

Administrative Policy
PURCHASING

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Section 1 OBJECTIVES.

The Town of Hudson (i.e., "the Town") has established this policy to maximize the purchasing power and value of public funds and ensure the purchasing process is conducted in an ethical, fair, and open manner. The guidelines in this policy promote efficiency, effectiveness, equity, and fairness in public purchasing.

Section 2 SCOPE.

This policy applies to all Town employees. This policy is established under the authority of the Town Council. Requirements of this policy may be waived at the discretion of the Town Manager, if such waiver is in the best interest of the Town and not in violation of federal, state or local law.

Section 3 DEFINITIONS.

The following words when used in connection with this policy shall have the meanings respectively ascribed to them herein.

BID BOND: A financial guarantee required of a bidder which protects the Town in the event the bidder refuses to enter into a contract after contract award to the bidder or withdraws a bid prior to the award.

TOWN, COUNTY, STATEWIDE, REGIONAL, OR NATIONAL COOPERATIVE CONTRACT:

A contract that establishes a source of supply for a particular item for a definite period of time at a set price. Such contracts are characteristically established through competitive sealed bids or competitive negotiations and items may be ordered on an "as needed" basis against the contract. Based on the large quantities, prices are generally more favorable.

CONTRACT: A legally binding agreement that creates a legal obligation that includes an offer and acceptance with a clear intent to bind the parties. Generally speaking, in addition to the obligation to pay for goods or services, a contract binds the Town to additional duties and conditions. For purposes of this policy, the terms "contract" and "lease" may be used interchangeably.

DOMICILE: A person's legal place of residence. That place where a person has his true, fixed, and permanent home and principal establishment, and to which whenever he is absent he has the intention of returning. The legal domicile of a person is important since it, rather than the actual residence, often controls the jurisdiction of the taxing authorities and determines where a person may exercise the privilege of voting and other legal rights and privileges.

F.O.B. (SPECIFIC DESTINATION): The term "F.O.B." is an abbreviation for "free on board" and means that seller will deliver subject matter contracted for, on certain conveyance, without expense to buyer. In sales price quotations, it generally means that the seller assumes all responsibilities and costs up to the point of delivery, including insurance, transportation, etc. "Specific destination" means that the seller retains ownership to the point of specific destination.

LEASE: A contract by which one owning personal property grants to another the right to possess, use, and enjoy it for a specified period of time in exchange for periodic payment at a stipulated price, generally referred to as rent. For purposes of this policy, the terms "contract" and "lease" may be used interchangeably.

OBsolescence: Condition or process of falling into disuse. The diminution in value of property caused by changes in technology, public taste, and new inventions render the property less desirable on the market. A decline in market value of an asset caused by improved alternatives becoming available that will be more cost-effective; such decline in market value is unrelated to physical changes in the asset itself. The process whereby property, because of causes other than physical deterioration, loses its economic usefulness to taxpayer.

PRICE AGREEMENT: Contract outlining specific price for goods and services for a specified period of time.

RFP: The term "RFP" is an abbreviation for "Request for Proposal" and is a written invitation prepared by the Town inviting formal offers for the procurement of goods and services.

RFQ: The term "RFQ" is an abbreviation for "Request for Qualifications and Interest" and is a submittal of appropriate experience, references, and financial information sufficient to provide the Town with a basis for selection.

Section 4 PROVISIONS.

A. Uniform Procurement Principles:

1. There are fundamental principles which should be observed when purchases of goods and services are made on behalf of the Town. Generally, a good or service should be obtained at the lowest cost, consistent with the quality required to maintain efficient operations of Town departments. The quantity of goods purchased is determined through an examination of factors such as the number of units to be used, the period of use, space available, acquisition price, volume discounts, shipping time, obsolescence, and present and expected future availability of an item.

2. The acquisition of goods and services by or on behalf of the Town of Hudson, its agencies, departments, officials, and authorized agents should be made in a manner and method which provides for the prudent expenditure of Town funds; provides for maximum protection of the taxpayer; prevents waste, conflict, and corruption; provides for equal access and opportunity in an open and competitive environment to all suppliers with regard to factors related to quality, cost, and availability of the goods and services; and which comply with all applicable federal, state, and local laws, rule, and regulations.

3. For the purchase of any good or service, the Town reserves the right to accept or reject any or all bids or proposals and to waive any provisions or technicalities.

4. To the extent permitted by federal law and regulations, when letting contracts for bids, the bidder domiciled outside the state of Indiana, to be successful, shall submit a bid the same percent less than the lowest bid submitted by a responsible Indiana bidder, as would be required of such Indiana domiciled contractor to succeed over the bidder domiciled outside Indiana on a like contract let in such domiciled state. All bidders

domiciled outside the state of Indiana shall furnish the Town with a copy of their state's preferential bidding statutes.

5. Even though the Town Council approves a level of expenditures for any given department, that approval, in and of itself is neither a permit nor a directive to expend funds unless the need exists at the time of purchase and the good or service to be purchased is within the budget limits.

6. All personnel of the Town responsible for purchases shall use care and judgment when obtaining or purchasing a commodity or service, and shall become familiar with and follow the Town's policies and procedures as they relate to purchasing. Supervisors shall be cognizant of their respective budget limitations and initiate purchases accordingly. It is the responsibility of the individual departments to anticipate requirements and initiate action to purchase goods and services in advance of the time that they are needed, and to allow sufficient time to follow purchasing procedures, including contract preparation.

7. No purchase or contract shall be subdivided for the purpose of circumventing the dollar level limits imposed by this policy.

8. When appropriate and available, Town employees may purchase products that are manufactured from recycled materials.

9. The Town may pre-qualify contractors.

B. Code of Ethics:

All employees and officers of the Town shall be governed by the Code of Ethics (Town Personnel Policy) in all applications of this policy.

C. Budgetary Control Requirements:

The adopted annual budget establishes limits for the maximum amount of dollars to be expended on a certain activity or project. Budgetary control is exercised at the section level (i.e., personal services, contractual services, commodities, and capital outlay) for each activity in each fund. No purchase order will be issued, and no invoice will be paid, if budget limits will be exceeded within the applicable section level. Authority levels for operating budget transfers are outlined in the following table:

Authority Level Procedures – Operating Budget Transfers

Any transfer between budgets must be authorized by the Town Council. All transfers between personal services and other section levels (contractual, commodities, capital, etc.) within a budget must be authorized by the Town Manager or Clerk-Treasurer. Any transfers of funds between CIP projects must be authorized by the Town Manager after consultation with the Clerk-Treasurer.

D. Contract Review and Execution:

All contracts, rental or lease agreements (regardless of the amount) for goods and services must be reviewed and approved as to form by the Town Attorney or designee.

1. All contracts, rental or lease agreements in amounts exceeding \$25,000 must be approved and executed by the Town Council, or as otherwise provided by Indiana Code.

2. Pursuant to Hudson Ordinance 01-02 (Town Manager), contracts not exceeding \$25,000 may be approved and executed by the Town Manager.

E. Taxes:

The Town is tax-exempt as a political subdivision under Section 4221(b) of the Internal Revenue Code. When applicable, the Town shall furnish a sales tax exemption certificate number as supplied by the Indiana Department of Revenue. Application for the sales tax exemption certificate shall be made by the Town Clerk's office. When

sealed bids are not taken, it is the responsibility of the applicable department to coordinate the sales tax exemption process with the Town Clerk-Treasurer.

Section 5 PROCEDURES.

The following procedures shall be followed in the requisition/purchase of all goods and services:

A. Responsibility:

Section I - Town Council: The Town Council determines expenditure levels through the formulation and approval of the annual budget. In performing this policy-making function, the Town Council establishes a set of goals, priorities, and performance standards to which the Town organization directs its collective effort toward accomplishing. The adoption of the annual budget is the approval of a level of expenditures necessary to accomplish the goals and objectives that have been established for each Town program. The Town Council annually approves the disbursement of all public funds by ordinance.

Section II - Town Manager: The Town Manager is delegated the responsibility by the Town Council to carry out a program of services to the community. It is the Town Manager's responsibility to manage the annual budget in such a way that the goals and priorities of the Town Council are accomplished. All regulations, as well as recommendations for changes in general procurement policy, will only be made with the approval of the Town Manager.

Section III - Management Team

Management Team members are responsible for meeting the goals and objectives established by the Town Council and are provided budgeted funds to attain those goals. Each Management Team member has the responsibility and authority to make certain that purchases are within the scope of the adopted budget.

B. Procedures for the Purchase of Goods and Services (Excluding Professional Services):

1. Purchase Orders: For **all expenditures of appropriated funds**, a purchase order shall be issued prior to purchase with the following exceptions:

- (1) wages & salaries
- (2) contractual services unless the contract is for a fixed amount or sum-certain to be undertaken within an identifiable appropriation in the contemporaneous fiscal year
- (3) Debt Service expenses

Vendor specific non-itemized (blanket) purchase orders in the amount of \$500 may be authorized to specific vendors subject to the following provisions:

- (1) blanket purchase orders should be used for small purchases up to but not in excess of twenty-five dollars (\$25).
- (2) a separate blanket purchase order should be used for any single purchase over \$25.
- (3) blanket purchase orders will be closed out at the end of each fiscal year with the unexpended portion of the order to be returned and credited to the specific appropriation of origin.

Department Heads will provide necessary information for the issue of a purchase order to the Town Manager or Clerk-Treasurer. The Town Manager or Clerk-Treasurer will

employ the computer based finance and accounting system to issue and assign purchase orders, writing out in full the purchase orders, engraving the signature of the appropriate person or person(s) on the *proper* signature line. This includes purchase orders for services provided for fleet maintenance.

The purchase order is not official until it has been signed by the clerk-treasurer (or designee) certifying to the appropriation balance. If there is any problem posting or enrolling against the identified purchase order, the department will be notified.

This process will allow administration of purchase order allocations to the appropriate appropriation. These maximum limits may be increased or decreased for individual purchase orders if approved by the Management Team member, Clerk-Treasurer and the Town Manager. Receipts or packing lists will be marked with the date received and department head and forwarded to the Clerk-Treasurer.

2. Procedures and dollar levels matrix: Procedures and dollar levels for purchasing are outlined in the matrix following. These procedures do not apply to professional services (procedures for professional services are outlined below).

Dollar Level Procedures – Purchase of Goods & Services (excluding professional services)

Purchases less than or equal to \$ 2,500

Purchase Orders: Purchase orders will be used for purchases equal to or less than \$2,500 (unless a purchase order limit adjustment has been approved as described above).

Accounts Payable:

If a purchasing card is not used, payment will be issued through the accounts payable system. For accounts payable transactions, an invoice or check request with supporting documentation (examples include contracts, invoices, statements for services rendered) signed by the appropriate Management Team member is required. Invoices and check requests should be marked for payment from the appropriate account and forwarded to the Clerk-Treasurer.

Purchases of \$10,000.01 to \$25,000 Upon selection of a vendor, the Management Team member shall forward the recommended purchase to the Town Manager for approval. Upon approval by the Town Manager, a purchase order is created if sufficient budget authority is available.

Cooperative Contracts: Purchases may be made from a Town, county, metro, statewide, regional, or national cooperative contract with no quotes (this should be noted in the supporting documentation).

Sole Source Purchases: In a sole source purchase, the goods or services to be purchased have only one vendor in the marketplace or have limited availability due to unique characteristics. Justification for sole source purchases shall be stated in the supporting documentation and maintained by the appropriate Management Team member or designee.

All Other Purchases: For all other purchases, 3 quotes are required, and the supporting documentation for the quotes shall be maintained by appropriate Management Team member or designee. If 3 quotes are not available, the justification shall be stated in the supporting documentation. When appropriate, RFPs and RFQs may be utilized at the discretion of the appropriate Management Team member.

Purchases greater than \$25,000

General: Purchases will be made through a sealed bid process as described below. If

the goods or services involve construction of a public improvement, the Town Council may waive the sealed bid process if the Town Council determines the waiver is in the Town's best interest. Any waiver of the sealed bid process for construction of public improvements will occur at a Town Council meeting. If the goods or services do not involve construction of a public improvement, the Town Manager may waive the sealed bid process if the Town Manager determines the waiver is in the Town's best interest. Upon Town Council approval, a purchase order is prepared by the Town Manager. Supporting documentation should be attached to the file copy of the purchase order and is created only if sufficient budgetary authority is available.

Sealed Bids: When sealed bids are used, a Notice to Bidders shall be advertised one time in the official newspapers. The Notice shall be prepared in a form approved by the Town Attorney, and shall be submitted to the Town Clerk's office in sufficient time to meet the required publication deadline. The Town Clerk, or other authorized Town personnel, shall open all sealed bids and read them aloud in the presence of 2 witnesses. A bid tabulation of all bids will be prepared and available for public inspection. The Town Manager shall forward the tabulation and a recommendation for award to the Town Council for consideration.

C. Procedures for the Purchase of Professional Services ("Consultants"):

1. Professional services are services where technical expertise or knowledge of a specialized field is critical to the performance of that service. Examples include, but are not limited to, accountants, appraisers, architects, auditors, engineers, financial advisors, information technology specialists, legal counsel, and planning consultants.
2. With the exception of purchasing professional services ("consultants") in an amount less than \$ 1,000, RFPs and RFQs are generally used when purchasing professional services.

Dollar Level Procedures – Purchase of Professional Services ("Consultants") Professional services less than or equal to \$1,000

General: The Town Manager, upon recommendation from the appropriate Management Team member, may select a consultant based on the consultant's expertise, previous performance, and readiness to provide the service to the Town. Upon selection of a consultant, the Management Team member shall forward the recommended purchase to the Town Manager for approval. Upon approval by the Town Manager, a purchase order is created if sufficient budget authority is available and supporting documentation (including the contract, if applicable) should be forwarded to the Clerk-Treasurer.

Professional services greater than \$1,000

General: The selection of a consultant will generally be based upon use and evaluation of a RFQ or RFP process. This process can either be done on an annual basis to address various capital projects for the year, or on a project-specific basis. As part of the process, the appropriate Management Team member, with input from the Town Manager, will assemble a selection committee. General qualification proposals and letters of interest from consultants relative to the project will be solicited. Upon review of the materials submitted by the responding consultants, and, if applicable, interviews, the selection committee will select a consultant. The appropriate Management Team member shall submit the committee recommendation to the Town Manager for approval to negotiate with the selected consultant. The contract, upon review by the Town's Attorney, will be submitted to the Town Council for consideration. The Town Manager may waive the selection process if the waiver is in the Town's best interest. A description

of the selection process or the basis for the waiver shall be included in the documentation submitted to the Town Council for consideration of the item.

D. Contract Requirements:

Contracts are required whenever the Town agrees to specific ongoing terms or desires to bind a vendor or consultant to specific terms in conjunction with the purchase of goods or services, regardless of the purchase amount (i.e., contracts are not necessary when a purchase is simply the payment of money in exchange for goods and there are no other obligations placed on either party).

All contracts, leases and rental agreements must be reviewed and approved as to form by the Town Attorney or designee before execution.

E. Change Orders:

1. Procedures for change orders apply to the purchase of all goods and services, including professional services.
2. The Town Council must approve all change orders in excess of \$ 5,000 or 5% of the original or amended contract. The Town Council change order threshold will be non-cumulative. As a result, Town Council meetings will be held only for major items.
3. If a Change Order Committee or the Town Manager deems it necessary, a change order may be referred to the Town Council for consideration; otherwise, final approval rests with the change order committee or, if appropriate, the Town Manager or designee.

F. Vendor/Consultant List:

a. A list of vendors/consultants for the purchase of goods and services will be maintained. Vendors/consultants will be added to the list by the Clerk-Treasurer upon request from Town departments. To request the addition of a vendor/consultant, the requester should provide the necessary information, including; complete name of business, physical and billing address with zip code, and phone numbers (also contact person if possible). In addition, no payments can be made to the vendor/consultant until an I.R.S. Form W-9 (Request for Taxpayer Identification Number and Certification) is received from the vendor/consultant. This form is available from the Clerk-Treasurer or the Internal Revenue Service website, <http://www.irs.gov/>.

b. The Clerk-Treasurer, upon recommendation by a Management Team member, may place a vendor/consultant on hold status for late delivery, failure to meet specifications and/or not providing the necessary maintenance or service. The Management Team member is responsible for notifying vendors/consultants that have been placed on hold status. The notification should occur in writing, and copies of the notification should be sent to the Town Manager and Clerk-Treasurer. Vendors/consultants may be removed from hold status by the Management Team member (after consulting with the Town Manager and Clerk-Treasurer) upon assurance that previous problems have been corrected.

G. Employee Reimbursements:

Employees may be reimbursed for the purchase of small quantities of supplies or equipment, meals, and mileage. There is a maximum of \$100.00 for each withdrawal, per person, per day, through the cash receipt system. In order to receive reimbursement through the cash receipt system, employees should complete a petty cash slip and attach supporting documentation which explains the business purpose of the expenditure. The petty cash slip must be signed by the appropriate supervisor or Management Team member. Reimbursements in excess of \$100.00 must be submitted

to the Clerk-Treasurer and accompanied by supporting documentation which explains the business purpose of the expenditure.

H. Payments through the Accounts Payable System: Invoices should be approved by the appropriate Management Team member, or designee, and submitted to the Clerk-Treasurer as they are received. Invoices are paid by the Clerk-Treasurer after being matched with packing lists or receipts and upon approval of the voucher at the regularly scheduled Town Council meeting. Any in-between check request is to be used only in extraordinary circumstances and such request shall be approved by the appropriate Management Team member, Clerk-Treasurer and Town Manager. Checks will not be returned to employees (exceptions being a check payable to employees for travel, mileage and other reimbursements) but must be mailed directly to the vendors being paid. In unusual circumstances where the check must be returned to the department, approval by the Clerk-Treasurer is required.

I. Emergency Purchases: The appropriate Management Team member may make or authorize others to make emergency purchases. Emergency purchases are defined as circumstances in which either critical Town operations will be severely affected in an adverse manner unless immediate action is taken to remediate the situation or in which a disaster creates a threat to public health, welfare, or safety. Emergency purchases should be made with competition as is practicable under the circumstances. An after-the-fact written determination for the basis of the emergency and for the selection of the particular vendor shall be submitted to the Town Manager and the Clerk-Treasurer. In situations regarding the construction or substantial repair of public buildings in excess of \$5,000, an emergency must be declared by a majority vote of the elected Town Council or the Council must otherwise waive the sealed bid process.

J. Reporting: The Town Council shall receive a report of purchase orders for goods and services (including professional services) on a monthly basis. The report shall be prepared by the Town Manager.

Section 6 RESPONSIBILITY FOR ENFORCEMENT.

The Town Council determines the level of expenditure for each department by adoption of the annual budget. Management Team members shall be responsible for making such purchases within the scope of their respective department budget. The Town Manager has overall responsibility for the enforcement of this policy.