

**COUNCIL ACTION FORM**

**SUBJECT: REVISIONS TO PURCHASING POLICIES AND PROCEDURES**

**BACKGROUND:**

The Purchasing Division service objectives include recommending policies and procedures that comply with applicable laws and regulations, protect the interests of the City, and enable City programs to provide cost-effective services to the public. Policy and procedure revisions are proposed to update the public improvement bid thresholds, establish a Local Consideration Program, include the Bidding Preference in Government Contracting for Iowa contractors, require verification of Iowa Department of Labor's Contractor Registration when authorizing work to be completed and Federal Debarment & Suspension of Vendors when using Federal dollars, and strengthen the controls on the Purchasing Card Program.

Summaries of the proposed policy and procedures revisions are attached. The complete proposed manual sections are 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:

**Bidding Thresholds:**

- Iowa Code Section 314.1B establishes horizontal and vertical bid threshold subcommittees that meet every other year to establish the bid and quotation thresholds for city and county public improvement projects. The subcommittees have begun to raise the bid threshold for construction projects. On October 23, 2012, the City Council approved to revise the City Purchasing Policy to follow the statutory limits set by these subcommittees. The City's bid threshold is currently set by the City's Purchasing Policy at \$70,000 for horizontal construction and \$135,000 for vertical construction. The subcommittees met and changed the bid thresholds to the following:

<b>Year Effective</b>	<b>Threshold</b>	<b>Horizontal Infrastructure Cities &gt; 50,000 population</b>	<b>Vertical Infrastructure Cities &gt; 50,000 population</b>
2015	Competitive bid	\$72,000	\$135,000
2015	Competitive Quote	N/A	\$ 75,000

Increasing the bid threshold will allow smaller projects to be bid without the need for a bid bond or a published public notice to bidders, thus eliminating these costs to the project. The performance bond requirement will remain at \$25,000, and the specifications and drawings will be required to be stamped by a registered architect, engineer, or landscape architect if the project is determined to be a public improvement, regardless of the estimated value of the work.

**Local Preference:**

- In November 2013, the City Council directed staff to develop a policy that would take local ownership of businesses into account when awarding bids. Specifically, this policy would allow local businesses to be awarded a bid if its bid is higher than the lowest bid, but within 1% of the lowest bid. All evaluation factors, excluding cost, must be equal between the local bidder and the prevailing bidder.

To accomplish this, changes are required to the City's *Purchasing Policies and Procedures Manual*. To be considered local, a bidder must certify that it has paid commercial property taxes to the City, or has paid rent to a landlord who paid commercial property taxes to the City, for at least one year prior to the bid. The local bidder must be current on paying those property taxes.

Local consideration will not be applied to the following types of solicitations:

- **Public improvement projects** – State law requires these projects to be awarded to the lowest responsive, responsible bidder.
- **Projects funded in whole or in part by federal, state, or grant dollars** – With the complexities of grant funding and state allocation, local consideration could violate terms of the funding agreements.
- **Sole-source purchases** – These solicitations by definition involve only one bidder.
- **Purchases from the State of Iowa or other national contracts**
- **Any purchases where the contract value is less than \$10,000** – These types of purchases are typically made at the department level (not through the Purchasing Division) and are frequently purchased from local vendors already.

For Requests For Proposals (RFPs), local RFP respondents will receive bonus points equal to 1% of the total points available.

The *Purchasing Policies and Procedures Manual* currently provides for a local business to be awarded the bid in the event of a tie. Changes will be made to clarify how the tie-breaking process will be affected by local bids versus non-local bids.

The projected impact on City funds is minimal when the local consideration is kept to a low rate, but offer local businesses a benefit for conducting business in the City of Ames.

**Reciprocal Bidding Preference for Iowa Contractors:**

- Iowa Code Chapter 73A.21 establishes a bidder preference in government contracting for the purpose of resident bidders on construction projects. If another state or country offers resident bidders some form of preference, this statute requires that Iowa bidders be given preference equal to that given to the out-of-state bidders in their home states. This change in the *Purchasing Policies and Procedures Manual* provides for a bidder status form to be completed by the contractor and included in their bid for the purposes of complying with this state law.

**ALTERNATIVES:**

1. Approve the revisions to the City's Purchasing Policies described above to become effective May 1, 2016.
2. Do not approve the proposed revisions to the Purchasing Policies.

**MANAGER'S RECOMMENDED ACTION:**

The proposed revisions to the *Purchasing Policies and Procedures Manual* reflect new statutory requirements and current practices on construction projects for public entities and establish a Local Preference Program as directed by the City Council. These revisions will improve the efficiency of the City's procurement process and administration of construction projects, provide local businesses a benefit for conducting business in the City of Ames, and improve control and reporting for the Purchasing Division. Purchasing staff will train other City staff on implementation of these policy changes.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1 as described above, with the revisions to become effective May 1, 2016.

## SUMMARY OF 2016 CHANGES TO PURCHASING POLICIES

### Section 1: Organization, Purpose, and General Guidelines:

Section	Subject	Description of Change	Comments
1.04 B	Exceptions to Purchasing Authority	Transit (CyRide) will follow City Purchasing Authority except as directed by Chapter 26A	Reflects City Ordinance Chapter 26A

### Section 2: Requisitions for Purchase Order:

Section	Subject	Description of Change	Comments
2.02 A	Exceptions	Change coal to natural gas	Reflects changes in power generation

**Section 3: Fleet Vehicles and Equipment:** No additional changes

**Section 4: Technology and Communications Purchases:** No additional changes

**Section 5: Specifications and Descriptions/Statements of Work:** No additional changes

### Section 6: Bids, Quotations, and Proposals

Section	Subject	Description of Change	Comments
6.04 A & C	Bid Threshold Amounts for Bids/Quotations and Proposals	Change bid thresholds limits	Reflects statutory bid threshold limits raised by subcommittee for public improvements
6.05 A	Types of Solicitations	Change title from Initiation for Bid (IFB) to Invitation to Bid (ITB)	Correct contradiction in policy and reflect current practice
6.05 A	Types of Solicitations	Change footnote to the current bid threshold limits	Reflects statutory bid threshold limits raised by subcommittee for public improvements
6.06 C	Exceptions	Include Board of Regents, National Joint Powers Alliance (NJPA) contracts. Modify Western States Contracting Alliance (WSCA) to NASPO ValuePoint. Add "or other reputable cooperatives by review and approved by Purchasing Manager"	Reflects change in cooperative buying groups
6.07 A	Special Conditions Affirmative Action Compliance	Add: Unless stipulated by law, funding source or other requirements	Reflects requirement in Title VI, Nondiscrimination in Federal Assisted Programs

Section	Subject	Description of Change	Comments
6.07 G	Special Conditions Projects Funded by Federal and State Grants	Add: Projects funded by Federal dollars, City will verify the vendor is not listed on the debarment or suspended vendor through the SAM (System of Award Management) website	<b>Reflects requirement of Federal Acquisition Regulation</b>
6.07 J	Special Conditions	Add: Verification of Iowa Contractor Registration Number with contractors prior to authorization to proceed with work	<b>Reflects requirement of Iowa Code 91C, IAC 23.82 and Administrative Rule 875.150</b>
6.09 G & H	Evaluation Criteria	Add: Local Consideration Program	<b>Reflects direction by City Council to allow 1% local consideration for those vendors who pay commercial property taxes to the City of Ames</b>
6.09 I	Evaluation Criteria	Add: Bidding Preference in Government Contracting	<b>Reflects bidding preference to Iowa contractors bidding on Public Improvement projects per Iowa Administrative Code (IAC) Chapter 156</b>
6.12 D8	Contracts Awarded by City Council	Change bid thresholds limits	<b>Reflects statutory bid threshold limits raised by subcommittee for public improvements</b>
6.12 E3	Contracts Awarded by City Council	Change reference from 6.12C to 6.12D	<b>Reflects the proper reference</b>

**Section 7: Purchase Order-Receiving Report:** No additional changes

**Section 8: Emergency & Rapid Need Purchases:** No additional changes

**Section 9: Travel, Conference, & Training Expense:**

Section	Subject	Description of Change	Comments
9.06 A3	Miscellaneous Expenses	Clarify what is fair & reasonable for tips for meals to "not to exceed 15-20%"	<b>Clarify acceptable level of tips</b>

**Section 10: Reserved**

**Section 11: Central Office Supply Store & Inventory Management:** No additional changes.

**Section 12: Disposal of Surplus Property:** No additional changes

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

<b>Section</b>	<b>Subject</b>	<b>Description of Change</b>	<b>Comments</b>
13.02 B	Definitions – City Officials	Add: Civil Right Commission	<b>Reflects current Boards and Commissions</b>
13.05 A	Appearances	Add: Including meals with vendors	<b>Reflects the avoidance of a conflict of interest</b>
13.07 A8	Code of Ethics	Update the list of City Values	<b>Reflects current City Values</b>

**Section 14: Procurement Card Program:**

<b>Section</b>	<b>Subject</b>	<b>Description of Change</b>	<b>Comments</b>
14.11	Program Violations	Add: Splitting costs into multiple charges when the cost exceeds the transaction limit set for an employee or employees within the department and restrict shipping products to employee's place of residence	<b>Reflects additional controls for the P-card Program</b>

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## SUMMARY OF 2016 CHANGES TO PURCHASING PROCEDURES

**Section 15: Procedures for Requisitions or Purchase Order:** No additional changes

**Section 16: Procedures for the Purchase of Fleet Equipment:** No additional changes

**Section 17: Procedures for the Purchase of Technology & Communication Equipment:** No additional changes

**Section 18: Specification Guidelines & Procedures:**

Section	Subject	Description of Change	Comments
18.05 B7	Components of Public Improvement Bidding Documents – “Competitive Quotations” Bids	Correct numbering in section for item 7	<b>Correction</b>

**Section 19: Procedures for Bids, Quotations, and Proposals:**

Section	Subject	Description of Change	Comments
19.01 B & C	Determining if a Competitive Solicitation is Required	Change bid thresholds limits	<b>Reflects statutory bid threshold limits raised by subcommittee for public improvements</b>
19.04 D & F	Other Bid Requirements and Conditions	Change bid thresholds limits	<b>Reflects statutory bid threshold limits raised by subcommittee for public improvements</b>
19.05 B	Selecting the Successful Bidder	Change for local consideration policy	<b>Reflects the addition of local consideration when selecting a bidder as defined in the policy</b>

**Section 20: Procedures for Purchase Order Receiving Report:** No additional changes

**Section 21: Procedures for Emergency & Rapid-Need Purchases:** No additional changes

**Section 22: Procedures for Travel, Conference, & Training Expenses:** No additional changes

<b>Section</b>	<b>Subject</b>	<b>Description of Change</b>	<b>Comments</b>
22.04	Reporting Travel, Conference, and Training Expenses	<b>Change instructions to simplify the process</b>	<b>Reflects current practices</b>

**Section 23: Section not used**

**Section 24: Procedures for Central Stores & Catalogued Inventory Management:** No additional changes

**Section 25: Procedures Relating to Conflict of Interest & Code of Ethics:** No additional changes

**Section 26: Procurement Card Program Procedures:** No additional changes

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