

COUNCIL ACTION FORM

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

BACKGROUND:

The objectives of the Purchasing Division include recommending policies and procedures that comply with applicable laws and regulations, protecting the interests of the City, and enabling City programs to provide cost-effective services to the public. The division maintains a Purchasing Policies and Procedures Manual to assist in achieving these goals.

Revisions to the Purchasing Policies and Procedures Manual are proposed to account for recent changes in the public improvement bid thresholds and retainage requirements. Additionally, staff recommends amending the capital purchase thresholds. A summary of proposed revisions is attached. Two sections of the Purchasing Policies and Procedures Manual contain proposed revisions:

Section 6: Bids, Quotations, and Proposals:

The Code of Iowa 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. Typically, the City then adopts the same limits and includes them in the Purchasing Policy and Procedures Manual. The last modification to these limits took place on June 11, 2019. At that time, the City Council approved revising the City's purchasing policy to follow the statutory limits set by these subcommittees.

The City's thresholds are **currently**:

Year Effective	Threshold	Horizontal Infrastructure Cities > 50,000 population	Vertical Infrastructure Cities > 50,000 population
2019	Competitive Bid	\$93,000	\$196,000
2019	Competitive Quote	N/A	\$109,000

The State's subcommittees have met and **changed** the bid and quote thresholds to the following:

Year Effective	Threshold	Horizontal Infrastructure Cities > 50,000 population	Vertical Infrastructure Cities > 50,000 population
2025	Competitive Bid	\$89,000	\$206,000
2025	Competitive Quote	N/A	\$114,000

The threshold established by the State subcommittees for horizontal infrastructure bids has been decreased by \$4,000, to \$89,000. The threshold for vertical infrastructure bids has been increased by \$10,000, to \$206,000. The threshold for vertical infrastructure quotes has been increased by \$5,000, to \$114,000.

In order to remain in compliance with the Iowa Code Section 314.1B, staff recommends amending the Purchasing Policies and Procedures Manual to match the State's revised thresholds.

Section 18 Specification Guidelines & Procedures:

Effective July 1, 2025, Senate File 574 amended Iowa Code Chapter 573 by reducing the maximum amount of retainage that may be withheld from a contractor's monthly payments. The retainage limit has been reduced from 5% to 3%. This change applies both to the amounts a governmental body may withhold from a principal contractor and to the amounts a contractor may withhold from subcontractors, which are now limited to 3% or the retainage percentage specified in the subcontract, whichever is less.

Other Changes:

The City currently defines capital assets for financial reporting and policy purposes as purchases exceeding \$5,000. However, guidance issued by the Federal Office of Management and Budget (OMB), effective October 1, 2024, raised the minimum capitalization threshold for equipment acquired with federal funds to \$10,000. By aligning with this new federal standard, the City can streamline internal processes, reduce the administrative workload associated with tracking lower-value assets, and ensure consistency with best practices in financial management.

Implementing this change requires updating the City's Purchasing Policies and Procedures Manual to reflect the new \$10,000 capitalization threshold. In addition, the detailed account codes used to categorize purchase types will need to be revised to align with the updated capitalization policy. This coordinated effort will ensure consistency across all financial and purchasing documentation and will result in a more efficient and compliant asset management system.

ALTERNATIVES:

1. Approve revisions to the purchasing policies and procedures to become effective September 23, 2025.
2. Do not approve revisions to the purchasing policies and procedures.

CITY MANAGER'S RECOMMENDED ACTION:

The proposed revisions to the purchasing policies and procedures reflect new statutory limits and industry best practices. These revisions will improve the efficiency of the City's procurement process and administration of construction projects, and improve control and reporting for the Purchasing Division. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1.

ATTACHMENT(S):

[Summary 2025 Policy Changes.pdf](#)

[Summary of Changes 2025 Purchasing Procedures.pdf](#)