

	<h1>MANAGEMENT POLICY</h1>	POLICY NUMBER: 200
	SUBJECT: PROCUREMENT POLICY AND PROCEDURES	EFFECTIVE DATE: 03/15/79 Revised: 09/01/12

I. PURPOSE

The purpose of the Policy is to:

- Clarify and standardize the City's Procurement procedures;
- Provide for economy and efficiency in City Procurements, maximize the value of monies spent; and
- Provide safeguards that ensure the quality and integrity of the City's Procurement process.

This Management Policy applies to the Procurement of Materials, Services, Concessions and Capital Improvements by the City and supplements the requirements of Section 609 of the Mesa City Charter and Title 1, Chapter 21 of the Mesa City Code.

II. DEFINITIONS

Capital Improvements: The construction of a building or structure, or additions to or alterations of existing buildings or structures. The term structure shall include without limitation paving, concrete, or other mortar work, streetlights, traffic signals, drainage facilities, pipes, grading, major improvements to landscaping and other construction work.

Change Order: A written order signed by a Chief Procurement Officer or Designee that authorizes a change in the scope, quantities, items, time for performance and/or pricing, etc. of a previously issued Contract.

Chief Procurement Officer: An employee appointed by the City Manager with the authority and responsibility to administer day-to-day procurement activities pursuant to the Mesa City Charter, Mesa City Code, this Management Policy and other applicable laws.

City Manager Designee: A City employee designated the authority granted to the City Manager pursuant to a written document executed by the City Manager, which is effective until revoked.

Competitive Selection: A process whereby a public solicitation is used to select the best provider of Materials, Services, Concessions or Capital Improvements. Methods of Competitive Selection include Request for Bids, Request for Proposals, and Request for Qualifications.

Concession: An authorization allowing use of City property for the purpose of making profit by the contractor, the City or both.

Consulting Services: Services provided by a vendor to study, advise and/or assist in solving specific management or programmatic problems involving the organization, planning, direction, control or operations of a City department/program.

Contract: All types of agreements regardless of what they may be called, for the Procurement of Materials, Services, Concessions or Capital Improvements. Oral contracts are strictly prohibited.

Government Agency: The State of Arizona or a political subdivision thereof, any other state of the United States or a political subdivision thereof, or any department of the federal government.

Government Organization: An organization, the members of which are Governmental Agencies.

Emergency Purchase: A Procurement necessary for the immediate preservation of the public peace, health, or safety and for which compliance with established procurement procedures are impracticable or contrary to the public interest.

Materials: Supplies, commodities, equipment and insurance. Materials do not include land or an interest in Real Property.

Maintenance Services: Recurring, routine maintenance and repairs performed on existing facilities, structures, buildings or real property.

Non-Professional Contract Services: Services which are primarily provided through semi-skilled labor. The primary criteria in the selection process will be qualifications of the vendor and price.

Personal Property: Tangible or intangible property, other than Real Property.

Procure/Procurement: The purchase, rent or lease of Materials, Services, or the contracting for Capital Improvements. Procurement includes development of requirements, solicitation and selection of sources, and contract administration.

Procurement Rules: Rules promulgated by the Chief Procurement Officer to administer the day-to-day Procurement functions and ensure compliance with the Mesa City Charter, the Mesa City Code, the requirements of this policy and other applicable laws and rules.

Professional Services: Services which require special knowledge, education or training. The primary criteria in the selection process will be the qualifications of the vendors.

Professional Services include, but are not limited to; advertising, appraisers; architects; attorneys; consultants; certified public accountants; engineers; entertainers; environmental studies; financial and operational audits; personnel and benefits studies; physicians and other health professionals; land surveyors;

landscape architects; renewals of proprietary computer hardware and software licensing; trainers and teachers; and other technical registrants as defined in Arizona Revised Statutes.

Purchase Order: A form of Contract between the City and a vendor to acquire Materials, Services or Capital Improvements for an agreed upon price.

Real Property: Land and its permanently affixed buildings or structures.

Services: Professional and Non-Professional Contract Services.

Sole Source Procurement: A Procurement in which there is only one source for the required Material, Service, Concession or Capital Improvement.

III. RESPONSIBILITY FOR PURCHASES

A. **No Procurement shall be made without proper authorization.**

B. The City Manager may appoint one or more employees as Chief Procurement Officer(s), delegating authority and responsibility to develop Procurement Rules and procedures, administer the day-to-day Procurement functions, and ensure compliance with the Mesa City Charter, the Mesa City Code, the requirements of this policy, and other applicable laws and rules. By way of this Management Policy, the City Manager has designated responsibility and authority as follows:

The City Engineer is appointed Chief Procurement Officer responsible for Procurement of Capital Improvements as defined and related Professional Services.

The Business Services Director is appointed Chief Procurement Officer responsible for Procurement of other Materials, Services and Concessions.

The Chief Procurement Officer may delegate responsibility in writing for specific types of Procurements or certain Procurement activities within the rules and procedures established by the Chief Procurement Officer pursuant to appropriate training and oversight.

C. The Deputy City Managers are delegated the authority to approve Emergency Procurements and to determine exclusions to Competitive Selection for Services and Concessions. The City Manager may appoint additional employees as City Manager Designees.

D. Department heads are responsible to ensure that their staff comply with all procurement policies, establish controls so Procurements receive appropriate internal approvals, and to ensure that their Procurements are of an appropriate nature and are required for the effective and efficient operation of their areas. Department heads may delegate Procurement authority to staff, however Department heads are accountable to ensure that designee(s) are aware and comply with all applicable policies and

procedures. All such delegation of authority shall be documented in writing and copied to Purchasing.

Departments are responsible for maintaining documentation of the Procurements they make for audit purposes and for compliance with Records Retention requirements (Available on the Purchasing pages of the Intranet).

- E. Accounts Payable is responsible for paying claims that arise from the City's Procurements.
- F. The City Attorney's Office is responsible for providing appropriate legal guidance and insurance requirements related to City Procurements.
- G. All Procurements are subject to audit by the City Auditor's Office.

IV. PROCUREMENT ETHICS

A. General

It is the policy of the City to promote courtesy, fairness, impartiality, integrity, service, professionalism, economy, and government by law in the Procurement process. The responsibility for implementing this policy rests with each individual who participates in the Procurement process, including employees and other agents of the City, respondents and contractors.

B. Employee Responsibilities

Public employees responsible for the expenditure of public funds have a responsibility to ensure that their conduct will not violate the public trust placed in them. They must make certain that their conduct does not raise suspicion or give the appearance that they are in violation of that public trust.

Employees and agents of the City having responsibility for Procurement at all levels shall:

1. Encourage competition, prevent favoritism, and obtain the best value in the interest of the City and the public.
2. Place professional responsibilities above personal interests.
3. Ensure fair, competitive access to City Procurement opportunities.
4. Deal with the public and Contractors with courtesy, consideration, and even-handedness.
5. Use information gained confidentially in the performance of City duties solely in the City's interest.
6. Disclose any potential conflict of interest to their supervisor and the Chief Procurement Officer.
7. Recuse themselves from any specific procurement for which there is a conflict.

8. Report corruption and unethical practices, wherever and whenever discovered, to the appropriate official and/or take other such action as is warranted by the situation.

C. Contractor Responsibilities

The Chief Procurement Officer(s) will develop solicitation language specific to contractor's responsibilities for ethical practices when contracting with the City.

V. **SOURCE SELECTION**

Procurements should be viewed on a rolling annual basis for the purposes of determining the appropriate Procurement process when possible and reasonable. Procurements shall not be artificially divided to avoid the requirements set forth in this policy or other applicable law. The dollar values in this section are applied on an annual basis for term Contracts.

A. Capital Improvements and Related Professional Services

All Procurements for Capital Improvements and related Professional Services, as defined herein, shall be awarded in accordance with the requirements of state law.

Procurements for public improvements that exceed the amounts established in accordance with A.R.S. §34-201(c) shall be awarded in accordance with the procedures established in A.R.S. Title 34, including the procedures for alternative contracting.

Procurements for public improvements that do not exceed the amounts established in accordance with A.R.S. 34-201(c) may be awarded in accordance with the requirements of Section 1-21-5 of the Mesa City Code or in accordance with the procedures established in A.R.S. Title 34 for alternative contracting.

Capital Improvements do not include Maintenance Services as defined.

B. Procurements Up to \$5,000 (Other Than Capital Improvements)

Multiple quotes are not required for Procurements up to \$5,000, but it is the Department's responsibility to ensure that the Procurement is made in a manner consistent with sound business practices and that the City receives the best value for the price paid.

Procurements should be viewed on an annual basis when possible and reasonable. If an individual Procurement is less than \$5,000, but will be procured again on an ongoing basis, request guidance from Purchasing.

Departments are responsible for maintaining any documentation related to these Procurements for audit purposes and for compliance with Records Retention requirements.

Departments should use Mesa businesses whenever possible and economical.

Purchasing generally does not quote or process these Procurements, though they are available for assistance upon request.

C. Procurements of Materials and Non-Professional Contract Services Greater than \$5,000 and Up to \$25,000 & Professional Services Greater than \$5,000 and Up to \$50,000 (Other Than Capital Improvements)

The Department should obtain at least three (3) written quotes or proposals. In the event three quotes are not available, the department shall obtain as many quotes/proposals as are reasonably available and documentation must accompany the purchase requisition explaining why three quotes/proposals were not obtained.

Departments should obtain quotes/proposals from Mesa businesses whenever possible.

Before approving a Purchase Order, Purchasing will review the quotes/proposals and has the right to reject quotes/proposals or to obtain additional quotes/proposals.

Purchasing generally does not obtain quotes or proposals for these Procurements, though they are available for assistance upon request.

D. Procurements of Materials and Non-Professional Contract Services Over \$25,000 (Other Than Capital Improvements)

Procurements of Materials and Non-Professional Contract Services except those excluded in the City Code or as Sole Source or Emergency Procurements, shall be made by Competitive Selection as provided in Procurement Rules established by the Chief Procurement Officer.

E. Procurements of Professional Services Over \$50,000 (Other Than Capital Improvements)

Procurements of Professional Services over \$50,000 are recommended to be made by Competitive Selection to the extent practicable and advantageous to the City, but in any case in a manner consistent with sound business practices and that ensures the City receives the best value and service.

The City Manager or Designee may grant an exception upon written recommendation by the department head that Competitive Selection is not practicable or advantageous to the City. A copy of said recommendation approved by the City Manager or Designee shall be kept in the department's Procurement file and a copy shall be forwarded to Purchasing.

F. Concessions

Concessions where the resulting agreement is exclusive to one or more awardees shall be procured pursuant to Competitive Selection as provided in Procurement Rules established by the Chief Procurement Officer.

The City Manager or Designee may grant an exception upon written recommendation by the department head that Competitive Selection is not practicable or advantageous to the City. A copy of said recommendation approved by the City Manager or Designee shall be kept in the Department's Procurement file and a copy shall be forwarded to Purchasing.

Concessions where the resulting agreement is inclusive of all those who meet the minimum requirements may be made without Competitive Selection but in a manner that affords fair and equal opportunity.

G. Services/Expenditures Excluded from Quote/Competitive Selection Requirements

The following Services are excluded from the requirement of multiple quotes or Competitive Selection:

1. Artists and entertainers, professional witnesses, attorneys and pro-tem judges
2. Advertising
3. Former employees contracted on a temporary or consulting basis
4. Attendance at standard commercially available training seminars
5. Memberships in professional associations
6. Subscriptions to trade/professional magazines or journals
7. Travel-related expenses for employees or others while traveling on authorized City business
8. Payments for regulated services, such as postage and utilities where there are no practical competitive alternatives
9. Non-Profit corporations partnered with the City as approved by the City Manager and/or City Council to provide certain services (including but not limited to Downtown Mesa Association, A New Leaf, Mesa Convention and Visitor's Bureau)

H. Computer Licensing and Maintenance

The initial purchase of computer hardware and software is considered a purchase of Materials for determining the Procurement method herein.

Subsequent hardware and software licensing renewals and software maintenance is considered a Professional Service for determining the Procurement method herein.

Departments are responsible for using the most cost-effective manner in which to Procure license renewals and software maintenance and/or for negotiating the best cost to the extent possible. Ongoing licensing and maintenance costs should be identified and estimated to the extent practicable during the initial purchase approval process.

I. Renting or Leasing Tangible Personal Property (Other Than Capital Improvements)

Renting or leasing tangible personal property where there is no purchase or purchase option at the end of the term shall be procured as a Non-Professional Contract Service following the procedures set forth in this policy.

Leasing tangible Personal Property where there is a purchase or purchase option at the end of the term shall be procured as a Material following the procedures set forth in this policy.

When the total rent/lease payments exceed \$5,000, a lease/buy analysis shall be completed (form available on Purchasing's Intranet page) and forwarded to Purchasing to obtain approval from Accounting.

All Rental and Lease agreements should be reviewed and approved by the City Attorney's Office before execution.

J. Cooperative Procurements

In many cases, a Procurement process conducted by another Governmental Agency or Organization will satisfy the Competitive Selection processes required by the City. Due diligence should be performed to ensure the contract was established with the intent to be used for Cooperative Procurement and that the Cooperative Procurement was conducted in a manner consistent with Mesa's Competitive Selection requirements and provides the best value for the City.

K. Sole Source Procurements

Sole Source Procurements should be avoided when possible by using generic specifications or multiple manufacturers' products that meet the City's need. Generally, Procurements become Sole Source because they use a Name Brand Only specification (a specific product is required and no other brand/product will suit the specific need). Often Name Brand Only Specifications can be multi-quoted/bid by using multiple distributors of the product. When only one manufacturer or distributor sells the Name Brand Only Material or Service, this is a Sole Source Procurement.

Justification shall be attached to any Sole Source Procurement. The justification should include why a specific Material or Service must be purchased to the exclusion of others. Examples of these circumstances include: compatibility of parts or services; trial use or testing; purchases for commercial resale; and copyrighted or patented items. The memo shall be approved by the appropriate unit or department head, pursuant to the approval thresholds in this policy.

A letter from the Manufacturer indicating the sole distributor of the Material or Service is also required.

Sole Source Procurements over \$25,000 are exempt from Competitive Selection requirements and are processed as outlined in the Procurement Rules.

L. Emergency Procurements

The City Manager or Designee may authorize Emergency Procurements where necessary for the immediate preservation of the public peace, health, or safety and compliance with established procurement procedures are impracticable or contrary to the public interest. Such Emergency Procurements shall be made with such competitive evaluation as is practicable under the circumstances. Emergency Procurements are conducted as outlined in the Procurement Rules.

M. Use of Existing City Contracts

Departments shall utilize existing City contracts to satisfy their needs for those same Materials and Services covered by such Contracts where practicable.

VI. PROCUREMENT METHODS

Procurements and payments shall not be artificially divided to avoid the thresholds set forth in this Policy.

A. Petty Cash

Petty cash is used to reimburse an expense prepaid by a City employee from personal funds. Procurement Cards are the preferred procurement method for these purchases; however, petty cash can be utilized when that is not feasible. (See Management Policy 203)

B. Procurement Card

The City Procurement Card program is available to authorized employees (cardholders) for expediting small Procurements. Each card has a maximum transaction limit and a monthly maximum limit. (See Management Policy 211)

C. Award Documents

Purchases of \$5,000 or less are awarded directly by departments using an Award Document in the Advantage System. Purchases over \$5,000 are approved by Purchasing before award.

1. Purchase Orders (PO)

An award document that is used when the nature of the purchase is relatively simple, with a set quantity and there is little need for tracking anything other than compliance and delivery. PO's encumber funds when submitted in Advantage.

2. Contract (CT)

An award document that is used for services when the nature of the purchase is more complex, with a set quantity and there is a

greater need to track multiple project milestones. CT's encumber funds when submitted in Advantage.

3. Service Contract (SC)

An award document that is used for services when the nature of the purchase is relatively simple and with a set quantity. SC's encumber funds when submitted in Advantage.

4. Master Agreement (MA)

An award document that is used to establish a term agreement with estimated quantities. Delivery Orders (DO) are used to place specific orders against Master Agreements. MA's do not encumber funds. DO's encumber funds when submitted in Advantage.

D. General Accounting Encumbrance (GAE)

GAE's are used to request payment for non-commodity expenditures. GAE's pre-encumber funds at the time the GAE is submitted. A list of items eligible to be processed on a GAE is available on the Purchasing and Accounting pages of the Intranet.

VII. LICENSE, INSURANCE AND SECURITY REQUIREMENTS

For Procurements performed by departments, the department is responsible for ensuring contractors have and maintain the appropriate professional licenses, insurance and security (bonds) to provide the Materials or Services required.

For Procurements performed by Purchasing through a formal solicitation, Purchasing will work with the department to ensure contractors have and maintain the appropriate professional licenses, insurance and security (bonds) to provide the Materials or Services required.

All licenses, insurance and bonds required shall be obtained **before any work is initiated.** Questions regarding insurance requirements should be directed to the City Attorney's Risk Management section.

VIII. APPROVAL LIMITS

(Also see Management Policy 356 on delegation of document signature authority).

Employees shall not approve their own request and requests shall not be artificially divided to prevent review by a higher level.

A. Department Head Approval

This Management Policy delegates authority to Department Heads to approve purchase requisitions, change orders and payments up to \$25,000 and to determine designees and corresponding approval limits within their department.

An approval level will be maintained in the Advantage System to allow departments the option to have a separate approval group for requests

over \$10,000. Any other delegation limits will be facilitated outside of the Advantage System.

B. City Council Approval

The Procurement of Materials, Non-Professional Contract Services and Capital Improvements exceeding \$25,000 shall be prior approved by City Council.

C. City Council Reporting

The Procurement of Professional Services exceeding \$25,000 shall be reported to Council not less frequently than quarterly.

D. Change Orders

1. Change Order increase requests are subject to the approval requirements in section (A) and (B) above. Change Order requests that will take a previously approved Purchase Order over a threshold shown above, will require appropriate approval based on the revised amount.
2. Change Orders that are within a Change Order allowance previously approved pursuant to sections (A) or (B) above may be approved by the City Manager or Designee or the Chief Procurement Officer or Designee. Change Orders that will exceed the Change Order allowance previously approved, are subject to the approval requirements in section (A) and (B) above.

IX. PAYMENT POLICIES

Prepayment of invoices is limited to those required by Contract or approved by the City Council or City Manager or Designee.

Where operationally possible, there should be a separation of duties between the person creating the award document, receiving the materials and the person approving the invoice.

A properly formatted invoice is required to process payment. A guide to the required elements of an acceptable invoice is available on the Purchasing and Accounting pages of the Intranet.

The City's normal payment terms with suppliers and contractors is Net 30, unless otherwise required by law or negotiated in a Procurement which means that the City has thirty calendar days to make payment after the Materials or Services have been received and accepted. Staff should not promise shorter payment terms without consulting Accounts Payable.

ISSUED BY:

Christopher J. Brady
City Manager