

COUNCIL ACTION FORM

SUBJECT: PROPOSED REVISIONS TO PURCHASING POLICIES

BACKGROUND:

A review of the City's purchasing policies and procedures is done every two years. The last major revisions were effective June 1, 2009. In addition to policies, the City's *Purchasing Policies & Procedures* manual includes three sections to provide a complete purchasing resource for users:

1. Procedures: The procedures section is not specifically approved by City Council, but is intended to supplement the policies by providing a "how-to" manual for users.
2. Exhibits and Appendices: This section includes samples of forms and worksheets as well as planning tools.
3. Guide to Purchasing Intranet: This section includes instruction on how to access and use the Purchasing Division's Intranet site. Information and forms relating to all Purchasing Division programs are available at this site.

With the separation of policies, procedures and other resources for users can be updated as applicable to reflect software updates and minor procedural changes.

A summary of proposed policy revisions is attached. The complete proposed manual is available in the City Clerk's office. Many sections have only minor clarifications to make them more user-friendly. Three sections have significant proposed policy revisions:

Section 6: Bids, Quotations, and Proposals:

- A new sub-section has been added entitled "Notification and Advertising". Notification and advertising requirements were previously shown for each type of bid, quotation, or proposal. The new sub-section consolidates these requirements and prepares for conversion to the City's new website where vendors will register and be electronically notified of bids, quotations, and proposals.
- Additional language under contract awards provides that the City Manager may direct that awards of less than \$50,000 be made by City Council when appropriate due to public concern, possible contract changes, and other issues. This reflects current practice.

- Contract change order clarifications include a statement that any change to a contract requires a change order regardless of whether price is affected, and that for the purpose of the policy, the change order amount is the net cost of the change order, not the value change of any one line item. For example, if a change order deletes 100 70-ft. poles at a total cost of \$51,000 and replaces them with 100 65 ft. poles at a cost of \$42,000, then the change order amount is (\$9,000).

Section 9: Travel, Conference, and Training Expense:

- A financial incentive to save on City travel has been added. Standard mileage reimbursement is currently \$.495 per mile for business miles driven or the best rate for commercial transportation, whichever is less.

User input has suggested that employees could save on City travel, particularly when combining personal and business travel. In response, this section would provide for additional mileage expense reimbursement if the traveler chooses to drive his or her personal vehicle in lieu of taking commercial transportation, but only if there is significant savings in another component of the travel. Department Heads would have the authority to approve additional mileage reimbursement if savings is documented in another component of the travel such as lodging. Additional expenses due to duration of the travel time would not be reimbursed, nor would additional lodging or meal expenses.

- A requirement has been added that receipts for meal expenses that are not easily identified as one meal for one person include an explanation of the business expense and when applicable, the names of the people for whom the meals/food was purchased. This would be applicable to the purchase of “groceries” in lieu of standard restaurant meals when a group is traveling together.
- A maximum reimbursement amount for meals has been added. The City would continue to reimburse for actual meal expenses, but the maximum reimbursement per day for meals and incidentals (tips, etc.) would be \$71 for out-of-state travel and \$51 for travel within Iowa. Currently \$71 is the highest US General Services Administration per diem rate for meals and incidentals (M&I) in the US, and \$51 is the per diem M&I rate for Iowa.

When considering this policy change, staff contacted the cities of Des Moines, West Des Moines, Cedar Rapids, Ankeny, Iowa City, Dubuque and Sioux City to compare policies for meal reimbursement. Sioux City did not respond. A tabulation of the comparison is attached. Cedar Rapids pays the Federal per diem amount; it would pay \$71 per day in cities such as Washington DC or Chicago, but would pay a lower per diem rate for travel to other US cities. Des Moines, Dubuque, and Iowa City also have per diem rates. Ankeny reimburses for actual expenses up to \$40 per day. West Des Moines is the only city contacted that does not have either a maximum reimbursement amount or a per diem rate. The West Des Moines policy states “it is expected that the employee's meal expense will not exceed \$50 per day for three

meals" (or breakfast \$10, lunch \$14, dinner \$26 on days not eligible for three meals at City expense".

- A new section has been added addressing meals not purchased in conjunction with conferences, travel, or training. The proposed section states that generally, meetings should be scheduled to avoid mealtimes unless it is in the City's best interests to scheduling a working meeting. Meals not part of a registration fee and not directly associated with conferences, travel, training, recruitments, employee recognition and award programs and/or special events such as open houses would be expensed to element/object account 6029 (food and feed) and the business purpose of the meal and the names of the persons for whom meals were purchased stated on or with the receipt. This will result in improved control and reporting of miscellaneous food costs.

Section 13: Conflict of Interest Policies and Code of Ethics:

- The previous section concerning gifts to officers and employees has been deleted because the City's Personnel Policies addresses acceptance of gifts. The 2009 purchasing policy prohibited acceptance of personal gifts given as a result of City employment. This conflicts with the Personnel Policies which allows acceptance of food and drink up to \$3 per day from any one person. Three of the City's five union contracts reflect the 2009 purchasing policy regarding acceptance of gifts. One union contract allows acceptance of gifts only in accordance with *Iowa Code*, and one allows acceptance of food and drink up to \$3 per day from any one person.

The Purchasing Division would continue to return or donate delivered gifts in accordance with *Iowa Code*, and to provide notification concerning the Iowa Gift Law and City policy to companies and individuals mailing or delivering gifts. The personnel policies and union contracts, both Human Resources functions, would address acceptance of gifts by City officers and employees.

ALTERNATIVES:

1. Approve revisions to the purchasing policies to be become effective April 1, 2011. Purchasing staff would immediately begin training users on policy changes.
2. Do not approve revisions to the purchasing policies.

MANAGER'S RECOMMENDED ACTION:

The proposed revisions to the purchasing policies reflect user input, provide for improved control and reporting, and make the policies more easily interpreted by users.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby approving revisions to the purchasing policies to become effective April 1, 2011.