from the Finance Department and should be furnished to any of the City's suppliers upon request.

1.14. TAX STATEMENT SET FORTH IN CITY CONSTRUCTION CONTRACTS

The following statement should be set forth in all construction contracts:

"The City qualifies for exemption from State and Local Sales and Use Taxes, pursuant to the provisions of Section 151.309 of the Texas Tax Code, as amended. Therefore, the City shall not be liable for, or pay the Contractor's cost of, such sale and use taxes which would otherwise be payable in connection with the purchase of tangible personal property furnishes and incorporated into the real property being improved under the contract. This contract is a separated contract (as that term is defined in Texas Comptroller's Rule 3.291, as amended) between the City and the Contractor. All invoices or estimates submitted by the Contractor to the owner shall be separated into three categories:

- (1) Total cost of materials incorporated into the work.
- (2) Total cost of materials purchased or leased for use, but not incorporated into the work.
- (3) Total cost of labor, overhead, profit and other reasonable, incidental costs of the work.

The Contractor shall fully indemnify and hold harmless the City from the cost of any and all sales and use taxes incurred or otherwise exempted as a result of the separated contract arrangements, if such sales or use taxes become due and payable, or are paid by the Contractor or the City, as a result of the Contractor's failure or refusal to abide by the provisions of this section or the other applicable provisions of the specifications relating to separated contracts."

2.0 PURCHASE REQUEST TOTAL DOLLAR LIMITS AND APPROVAL REQUIREMENTS

2.1 DELEGATION OF THE FINANCE DEPARTMENT AUTHORITY

The City Manager as authorized by the City Council of the City of Pecos has delegated to the Finance Director the authority to procure materials and services for the City of Pecos that are within the guidelines set-forth by the City Council. In certain cases, the City Manager has also granted this authority to certain City employees that have been authorized by their Department Directors. Department the Finance Department authority is limited, however, to a single purchase of a total of \$2,999.99 or less. WITH THE EXCEPTION OF SOME PUBLIC WORKS PROJECTS, ALL OTHER PURCHASES MUST BE PROCESSED THROUGH THE FINANCE DEPARTMENT.

2.2 TOTAL DOLLAR LIMITS/APPROVAL REQUIREMENTS TO SUBMIT A PURCHASE REQUEST

The following standard approval route applies to All City Departments for purchase requests.

CITY OF PECOS APPROVAL REQUIREMENTS				
Total Amount of Request*	Type of Bid/Quotes Required	Department Responsible for Bid/Quotes	Type of Approval/s Required*	Other Requirements
\$50,000.00 and above	Sealed	Department	Supervisor Department Head Finance Director City Manager City Council Approval	Formal Advertisement Sealed Bid (Paper/Electronic) Agenda Memo w/bid tabulation Resolution (if required**)
\$49,999.99 to \$15,000.00	3 Written Quotations	Department	Supervisor Department Head Finance Director City Manager City Council Approval	Paper or Electronic Quotation Agenda Item w/bid tabulation Resolution (if required**)
\$10,000 to \$14,999.99	3 Written Quotations	Department	Supervisor Department Head Finance Director City Manager	Paper or Electronic Quotation
\$5,000 to \$9,999.99	3 Written Quotations	Department	Supervisor Department Head Finance Director	Paper or Electronic Quotation
\$3,000 to \$4,999.99	3 Written Quotations	Department	Supervisor Finance Director	Paper or Electronic Quotation
<\$3,000.00	Not Required	Department	Supervisor	Quotes not required but recommended
* Approvals apply to all Finance Forms including Direct Purchase Requests, The Finance Department Cards, Petty Cash, Travel & Training, and other type of forms. **Resolutions are required for sole or single source procurements and Inter-local Agreements.				

2.3 PROCUREMENT'S REQUIRING CITY COUNCIL APPROVAL

Any procurement made that will exceed \$15,000 must be approved by the City Council PRIOR to the purchase being made.

2.4 PROCUREMENT'S REQUIRING CITY MANAGER APPROVAL

The City Manager or his designee must approve all purchase requisitions that exceed \$10,000.

2.5 PROCUREMENT'S REQUIRING FINANCE DIRECTOR APPROVAL

The Finance Director or his designee must approve all purchase requisitions that exceed \$3,000.

2.6 LEASE FUND PURCHASES

The City Manager of the City of Pecos must approve all Lease Fund Purchases.

3.0 PURCHASE REQUISITIONS

3.1 DOLLAR LEVELS AND REQUIREMENTS

A Purchase Order request must be completed and submitted for approval BEFORE ANY PURCHASE is made.

Purchase Orders for material, equipment, or services with a total of \$50,000 or more MUST INCLUDE A COMPLETE SET OF SPECIFICATIONS describing in detail the items to be purchased.

3.2 SINGLE SOURCE REQUESTS

If the material, equipment, or service to be purchased is available only from a single source, this information must be included on the requisition, along with a statement from the vendor on company letterhead that it is the only company that can provide this material, equipment, or service. Without this statement, the Finance Department WILL NOT PROCESS the request.

3.3 EQUIPMENT REPLACEMENT REQUESTS

Requisitions for replacement equipment should include information as to the planned disposition of the items being replaced (i.e., traded in, sold at auction, etc.). If items are to be sold through GovDeals, the City's online auction site, a Vehicle/Equipment Inspection Form must be filled out before the item will be accepted for online auction. Photos of the item(s) should also be submitted to the Finance Department.

3.4 REQUEST PROCESSING TIME

Processing time is dependent on the type of request and the bid or quotation procedure involved. If all information necessary exists on the request, the Finance Department will normally process requisitions within seven (7) to fourteen (14) working days unless the material is required for an emergency situation.

EMERGENCY REQUESTS WILL BE PROCESSED IMMEDIATELY. The purchase request must be submitted on a paper Direct Purchase Requisition Form and identify the request as an emergency. The request must be walked through for approvals and brought to the Finance Department. All emergency requests of \$10,000 or more must be approved in advance by the City Manager or the Manager's designate.

3.5 REQUISITION APPROVAL REQUIREMENTS

3.5.1 PAPER PURCHASE REQUESTS

Paper requests should only be submitted when an emergency exists. All other requests should be submitted as shown in item 3.5.2. If a paper request is submitted it should be submitted for approval in accordance with the approval routing requirements shown in 2.2 and all department approvals required should be obtained. Once the department level approval has been obtained, the request should be submitted directly to the Finance Department for finance level approval. In Finance, the request will be approved first for fund and account accuracy. The request will then be routed by Finance to Accounts Payable for processing.

3.5.2 ELECTRONIC REQUESTS

Employees who have access to the Finance System should submit their requests through that system. Requests will then be automatically routed through the approval system and to Accounts Payable for processing. All other requests will need to be called in to City Hall at (432) 445-2421 and press option 4 for the Finance Department so that it may be entered into the Incode system.

3.6 POSTING REQUIREMENTS

It is the policy of the City of Pecos to post all the Finance Department requirements on the City's web site www.townofpecoscitx.com for at least seven (7) days before the Request for Quotation or the Invitation to Bid opening date.

3.7 OTHER PURCHASE REQUEST PROCEDURES

Departments should not place orders with vendors before the purchase request is delivered to the Finance Department and an approved purchase order number has been issued.

On Direct Purchase requests, departments should not take quotations from vendors prior to submitting the request to the Finance Department (see bid and quotation procedures). Department's may reference vendors on the purchase request but all quotations should be taken by the Finance Department.

It is against the law to split purchases in order to avoid the bidding procedure. This law carries criminal penalties and should be observed at all times.

Chapter 252.062 of the State of Texas Local Government Code states:

"A municipal officer or employee commits an offense if the officer or employee intentionally or knowingly makes or authorizes separate, sequential, or component purchases to avoid the competitive bidding requirements of Section 252.021. An offense under this subsection is a Class B misdemeanor."

4.0 BID AND QUOTATION PROCEDURES

4.1 QUOTATIONS (Purchases under \$3,000 and purchases between \$3,000 and \$50,000)

Quotations are not required on purchases of \$2,999.99 or less. It is recommended that cost comparisons be made for all purchases. Departments should utilize the vendors as follows:

BUY PECOS PROGRAM

- Departments should use Pecos vendors whenever possible.
- Departments should utilize vendors who have requested to be notified of purchase opportunities. A list of these vendors will be provided to departments upon request.

At least three written quotations are required on any purchase with a total between \$3,000 and \$50,000. All quotations must be in writing and turned in to the Finance Department as soon as they have been obtained by the requesting department.

Departments that take quotations with a total value of \$3,000 and above should verify with the Finance Department that they are ok to proceed with the request due to the following reasons:

- Local Government Code 252.0215 relating to Historically Underutilized Businesses requires that the City send quotations to at least two HUB businesses for all purchases that total between \$3,000 and \$50,000. The business must be listed on the States HUB list. (See 4.5 below)
As of January 2014 there are only 3 businesses in Reeves County that are HUB certified and only 2 of those businesses offer services the City can use. (Gibson's Home Center & Desiree's)
- To help keep our vendors informed about upcoming bids and quotations it is important that all requests be posted on the City's Web Site.

4.2 AUTOMATED BID LIST

The Finance Department will maintain an automated bid list that will be provided to the department upon request.

4.3 LOCAL VENDOR ASSISTANCE PROGRAM

The City of Pecos is committed to a program established to assist local Pecos Vendors in understanding the City's the Finance Department policies and procedures. In that effort the City has established the following policy:

- The Finance Department will maintain a database supplier file through the finance system of Pecos vendors. This list will be separate from the accounts payable vendor file and will be available to all departments upon request. All departments are encouraged to utilize this list when soliciting quotations or placing orders under \$3,000.

4.4 STATE LAW REGARDING HISTORICALLY UNDERUTILIZED BUSINESS ENTERPRISES

Local Government Code 252.0215 requires all Texas governmental entities to contact at least TWO (2) disadvantaged businesses on a rotating basis when making any expenditure of more than \$3,000 but less than \$50,000. The disadvantaged businesses contacted must be based on information provided by the Office of Small Business Assistance of the Texas Department of Commerce. If the list fails to identify a disadvantaged business in the county in which the City is situated, or if the purchase is declared as an emergency (See 6.8 EMERGENCY PURCHASE ORDERS), the City is exempt from this requirement.

4.5 SEALED BID OR PROPOSAL PROCEDURES

It is the policy of the City of Pecos to use a sealed bid proposal or design/build procedure in compliance with Chapter 252 (THE FINANCE DEPARTMENT AND CONTRACTING AUTHORITY OF MUNICIPALITIES) of the State of Texas Local Government Code for any procurement which will total \$50,000 or more. With the exception of Public Works contracts (See 10.0 PUBLIC WORKS CONSTRUCTION PROJECTS), the requesting department will prepare and solicit all procurement's requiring sealed bids. The Finance Director will need to give his/her signature of approval before the sealed bid or proposal process begins to ensure all finance related items are addressed correctly.

4.5.1 REQUIREMENTS UNDER STATE LAW

The Texas Local Government Code requires that before a municipality may enter into a contract, other than a contract for insurance, that requires an expenditure of more than \$50,000 from one or more municipal funds, the municipality must comply with the procedure prescribed by Chapter 252.021 for competitive sealed bidding or competitive sealed proposals.

4.5.2 ADVERTISING AND ADVERTISING TIME REQUIREMENTS

Section 252.041 of Chapter 252 requires that the sealed bid be advertised publicly with notice of the time and place at which the bids will be publicly opened and read aloud. The public notice must be published at least once a week for two (2) consecutive weeks in a newspaper published in the municipality that is listed as the City's paper of record (The Pecos Enterprise). The date of the first publication must be before the 14th day before the date set to publicly open the bids. In addition to the paper of record, the City, at its option, may also advertise with other publications and/or organizations.

4.5.3 BID SPECIFICATIONS AND DEPARTMENT REQUISITIONS

All sealed bids must include a set of complete and detailed specifications of the item or items and/or services to be purchased. The Finance Department will assist the user department in any way necessary, but will not be responsible for the final content of the specifications.

Vendors can be consulted as a source for specification information as long as they are advised that a sealed bid procedure will be used and the vendor cannot be treated with any type of favoritism. The Finance Department may be able to obtain specifications used by other governmental entities or sources; and, therefore, should be contacted if needed for this assistance. In addition, previous specifications submitted to the Finance Department will be kept available for reference.

An approved Purchase Order **MUST** be submitted to the Finance Department for all formal bids and proposals. The requisition must include the funding account number and budgeted amount authorized for the purchase. The requisition along with the specifications should be submitted for approval as called for in the Purchasing Policy **WITHOUT THE AUTHORIZED APPROVALS INDICATING SUFFICIENT FUNDS ARE AVAILABLE THE FINANCE DEPARTMENT WILL NOT PROCESS A BID.**

4.5.4 BID PREPARATION AND ADMINISTRATION

With the exception of certain Public Works contracts, all sealed bids and proposals will be prepared by the requesting department. The only exceptions are certain road, highway or building Public Works projects that involve engineering and architect design services. The Public Works Department will be responsible for notifying the Finance Department on any bid or proposal that they issue, the dates of any advertisements, pre-bid conferences and bid opening dates. The requesting department will be responsible for posting the bids on the City's Internet Web site to insure all bid information is available to the public and any interested companies. On all bids and proposals, a bid number will be assigned and advertising dates, pre-bid meeting dates and the bid opening date set. The Finance Director or his designee or the designee assigned for Public Works bids/proposals will be responsible for the bid opening and reading of the bids received. Once opened, a pre-audit bid tabulation will be created and posted on the City's Internet Web site. Once a complete audit and bid tabulation is completed, the tabulation along with all bids will be sent to the initiating department for review. When all bids have been reviewed, the user department will be responsible for submitting to the Finance Department a **WRITTEN** recommendation of bid award. Background wording and the recommendation will need to be submitted to the City Secretary to be included on the agenda for the next City Council meeting.

4.5.5 BID OPENING AND PRE-BID MEETING PROCEDURES

In order to establish a standardized format of bid openings and pre-bid meetings the following procedures should be followed:

1. The Finance Director of the City of Pecos or his designee or the designee assigned by the Public Works Division for Public Works bids shall conduct all bid openings.

2. In addition to the Finance Director or his/her representative there will be at least one City employee from the department who submitted the purchase request at all bid openings. This employee will knowledgeable of the bid specifications and at pre-bid meetings should be prepared to answer all questions that pertain to the specifications. At bid openings the Finance Department employee will act as the recorder of all information that is read at the bid opening and will publicly confirm that all information was read completely and truthfully.

3. At Bid Openings all bids will be opened and all pricing will be called out in accordance with the bid opening procedures.

4.5.6 BID RECOMMENDATIONS AND STATE LAW REGARDING BID AWARDS

The requesting department is solely responsible for reviewing the specifications offered in each bid to insure the specifications meet the bid requirements and must provide a written review of any bid that did not meet the specifications. If the bids offered meet the specifications requested, the recommendation may then be made based on the procedures set out in the State of Texas Local Government Code Chapter 252, Sub Chapter C, 252.043. Under this chapter entitled Award of Contract, the City may award the contract based on:

Sub-section (a) If the competitive sealed bidding requirement applies to the contract for goods or services, the contract must be awarded to the lowest responsible bidder or the bidder who provides goods or services at the best value for the municipality”.

Sub-section (b) In determining the best value for the municipality, the municipality may consider:

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

Sub-section (c) Before awarding a contract under this section, a municipality must indicate in the bid specifications and requirements 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 municipality.

Sub-section (f) The Governing body may reject any and all bids.

Sub-section (h) If the competitive sealed proposals requirement applies to the contract, the contract must be awarded to the responsible offeror whose proposal is determined to be the most advantageous to the municipality considering the relative importance of price and the other evaluation factors included in the request for proposals.

In addition under the State of Texas Local Government Code Chapter 271, Sub Chapter 271.9051 a Municipality may consider a bidders principal place of business where the Municipality has a population of 250,000 or less. The sections of this Sub Chapter states:

(b) In the Finance Department under this title any real property, personal property that is not affixed to real property, or services, if a municipality receives one or more competitive sealed bids from a bidder whose principal place of business is in the municipality and whose bid is within five percent of the lowest bid price received by the municipality from a bidder who is not a resident of the municipality, the municipality may enter into a contract with:

(1) the lowest bidder; or

(2) the bidder whose principal place of business is in the municipality if the governing body of the municipality determines, in writing, that the local bidder offers the municipality the best combination of contract price and additional economic development opportunities for the municipality created by the contract award, including the employment of residents of the municipality and increased tax revenues to the municipality.

(c) This section does not prohibit a municipality from rejecting all bids.

Other considerations of a bid award may be:

- The safety record of the bidder considered
- Companies or individuals indebted to the municipality
- Inclusion of required bonding and insurance
- Any other consideration as listed in the State of Texas Local Government Code

4.5.7 EXEMPTIONS FROM THE COMPETITIVE SEALED BID PROCESS

Chapter 252.022 of the **State of Texas Local Government Code** allows certain exemptions to the Competitive Sealed Bid process. The following are the exemptions allowed:

(1) A procurement made because of a public calamity that requires the immediate appropriation of money to relieve the necessity of the municipality's residents or to preserve the property of the municipality.

(2) A procurement necessary to preserve or protect the public health or safety of the municipality's residents.

(3) A procurement necessary because of unforeseen damage to public machinery, equipment, or other property.

(4) A procurement for personal or professional services.

(5) A procurement for work that is performed and paid for by the day as the work progresses.

(6) A purchase of land or a right-of-way.

(7) A procurement of items that are available from only one source, including;

a. Items that are available from only one source because of patents, copyrights, secret processes, or natural monopolies.

b. Films, manuscripts, or books.

c. Electricity, gas, water, and other utility services.

d. Captive replacement parts or components for equipment

e. Books, papers, and other library materials for a public library available only from the persons holding exclusive distribution rights to the materials.

f. Management services provided by a non-profit organization to a municipal museum, park, zoo, or other facility to which the organization has provided significant financial or other benefits.

(8) A purchase of rare book, papers, and other library materials for a public library.

(9) Paving drainage, street widening, and other public improvements, or related matters, if at least one-third of the cost is to be paid by or through special assessments levied on property that will benefit from the improvements.

(10) A public improvement project authorized by the voters of the municipality, for which there is a deficiency of funds for completing the project in accordance with the plans and purposes authorized by the voters.

(11) A payment under a contract by which a developer participates in the construction of a public improvement as provided by Subchapter C, Chapter 212.

(12) Personal property sold:

- a. At an auction by a state licensed auctioneer.
- b. At a going out of business sale held in compliance with Subchapter F, Chapter 17, Business & Commerce Code.
- c. By a political subdivision of this state, a state agency of this state, or an entity of the federal government.

(13) Services performed by blind or severely disabled persons.

(14) Goods purchased by a municipality for subsequent retail sale by the municipality.

4.5.8 BID DISCREPANCIES AND DISQUALIFICATIONS

Under some circumstances certain discrepancies in bids that have been submitted may be waived by the City Council. Under rulings from our City Attorney, however, there are several reasons that require a bid to be disqualified. These reasons are as follows:

1. Any bid received that is not signed by an authorized company representative.
2. Any bid received that did not return required information such as addendum/s, bonding and/or insurance requirements. This requirement may be waived as a technicality but must be approved by the City Attorney's office.

4.5.9 AGENDA REQUIREMENT RESPONSIBILITIES (ALL QUOTATION TYPES)

All items purchased by the City which total **\$15,000** or more **MUST BE SUBMITTED TO THE CITY COUNCIL FOR APPROVAL THROUGH THE AGENDA PROCESS.**

The requesting department will be responsible for processing **ALL** agenda requests for procured materials. The requesting department should submit agenda requests for procured materials directly to the City Secretary. The following information will be required from the department **BEFORE** an agenda request can be created:

- After the originating department has reviewed the bid/quotations, the department should submit a memo to the Finance Department with the department's recommendation of award describing in detail why the item is needed.

4.5.10 THE FINANCE DEPARTMENT RESPONSIBILITIES

The Finance Department will be responsible for providing the requesting department/division with all bid information and tabulations necessary for the department/division to initiate and submit a recommendation of award and agenda wording describing why the item is being procured.

4.5.11 DEPARTMENT RESPONSIBILITIES

It will be the department/division's responsibility to submit to The Finance Department a recommendation of award and agenda wording describing why the item is being procured. If the recommendation is not to award the bid based on the award procedures as listed under 4.5.6, the department must supply a detailed explanation. In addition, the department should submit any additional information that they deem necessary in order to initiate the agenda request process. Should a recommendation be made that is not to award a bid based on the lowest responsive bidder or the procedures listed in the Local Government Code, it will be the responsibility of the requesting department to answer any questions regarding the recommendation by the City Council.

4.6 SEALED PROPOSAL PROCEDURES

Under Local Government Code 252.021 Competitive Sealed Proposals may be used as an alternate to the Competitive Sealed Bid for the procurement of "high-technology" products or services. Local Governments in some cases can use competitive proposals for procuring insurance. Sub Chapter 252.042 describes the chief differences between sealed bids and sealed proposals. Under Request for Proposals:

- (a) Requests for proposals made under Section 252.021 must solicit quotation and must specify the relative importance of price and other evaluation factors.
- (b) Discussions in accordance with the terms of a request for proposals and with regulations adopted by the governing body of the municipality may be conducted with vendors who submit proposals and who are determined to be reasonably qualified for the award of the contract. Vendors shall be treated fairly and equally with respect to any opportunity for discussions and revision of proposals. To obtain the best and final offers, revisions may be permitted after submissions and before the award of the contract.

The specification is written using performance standards rather than the description of the goods or services. The specification also lists the factors by which the proposal will be judged, and the weight to be given to each factor.

Vendors submit proposals in 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.

At the public opening of the proposal, pricing is not read aloud. Only the names of the vendors who submitted proposals are read aloud.

After proposals are received, the City 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.

4.7 BID/QUOTATIONS FORMS

For sealed and written bids, the City of Pecos uses standardized bid quotation forms that provide the City with the necessary terms and conditions that protect the City in case of a contract dispute. With the exception of bids that are prepared by a professional organization contracted by the City for the purpose of preparing a bid, only the authorized standard format should be used for sealed and written bid solicitations.

4.8 RELEASE OF BID INFORMATION

All requests for historic information concerning a bid, specifications on a bid or other matters relating to bids of the City of Pecos can only be conveyed via an open records request and should be made through the City Secretary's Office. All open records request forms are to be kept and filed in a manner that makes retrieval of the information that was requested and the information that was returned easily accessible. The only exception to this policy will be questions that come in as a result of telephone calls or in person requests to the Finance Department for current bid information on bids that are out for consideration.

4.9 BRAND NAMES

In order to assure fair and competitive bids, brand names should not be used in specifications unless it is made clear to each bidder that the brand name is being used for reference only. This can be accomplished by adding an "or equal" statement behind the brand name. This statement will indicate to the bidder that other brand names will be considered if they offer specifications that are equal or better than the specifications listed in the bid. Brand names can be specified, as the only brand that will be accepted in cases where the brand specified is the only product that will work with the existing parts or equipment.

4.10 BONDING REQUIREMENTS

To ensure that the successful bidder will enter into a contract with the City and complete the project as defined by the bid specifications, bidders may be required to provide the City with surety bonds guaranteeing successful completion of the contract. There are three types of surety bonds commonly used with City contracts; the bid bond, performance (and maintenance) bond, and the payment bond. A surety is a firm (usually an insurance company) that will guarantee that the bidder will perform as defined by the specifications. The City will only accept corporate sureties as bonding entities. Personal sureties are unacceptable.

4.10.1 BID BOND

It is the City's option whether or not to require bidders to provide the City with a bid bond along with their bid submissions. State statutes do not address bid bonds for Municipalities.

Bid bonds are issued by a Surety financially guaranteeing that the successful bidder will enter into an agreement with the City to perform the project or provide the service as defined by the specifications. The City requires that the bid bond be accompanied with an appropriately completed "Power of Attorney" executing the bid bond for the bidder.

As an alternative, the City may accept a cashier's check, with the City named as payee, to be held in escrow until the successful bidder signs the City's project contract.

BID BOND AMOUNT: The bid bond minimum limit (or cashier's check) is five percent (5%) of the total amount bid.

4.10.2 PERFORMANCE BOND

Performance bonds financially guarantee that once the successful bidder enters into a contract with the City to perform work, the contractor will complete the project. Should the contractor fail, then the Surety will, generally, hire an alternate contractor to complete the work, allow the City to select another contractor and pay the difference between the first contractor's price and the new contractor's price, or pay the original contractor whatever it takes to complete the project.

Performance bonds must be written for one hundred percent (100%) of the total bid price.

4.10.3 PAYMENT BOND

A payment bond will pay any outstanding bills for labor, materials, and supplies used in the City's project from the contractor's subcontractors and suppliers should the prime contractor default on their payment. Payment bonds must be written for one hundred percent (100%) of the total bid price

4.10.4 MAINTENANCE BOND

Maintenance bonds financially guarantee that the Contractor will maintain and keep in good repair the work contracted to be done and performed from the date of acceptance of the work by the City for a predetermined period of time. For public works projects, the bond would also include any necessary back filling that may arise because of sunken conditions in ditches.

The bond is designed to provide financial protection to the City for all defective conditions arising by reason of defective material, work, or labor performed by the Contractor. In the event the Contractor does not fulfill its maintenance obligation, the bonding company will pay to maintain the project as defined in the contract specifications.

4.10.5 STATE LAW REGARDING BONDING

By State Statute, any person, persons, firm, or corporation (prime contractor) entering into a contract in excess of \$25,000.00 with the City for the construction, alteration or repair of any public building or prosecution of completion of any *public work*, shall be required before commencing such work, to provide the following two bonds, issued by a corporate Surety duly authorized and admitted to do business in the State of Texas.

PUBLIC WORK: Although the term *public work* is not defined by statute, it is generally understood to mean construction, repair, or renovation of a structure, road, highway, or other improvement or addition to real property. Contracting for demolition of real property would also fall under this definition.

A. PERFORMANCE BOND

A performance bond in the total amount of the contract conditioned upon the faithful performance of the work in accordance with the plans, specifications, and contract documents. The bond shall be solely for the protection of the City.

The City must not require a performance or payment bond if the contract does not exceed \$25,000.00.

B. PAYMENT BOND

A payment bond in the total amount of the contract, solely for the protection of all claimants supplying labor and material in the prosecution of the work provided for in the contract, for the use of each claimant.

If the City fails to obtain from the prime contractor a payment bond covering contracts in excess of \$25,000, the City is subject to the same liability as that of a Surety who had issued a valid bond. The claimant is entitled to a lien on funds due the contractor.

C. BONDS FOR NON-PUBLIC WORKS PROJECTS

There are no State requirements for bonds to cover contracts for goods and services that are not defined as public works projects; it is the City's option. Good business practice would dictate that whenever the City enters into a contract for the purchase of a product system or service in which the system or service will be of little value to the City until it is complete and progress payments are made, then performance and payment bonds should be required.

D. The following legislation has been passed by the State of Texas and must be provided with the bid if the amount of the bid award exceeds \$100,000.

1. If the amount of the bid exceeds \$100,000, the Surety must:

a. Hold a certificate of authority from the United States Secretary of the Treasury to qualify as a Surety on obligations permitted or required under federal law; or

b. Have obtained re-insurance for any liability in excess of \$100,000 from a Re-Insurer that is authorized and admitted as a Re-Insurer in this state and is the holder of a certificate of authority from the United States Secretary of the Treasury to qualify as a Surety or Re-Insurer on obligations permitted or required under federal law.

4.11 INSURANCE REQUIREMENTS

Whenever the City contracts with an outside party (contractor, consultant, vendor, or concessionaire) for goods or services, the bid or request for proposal that is released to the public should include an indemnity clause (hold harmless clause), along with a contractual agreement, to be executed upon award of the contract, that transfers the risk of the project from the City to the contractor. Because the contractor may or may not have the financial resources to handle the risks that are transferred in the contract, the City requires that insurance be purchased and maintained by the contractor for financial security.

Most contracts are tailored for individual projects and programs; therefore, certain elements of the insurance required should be addressed in every contract document. One of the most important elements is the actual insurance coverage, which include the coverage types and limits that are dependent upon the nature of the project/program.

Although not all of the coverage's are required for every project (and limits will vary by exposure), understanding the coverage's provided by these policies is important to assure that all of the City's potential liabilities and exposures from the project are properly protected. Should any questions arise about the amounts of types of insurance requirements the initiating department should contact the Risk Managers office.

5.0 ANNUAL PRICE AGREEMENTS/CONTRACTS

5.1 INTERLOCAL AGREEMENTS AND PURCHASING THROUGH THE STATE OF TEXAS

The State of Texas maintains a number of annual contracts. The City can purchase these items through our INTER-LOCAL agreement with the State. The Finance Department has access to an on-line system of State contracts and can provide a list of specific items to City departments upon request.

State law also allows the City to purchase through other State approved purchasing programs if the City has established an INTER-LOCAL agreement with the approved organization. Currently the City has an established INTER-LOCAL agreement with the Houston-Galveston Area Council (HGAC) and the Texas Association of School Boards (TASB) BuyBoard program.

5.2 PROCUREMENTS REQUIRING CONTRACT SIGNATURES

The City Council has authorized all contracts to be executed by the City Manager or by the Mayor (City Secretary or Mayor Pro Tem, respectively, if the primary signatory is unable to sign). In certain instances, the City Manager has delegated this authority to certain staff members. For those contracts executed by the City Manager, the following policy will be followed:

1. All contracts will be reviewed and initialed by the Finance Director prior to final signature.
2. All contracts in excess of **\$5,000** must be signed by the City Manager (or assistant if so designated by the City Manager).
3. All contracts for less than **\$5,000** maybe executed by the appropriate Department Director. (See 1 above)

6.0 PURCHASE ORDERS

6.1 DEPARTMENTAL PURCHASE ORDERS (PURCHASES UNDER \$2,999.99)

Any single procurement with a total value of not more than \$2,999.99 can be made directly by each Department Head or his/her authorized representative. Although quotations are not required it is recommended that price comparisons be made.

It is against State Law and City policy to split orders in order to evade this monetary limitation. The Finance Department will directly challenge all purchases that total over \$3,000 and made to the same vendor on the same date.

City procurements are audited annually by an outside auditing firm to detect split purchase orders. Because the administrative cost of competitive quotations would be more than the amount that could be saved by taking such quotations the competitive bidding procedure does not apply to purchases of \$2,999.99 or less. This does not mean that the department should not look for the best possible pricing for the City, but quotation documentation is not required for this type of purchase.

Because a significant amount of small dollar purchases can be made locally, local Pecos vendors should be considered for this type of purchase. The spreadsheet with this list of local vendors will be available in the Finance Department.

Department Directors or authorized department representatives should contact the vendor directly for purchases of \$2,999.99 or less. It is highly recommend that the department request a purchase order number so that when an invoice/receipt is received payment may be processed. If this is not possible then the department may use the City's purchase card that has been issued to all Department Heads.

It is against City Policy to have open accounts with any vendor. Department Purchase Orders MUST BE PLACED using a Department Purchase Order Number. To obtain a Department Purchase Order Number, the department must first make a request by calling the Finance Department order to obtain the purchase order number. Under no circumstances should a department set up an open account with a vendor. If the vendor needs City references or financial information, the department should contact the Finance Department for the information. The Finance Department will then forward the information to the vendor.

When placing a department purchase order, the department should be sure to give a complete address that will be used for delivery of the material and should instruct the vendor to send the invoice directly to the department. PLEASE NOTE THAT ANY INVOICES RECEIVED WITHOUT A PURCHASE ORDER NUMBER REFERENCED WILL NOT BE PAID AND WILL BE REJECTED.

Once the material and invoice has been received and accepted, the department representative should attach the appropriate purchase order number form, approval signatures, attach the invoice and send both to Accounts Payable for payment processing.

The Finance Department processes all accounts payable checks to vendors and employees every Friday. Any accounts payable items turned in for processing by Monday will be processed for payment that week and any items turned in after 5pm on Monday will be processed the following week. ALL checks to vendors will be mailed out each Friday and will NOT be hand delivered unless otherwise addressed to the Finance Director. ALL reimbursements and per diem request checks to City employees will be given to each respective Department Head for reimbursement.

6.2 PURCHASE ORDERS WITH CITY ORDINANCE REQUIREMENTS

Any single procurement with a total value of not less than \$3,000 or more than \$49,999.99 is subject to all City Ordinance requirements pertaining to the purchase and all the Purchasing Policies and Procedures approved by City Administration and the City Council. For a complete listing of all City Ordinances relating to procurement please see the City of Pecos' Code of Ordinances.

6.3 PURCHASE ORDERS WITH STATE LAW REQUIREMENTS

Any single procurement with a total value of \$50,000 or more is subject to Chapter 252, Chapter 271 and other references of the Local Government Code of the State of Texas.

6.4 PURCHASES BETWEEN \$3,000.00 TO \$49,999.99

Requirements for purchasing items having a single order total value of \$3,000 to \$49,999.99 should be forwarded to the Finance Department by calling the request in so that a purchase order number may be issued. Under certain circumstances the Finance Director may issue a purchase order number to a department for an emergency purchase. In this instance the department requesting the Purchase Order Number becomes responsible for all State Laws and City Ordinances pertaining to the procurement.

UNDER NO CIRCUMSTANCE SHOULD AN ORDER BE PLACED WITH A VENDOR WITH THE ABOVE DOLLAR LIMITS WITHOUT FIRST OBTAINING AUTHORIZATION AND A PURCHASE ORDER NUMBER FROM THE FINANCE DEPARTMENT.

6.5 PURCHASES \$50,000 AND OVER

Purchase requirements for items that have a single order total of \$50,000 and over are governed by State Law and must follow the procedures listed below. With the exception of Public Works contracts (See 10.0 PUBLIC WORKS CONSTRUCTION PROJECTS) the requesting department will take all sealed bid/proposal solicitations.

6.5.1 PURCHASE REQUISITION REQUIREMENTS

All purchases for items that have a single order total of \$3,000 and over must be submitted to the Finance Department by calling in to City Hall and providing Accounts Payable with all the necessary information. The purchase requisition must be filled out completely and include quantities, complete descriptions of the item/s to be purchased, and approved budget funding account numbers to charge for the purchase. IF FUNDING IS NOT AVAILABLE FOR THE PURCHASE THE REQUEST WILL BE REJECTED. Although the Finance Department can assist the department with specifications, it is the department's responsibility to insure that the specifications are complete and correct.

6.6 SOLE SOURCE PROCUREMENT'S

Section 252.022 (a)(7) of the Local Government Code allows an exemption from the bidding procedure for a procurement of items that are available from only one source. This exemption should be strictly interpreted as items that are covered under patents, copyrights, secret processes, and natural monopolies. Items such as Utility Services and Captive replacement parts or components CAN be considered as "only source" items. Items that are available only through distributors CANNOT be considered only source items unless the distributor has an exclusive right to distribute the item and a like item cannot be purchased through any other distributor. Items that have dyes or other artwork CANNOT be considered an only source item due to the fact that dyes and artwork can be moved from one vendor to another. Please contact The Finance Department if you have any doubt whether an item can be considered as an only source purchase.

6.7 EMERGENCY PURCHASE ORDERS

Chapter 252 of the Local Government Code allows an exemption from the bidding process for emergency purchases. An emergency is described as follows:

1. A procurement made because of a public calamity that requires the immediate appropriation of money to relieve the necessity of the municipality's residents or to preserve the property of the municipality.
2. A procurement necessary to preserve or protect the public health or safety of the municipality's residents.
3. A procurement necessary because of unforeseen damage to public machinery, equipment, or other property.

The above exemptions are the **ONLY** exemptions listed as emergency items.

6.7.1 PROCEDURES FOR PLACING AN EMERGENCY ORDER.

Should an emergency arise that meets the criteria stated in **6.7 above** the requesting department should immediately fill out a hard copy (paper) Direct Purchase Requisition Form and walk the request through for approvals. When approved, a purchase order number will be issued by the Finance Department to the requesting department to cover the purchase. The purchase requisition should contain all information (quantities, descriptions, unit pricing, total pricing, and budget account numbers). The purchase request **MUST NOTE** that the request was an emergency.

6.8 PROCUREMENT'S FROM CITY, STATE, AND INTER-LOCAL CONTRACTS

The City of Pecos participates with the State of Texas Co-Op Purchasing Program and has established INTER-LOCAL and other purchasing agreements with programs approved by the State. These programs allow the City to make PROCUREMENT'S through established contracts with various vendors for a variety of products and services. Since advertising and bid procedures have already satisfied State purchasing procedures it is not necessary for the City to advertise or bid items when making purchases through the State program. A list of the products and services available through the State contract or other purchasing programs can be requested from the Finance Department.

6.8.1 BUYBOARD VENDOR PROCEDURES

The City of Pecos has an existing purchasing cooperative agreement with BuyBoard and any item under State contract is available to the City and does not require additional bid or proposal requirements.

The City receives a rebate check every year from the BuyBoard cooperative for every purchase made with their approved vendors. For the City to be eligible for this rebate the Purchase Order Form needs to clearly specify that the purchase is through the BuyBoard program. The Finance Department will then complete the necessary paperwork to send to the BuyBoard so that it can be recorded.

6.9 PURCHASE ORDER PREPARATION BY THE FINANCE DEPARTMENT

Once a purchase requisition has been received, approved, checked for funding and processed by the Finance Department, a purchase order number will be assigned by the Finance system.

6.10 W-9 REQUIREMENTS FOR ALL VENDORS

All new vendors that are interested in doing business with the City will need to complete a Form W-9 that can be requested from the Finance Department. This form is necessary for Accounts Payable to determine what status a company should have in our Incode system (Corporation, LLC, 1099, etc.). This form will be required from the vendor before a purchase order will be issued.

6.11 OFFICE SUPPLY PURCHASES

The City uses Office Depot for ALL office supply orders since we get a discount along with free shipping. ALL orders for office supplies will need to be placed using the online Office Depot system and a purchase order will need to be requested before the order will be released. Office supplies cannot be purchased using the City's purchasing card or other vendors.

7.0 VENDOR VISITS AND RELATIONS

7.1 VENDOR VISITS/NEGOTIATIONS

The Finance Department should be advised of any scheduled vendor visits. In addition, it is to each department's advantage to have the Finance Department involved in any discussions or negotiations with a vendor.

7.2 VENDOR CREDIT APPLICATIONS

It is the policy of the City of Pecos to not fill out credit applications submitted to the City to establish credit. The City has developed a credit information reference form, which may be submitted to any vendor requiring credit information. The form will supply the necessary information for the City to be considered for credit. The form is available from the Finance Department.

8.0 CHECK REQUESTS

8.1 TYPES OF ITEMS TO BE PROCESSED ON A PER DIEM REQUEST FORM

The Check Request Form is a payment voucher to be used by all departments to process payment of CERTAIN expenditures. This document is designed to expedite the payment of expenditures that are not required to be processed on a standard purchase order form.

THIS FORM IS NOT DESIGNED TO TAKE THE PLACE OF A PURCHASE ORDER OR TO CIRCUMVENT THE NORMAL BIDDING PROCEDURE. FINANCE WILL RETURN ALL CHECK REQUESTS IN EXCESS OF \$3,000 THAT DOES NOT MEET THE FOLLOWING CRITERIA.

The types of items allowed to be processed on a check request form are items such as:

- Travel and Conferences.
- Membership Dues.
- Subscriptions.
- Educational and Seminar fees.
- Periodicals and Publications.
- Other reimbursements approved by Department Head.

Contact the Finance Department if you have any questions regarding the types of items that can be processed on a check request form.

9.0 PUBLIC WORKS CONSTRUCTION PROJECTS

9.1 PROFESSIONAL SERVICES ACT

The Professional Services Procurement Act allows the procurement of architectural or engineering services through a two-step selection process. First, the City shall select an individual or firm capable of performing the service, on the basis of demonstrated competence and qualifications. The City shall then enter into negotiations on a contract at a fair and reasonable price.

9.2 BIDDING RESPONSIBILITY

For major Public Works construction projects such as buildings and roads contracted through an architectural or engineering firm the Public Works department may directly contract for professional sealed bids that meet all State legislative bidding requirements. The Public Works department, at their discretion, may request the assistance of The Finance Department with bid numbers and openings. The Public Works Department will be responsible for maintaining all bid documentation required by State Law and for obtaining all necessary contracts, bonding and insurance for each project as well as conducting pre-bid conferences and bid openings. This policy **ONLY RELATES TO MAJOR PUBLIC WORKS PROJECTS SUCH AS BUILDINGS AND ROADS**. All other the Finance Department requirements should be processed through the Finance Department.

To insure coordination of and adherence to the Finance Department policy, the Public Works Division should complete the following **BEFORE** issuing any bids:

- Obtain a bid number from The Finance Department that will tract the project for audit purposes.
- Advise The Finance Department of the advertisement dates, pre-bid conferences and bid opening date.

The requesting department will be responsible to insure that any Public Works project is included in the bid opportunities section of the City Internet Web Site.

10.0 PURCHASING CHARGE CARDS

10.1 OVERVIEW

The purpose of the City of Pecos Purchasing Card program is to establish an efficient, cost-effective method of the purchasing and paying for small dollar transactions as well as high-volume, repetitive purchases. If used to its potential, the program will result in a significant reduction in the volume of purchase orders and related documentation including invoices and checks. In addition, corresponding work processes associated with ordering and check writing will be eliminated. The Purchasing Card can be used with any supplier that accepts MasterCard as a form of payment.

This purchasing procedure provides the general guidelines for using the Purchasing Card. Please read it carefully. Your signature on the Cardholder Agreement shows that you understand the intent of the program and agree to follow the established guidelines.

The following important points should be reviewed before using the Purchasing Card:

1. Your Purchasing Card is issued in the name of a specific individual. All purchases made on the Card are the responsibility of the individual. You are responsible for the security of the Purchasing Card and the transactions made with it. Inappropriate use of a purchasing card may be cause for disciplinary action to be taken against the cardholder.
2. The Purchasing Card may be used at any vendor or service provider that accepts MasterCard, is participating in the program and is not on the restricted list. It may be used for in-store purchases, mail, telephone, or fax orders.
3. The Purchasing Card may be used to purchase supplies and services less than the Single Transaction Limit that was established.
4. Use of the card must not exceed the credit limit assigned to the Purchasing Card in a given month.
5. Each cardholder must reconcile the statement received from Citi Bank to ensure all charges are accurate. Statement reconciliation needs to be completed within seven days of receipt of your statement.
6. The Purchasing Card is not intended to be used to avoid or bypass appropriate purchasing or payment procedures. This program compliments the existing processes available.
7. The Purchasing Card is not for personal use.

The Purchasing Card must be returned to the Finance Director upon an employee's transfer or termination of employment. The employee's final paycheck will be withheld until the Purchasing Card is turned in.

10.2 Recommended guideline for issuing a purchasing card

The following is a recommended guideline for authorizing an employee purchasing card:

The cardholder should be at a supervisor level or above; and/or,
The cardholder should have a need to purchase at least \$100.00 per month (average) for a 12 month period; and/or,
The cardholder should be in a position which requires access to a the Finance Department card even though neither of the above two criteria are met.
Issuance of cards to employees must be approved by the City Manager or the City Manager's designee

10.3 Duties and Responsibilities

10.3.1 Program Administrator

The Finance Director also known as the Program Administrator will be designated by the City for questions, issues and administration of the program. This person will be knowledgeable on all procedures in the Cardholder User's Guide. All Purchasing Card requests must go through the Program Administrator. The Finance Director, the Finance Director's designee or a representative of the Finance Department will act as the Program Administrator for The City of Pecos.

10.3.3 Cardholder

The cardholder is the person designated by the City to utilize the The Finance Department Card. The cardholder is responsible for following the guidelines provided by the City regarding purchases, selection of vendors, security of card and monthly reconciliation of the charges and coding of charges to his or her department accounts.

10.3.4 Department Directors

The Department Director is responsible for designating cardholders and approving monthly Purchasing Card statements of cardholders to ensure they are within City administrative policy. The Department Director will also assist in assigning cardholder spending limits and regulations.

10.4 Customer Service

The Purchasing Card program is serviced through a Customer Service Center at Citi Bank. This center is available 24 hours a day, 7 days a week to assist with general questions about the Purchasing Card account. Normally, only the Program Administrator should contact Citi Bank Customer Service. A cardholder with question's regarding such items as why a card was declined, what their individual credit limits are or other similar questions should contact the Finance Department at (432) 445-2421 option 4. The Finance Department will then contact Customer Service. However, If a Purchasing Card is lost or stolen during hours that the Finance Department is closed or cannot be contacted, the cardholder should immediately contact Customer Service at the following number:

The current Customer Service number is: **1-800-890-0669**

10.5 The Purchasing Card Controls

10.5.1 Credit Limits

All Purchasing Cards have monthly cardholder spending limits. Limits may vary for each cardholder and will be established and approved by the Department Director and by the City Manager's Office.

Each cardholder will be given information on the limits of his/her card upon signing up for the program. In order to change limits on any card, the Department Director should contact The Finance Department to obtain the appropriate form. When completed, the Department Director should forward the form to The Finance Department for processing. If required, The Finance Department will obtain any additional approvals and then forward the request to the credit card vendor for processing.

* Processing will take 2 to 3 business days. *

10.5.2 Transaction Limits

The Purchasing Cards have a default maximum single transaction limit of \$ \$2,999.99 and a default maximum monthly limit of \$5,000. Limits can be increased if approved by the Department Director but cannot exceed \$2,999.99 for a single transaction limit. Any purchase above \$2,999.99 requires various types of quotations and should be submitted on a purchase request to The Finance Department. The single transaction limit is the amount available on the Purchasing Card for a single purchase. A transaction includes the purchase price, plus tax (if any) and freight. Cardholders should not attempt to make a purchase greater than his/her approved amount or make repetitive transactions in order to circumvent the single transaction limit. Card purchases will be audited to identify repetitive transactions. BY STATE LAW, THERE ARE CRIMINAL PENALTIES ASSOCIATED WITH SPLITTING PURCHASES TO AVOID BIDDING PROCEDURES.

Changes to the transaction limit may only be processed by the Program Administrator.

10.5.3 Restricted Vendors, Materials, or Services

The Purchasing Card program may be restricted from use with certain types of suppliers and merchants or materials and services. If the Purchasing Card is presented for payment to these vendors or for the materials or services, the authorization request will be declined.

10.6 Maintaining the Purchasing Card

10.6.1 The Purchasing Card Transaction Log

The transaction log is intended to provide an additional method for expenditure tracking while using the Purchasing Card. Each cardholder will use a new log for each month's purchases and make a record in the log each time a purchase is made. The cardholder will use a detailed description of the item to recognize the purchase as an authorized one. The log will be used for audit purposes to verify that all purchases and documentation were received.

10.6.2 Receipts

Always obtain a receipt when using the Purchasing Card. It is every cardholder's responsibility to ensure there is a receipt for each purchase. The receipts should be kept in a receipt envelope, with the transaction log secured to the outside. This envelope should be forwarded to Accounts Payable at the end of each cycle.

The log also should be used to track credit limits.

10.7 Card Reconciliation

At the end of each billing cycle, the Department Head will receive a Cardholder Statement from The Finance Department which lists purchases made to the department account/s.

After reviewing the information sent by each cardholder, the Department Director or the Directors appointed representative should approve the purchases and forward the statement/log to the Finance Department. The Department Representative will also code the charges for each of their Purchasing Card transactions. The Finance Department should then verify that information received from the Department is consistent with the Statement Summary Detail received from the purchasing card vendor for the company's files.

10.8 Sales Tax

The City of Pecos is tax exempt from most sales and use tax as allowed by law. A Tax Exempt status has been stamped on the purchasing credit card and should be presented to the vendor upon request. If tax is accidentally included on the sale **CITI BANK CANNOT DELETE IT FROM THEIR STATEMENT. IT WILL BE UP TO EACH CITY EMPLOYEE TO GO BACK TO THE VENDOR AND REQUEST THAT THE TAX IS CREDITED BACK TO THE CITY.**

In some special cases (such as hotel taxes) the City is required to pay some forms of tax. If there are any doubts about the tax or if the vendor requires that tax be paid even if you have presented the City tax exempt credit card contact the Finance Department for additional instructions.

The Finance Department may periodically perform internal audits.

10.9 Security of the Purchasing Card

Each cardholder is responsible for the security of his/her card. This card should be treated with the same level of care, as the cardholder would use with his/her own personal charge cards. Guard the Purchasing Card account number carefully. It should not be posted in a work area, or left in a conspicuous place. It should be kept in an accessible, but secure location.

10.10 Card Usage

The only person authorized to use the Purchasing Card is the cardholder. The card is to be used for **business purposes only. Under no circumstances should an employee give their card to another employee or person to make a purchase.** Unauthorized use of the Purchasing Card can result in disciplinary action, including termination.

10.11 Employee Termination or change in duty

The Purchasing Card must be returned to the Program Administrator upon the cardholder's transfer, termination, or upon change in duty. The responsibility to insure that cards of terminated employees are returned to the Program Administrator rests solely with the Department from which the employee was terminated.

10.12 Lost or Stolen Cards

If a Purchasing Card is lost or stolen DURING WORKING HOURS contact the Finance Department at (432) 445-2421 option 4. If the card is lost or stolen DURING NON-WORKING HOURS or the Finance Department cannot be contacted, immediately contact Citi Bank Customer Service at **1-800-508-9758**. After contacting the vendor, notify the Program Administrator. Prompt action can reduce the City's liability for fraudulent activity.

The Purchasing Cards will be distributed via the Program Administrator. When a new card is issued, the credit card vendor will send it to the Program Administrator for distribution to the cardholder. Cards will not be released to cardholders until each cardholder has gone through training, received all supplies related to the program and signed the Cardholder Agreement.

10.13 Cardholder Purchasing Card Agreement

Each cardholder is required to sign an agreement between the cardholder and City, which affirms that the cardholder has read and understands the policy and procedures for the Purchasing Card. The Cardholder, Department Director and the Program Administrator will sign this agreement at the end of the training session.

10.14 The Purchasing Card Activation

The cardholder must call the telephone number listed on the card for activation. Upon receipt of the card, the cardholder should sign the back of the Purchasing Card and always keep the card in a secure place.

10.15 Making Purchases

IF POSSIBLE, BUY PECOS

Cardholders should promote and encourage positive interactions with suppliers and **attempt to use Pecos vendors where possible**. A list of approved vendors can be obtained from The Finance Department. Honesty and courtesy are essential ingredients in all aspects of a buyer/supplier relationship.

All cardholders must follow the procedures below when using the Purchasing Card:

1. Determine if the transaction is an acceptable use of the card, and if it is within the cardholder's spending limit.
2. Identify the supplier. Call and fax or visit the supplier to place your order.
3. Identify the supplier, call, and fax or visit the supplier to place your order.
4. If the order is by mail, specify the cardholder name, company name, department name and shipping instructions. Also, specify the Purchasing Card number, expiration date and name as it appears on the card.
5. Indicate that the City is tax exempt* from sales tax and send or deliver a tax-exempt form (if required).
6. Confirm pricing, tax and freight.
7. Request that a hard copy of the pricing, tax and freight be faxed to the cardholder and/or included in the shipment of supplies.
8. Request that the supplier to show your name and the words "P-Card" appear on all packing lists and box labels. This will enable the receiving department to facilitate delivery of your supplies.

*Note: In some special cases (such as hotel taxes) the City is required to pay some forms of tax. If you have any doubts about the tax or if the vendor requires that tax be paid even if you have presented the City tax exempt card contact the Finance Department for additional instructions.

10.16 Receiving Supplies and Services

A copy of the charge slip, sales receipt or any other information related to the purchase must be kept in the receipt envelope.

Invoices with no amount due are the most optimal documentation since they itemize the purchases and show any sales tax that was incurred. A vendor's entry system usually prints an automatic invoice with the processed order. Instruct the vendor not to send the invoice to the Accounts Payable Department but directly to the individual cardholder making the purchase (this will prevent duplicate payments to vendors). If a purchase is made via mail or telephone, ask the vendor to include the receipt with the goods when shipping the product. The receipt is the only original documentation specifying tax paid on the purchase. Please remember that Finance will pay only from ORIGINAL invoices or sales slips. Faxed or Xerox documents cannot be accepted. If an invoice or sales slip is lost the cardholder will be responsible for obtaining a replacement original which has noted on it that it is to replace the previous invoice and identifying the invoice number and date of issuance.

Timely submission of paperwork is important. Delayed submission of paperwork will cause the card to be terminated.

10.17 Returns, Credits and Disputed Charges

Should a problem arise with a purchased item, service or charges, the cardholder should make every attempt to first resolve the issue directly with the supplier. Review of future statements is vital to ensure the account is properly credited for returns, credits and disputed charges. The cardholder should note all returned, credited or disputed items on the Purchase Card Transaction Log.

10.17.1 Returns

If an item needs to be returned to a supplier, the cardholder will contact the supplier and obtain instructions for the return. Note that some suppliers may charge a restocking or handling fee for returns. All returns should be indicated in the transaction log along with a notation of any restocking or handling fees.

10.17.2 Credits

If the item is accepted as returned by the supplier, a credit for this item should appear on the following month's statement. All credits should be indicated in the transaction log.

10.17.3 Disputed Charges

If a cardholder finds a discrepancy on a monthly statement, the cardholder should contact the supplier and attempt to resolve the problem directly. All disputed items should be indicated in the transaction log. The credit card vendor will place the charge in a "State of Dispute" and the account may be given a provisional credit until receipt of adequate documentation from the vendor if the dispute cannot be resolved directly with the vendor. If the documentation appears to be in order, the transaction will be re-posted to the account and the dispute considered closed. If the charge is suspected to be fraudulent, the card will be immediately blocked, continue to have a provisional credit (if given) and an investigation of the charge will continue. A new card will then be re-issued to the cardholder, if appropriate. If the charge appears legitimate, the transaction will then post to the new account.

11.0 RENTAL OF EQUIPMENT

11.1 RENTAL PROCEDURES

Rental of equipment should be handled as any other type of purchase and should be put on a purchase requisition and called in to the Finance Department for procurement. Each department should determine whether the proposed rental equipment is available in any other City department BEFORE placing their request. If it is available, the user department should ask for use of the equipment and should be granted use, if the department where the equipment is located, does not have a higher priority use.

Certain vendors require that the City obtain a Certificate of Liability before rental equipment may leave the lot and if this is the case it is advised that the Department Head contact the Finance Department. The Finance Department will contact the Texas Municipal League Intergovernmental Risk Pool (TMLIRP) and provide all the necessary information so that a temporary Certificate of Liability may be issued. Please allow at least 24 hours for this process to be completed.

UNDER NO CIRCUMSTANCE SHOULD A DEPARTMENT SIGN A RENTAL AGREEMENT WITH A COMPANY UNLESS PRIOR APPROVAL HAS BEEN ISSUED BY THE FINANCE DEPARTMENT.

12.0 WARRANTIES AND SERVICE AGREEMENTS

12.1 PROCEDURES

The Finance Department will negotiate all Warranties and Service Agreements that commit the City to either a financial commitment for a contractual period of time. Should a department require a service agreement, a purchase request should be filled out describing the equipment involved, model and serial number/s, the period of time required and the account numbers to be debited and the requisition should be called in to the Finance Department.

It is the responsibility of each department to insure that needed service agreements exist on equipment.

UNDER NO CIRCUMSTANCES SHOULD A DEPARTMENT SIGN A SERVICE AGREEMENT UNLESS PRIOR APPROVAL IS RECEIVED FROM THE FINANCE DEPARTMENT.

Once the agreement is approved by the Finance Department the agreement form will be sent to the Department Director for final signature. It is the responsibility of each department/division to maintain copies of agreements that pertain to their departments, to schedule service calls under the agreements, and to notify the Finance Department when agreement renewals via the above stated procedure should be scheduled.

13.0 LEASE/PURCHASE AGREEMENTS

13.1 PROCEDURES

Lease-Purchase agreements are capital items. Before such agreements are presented to the City Council they shall be justified and presented to the City Manager for analysis of the actual capital cost including interest charges. Final decisions on lease purchases will be made by the City Manager's Office.

14.0 DISPOSAL OF SURPLUS MATERIALS AND EQUIPMENT

Any property that is movable or not attached to the land (referred to as personal property) such as furniture, fixtures, vehicles, equipment, tools, instruments, clothing, or other such items of value, which has lost its useful value to the City or has become obsolete, may be disposed of by any of the following methods. Personal property does not include real estate such as land, including the building or improvements on it, or its natural assets, such as minerals and water.

City property shall, at the option of the City Manager or his designee, be disposed of by one of the following methods:

1. Auctioned competitively through GovDeals, the City's online auction website.
2. Traded in for new equipment; or
3. If the item has no value except for salvage, the City Manager or his designee may authorize such items to be sold as scrap for cash.

14.1 PROCEDURES FOR THE DISPOSAL OF SURPLUS MATERIALS AND EQUIPMENT

The **USING DEPARTMENT** is responsible for the following:

- a. Notifying the Finance Department in writing of the surplus equipment, including a complete description of the item or items, the make, model, serial number, and asset number.
- b. Transporting the surplus equipment to the Warehouse.
- c. Preparing an Equipment/Vehicle Inspection Form.

NOTE: THE FINANCE DEPARTMENT MUST BE NOTIFIED IN WRITING BEFORE ANY ITEM/S WILL BE ACCEPTED AS SURPLUS PROPERTY AND ALL ITEMS MUST BE ACCOMPANIED BY AN EQUIPMENT/VEHICLE INSPECTION FORM. ITEMS SENT TO THE WAREHOUSE WITHOUT PROPER NOTIFICATION WILL NOT BE ACCEPTED.

The Finance Department is responsible for the following:

- a. Maintaining an inventory log of surplus equipment.
- b. Advising all departments of the availability of the surplus equipment.
- c. Releasing the equipment to any user department based on the greatest need.
- e. Scheduling an auction on www.govdeals.com/CityofPecos
- f. Collecting the revenue for the sale.

14.2 PROCEDURES FOR THE DISPOSAL OF CITY OWNED SURPLUS VEHICLES

The **DEPARTMENT HEAD** is responsible for:

- a. Removing any decals from the vehicle(s).
- b. Notifying the using departments of the availability of the surplus vehicle(s), and/or reassignment of the vehicle(s), as necessary.
- c. Notifying the Finance Department in writing of the surplus vehicle(s), including year, make, model, vehicle identification number, color, and odometer reading of the vehicle(s) by completing the Equipment/Vehicle Inspection Form.
- d. Providing the Finance Department with the appropriate title (may be obtained from the City Secretary's office), odometer statement (when appropriate) and application for transfer of title form for the vehicle(s) to be sold.
- e. Removing all 'tax exempt' license tags from the vehicles.
- f. Removing any peripheral equipment, i.e. radio, siren, etc.
- g. Transporting the vehicles to the auction site.

The **FINANCE DEPARTMENT** is responsible for:

- a. Posting the vehicle, equipment, or asset to the online auction site GovDeals.
- b. Collecting the revenue for the sale.

14.3 PROCEDURES FOR THE DISPOSAL OF CONFISCATED OR ABANDONED VEHICLES

The **POLICE DEPARTMENT** is responsible for:

- a. Contacting the appropriate wrecker service to transport the vehicle to the wrecker service storage facility.
- b. Notifying the Finance Department of the pull if the item needs to be auctioned.

15.0 COMMUNICATIONS

15.1 TELEPHONE SERVICE AND REPAIR

All requests for Telephone Service and Repair shall be e-mailed to the Finance Department so that it may be processed and added to the City's account.

15.2 CELLULAR PHONES

The City of Pecos has established an agreement with Verizon for Cellular Phones authorized to be used for City business only.

Purchasing Policy Acknowledgement

I ACKNOWLEDGE THAT I HAVE READ THE TOWN OF PECOS CITY PURCHASING POLICY AND IF I DO NOT FOLLOW THESE RULES I WILL BE WRITTEN UP AND DEPENDING ON THE SEVERITY I FACE THE POSSIBILITY OF SUSPENSION/DISMISSAL.

EMPLOYEE SIGNATURE

EMPLOYEE PRINTED NAME & DATE

FINANCE DIRECTOR SIGNATURE

FINANCE DIRECTOR PRINTED NAME & DATE

DEPARTMENT HEAD SIGNATURE

DEPARTMENT HEAD PRINTED NAME & DATE