



## City Council Policy #31

### Purchasing

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It is the policy of the City Council of the City of Kirksville to provide direction to all City Departments on the procedures and guidelines to efficiently manage, control, and plan for the best use of available resources while enabling present and future departmental needs to be met.

#### I. GOALS

Good documentation and using extra caution to ensure that all vendors are treated fairly are in the City's best interest. The best advice in purchasing is to have a good paper trail and to treat all vendors fairly. The basic goals of the City's purchasing policy are as follows:

- A. The City will comply with the legal requirements of public purchasing.
- B. The City will ensure vendors that impartial treatment will be afforded to all who wish to do business with the City.
- C. The City will receive maximum value for each public dollar spent, which includes reasonable support to Kirksville vendors.
- D. The City will attempt to provide departments with required goods and services in proper quantity and quality.
- E. The City will purchase only goods and services for which funds have been approved.

#### II. BUDGET AND PLANNING

The purchasing process begins with the preparation of the annual budget. Each department will submit items requested to be purchased during the budget year to the City Manager and Finance Director. At a minimum, the budget detail shall be provided for items equal to or greater than \$250 for an individual item, however, departments may choose to provide additional detail for improved management of the budgeted funds. The City is responsible to its residents that the maximum value is obtained for each public dollar spent. Departments contemplating a purchase that will exceed a budgetary amount shall contact the Finance Director to ensure that provision is made for the necessary budget allocation before initiating the purchase. Any item requested which is not included in the current budget will require approval from the City Manager. If the amount is over \$40,000, City Council approval as indicated by this Policy will also be required. It is the responsibility of each Department Manager to authorize purchases not to exceed any individual budget line. Should an item need to be purchased that if purchased will exceed the funds budgeted, the Department Manager will need to obtain approval from the Finance Director before submitting a requisition for purchase; provided there are sufficient funds available from within that Department Budget.

Planning for purchases shall be done on both a short-term and a long-term basis. Small orders and last-minute purchases should be minimized, thereby increasing the capability of each department to purchase its goods and services in larger quantities to obtain the maximum discounts possible. Planning will also cut down on the number of trips required to obtain materials and minimize the amount of clerical and supervisory time spent on documenting purchases. Planning will also allow for the management and payment of goods and services that minimize actions outside the normal purchasing process.

### III. GENERAL GUIDELINES

These general guidelines should be considered administrative rules and regulations, and are to be adhered to by all departments in the procurement of goods and services.

- A. **GUIDELINES.** The City in all purchasing reserves the right to make decisions that are most beneficial to the City. All purchasing decisions will be evaluated according to the guidelines as follows:
1. Required documentation must be signed by the authorized person and verified to determine it meets qualifications;
  2. Bidders' security, when required, must be properly executed and in sufficient amount to meet bid requirements;
  3. City personnel shall evaluate the ability and capacity of the vendor to meet the specifications for the service or product required.
- B. **LOCAL BUYING.** The City desires to purchase from local vendors whenever possible and this can be accomplished by ensuring that local vendors are included in the competitive purchasing process. When obtaining pricing and making a final determination on the best available quote or bid, the following must be considered to support local preference:
1. For this section, a local vendor means a sole proprietorship, partnership, or corporation that has a legitimate business presence in Adair County. Evidence of legitimate business shall include:
    - a) Operating with a current City of Kirksville or Adair County business license, unless exempt by the State of Missouri; and
    - b) Having either a principal business office or regional, branch or satellite office with at least one full-time employee operating legally within the County; and
    - c) Does not have any outstanding obligations owed to the City, and
    - d) Is in compliance with the Code of Ordinances for the City of Kirksville.
  2. Departments shall use due diligence in identifying local vendors who offer the particular goods or services being sought. If at least two local vendors can provide the product or service, then the three (3) vendor requirements in Section IV do not have to be met. The City reserves the right to solicit pricing from only those vendors within Northeast Missouri for the purchase of vehicles and equipment so long as two or more vendors are available.
  3. When quotes or bids are received from both local and non-local vendors, if there is a saving greater than ten percent (10%) or more on purchases of \$40,000 or less, a saving greater than five percent (5%) or more on purchases from \$40,001 to \$100,000 or a savings of two percent (2%) or more on purchases over \$100,001, then the purchase should be made without regard for local preference. The exception to this requirement includes purchases of routine supplies i.e. office supplies, and minor operating supplies.
  4. No local preference shall be given on purchases covered by state or federal

grants.

- C. **QUALITY.** Quality and service are just as important as price. The requisitioning department must secure the best quality for the purpose intended. Quality buying is the buying of goods or services that will meet, but not exceed, the requirements for which they are intended. The primary consideration must be durability, immediate availability, ease of installation, frequency of repair, and efficiency of operation. Departments may need to investigate life cycle costs as opposed to utilizing the price as the sole criteria for determining the lowest responsible vendor.
- D. **SALES TAX.** The City is exempt from paying all local and state taxes. The Finance Department can provide the necessary exemption documents to any vendor upon request. The City does not reimburse for sales tax except for transactions involving lodging facilities that do not honor a Missouri sales tax exemption certificate and meal reimbursements. However, it is impossible to identify all circumstances that may occur resulting in paid sales tax by an employee conducting business for the City. Therefore, the Finance Director will have the discretion to make determinations in those unanticipated instances. When purchasing online, attention must be paid to marketplaces and if sales tax exemptions are honored. In those instances where a vendor does not honor sales tax exemptions, no purchase shall be made. Should a department make a mistake in purchasing without verifying sales tax exemption, that department's ability to purchase will be limited to previously vetted vendors.
- E. **ENDORSEMENTS.** It is City policy not to endorse or in any way permit an employee's name, position, or the City's name to be used and advertised as supporting a product or vendor.
- F. **PERSONAL PURCHASES.** An employee who makes personal purchases with City funds or charges personal items to a City charge account will be subject to disciplinary action, which could include termination. City employees are also prohibited from using the City's name or the employee's position to obtain special consideration in personal purchases. Finally, City employees are prohibited from receiving gifts through business reward programs. Corporate discounts that apply to all City employees equally may be offered if approved in advance by the City Manager.
- G. **UNIFORM COMMERCIAL CODE COMPLIANCE.** Purchases made by the City may be covered by the Uniform Commercial Code. This Code is a comprehensive set of laws governing all commercial transactions in the United States. If vetted properly and within the guidelines of this Policy, the City should expect compliance by all vendors. Should an issue arise with the purchase of a service or product, the City Attorney should be contacted regarding compliance with the Uniform Commercial Code.
- H. **CONFLICT OF INTEREST.** Purchasing decisions will not constitute a conflict of interest under the City's Administrative Policy Manual, the City's Employee Handbook, and RSMo Sections 105.450 to 105.498 Regulations of Conflict of Interest and Lobbying.
- I. **CITY LICENSING.** Every employee will ensure compliance with the City's code of ordinances regarding the requirement of licensing for businesses, occupations, and professions. The City will not honor any payment request to any such vendor until a required license has been issued. The City Manager shall be authorized to temporarily exempt vendors from licensing compliance in the event of an emergency or under threat of the loss of essential services or if no local vendors provide this service or sale.

- J. AUCTIONEERING. The practice of “auctioneering” (disclosing to a vendor the price quoted by competitors) shall be cause for disciplinary action.
- K. EXPENDITURES ABOVE APPROVED PURCHASE ORDER. Purchases above the approved purchase order amount, excluding shipping or handling costs, will not be allowed unless approved by the Finance Director.

#### **IV. PURCHASING PROCESS**

The City Council has established policies regulating the degree of formality to be followed in the purchase of goods and services, depending on the costs of the items to be purchased. The splitting of purchases into smaller orders to avoid these requirements is strictly prohibited. Large orders that contain many components may be split between vendors to receive the most competitive pricing as long the total order adheres to the applicable quote or bid category.

The City uses an encumbrance system to earmark or designate funds approved for specific purchases which are then unavailable for expenditure on any other good or service. To accomplish this, the City’s purchasing process operates under an electronic requisition system in which each department can submit its requisitions by electronic means. It is each department’s responsibility to forward all required documentation to the Finance Department. No order shall be placed or commitment made to a vendor for the acquisition of a good or service until a purchase order is issued to the requesting department by the Finance Department.

Any vendor doing business with the City must provide a completed W-9 form before any payments can be made. It is the responsibility of the requisitioning department to obtain this document from any selected vendor before the goods or services are purchased. The Finance Department maintains vendor files of this information and can verify if a W-9 is on file.

Any vendor doing business with the City must adhere to the insurance and bonding requirements as set forth by the City, and/or requirements of law. It is the responsibility of each department head to ensure insurance requirements are met and to attach proof of insurance to the applicable quote, bid, or contract.

All requisitions require three quotes or bids for approval unless the quotes adhere to the provisions in Article III. General Guidelines. Section B. Local Buying of this Policy. If a department is unable to secure three quotations, explain as to why fewer than three qualified vendors were available shall be made on the quotation form. In some instances, only one vendor is available, departments may use “sole source” by providing an explanation that establishes why the vendor is the only available or sole source.

Any invoice or pay estimate that is dated earlier than the approval date on a requisition will be subject to review by the City Manager who will determine what if any additional measures need to be taken to rectify the Policy violation. This is also applicable to internet or telephone orders that are being charged to the City’s credit card. The policy regulating the use of credit cards or charges to the City’s credit card account governs the use of such purchase cards.

Depending on the amount of the requisition, each department must provide either a quote or bid subject to review.

## A. QUOTES

1. *Purchases under \$5,000* - Department heads are authorized to approve a requisition to a vendor for any purchase in the amount less than \$5,000 that has previously been detailed in the budget submitted and approved by the City Council. Three (3) or more quotations are required before submitting a requisition for approval unless only two local vendors or sole source explanations are provided. It is the responsibility of the department head to ensure the quotation form has been completed correctly and that funds have been previously authorized for the purchase in the current year's budget. The quotations may be obtained by telephone, e-mail, mail, or fax. A signed quotation form providing the details of the goods or services requested, the account number used for the purchase, the vendors contacted and the amount quoted along with supporting documentation must be submitted either electronically or in paper form to the Finance Department. Once appropriate documentation has been provided and the requisition has been approved by the department head or designee, the requisition will be considered for approval.
2. *Purchases from \$5,000-\$9,999.99* - Requisitions for goods or services having a value of \$5,000 to under \$10,000 require the City Manager's approval. Before submitting a requisition for purchases in this range, three (3) or more quotations are required for approval, unless limited by only two local vendors, or sole source justifications are provided. It is the responsibility of the department head to ensure that the quotation form has been completed correctly and that funds have been previously authorized for the purchase in the current year's budget. The quotations may be obtained by telephone, email, mail, or fax. A signed quotation form providing the details of the goods or services requested, the account number used for the purchase, the vendors contacted and the amount quoted along with supporting documentation must be submitted either electronically or in paper form to the Finance Department. Once submitted into the system, the City Manager will consider the requisition for approval.
3. *Purchases from \$10,000-\$40,000* - Requisitions to secure goods or services costing \$10,000 to \$40,000 require three (3) or more written quotations unless limited by only two local vendors or sole source justifications are provided. It is the responsibility of the department head to ensure that the quotation form has been completed correctly and that funds have been previously authorized for the purchase in the current year's budget. The quotations shall be in writing from the vendor and have no alterations upon submission. It is the responsibility of the department to submit the quotation form providing the details of the goods or services requested, the account number used for the purchase, the vendors contacted and the written quotes received from the vendors, along with any supporting documentation to the City Manager for approval. Upon receiving the signed forms, the Finance Department will process the requisition.

Department heads are reminded that the use of written quotation forms requires appropriate planning to ensure that adequate lead time is available to satisfy the purchasing requirements. The preferred procedure is to mail, email, or fax the vendors a request for quotation form and have it returned by mail, email, or fax to the department. Every effort shall be made to allow three (3) full business days between sending the request for quotation form and the deadline for receipt of quotations.

## B. FORMAL BIDS

1. *Purchases of more than \$40,000* - Department heads anticipating the purchase of goods or services of more than \$40,000 in value shall complete a formal bid process and prepare specifications based on standards outlined in Article VII of this Policy. The award will be made to the lowest and best bidder meeting the required specifications. There may be instances when the low bid is not in the best interest of the City. When such a situation arises, it is incumbent upon the department head to thoroughly document the reasons why the low bidder should be disqualified or not selected. The City reserves the right to select a vendor based on past service and experience.
2. *Bid Process* - The Bid Routing Sheet, Bid Notice, Invitation to Bid, Specifications, Bid Form, and Bidder's List shall all be approved by the department head. Once approved, it shall be the responsibility of the Risk Management to review all insurance, bonding, and safety requirements. The final review is conducted by the City Manager. Upon City Manager approval, the department will forward the Invitation to Bid, Specifications, and Bid Form to all qualified vendors on the Bidders List; post the bid on the City's website; and if applicable, will provide publication in the local newspaper or other available sources i.e. ePlan, Dodge Data, Construct Connect.
3. *Bid Notice* - The department will post the Bid Notice on the City's website providing a minimum of ten (10) complete business days, excluding the date of posting, recognized City holidays, and the bid opening date.
4. All original documents compiling the Formal Bid process, along with a certification of the date and time the Formal Bid was posted shall be provided to the City Clerk before the bid opening to allow for appropriate scheduling.
5. *Bid Opening* - Formal Bids will be accepted in a sealed envelope/package only. Formal Bids will not be accepted by fax, e-mail, or any other electronic means. Occasionally a vendor may need to use a different source other than Federal Express or Express Mail and therefore may fax their bid to a mail service, business, or person not associated with the City of Kirksville. This fax bid may be hand-delivered in a sealed envelope to the City Clerk's office before the designated bid opening time with the correct notations on the sealed envelope.

Bids will be opened publicly. The department from which the bid invitation was issued will be responsible for having one person from that department attend the bid opening to witness and record the bids as they are opened and read by the City Clerk. All bid openings shall be scheduled to be opened on Thursdays at 3:00 pm.

Occasionally bidders have questions or wish to make comments during a bid opening. The City Clerk and department personnel should defer any questions or comments by bidders until AFTER the bid opening. Copies of bid documents will not be provided. The bidder may, however, review the bid documents of another bidder following the bid opening in conformance with Missouri's Sunshine Law.

Any bids arriving after the designated bid opening date and time will not be accepted. The City Clerk will return these unopened materials to the appropriate vendor.

6. *Evaluation Process* - Initial evaluation of bids received shall be conducted by the originating department's project or contract manager whose role it is to oversee the planning and execution of the project, normally the department head or City Engineer who then furnishes a recommendation to the City Manager using the appropriate forms. The evaluation shall:
  - a) Determine acceptability of bids received which includes bond if required and other required information;
  - b) Determine the lowest and best bid meeting specifications;
  - c) Determine the feasibility of splitting bid awards among the lowest and best acceptable bids. If bids are equal in every respect, the award will be divided equally.
  
7. *Re-bid* - When instances occur that result in a re-bid, the bid does not require another notice on the City's website, unless it has been three (3) months or longer since the first bid notice. The department shall schedule a bid opening with the City Clerk that will allow ample time for vendors to submit bids. If the bid item is to be placed on the City's website for an additional time, then the Formal Bid process shall be followed.
  - a) *Unsuccessful Re-bid* - If no bids are received after the completion of a re-bid, a department may choose to work directly with a qualified vendor, provided the department made direct contact via telephone, email, or formal correspondence with vendors as part of the re-bid process. A qualified vendor, in this instance, includes any vendor capable of performing the work, and who was not included in the bid or re-bid process. Unusual circumstances relating to the reason or reasons why a local vendor was unable to bid, may be considered by the City Council in determining whether or not to accept a bid from a local vendor who had been solicited to submit a bid and failed to do so either in the initial bid request or re-bid.
  
8. *Successful Bids* - The department head will prepare a written tabulation of all bids, a listing of vendors contacted, and a City Council Staff Report recommending a bid, to the City Manager for the City Council's formal approval. The Risk Management shall review the recommended bidder's insurance documentation to determine compliance before approval by the City Council. If the review can only be completed after City Council approval, the contract shall not be awarded until compliance is determined.
  
9. *Recurring Services* – Services provided to the City that are at regular intervals for the good or services on an ongoing basis like internal financial operations fund-to-fund transfers; payroll taxes and benefits; utility payments; debt service or lease-related payments; City Attorney services, Kirksville Regional Economic Development Incorporated, other long-standing contractual agreements, and year-end accrual transactions are not subject to IV of this Policy and are treated as recurring payments.

## V. APPROVAL

After City Council approval is given, the requesting department is responsible for submitting a requisition to encumber the funds as approved. This should be done immediately after the approval date. The original signed contract should be on file with the City Clerk and a copy of the signed contract must be available to the Finance Department.

- A. **APPLICATION FOR PAYMENT.** It is the responsibility of the department administering the contract to verify the delivery of all goods and services related to the project before requesting partial or full payment. This includes the quality, quantity, and conformance with specifications.
1. *Pay Request* - For those projects where the City Engineer is overseeing a project for another department, the Engineer will forward the pay request to the appropriate department head for approval. This process shall be followed for full and partial pay requests.
  2. *Change Orders* - A change order to a contract constitutes a change in scope to the original project. The City intends to have very few or no change orders, as this affects other projects and usually requires a budget adjustment. However, issues do arise. All change orders must be approved by either the City Manager or City Council depending upon the authority outlined in Article II of this Policy, or other action taken by the City Council. A copy of each change order must be provided to the Finance Department to prepare an amended purchase order that reflects approved changes for the department head's signature.

## **VI. SPECIAL PROCUREMENT REQUIREMENTS**

Occasionally the City may need to purchase goods or services under circumstances that do not fit the patterns of normal public procurement and for which normal competitive shopping procedures do not apply. The following guidelines are provided about making such purchases. The requisition and purchasing process under paragraph IV of this Policy is still applicable.

- A. **SOLE SOURCE.** This is applicable if there is only one vendor capable of providing a particular good or service, or if the City Council determines based on specific circumstances votes to establish a vendor as the sole source.
1. A bid notice on the City's website is not required. Once a department determines a good or service can only be provided by a "sole source vendor", an explanation must be provided in the documentation forwarded to the Finance Department.
  2. Recurring Payments are not subject to explaining sole source qualification.
  3. Departments are also authorized to purchase items from the State Surplus Property Unit in Jefferson City as a sole source purchase.
  4. Sole source providers as approved by the City Council will retain that designation until the City Council votes to remove the sole source designation. The City Council expects that a triennial review of the justification for the designation be completed.
- B. **COOPERATIVE PROCUREMENT PROGRAMS.** Department heads are encouraged to use cooperative purchasing programs sponsored by the State of Missouri or other jurisdictions. Cooperative purchasing can prove advantageous to the City both by relieving department heads of the paperwork necessary to document the purchase and by taking advantage of the large quantity purchases made by the State Government. Purchases made through these programs have met the requirements of competitive shopping and require no further documentation. Department heads are encouraged to



check with the State regarding cooperative procurement contracts in effect before making any large purchase.

- C. **REQUEST FOR PROPOSALS.** A Request for Proposal (RFP) is a solicitation inviting proposals from vendors who believe they can provide the product or service needed by the City. An RFP describes the product or service, but can also provide a solution to a need of the City. The solicitation for RFPs should be limited to those products or services when other factors in addition to price and delivery are important to the procurement process. RFPs shall be submitted to the City Manager for review and approval before distribution. RFPs must include the purpose and general contact information; specifications to include performance criteria, work to be completed, experience, qualifications, scheduling, delivery, financial information, sample contract; and an explanation of the evaluation criteria. Responses to the RFP that do not meet the specifications will not be included. Clarifying addendums may be necessary. An RFP is a binding document. Therefore, the use of the RFP process should be limited to those projects and services that require specific expertise or include unusual complexities.
- D. **PROFESSIONAL SERVICES.** Normal competitive procedures cannot be utilized in securing professional services such as attorneys, engineers, certified public accountants, planners, and other professional people who, in keeping with the standards of their discipline, will not enter into a competitive bidding process.

A Request for Qualifications (RFQ) can be prepared much the same way as specifications including requirements and minimum standards for the services to be provided. RFQs shall be submitted to the City Manager for review and approval before distribution. When an RFQ for professional services is approved, a limited number of qualified professionals known to the City will be invited to submit a proposal setting forth their interests, qualifications, and how they can meet the City's needs. In securing professional services, it is the primary goal of the City to obtain the services of a professional who has a proven record of providing, in a professional way, those services required. A contract will be negotiated with the professional deemed to best meet the City's needs.

- E. **CONTRACTS OTHER GOVERNMENTAL UNITS.** There may be occasions when a joint purchasing agreement with another municipality or political subdivision may provide cost savings and/or better public services. State Statute RSMo 70.220 authorizes this type of agreement. These types of agreements may be for joint equipment use, public services, and technical services. When developing and negotiating intergovernmental contracts, all parties should have legal assistance. If such an agreement is foreseen, an ordinance specifying the terms by the contracting parties shall be approved.
- F. **GOVERNMENT FUNDING.** All Federal or State bid notice advertisement requirements will be followed when applicable, due to statutory requirements, or provisions of funding sources.
- G. **OPEN AND BLANKET PURCHASE ORDERS.** Open purchase orders are for long-term contracts for goods or services awarded after receiving competitive bids through the process outlined in IV. The purchase order remains open in the fiscal year to purchase the goods or services specified on an "as needed" basis and does not require a specific amount, but cannot exceed the budgeted amount. The department head has the

discretion to allocate all or a portion of the budgeted funds to manage needs. Should additional purchases be required for this good or service, the department head shall be able to open a new purchase order. Examples of open purchase orders include uniforms, lab supplies, construction materials such as rock, concrete, and asphalt, trees, and other landscaping materials, and for recurring services frequently or routinely utilized by the City and for which the initiation of competitive shopping each time the goods or services are required would become cumbersome and inefficient.

Blanket purchase orders are for purchases that are made from the same vendor on a recurring basis when individual items purchased on blankets do not exceed \$250 per item. This provision does not permit individual departments to forgo the requirements to obtain quotes by purchasing multiple items that would have otherwise required quotes or formal bids. These can be produced on a monthly or quarterly basis not to exceed \$1,000 per vendor for each division. Any item over \$250 shall require a separate requisition to be approved and will not be allowed under a blanket purchase order. The Finance Director has the authority to close any blankets issued in January with No Activity or that have a balance of less than \$10 remaining on July 30 of each year.

Vehicle maintenance is an area in which planning ahead for all purchases may prove difficult. In most instances, when equipment breaks down, it must be repaired as quickly as possible. It is given that some maintenance parts cannot be purchased under the lead time guidelines set forth, however, the purchase policy should still be the prevailing guide in obtaining vehicle parts. To minimize cost, while still providing for efficient operation, a blanket purchase order may be issued to the parts and maintenance vendors for whom business is done daily not to exceed \$3,000. Any item above \$1,000 shall require a separate requisition to be approved and will not be allowed under a blanket purchase order.

Tickets will be required for all purchases against a blanket purchase order.

- a) Tickets must be signed and attached to the receipt by a City employee authorized to make a purchase indicating the blanket purchase order number.
- b) Employee names must be printed and shall include both first and last names.

H. MISCELLANEOUS PURCHASES. Department heads will be allowed to purchase a good that is labeled either as "miscellaneous" in the budget detail, or falls below the \$250 threshold required that the department head deems necessary provided funds are available in the chosen line item.

I. EMERGENCY PURCHASES. The bid procedures outlined in this manual may be waived due to the immediate needs of those operations that are 24 hours per day/seven days per week or under emergency conditions when a delay may threaten the basic mission of a department. True emergencies are rare. Occasionally equipment will require emergency repairs or other circumstances will necessitate emergency purchasing which cannot await compliance with these regulations. Department heads faced with an emergency purchase are to notify the City Manager or Finance Director as quickly as possible and submit the appropriate requisition for approval.

J. PETTY CASH. Very often there is a need for immediate availability of funds. A petty cash fund of \$350.00 will be retained in the Finance Department for qualifying City disbursements. Petty cash funds will only be issued to other departments as necessary

upon approval of the Finance Director. Petty cash receipts are to be completed by the Finance Department and shall include the amount, description or item, budget account number, and signatures of the persons receiving the funds and the person issuing the funds. Petty cash funds will be replenished at least monthly. Each receipt must be summarized on the Petty Cash Reimbursement Request Form. The use of petty cash funds for personal use, even for very short periods, is contrary to City policy and grounds for termination.

Petty cash funds should be used to avoid the time and expense of issuing purchase orders for items totaling seventy-five dollars (\$75), except expedient reimbursements from the Finance Department petty cash fund. Except the Finance Department petty cash, other departmental petty cash funds are not to be used for reimbursement of travel expenditures or those purchases that circumvent the requisition and purchasing process as provided in this policy. The Finance Department will conduct audits of petty cash funds to ensure that monies are accounted for properly.

- K. PURCHASE OF USED EQUIPMENT. When determining the purchase of used equipment, the following must be considered:
- a) *Price* - when the price is of prime importance and the difference in cost between new and used is significant;
  - b) *Amount of use* - whether infrequent or commonplace; and
  - c) *Delivery* - when better delivery is essential.

The purchase of used equipment requires careful shopping and the requisitioning department shall make every effort to secure a minimum warranty or guarantee that the equipment will perform as needed and that service or replacement parts are reasonably available. Special consideration should be taken in the manner in which used equipment is purchased. Therefore, it may be in the best interest of the City to allow for the purchase of such equipment through auctions, advertisements, and other open sales.

The City Manager may authorize an employee to make purchasing decisions at auctions or when buying used equipment, where it is determined that the formal bid process time would put the procurement in jeopardy, and where suitable used equipment can be purchased to meet the City's operating needs. Funds must be available in the current budget to cover such purchases, whether itemized or not.

Budget estimates for replacement equipment will be based on the expected purchase price, exclusive of trade-in or expected resale value of the equipment in question. Corresponding revenues reflecting anticipated monies generated through trade-ins or resale of equipment will also be budgeted.

- L. RECYCLED MATERIALS. When and where feasible, the City of Kirksville shall consider its bidding and purchasing procedures for products manufactured using post-consumer recovered materials. The quantity of recovered materials used in the final product shall be comparable with products made from virgin materials. Departments are urged to incorporate into specifications the use of recycled materials whenever possible.

The City may give preference to products that contain recovered materials, providing the bid or purchase price does not exceed the lowest price by more than two and one-half percent (2 ½%) or \$2,500, whichever is less.

- M. **AMERICAN-MADE PRODUCTS.** On purchases over \$500, the purchasing departments are encouraged to select products manufactured, assembled, or produced in the United States as long as the quality and price do not greatly exceed the price and quality of other goods. Where applicable, the availability of parts/services shall also be considered. Every contract for public works construction or maintenance over \$10,000 shall contain a provision requesting the contractor to use American products in the performance of the contract whenever the quality and price are comparable with other goods.
- N. **INSURANCE REQUIREMENTS.** The specifications for any construction or service contract shall include the insurance requirements as established by the City. Any vendor not in compliance with those requirements shall be considered non-responsive. If insurance compliance problems develop after the contract has been approved, then the City Attorney shall be contacted to determine what options exist.
- O. **COMPLIANCE WITH OTHER REGULATIONS.** If the project, item, or equipment is being funded by a federal or state grant and/or federal or state regulations would conflict with these policies, then the federal or state requirements would apply. In all instances, the City shall comply with state and federal laws regarding purchasing. This policy is intended to meet procurement standards in the Office of Management and Budget 2 CFR Part 200.
- P. **FEDERAL, STATE, AND LOCAL LAWS GOVERNING GRANT AWARDS AND CONSTRUCTION PROJECTS.** The following section guides some, but not all requirements. Therefore, it will be the responsibility of each Department to ensure all applicable laws are followed.

1. *Wage Laws* - Grant awards and construction projects require the City to ensure compliance with certain laws. Before beginning any work on any construction project, the appropriate City representative will ensure the project includes the current wage rate determination issued by the Missouri Department of Labor (DOL).

This wage determination must be incorporated into the contract document. The wage determination must be posted at the contract site for inspection by workmen and must remain posted for the duration of the project. Contractors are required to submit certified copies of payroll records to the City, and the appropriate City representative will be responsible for verifying compliance with the wage determination. The contractor will be informed of errors and be required to resolve. Upon completion of the project and before final payment, therefore, an affidavit must be provided to the City by each contractor and subcontractor stating full compliance with the provisions and requirements of the wage law.

2. *Davis-Bacon Act* - Whenever Federal grant funds are used to award construction contracts; a provision shall be included requiring compliance with the Davis-Bacon Act. The following steps should be taken to ensure compliance with Davis-Bacon:
  - a) Acquire or request a wage determination for each construction project at least ten (10) days before the invitation of bids. Include correct wage determinations in the contract documents;
  - b) Include all necessary provisions on labor standards, such as those of the Contract Work Hours and Safety Standards Act (CWHSSA), in the

- c) contract specification. The CWHSSA relates to overtime requirements;
  - c) Ensure that no contractor or sub-contractor who has been debarred by the Department of Labor from federally funded construction projects for flagrant violation of federal labor standards is awarded the contract;
  - d) Make the contractor aware of his responsibilities under the Davis- Bacon Act;
  - e) Acquire, review for compliance, and retain copies of the weekly payroll records and a statement of compliance from the contractor and subcontractors; and
  - f) Report any violations to the Employment Standards Administration Regional Office of the Department of Labor.
3. *Federal Labor Standards Provisions* - On all contracts assisted by federal monies, standard provisions for wages, fringe benefits, overtime, employment of appointees/trainees, anti-kickback requirements, etc., should be included.
4. *Income Tax Miscellaneous Reporting (1099-Misc.) and Nonemployee Compensation (1099-NEC)* - The City will prepare and submit Forms 1099-Misc and/or 1099-NEC to any independent contractor or non-employee service provider and the appropriate taxing agency when the following criteria are met:
- a) Payment is made in the course of a trade or business;
  - b) Payment is for services, rent, royalties, or other things of value;
  - c) Payment is made to a payee, which is not operating as a corporation unless required by law; and
  - d) Payment exceeds the unreportable amount in a calendar year.
5. *Out-of-State Contractors* - A contractor, who is a corporation that is domiciled in a state other than Missouri, must provide the City with a photocopy of the certificate of authority to transact a business in Missouri before completing the contract. Application for such certificate may be made online at [www.sos.mo.gov](http://www.sos.mo.gov) under Business Services or by mail to the:
- Business Services
  - James C. Kirkpatrick State Information Center
  - P.O. Box 778
  - Jefferson City, MO 65102 0778
  - Phone: 866-223-6535
6. *Bonds of Officers and Contractors for Public Works* - Per Missouri State Statute Section 107.170, a Bond with good and sufficient sureties is required by any public entity entering into a contract over fifty thousand dollars (\$50,000) for public works. Once a bond is produced by a contractor, the following steps should be taken to ensure its validity.
- a) Determine if the bonding company was admitted to business in Missouri through the Secretary of State's office;
  - b) The bonding company should be financially solvent with an "A" rating and should be confirmed by contacting S&P Global; and
  - c) The insurance company should be required to independently confirm that the bond existed and was an obligation of the company.
7. *Federal Requirements Regarding Sub-awards* – The City is prohibited from contracting with or making sub-awards under covered procurement contracts for goods and services awarded under a non-procurement transaction (e.g., grant

or cooperative agreement) that are expected to equal or exceed twenty-five thousand (\$25,000) or meet certain other criteria as specified by law. All non-procurement transactions entered into by the City (i.e. sub-awards to sub-recipients), irrespective of the award amount, are considered covered transactions unless they are exempt as provided by law. When the City enters into a covered transaction with an entity at a lower tier, the City must verify that the entity, as defined by law and federal regulations, is not suspended debarred, or otherwise excluded from participation in the transaction. This verification may be accomplished by:

- a) Checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA);
- b) Collecting a certification from the entity; or
- c) Adding a clause or condition to the covered transaction.

8. *Unauthorized aliens prohibited* – As a condition for the award of any contract or grant of more than five thousand dollars by the City to a business entity, the entity shall, by affidavit and provision of documentation, affirm its enrollment and participation in a federal work authorization program concerning the employees working in connection with the contracted services. Any entity contracting with the City shall only be required to provide affidavits required here to the City with which it contracts, on an annual basis. During or immediately after an emergency, the requirements that a business entity enroll and participate in a federal work authorization program shall be suspended for fifteen working days. "Emergency" includes the following natural and manmade disasters: major snow and ice storms, floods, tornadoes, severe weather, earthquakes, hazardous material incidents, nuclear power plant accidents, other radiological hazards, and major mechanical failures of a public utility facility.

9. *Anti-Discrimination Against Israel Act* – The City shall not enter into a contract with a company to acquire or dispose of services, supplies, information technology, or construction unless the contract includes a written certification that the company is not currently engaged in and shall not, for the duration of the contract, engage in a boycott of goods or services from the State of Israel; companies doing business in or with Israel or authorized by, licensed by, or organized under the laws of the State of Israel; or persons or entities doing business in the State of Israel. This section shall not apply to contracts with a total potential value of less than one hundred thousand dollars or to contractors with fewer than ten employees.

10. Special attention should be given to the following:

- a) Ensure that all necessary provisions are included in the contract specifications.
- b) Make the Contractor aware of the Contractor's responsibilities.
- c) Acquire and review weekly payroll reports.
- d) Report any violations and take necessary actions.

Q. TAX-FREE PURCHASE OF CONSTRUCTION MATERIALS BY CITY-HIRED CONTRACTORS. Missouri State Statute RSMo 144.062.2 allows for contracts of a tax-exempt entity for the purpose of construction, repairing or remodeling facilities, and for purchases of tangible personal property and materials to be incorporated into or consumed in the construction of the project to be made on a tax-exempt basis. When the City designates a contract to be bid this way, the City shall furnish to the Contractor

an exemption certificate authorizing purchases for the project.

The requirements of the Contractor are as follows:

1. The Contractor shall furnish said certificate to all subcontractors and all material suppliers who shall execute the purchasing contractor invoices bearing the name of the exempt entity and the project identification number. The exemption certificate is available from the City's Finance Director;
  2. Any excess resalable tangible personal property or materials that were purchased for the project by the Contractor under a project exemption certificate but which were not incorporated into or consumed shall either be returned to the supplier for credit or the appropriate sales or use tax on such excess property or materials shall be reported on a return and paid by the Contractor no later than the due date of the Contractor's Missouri sales or use tax return following the month in which it was determined that the materials were not to be used in the project;
  3. The exemption certificate may be renewed by the City only for the purpose of revising the certificate expiration date as necessary to complete the project;
  4. Neither the Contractor nor material supplier shall upon audit be required to pay tax on tangible personal property and materials incorporated into or consumed in the construction of the project due to the failure of the City to revise the certificate expiration date as necessary to complete any work required by the contract. If it is determined that tax is owed on such property and materials due to the failure of the City to revise such certificate expiration date, the City shall be liable for the tax owed. All invoices for personal property and materials purchased under a project exemption certificate shall be retained by the purchasing contractor for five years and shall be subject to audit by the director of revenue.
- R. DISPUTES. Disputes regarding the City's purchasing procedures shall be placed in writing within five business days from the date of notification from the City to the vendor and directed to the City Manager. The City Manager shall within ten (10) business days investigate the dispute and report the findings and resolution to the City Council, the applicable department and the vendor. The decision of the City Manager shall be final. Purchasing disputes will be governed by the laws of the State of Missouri.

## **VII. SPECIFICATIONS**

- A. FORMAL COMPETITIVE BIDDING. When goods or services are under the formal competitive bidding process, specifications must be prepared. Specifications, regardless of the type, shall identify the minimum requirements to allow the following:
1. Allow for a competitive bid;
  2. Be capable of objective review;
  3. Provide for an equitable award at the lowest possible cost; and
  4. Address splitting of bids - how they will be handled in advance. The City will indicate in specifications whether they intend to split the bids where multiple

items are being bid. If it is felt that splitting bids will discourage future competitive bidding by vendors, it should not be recommended.

- B. GENERAL GUIDELINES. Keep specifications as simple as possible while maintaining the exactness required to keep vendors from utilizing a loophole to avoid providing the quality goods or services required or in another fashion to take advantage of their competitors. Specifications should promote competition. Specifications shall be written with clear, simple language, free of vague terms or those subject to variation in interpretation.

If the specifications include optional goods or services that all vendors may not meet, then they need to be separately identified on the bid specifications so that the base cost of the bid can be identified compared to the cost of the options. If options are included in the bid, then the Bid Tabulation Report shall identify the different costs of the options.

- C. TYPES OF SPECIFICATIONS. There are several ways of structuring specifications to protect the integrity of the purchasing process and to ensure that the needs of the City are met. Different methods of structuring specifications include:

1. *Qualified Products or Acceptable Brands List* - These lists are developed only where it is not possible to write specifications adequate to identify the quality and performance required of the goods or services to be purchased. Acceptable brand lists are also used when tests necessary to determine compliance with technical specifications are lengthy, costly, or require complicated technical equipment;
2. *Specification by Brand or Trade Name* - Brand or trade names should be used where brand name products are superior to others for the purpose intended, or when their composition is secret, unknown, or patented. The use of brand names establishes a quality standard but is not intended to limit or eliminate competition. Whenever this method of establishing specifications is used, the specifications shall provide for bidding of competitive or equal grades. It is incumbent on a vendor who bids on goods of supposed equal quality to those specified to document that the goods or services that the vendor is bidding on are, in fact, of equal quality;
3. *Specification by Blueprint or Dimension Sheet* - Specifications of construction projects for everything from buildings and streets to custom-built cabinets, furniture, machines, or other equipment shall be written to reference the blueprints or dimension sheets prepared by the engineer or architect. Such specifications provide an appropriate method of evaluating all bids, and later verifying the quality of the construction work or the equipment of fixtures delivered;
4. *Specifications by Chemical Analysis or Physical Properties* - Specifications that include the chemical analysis or physical properties of the goods requested place responsibility on the supplier to provide exactly those items requested. Again, care must be taken in preparing specifications utilizing this method to ensure that competition remains a part of the bidding process. If the specifications are drawn too narrowly and only one vendor is qualified to meet the technical specifications, the cost of obtaining these items may be higher than necessary due to the lack of competition;



5. *Specifications by Performance, Purpose, or Use* - Specifications that include a set of performance criteria for the goods or services required will provide flexibility for vendors to design products or programs specifically aimed at meeting the purpose or performance standards the City has established. Generally, specifications that center on performance standards generate a great deal of competition since they allow vendors to exercise some creativity in the types of services or goods included in their bids. Department heads are cautioned to exercise care by including some specific technical specifications that will provide a floor or bottom-line quality determination. The use of performance specifications without minimum standards could result in items being installed, paid for, and later determined not to meet City expectations. It can then be very difficult to go back to a vendor and argue that the item bid did not meet the performance criteria established. At that point, the determination of satisfactory performance can become extremely subjective with the vendor insisting that his/her item is acceptable even though actual experience indicates otherwise;
6. *Specifications by Identification with Industry Standards* - Specifications will often refer to industry-wide standards or to standards set by other public jurisdictions. Some examples of these would be lumber grading, standards set by the asphalt or concrete industries or by referencing standard specifications of the Missouri Department of Transportation or other State or Federal agencies; and
7. *Specifications by Samples* - Whenever appropriate, a sample is always a good way to make your requirements clear. A good example would be printing bids for which artwork or an existing form would be attached. Whenever samples are utilized, department heads shall provide an adequate supply so that the original can be sent with all bid invitations and some maintained in the file for vendors who request bidding documents.

## **VIII. PURCHASE ORDER**

A purchase order will only be issued after full approval is given to a submitted requisition. The purchase order must be signed by the department head.

A purchase order is a contract between the City and a vendor. The contract is not binding until it is accepted by the vendor. The issuance of purchase orders by unauthorized individuals will not be recognized by the City and payment of these obligations will not be approved. Unauthorized purchases are classified as personal expenses and shall not be recognized as obligations of the City and will subject the purchaser to disciplinary action, including up to termination.

## **IX. DELIVERY AND PERFORMANCE**

A contract or purchase order that is complete in all respects and that is accepted by the parties concerned still must produce the intended results or objectives before it can be considered a successful or completed purchase. The terms and conditions must clearly define the delivery and performance requirements of the services, supplies, or equipment.

The importance of the delivery schedule shall be emphasized by the vendor. Delivery requirements must be clearly written and fully understood by all contract participants. If several items are required by the contract, there may be a different delivery schedule for each item.

The delivery schedule will normally be shown in calendar days from a specific date or transaction, such as the receipt of an order by the vendor. It is also important that the department clearly shows the place for delivery and the receiving schedule at the delivery points. If there are liquidated damages for non-delivery or late delivery, call these terms to the attention of the vendor and stress their importance. All parties should know where the material will be accepted - f.o.b. origin or destination. In determining delivery locations, the department shall analyze each specific location concerning the product, cost, timeliness, and other relative factors.

- A. FOLLOW-UP AND EXPEDITING. Follow-up normally applies to the monitoring of the delivery schedules to ensure compliance. Expediting, in the purest sense, involves an attempt to improve or to reduce the contractually stipulated delivery time for various reasons, and the vendor is not legally obligated to comply.

The primary objectives of the follow-up function are:

1. To ensure full compliance by the vendor;
2. To develop documentation for future evaluation of the vendor's performance. The early detection of possible delivery delays will provide the City with a greater opportunity to resolve the problem and develop satisfactory alternatives. The initial follow-up action would be to reaffirm the delivery schedule and to establish proper liaison with the seller's representative. If delivery problems do develop, certain techniques may be used to help solve them:
  - a) Initiate contact with the salesman for assistance through email, telephone, fax, or mail. Do not hesitate to ask for the supervisor if no assistance is being given;
  - b) Contact the vendor in person when possible. This might help solve the problem and will assist in verifying any reasons for the delay; and
  - c) As a last option, cancel the contract for non-performance.

- B. DELINQUENT DELIVERIES. When follow-up efforts have failed, and the deliveries have become delinquent, one of two actions must be taken:

1. Authorize additional time for delivery; or
2. Cancel and order from other sources.

In deciding as to which of these actions shall be taken, several factors must be considered:

- a) Needs and requirements of the City;
- b) Agreements with the vendor;
- c) Availability of the items and cost from other sources; and
- d) The time it would take for delivery if reordered from another source.

In all cases, the reasons for delinquent deliveries shall be documented. This information may be needed in evaluating future bids submitted by that particular vendor. Vendors who repeatedly disregard delivery procedures may be removed from future bid lists.

- C. PARTIAL DELIVERIES. Some purchase orders may list several items. In this event, it may be possible for the vendor to complete timely delivery on some of the items, which would be referred to as "partial deliveries" on the complete bid. If these items can be used

separately, partial payments can and should be authorized. However, if the separate items are part of a system, then partial deliveries would be of little value to the City. In this case, partial payments shall not be authorized.

- D. **SUBSTITUTION.** To meet the contractual delivery schedule, it may be appropriate in some situations to consider substitute items. The specifications shall cover this possible occurrence and would govern the legality of the transaction. However, substitutions may be necessary, regardless of the specifications, and the City needs to have the material by a specified date. Other reasons for substitution may be design changes, raw material shortages, and health and safety priorities. When substitutions are necessary, due to shortcomings of the vendor, it is the responsibility of the purchaser to seek and obtain an adjustment for lower prices on the substituted items. This action will serve to meet the legal requirements of the contract and to discourage future substitutions by the same vendor. In addition, this action will serve notice to the other vendors that no favoritism was shown and that compliance with specifications is expected from all vendors.
- E. **NONPERFORMANCE.** Should the vendor fail to meet any requirement of the specifications; the vendor can be cited for nonperformance. The City Manager shall be notified in writing by any department that experiences nonperformance problems. The seriousness of nonperformance must be evaluated based on the circumstances surrounding each violation. However, there should always be some recourse to the City when a vendor fails to perform under the terms and conditions.

These include:

1. The City may exercise its rights under a liquidated damages clause or the terms of a performance bond;
2. The City may obtain the needed items from another source and charge the delinquent vendor the excess difference in cost. A revised delivery schedule with the vendor may be the best remedy;
3. The City may terminate the contract for default if it is in the best interest of the City and provided that the items can be obtained under more favorable conditions from other sources.

In some instances, recourse in the case of nonperformance in connection with the purchase of goods may be governed by the Uniform Commercial Code concerning rejection, revocation of acceptance, and the seller's right to cure for defective or nonconforming goods.

## **X. INSPECTION AND TESTING**

Human lives as well as the success of expensive projects may depend upon how well the purchased items meet the design and performance specifications included in the bid package. Goods and materials shall be checked at the time of receipt to detect any damage or defects. The inspection also includes ensuring that the material adheres to the specifications.

A variety of tests may be conducted as a necessity for determining if the merchandise meets specifications. Certain forms of inspection and testing will only be conducted on a percentage of the items, as the procedure followed may make the items unusable. Inspection and testing may be performed at the origin of destination. These tests are classified as sampling,

chemical/lab, functional, and endurance tests. In some cases, a certification of compliance will be accepted. All requirements for inspection and testing must be clearly stated in the specifications. Both inspection and testing are costly, but the benefits far outweigh the expense when defects can be detected before they cause loss of life, injury, or equipment failure. Inspection, testing, and acceptance are conclusive, except for latent defects or fraud.

- A. **REPORTS, REJECTION, AND RETURN AUTHORIZATION.** Whenever an inspection is performed, all reports to properly support claims or actions must be thoroughly documented. Sufficient time should be scheduled to allow for an inspection immediately upon arrival of the goods, taking into consideration required tests as necessary. Goods shall be inspected for damage, quantity, quality, price, and all other requirements listed in the inspections. A copy of the inspection report will normally be used to substantiate payment for the goods and verifications of receipt. In the event of rejection, for whatever purpose, certain steps must be taken to inform and protect the rights of the vendor as well as of the City. Reasons for rejection must be listed and these reasons shall reference specific requirements of the contract.
- B. **DAMAGE DURING SHIPMENT.** One of the major reasons for inspection at the time of receipt is to detect any visible damage. All damage must be completely described on the receiving report. Any evidence of concealed damage shall also be noted at the time. This notation is necessary to support the filing of damage claims against the carrier. The carrier shall be notified immediately, and a joint inspection should be scheduled with the carrier's representative.

When it is apparent that the extent of the damage causes the goods to be worthless, they shall not be accepted. If the shipment is "f.o.b. destination," the vendor is responsible for assisting with the settlement of the claim and for full replacement of the damaged items. Payment will be withheld until the claims are settled.

- C. **LATENT DEFECTS.** Latent defects may be the result of damages in transit or of failure of the manufacturer to conform to specifications. Consequently, it is sometimes very difficult to fix responsibility for the defective material. If the carrier is suspected to be the one at fault, then the carrier's representative should be invited to come in for a joint inspection. Subsequently, a claim describing the situation shall be filed with the respective carrier.

A similar procedure shall be followed if the vendor/manufacturer is suspected to be at fault. The importance of "f.o.b. destination" shipments shall be reiterated at this point, for on such shipments, the vendors are responsible for rectifying the situation or for correcting the defect. If specific liability for the defect cannot be determined between the carrier, the vendor, or the manufacturer, the City may have to file a claim against all parties, seeking their cooperation in resolving the situation.

In some instances, recourse in the case of nonperformance in connection with the purchase of goods may be governed by the Uniform Commercial Code concerning rejection, revocation of acceptance, and the seller's right to cure with respect to defective or nonconforming goods.

## **XI. DISPOSAL OF SURPLUS GOODS**

The City is interested in the full realization of the value of the goods it purchases. The City policy is aimed at making sure the surplus is disposed of to the economic advantage of the City.

Competitive bidding on surplus, obsolete, or usable goods is required. This may be achieved through sealed bids, auctions, or open market sales. The disposal of all goods requires the approval of the City Manager.

An exception to this policy is when the City surplus property may be of value to another taxing entity, mutual aid emergency services partner, or non-profit economic development partner and the City would not otherwise receive the fair market value of such surplus property. In this case, the City may donate the surplus goods to one of these qualifying entities.

If the City's surplus goods are no longer usable or are outdated and have no monetary value, then the City will be allowed to classify these items as junk and dispose of them by the most economic means.

- A. **FIXED ASSET TRANSFER/RETIREMENT PROCEDURES.** The following procedures for the retirement of fixed assets or transfers between departments will improve the recording of fixed asset deletions and transfers. Each department must contact the Finance Department to determine transfer eligibility. Transfer forms will be completed by the transferring department and approved by both departments involved, as well as, the City Manager and Finance Director. The Finance Department will determine the monetary value of assets transferred between funds, departments, or divisions.

If the surplus goods are no longer usable or are outdated and have no monetary value, then the City will be allowed to classify these items as junk and dispose of the surplus goods by the most economic means.

## **XII. DISPOSAL OF CITY REAL PROPERTY**

Before the City Council discussion on the disposal of any City real property, the proposed transaction will undergo staff review and reporting followed by the City Manager's recommendation. Once the City Council has completed its discussion and before formal action is taken, the notice of the real property transaction will be presented publicly to allow citizen input.

- A. Except as otherwise provided in this section, real property owned by the City may be sold, traded, or leased only when authorized by resolution, and only after competitive bids have been obtained. Before the sale, the City should obtain a certified appraisal of the real property to determine a reasonable value. The real property will be sold, traded, or leased to the person submitting the highest and best bid for the property.
- B. Exceptions to be considered are as follows:
  - 1. To any person to whom the property has a unique or enhanced value because of its accessibility, configuration, location, size, or use;
  - 2. To any adjacent property owner at fair market value as determined by a certified appraisal;
  - 3. When the use of the property is limited to public purposes specified by the City Council;
  - 4. When the sale, trade, or lease is part of a settlement in a condemnation proceeding; or

5. When the City Council determines that it is in the public interest to sell, trade, or lease the property to a particular person or entity.
- C. City property may be donated to a qualifying recipient or entity based on a decision by the City Council.
  - D. Farmland owned by the City may be leased by the City Manager without obtaining competitive bids and without further City Council authorization under the following circumstances:
    1. The person seeking to lease the property conducts a farming operation adjacent to the property sought to be leased from the City;
    2. The person seeking to lease the property has previously leased the property and has demonstrated good farming practices; or
    3. The property was acquired by the City from the person seeking to lease the property.

### **XIII. PROPERTY CONTROL**

The Finance Department maintains an inventory of all property owned by the City that was purchased at a price from \$1,000 to \$4,999 per item. The Finance Department will capitalize any qualifying asset that has a cost of \$5,000 or more through the City's capital asset system. If the original value is unknown, then an appraised value should be used. To ensure the capture of assets such as intangible assets, or inventory that on its own would not be capitalized but as part of a larger system would be i.e. computers, will be identified by the Finance Director for capitalization. Property is classified by building structure, machinery, equipment, land, etc., department, and location, as well as General Fund or Proprietary Fund. A number is assigned to it.

Each year the Finance Department provides a capital asset listing to department heads for asset verification. They are to determine any changes and verify all assets listed. Those listings are then delivered to the Finance Department to discuss any changes.