

	<b>MANAGEMENT POLICY</b>	POLICY NUMBER:
	<b>SUBJECT: PURCHASING POLICY AND PROCEDURES</b>	EFFECTIVE DATE:  July 23, 2008

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## I. PURPOSE

The purpose of this management policy is to establish purchasing procedures in compliance with State and local laws and to promote uniformity throughout the City with regard to purchasing practices.

## II. POLICY STATEMENT

This policy applies to all purchases of materials, equipment, supplies, and services, unless specifically listed as an exclusion in Section H herein. It is the intent of this policy to further define and, in some cases, expand on the guidelines set forth in the Show Low City Code. The purchasing procedures specified herein shall be deemed pre-empted where governed by Arizona or Federal law. The Arizona State Procurement Code may serve as a guide when not inconsistent with this policy. The use of the Arizona State Procurement Code shall not grant rights to any third party thereunder.

### A. PROVISIONS OF THE SHOW LOW CITY CODE

The following provisions relate to purchasing procedures as cited in:

CHAPTER 3, Administration, Section 3-1-1(e) (9) & (10) City Manager

(9) *Purchasing.* The manager shall supervise the purchase of all goods and services for the city. Purchases over \$35,000 shall be pursuant to three (3) sealed bids approved by the city council. Publication for the request for bids/request for proposals shall be as provided by A.R.S. § 39-204. Bids shall be awarded to the lowest qualified vendor.<sup>1</sup> Budgeted purchases between \$10,000 and \$35,000 shall be pursuant to three (3) sealed written quotes, prices or proposals. Publication shall not be required. Bids shall be awarded to the lowest qualified vendor.<sup>1</sup> Contracts between \$10,000 and \$35,000 shall be executed by the city manager if the item has been provided for in the budget. Budgeted purchases below \$10,000 shall not require specific bids or quotes but shall be awarded to the lowest qualified vendor<sup>1</sup> after due inquiry. In the event that three (3) bids, quotes, or prices are not available, an explanatory memo must be included in the file. The manager may issue such rules governing purchasing procedures within the administrative organization as may be necessary to accomplish this function in an efficient and cost effective manner. The Manager may adopt all or any provisions of the Arizona Procurement Code as applicable to the City. The provisions of this paragraph concerning bidding procedures shall not apply to

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<sup>1</sup> The intent of this provision is that purchases shall be awarded to the qualified vendor submitting the lowest bid/price/quote/proposal.

professional services, including, but not limited to: engineering, architectural, legal, medical, planning, insurance, and similar services.<sup>2</sup>

(10) *Public Emergency.* In case of accident, disaster, or other circumstances creating a public emergency, the manager may award contracts and make purchases for the purpose of meeting said emergency; but he shall file promptly with the council a report showing such emergency and the necessity for such action, together with an itemized account of all expenditures.

## B. COMPETITIVE BID REQUIREMENTS

An invitation to bid, a request for proposals, or any other solicitation to submit an offer shall be based upon specific listed criteria set forth in the invitation to bid or request for proposals. All bids shall be opened in public and the City shall make a record of the bids received. The record and the bids received shall be subject to public inspection after bid opening in the matter provided by law.

### 1. PURCHASES OF GOODS AND SERVICES OR REPAIRS/ MAINTENANCE IN EXCESS OF \$35,000

Written sealed bids or proposals shall be obtained from at least 3 (three) sources. Publication of the Invitation to Bid / Request for Proposals shall be as provided in A.R.S. § 39-204. Bids shall be awarded to the qualified vendor submitting the lowest bid. The City reserves the right to reject any and all bids. Contracts in excess of \$35,000 shall be executed by the Mayor following approval by the City Council.

A memo of recommendation for award from the department head whose budget will be impacted by the purchase must accompany the request. (See A.R.S. § 41-2533 & 41-2534; R2-7-B301; R2-7-C301)

### 2. PURCHASES OF GOODS, SERVICES OR REPAIRS IN EXCESS OF \$10,000 BUT LESS THAN \$35,000

Purchases between \$10,000 and \$35,000 shall be pursuant to three (3) sealed written quotes, prices, or proposals. Publication shall not be required. Contracts shall be awarded to the qualified vendor submitting the lowest quote. Contracts between \$10,000 and \$35,000 shall be executed by the City Manager. A recommendation for award from the department head whose budget will be impacted by the purchase must accompany the request on the purchase order. Purchases shall not be artificially

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<sup>2</sup> See Section C – Provisions of A.R.S. Title 34 and Section H - Exclusions

contrived, divided or fragmented so as to constitute a purchase under this Section or to circumvent the competitive bid requirements.

3. PURCHASES UNDER \$10,000

Purchases below \$10,000 shall not require specific bids or quotes but shall be awarded to the qualified vendor submitting the lowest price after due inquiry. "Due inquiry" shall be documented. Purchases shall not be artificially contrived, divided or fragmented so as to constitute a purchase under this Section or to circumvent the competitive bid requirements. Purchases below \$10,000 may be authorized by department heads.

4. JUSTIFICATION MEMOS

When competitive bids are required by this policy but three competitive bids are not available, a written justification memo must be signed by the department head. Such documentation shall be submitted with a purchase requisition. The memo must document why the City's best interest is served despite the lack of competitive bidding. Examples of criteria to use when drafting a justification memo include:

- a. The source recommended is the only authorized source for the goods or services required. Explain if there are other sources available that offer similar goods or services and why the use of the other sources is not in the City's best interest. (See A.R.S. § 41-2536 and implementing regulations; R2-7-E301; R2-7-B309)
- b. Functional superiority of the recommended source's equipment or services, including such factors as a more efficient, economical or cost effective operation, longer life span, greater reliability, and/or ease of operation, maintenance and/or repair, as reflected in response to bid specifications / requests for proposals.
- c. Where standardization or compatibility is the overriding consideration.

5. NOTICE REQUIREMENTS / PUBLISHING

Whenever written, sealed bids or proposals are required, published notice shall comply with A.R.S. §§ 39-203 and 39-204 providing the manner for publishing notice (once each week for two consecutive weeks).

## 6. PROCEDURES FOR BID PROTESTS

### a. Time Limit for Filing a Bid Protest

All bid protests shall be filed within ten (10) days after the protestor knows or should have known the basis of the protest, or prior to Council consideration of contract award, whichever is earlier.

### b. Form of Protest

The protest must be in writing and include the following information:

1. The name, address and telephone number of the protestor;
2. The signature of the protestor or its representative;
3. Identity of procurement project and project number;
4. A detailed statement of the legal and factual grounds of the protest including copies of relevant documents; and
5. The form of relief requested.

### c. Where to File

All bid protests must be personally delivered or mailed by certified mail to the City Clerk, City of Show Low, 550 N. 9<sup>th</sup> Place, Show Low, AZ 85901.

### d. Hearing Procedures

The City Manager shall act as hearing officer or appoint a hearing officer. The hearing shall be conducted in an informal manner without formal rules of evidence or procedure. A taped record of the hearing shall be available at cost to the requesting party. Following the hearing, the City Manager shall issue a decision on the Protest within seven days. An appointed hearing officer shall make a recommendation to the City Manager within seven days based on the evidence presented and to provide findings of fact and conclusions of law. The City Manager may affirm, modify or reject the hearing officer's recommendation in whole or in part, and shall issue a decision within three days. The Protestor may appeal the decision of the City Manager by filing a request for reconsideration by the City Council within three days of the receipt of the decision. The City Council shall consider the decision within fourteen (14) days and the Council may affirm, modify or reject the decision in whole or in part. The decision of the City Council shall be final.

### e. Appeals

Appeals from a final decision of the Show Low City Council shall be in accordance with Arizona law governing appeals from public agencies.

C. PROVISIONS OF A.R.S. TITLE 34, PUBLIC BUILDINGS AND IMPROVEMENTS (PUBLIC WORKS PROJECTS)

1. Employment of Engineers, Architects other Technical Registrants for Work on Public Buildings and Structures (A.R.S. §§ 34-101 - 104)

Contracts with Engineers and other technical registrants in excess of \$500,000, and contracts with Architects in excess of \$250,000 require selection and procurement by the procedures set forth in A.R.S. § 34-103, which calls for advertising a request for qualifications. Projects within this description and projects utilizing design-build, construction-manager-at-risk, and job-order-contracting delivery methods require consultation with the City Attorney prior to advertising.

Contracts under this section shall be awarded by the City Council.

2. Employment of Contractors Exceeding A.R.S. Title 34 Threshold Amounts (A.R.S. §§ 34-201 - 258)

Construction work of any building, structure, addition or alteration requires advertising for public sealed bids and other specified procedures (including but not limited to: insurance, bid and contract security, contract payment retention, progress payments, and payment and performance bonds) if the total cost of the work exceeds \$18,058 for Fiscal Year 2007/08. (This amount has historically increased approximately \$400.00 each year based upon the annual percentage change in the GDP price deflator pursuant to A.R.S. §§ 34-201(D)(2) and 41-563.)

Construction work of any street, road, bridge, water or sewer work, other than a water or sewer treatment plant or building, requires advertising for public sealed bids and other specified procedures (including but not limited to: insurance, bid and contract security, contract payment retention, progress payments, and payment and performance bonds) if the total cost of the work exceeds \$193,477 for Fiscal Year 2007/08. (This amount has historically increased approximately \$4,000 each year based upon the annual percentage change in the GDP price deflator pursuant to A.R.S. §§ 34-201(D)(2) and 41-563.)

Contracts under this section shall be awarded by the City Council.

D. EMPLOYMENT OF CONTRACTORS BELOW A.R.S. TITLE 34 THRESHOLD AMOUNTS

Construction work of any building, structure, street, road, bridge, water or sewer work or any addition or alteration thereto requiring a contractor's license, which is below the minimum threshold requirements of Title 34, shall be procured in accordance with the City Code and this policy, and in addition shall require:

1. Execution of a contract approved by the City Attorney;
2. Liability and other insurance coverages naming the City as an additional insured with limits consistent with construction contracts under Title 34;
3. Performance and Payment Bonds, and contract payment retention for all projects exceeding \$10,000;
4. No subcontracting allowed for projects below \$10,000;
5. Lien waivers from all suppliers and subcontractors prior to final payment.

**E. ARIZONA PROCUREMENT CODE GUIDELINES**

The City may utilize the following additional purchasing procedures as provided in the Arizona State Procurement Code (pursuant to A.R.S. § 41-2501(c)) when not in conflict with the requirements of the City Code, this policy or state statutes. These state procurement code provisions shall be deemed modified to fit the municipal context.

1. Definitions and Supplementary General Principles of Law  
(See A.R.S. §§ 41-2503, 2504 & 2531)
2. Sole Source Procurement  
(See A.R.S. § 41-2536)
3. Multi-term Contracts  
(See A.R.S. § 41-2546 and implementing regulations.)
4. Online bidding and reverse auctions  
(See A.R.S. § 41-2671 - 2672; R2-7-101(44))
5. Procurement of Information Systems  
(See A.R.S. § 41-2553)
6. Procurement of earth moving material handling, road maintenance and construction equipment  
(See A.R.S. § 41-2554)
7. Intergovernmental Procurement  
(See A.R.S. § 41-2631-2634)

The City may require the submission of the following information in connection with a purchase under this policy:

1. Cost or Pricing Data  
(See A.R.S. § 41-2543)
2. Request for Information  
(See A.R.S. § 41-2555)

3. Information to ensure the responsibility or prequalification of bidders  
(See A.R.S. §§ 41-2540-2541)
4. Right to Audit Records / Inspect Plant  
(See A.R.S. §§ 41-2548, 2547 )
5. Information to ensure compliance with federal requirements  
(A.R.S. § 41-2637)

F. LOCAL PREFERENCE

Local vendors, businesses or contractors shall be deemed to be the better bid to the extent allowed by law. "Local vendors businesses or contractors" for purposes of this subsection shall mean those entities: (a) licensed to do business in the City of Show Low; (b) whose principle place of business is Show Low; and (c) who have actually remitted transaction privilege taxes within the last three fiscal years and are doing business in the City of Show Low.

G. CONTRACT REVIEW / EXECUTION

All contracts with the City shall be reviewed by the City Attorney prior to placement on a Council Agenda, or executed by the City Manager, whichever is applicable.

The City Manager is authorized to execute contracts on behalf of the City below \$35,000 monetary limit specified in § 3-1-1(e)(9) of the Show Low City Code.

The Mayor shall execute all contracts in excess of the \$35,000 limit specified in § 3-1-1(e)(9) of the Show Low City Code.

1. USE OF STANDARD CITY CONTRACTS

Pre-approved standard City contracts shall be used wherever applicable.

The following standard City contracts have been approved by Resolution Nos. R2006-54 and R2007-43:

1. Standard Contract For Professional Services
2. Standard Contract For Public Works Projects - Public Bid
3. Standard Contract For Public Works Projects - Non-Public Bid
4. Standard Annual Unit Contract for Public Works Projects - Public Bid
5. Assurance of Construction of Subdivision Improvements (Financed)

6. Agreement and Receipt For Cash Assurance of Construction of Subdivision Improvements
7. Commercial Ground Lease and Operating Agreement - Show Low Regional Airport
8. Commercial Operating Agreement - Show Low Regional Airport
9. Non-Commercial Ground Lease - Show Low Regional Airport
10. Addendum to Noncommercial Ground Lease - Show Low Regional Airport (Assignment)
11. Infrastructure Improvement Agreement
12. Police Extra-Duty Services Agreement

The use of standard City contracts by the City Manager is hereby approved.

Where standard City contracts are used for City Council approval, that fact shall be noted in the staff summary and only the relevant details need be provided to City Council in lieu of the entire standard contract.

## 2. NON-STANDARD CONTRACTS

The use of non-standard contracts is strongly discouraged. Where non-standard contracts are used for City Council approval, the entire proposed contract shall be provided for review in the City Council agenda packet.

## H. DELEGATION OF AUTHORITY

The City Manager has delegated responsibility and limited approval authority for certain types of purchases as follows:

1. The Administrative Services Director is responsible for review of any proposed purchase, rental, lease, lease/purchase, maintenance or repair of tangible personal property to insure that the transactions comply with the City Code and management policy. See A.R.S. § 41-2551.
2. The Real Estate Administrator is responsible for the administration of all purchases and sales of real property. Sales of real property shall comply with A.R.S. § 9-402, or if applicable, § 9-407.
3. The Public Works department is responsible for all public works construction and maintenance projects including the design, construction, remodeling, maintenance, and repair of City buildings and facilities. They are also responsible for the design, installation, improvement, repair and/or maintenance of streets, water and

sewer systems, parkways, storm drains, etc. The Public Works Director or his designee may award contracts for such goods and services subject to the competitive evaluation requirements and approval limits of this policy.

4. Each department head is responsible for the purchase of all services that may be required by his/her department. Such purchases are subject to the requirements of this policy except as excluded.
5. No employee shall award a contract or incur an obligation on behalf of the City if sufficient funds and budget are not available or reasonably anticipated to be available.
6. In accordance with the City Council's policy for purchases from the Mayor and any member of the Council, purchases of goods or services from City employees (except competitive public bidding procurements) shall require the written approval of the Administrative Services Department Head and shall be limited to \$300 per transaction and \$1,000 aggregate per fiscal year.
7. No employee shall award a contract or incur an obligation on behalf of the City in violation of this policy.

#### I. EXCLUSIONS

Purchases shall not be artificially contrived, divided or fragmented so as to constitute a purchase under this Section or to circumvent the competitive bid requirement. The following are excluded from the competitive evaluation requirements of this policy:

1. Certain professional services. Professional services are services of those who through special learning or attainment have acquired intellectual skills and qualifications in a particular area of endeavor that has been generally accepted as a profession and which requires a prolonged course of specialized instruction and study, including: architects, attorneys, certified public accountants, clergy, dentists, engineers, geologists, physicians, nurses, psychologists, teachers, veterinarians and health care facilities which provide a combination of professional and paraprofessional services. All such contracts shall require approval in accordance with the approval limits of this policy and the City Code.
2. Services performed by other government or nonprofit agencies as part of an intergovernmental agreement with the City of Show Low.
3. Any purchase authorized directly by the City Manager, City Council or their designees in response to an emergency which threatens

public health, safety, and/or welfare. Evidence of such authorization must accompany the request for payment for such purchases. See A.R.S. § 41-2537; R2-7-E302.

4. Travel related expenses for employees or others while traveling on authorized City business. Examples include common carrier travel, hotel accommodations, registration, and meals.
5. Payment for regulated services such as postage, local telephone service, and utility payments.
6. Agreements negotiated by the City Attorney in settlement of litigation or threatened litigation.
7. Development Agreements approved by the City Council pursuant to A.R.S. § 9-500.05 wherein City's contribution does not exceed the threshold amount requiring public bidding pursuant to A.R.S. § 34-201(G).

### **III. TYPES OF PURCHASING FORMS**

Purchasing forms generally consist of purchase requisitions, purchase orders, and check request forms. Proper use of each form is detailed in Section V.

### **IV. EXPENDITURE/COST SYSTEM OVERVIEW**

The City of Show Low tracks purchases and expenditures through the use of function, object, and program numbers. Object codes classify the type of expenditure within a program. In most cases, an expenditure or purchase encumbrance can be charged directly to the object account code. However, three types of costs are required to be charged to project number: (1) capital or bond projects; (2) costs for repairing damaged City property or performing services which will be billed to an outside party; or (3) grant-related expenditures.

In addition, a project number can be assigned if a department head determines that there would be an informational benefit in isolating the cost of a particular action or job. For example, a project number can be used to track the costs for a job or task that is being studied. While project numbers are used for transactions within a single object code, some purchases or expenditures involve several departments and object numbers. For example, if a project has labor from several departments, expenditure numbers from other programs may be used. When multiple department or object numbers will be involved in a transaction, a project number is used to group expenditures from different departments together for cost reporting purposes.

A program or object number is set up by consulting with the Accounting Manager or the Budget Analyst.

## **V. APPROVAL LIMITS**

The purchase of an item costing less than \$2,500 must be approved by the department head or their designee. A credit card or check request form may be used to pay for this type of purchase. Splitting a purchase amount to keep a purchase under \$2,500 is forbidden.

A purchase order is required to be completed for all purchases over \$2,500. The purchase order must be approved by the department head or their designee.

Purchase orders that exceed \$10,000 must be approved by the City Manager or his designee. Items costing over \$10,000 must also be budgeted or City Council approval is needed before a purchase order can be issued.

Items or services costing in excess of \$35,000 must be approved by the City Council before a purchase order can be issued. The City Manager or his designee is then authorized to approve the purchase order.

After a good is received or a service is completed, payment should be charged against the outstanding purchase order. Care should be taken not to request a payment on a check request form.

A quick reference Purchasing Policy & Procedures Matrix is attached as Addendum A.

## **VI. DOCUMENT PROCESSING PROCEDURES**

Purchase orders must be requested by completing a purchase requisition and obtaining the required approvals. The purchase requisition will then be submitted for generation of a purchase order. Care should be taken not to duplicate purchase requisitions or purchase orders.

Once a purchase order is generated an order can then be placed for the required materials or services. The purchase order number should be supplied to the vendor and referenced on all invoicing. The purchase order should be retained for future reference.

If a purchase order is not used, nor will be used, either partially or in total, it should be closed out. Accounts payable must be informed promptly by the department that the purchase order requires close out.

ISSUED BY:

**ED MUDER**  
City Manager

ADDENDUM A

Purchasing Policy &  
Procedures Matrix

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All Purchases of Materials,  
Equipment, Supplies, and  
Services Except as Excluded  
Elsewhere in the Policy:

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<u>Dollar Limitations:</u>	<u>Bids/Quotes (Y/N)</u>	<u>Approval</u>	<u>Purchase Orders (PO's)</u>
Less than \$2,500	N	Dept Head/Designee	No
\$2,500 - \$10,000	N - Due Inquiry	Dept Head/Designee	Yes
\$10,000 - \$35,000	3 Written Quotes	City Manager/Designee	Yes
Over \$35,000	3 Sealed Bids	City Council	Yes