

*The City of Richland Hills*

Purchasing Policies  
and  
Procedures Manual



**Revised: December, 2016**



## **INTRODUCTION AND OVERVIEW**

Purchasing is the procurement of materials, supplies, equipment, and services at the lowest cost and best quality to assist in the effective operation of the City of Richland Hills. The goal of the City of Richland Hills' Purchasing Policy is to ensure that all City Departments and functions receive maximum benefit from the expenditure of City funds and that vendors will make a reasonable profit in providing goods and services to the City. It is the intention of the City to procure its goods and services at the lowest economical cost consistent with the best quality and time spent. Success in this effort will be best achieved with the mutual cooperation of each City department, the Finance Manager, and vendors.

This manual is a compilation of City Charter provisions, applicable state laws, administrative regulations, and good business practices for the purchasing process. Adherence to these rules and regulations is necessary to comply with Texas State laws and meet the goals of our Purchasing Policy. Furthermore, this manual serves to provide guidance and instruction for all employees new to the purchasing process, as well as a reference for staff.

## *The City of Richland Hills* **PURCHASING POLICIES AND PROCEDURES MANUAL**

**TABLE OF CONTENTS:**

- 1. The Purchasing Function .....4
  - 1.1 Persons Doing Business With the City .....4
  - 1.2 Budgeted Funds.....4
  - 1.3 Definitions.....4
  - 1.4 Criminal Penalties.....4
- 2. Duties and Functions of Departments.....5
- 3. Dollar Limitations.....6
  - 3.1. Purchase of Items Costing \$100 or Less.....6
  - 3.2. Purchase of Items Costing \$1,000 or Less.....6
  - 3.3. Purchase of Items Costing \$1,000 to \$3,000.....6
  - 3.4. Purchase of Items Costing \$3,000 to \$5,000.....7
  - 3.5. Purchase of Items Costing \$5,000 or More.....7
  - 3.6. General Exemption.....7
  - 3.7. Master Bid List.....8
- 4. Other Purchases.....9
  - 4.1. Purchases Where City Has No Open Account.....9
  - 4.2. Sole Source Purchases.....9
  - 4.3. Emergency Purchases.....9
  - 4.4 Travel Advances and Reimbursement.....9
- 5. Competitive Sealed Bids and Proposals.....9
  - 5.1. Competitive Sealed Bids.....10
  - 5.2. What To Do If You Receive A Bid.....10
  - 5.3. Identical Bids.....11
  - 5.4. Competitive Sealed Proposals.....11
  - 5.5. Public Works Contracts.....12
  - 5.6. Change Orders.....12
  - 5.7. Professional Services Procurement..... 12
- 6. Interlocal Purchasing .....13
- 7. Invoicing and Payment.....13
  - 7.1. Invoices.....13
  - 7.2. Prompt Payment Act.....13
  - 7.3. Early Payment Discounts.....14
  - 7.4. Purchase Orders - All Purchases \$100 and Over.....14

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**PURCHASING POLICIES AND PROCEDURES MANUAL**

**1. THE PURCHASING FUNCTION:**

In the absence of a Purchasing Office or Purchasing Agent, each department will be responsible for the purchasing functions of their departments.

**1.1. Persons Doing Business With the City**

No officer or employee of the City will have a financial interest, direct or indirect, in the sale to the City of any land, materials, supplies, or services except on behalf of the City as an officer or employee. Intentional disregard for the guidelines set forth in this manual subject the employee to such consequences as determined by the City Manager.

**1.2. Budgeted Funds**

Department directors and their managers are responsible for ensuring the availability of adequate budgeted funds prior to authorizing any expenditure. If an expense line item exceeds appropriations, department directors should submit a budget transfer form (Attachment D) to the City Manager.

**1.3. Definitions**

For purposes of this manual, the following definitions apply:

- a. Component purchases means purchase of the component parts of an item that in normal purchasing practices would be purchased in one purchase.
- b. High technology procurement means the procurement of equipment, goods, or services of a highly technical nature including:
  1. Data processing equipment, software, and firmware used in conjunction with data processing equipment.
  2. Telecommunications equipment and radio microwave systems.
  3. Electronic distributed control systems.
  4. Technical services related to those items.
- c. Separate purchases means purchases, made separately, of items that in normal buying practices would be procured in one purchase.
- d. Sequential purchases means purchases, made over a period of time, of items that in normal purchasing practices would be procured in one purchase.

**1.4. Criminal Penalties**

A municipal officer or employee commits an offense if the officer or employee intentionally or knowingly makes or authorizes separate, sequential, or component purchases to avoid the competitive bidding requirements of this manual and as mandated by Texas Local Government Code §252.062. An offense of this type is a Class-B misdemeanor, and

subsequent conviction will subject the officer or employee to immediate removal from office or employment as per Local Government Code §252.063(a). No City employee will purchase supplies, materials, or equipment of any kind for personal use.

## **2. DUTIES AND FUNCTIONS OF DEPARTMENTS:**

Each department should follow these guidelines:

- a. Observe and enforce the procedures outlined in this manual.
- b. Encourage competitive bidding at all times.
- c. Conduct the bidding process in such a way that bidders will be aware of the fairness of the awards, will be encouraged to continue bidding, and will furnish competition to assure the City of the highest quality merchandise at the lowest possible cost.
- d. Investigate and report any possibilities of collusion among bidders.

To purchase at the lowest possible price and highest quality should be the objective of each department. However, a low price paid to an out-of-town supplier may be outweighed by slow delivery, poor packing and crating, resulting in having to make long distance calls, writing letters, etc. A low price paid for a large quantity may be outweighed by the cost of storage and handling. Quality should be considered in determining ultimate cost. In competitive bidding there are other factors besides the prices that must be taken into consideration, such as FOB point, discount, service offered by vendor, and delivery date. A person who considers price alone in determining low bidders is not performing the service, which is required for an overall economical purchasing program. The City reserves the right to accept the offer considered the most advantageous to the City.

Departments should plan their work so that “rush orders” and emergencies will be held to a minimum.

Department heads should not request or write specifications, which are considered “close bids” (written around one specific brand). Brand name, catalog number, etc., may be included as a guide to the vendor as to the type and quality of merchandise desired. However, the wording “or approved equal” should always be added so as to not discriminate against any vendor’s merchandise. Competition must be kept in mind throughout the writing of specifications. Vendors must be given equal opportunity to submit a quotation on requested merchandise.

**3. PURCHASING POLICY AND PROCEDURE DOLLAR LIMITATIONS:**

| PURCHASE PRICE        | AUTHORITY AND SELECTION METHOD  |
|-----------------------|---|
| \$0.00 TO \$50.00     | <p><b>3.1.</b> Purchases of items costing \$50.00 or less may be made by City employees with the approval of a department head or supervisor. The cost will be reimbursed from the petty cash fund upon presentation of receipt attached to a petty cash request form and approved by the department head or supervisor. The proper general ledger account coding must also be included. <b>Requests for more than \$50 should not be made out of petty cash.</b> .</p>   |
| \$0 TO \$1,000        | <p><b>3.2.</b> Purchases of items costing \$0 to \$1,000 may be made by City employees with the approval of a department supervisor. No formal or informal bids are required, but are highly recommended if all possible in practicing good business ethics. Immediate daily needs may arise for materials and equipment requiring immediate acquisition of goods or services to prevent further damage to equipment or costly down time; this may be accomplished by purchasing on account. The Finance Department maintains control of all citywide credit cards. These are checked out on an as needed basis and should be returned to the Finance Department immediately after a purchase has been made. The department should also submit the invoice or receipt with proper general ledger account coding, to the Finance Department.</p> |
| \$1,000.01 TO \$3,000 | <p><b>3.3.</b> All purchases of \$1,000 and over generally require a Purchase Order. A minimum of three (3) telephone bids is required for purchases within this cost range. A Telephone Bid Tabulation form should be completed and forwarded to the Finance Department along with the invoice. Electronic bids may be utilized in lieu of telephone bids, if applicable, and will suffice the mandated requirements in accordance to Local Government Code §252.0415, allowing municipalities the option to adopt electronic bids for purchasing goods/services.</p>  |

|                           |  |
|---------------------------|--|
| \$3,000.01 TO \$50,000.00 | <p><b>3.4.</b> A minimum of three (3) written estimates is required for purchases within this cost range. Written bids should be forwarded to the Finance Department along with the invoice. All expenditures over \$3,000 and less than \$50,000 must take into consideration a minimum of two (2) Historically Underutilized Businesses (HUB) on a rotating basis, based on information provided by the State Comptroller’s Office Texas. A list of HUB’s is obtainable at the State Comptroller’s website</p> |
|---------------------------|--|

|                  |  |
|------------------|--|
|                  | ( <a href="http://cpa.state.tx.us/procurement/prog/hub/">http://cpa.state.tx.us/procurement/prog/hub/</a> ).If the list fails to identify a historically underutilized business in the category or area of the goods or services to be acquired in the county in which the City is situated, the City is exempt from this section per the Texas Local Government Code §252.0215. |
| \$50,000 OR MORE | <b>3.5.</b> Prices will be requested by sealed formal bids or proposals. Bids will be opened, tabulated, evaluated, and presented to the City Council by the City Manager for their approval. Formal bid procedures are outlined further in Section 5.   |

### 3.6 General Exemptions

Under Texas Local Government Code §252.022, the following exemptions will be allowed, to which the above requirements do not apply:

- (1) a procurement made because of a public calamity that requires the immediate appropriation of money to relieve the necessity of the municipality's residents or to preserve the property of the municipality;
- (2) a procurement necessary to preserve or protect the public health or safety of the municipality's residents;
- (3) a procurement necessary because of unforeseen damage to public machinery, equipment, or other property;
- (4) a procurement for personal, professional, or planning services;
- (5) a procurement for work that is performed and paid for by the day as the work progresses;
- (6) a purchase of land or a right-of-way;
- (7) a procurement of items that are available from only one source, including:
  - a. items that are available from only one source because of patents, copyrights, secret processes, or natural monopolies;
  - b. films, manuscripts, or books;
  - c. gas, water, and other utility services;
  - d. captive replacement parts or components for equipment;
  - e. books, papers, and other library materials for a public library that are available only from the persons holding exclusive distribution rights to the materials;
  - f. management services provided by a nonprofit organization to a municipal museum, park, zoo, or other facility to which the organization has provided significant financial or other benefits;
- (8) a purchase of rare books, papers and other library materials for a public library;
- (9) paving drainage, street widening, and other public improvements, or related matters if at least one-third of the cost is to be paid by a or through special assessments levied on property that will benefit from the improvements;
- (10) a public improvement project, already in progress, authorized by the voters of the municipality, for which there is a deficiency of funds for completing the project in accordance with the plans and purposes authorized by the voters;

- (11) a payment under a contract by which a developer participates in the construction of a public improvement (as provided by Subchapter C, Chapter 212- Local Government Code);
- (12) personal property sold;
  - a. at an auction by a state licensed auctioneer;
  - b. at a going out of business sale (in compliance with Subchapter F, Chapter 17, Business and Commerce Code- Local Government Code);
  - c. by a political subdivision of this state, a state agency of this state, or an entity of the federal government;
  - d. or under an interlocal contract for cooperative purchasing administered by a regional planning commission (established under Chapter 391- Local Government Code).
- (13) services performed by blind or severely disabled persons;
- (14) goods purchased by a municipality for subsequent retail sale by the municipality;
- (15) or electricity.

### **3.7 Master Bid List**

The City Manager’s Office maintains a Master Bid List for the City. If a department receives a request from a prospective vendor requesting their name be added to the City’s bid list, this information should be forwarded to the Administrative Assistant for inclusion on the Master Bid List. Each department is encouraged to utilize the bid list which is updated quarterly.

## **4. OTHER PURCHASES:**

### **4.1. Purchases Where the City Has No Open Account**

Purchases of items where the City has no open account, regardless of the amount, which requires issuance of a check to the vendor prior to receipt of invoice or goods (cash on delivery), must have a purchase request approved in advance. This situation is rare and should be used at the discretion of the City Manager.

### **4.2. Sole Source Purchases**

Purchases of any material or service costing \$1,000 or more that can only be supplied by one source should be accompanied by an explanation indicating the conditions, which make the supplier an only source. The burden of proof of an only source purchase will be on the department head. The department head should attach the explanation to the invoice to support the vouchers.

### **4.3. Emergency Purchases**

As defined by the state law of Texas in Article 2368A, Section B, an emergency is “where it becomes necessary to act at once to appropriate money to relieve the necessity of the citizens,

or to preserve the property of such county, subdivision, or city or in case of unforeseen damage to public property, machinery, or equipment."

If the dollar amount is less than \$50,000, the emergency must be declared by the City Manager and all requisitions must be signed by the City Manager. If the dollar amount is more than \$50,000, the emergency must be declared by the City Council or the City Manager, and all documents must be signed by the City Manager, and ratified by the City Council.

#### **4.4 Travel Advances and Reimbursements**

- (1) Travel advances may be requested by submitting a completed authorized travel advance form to the Finance Department.
- (2) An expense report should be completed and returned to the Finance Department within two weeks of the completion of travel. All expense reports should be signed by the employee and approved by the Department Director or City Manager.
- (3) Any travel advance in excess of expenses should be returned with the completed travel expense report.
- (4) Reimbursement for expenditures in excess of the advance should be requested along with the expense report to the Finance Department.

### **5. COMPETITIVE SEALED BIDS AND PROPOSALS:**

For sealed formal bids, State law mandates under Texas Local Government Code §252.021: "no city with a population of less than 50,000 will make a contract requiring expenditure or payment in an amount exceeding \$50,000 without first submitting such proposed contracts to competitive sealed bidding or competitive sealed proposals," (with the exception of exempted procurements).

#### **5.1. Competitive Sealed Bids**

Any goods or services whose cost is estimated at \$50,000 or more are subject to competitive sealed bids. Requirements for supplies and materials must be consolidated annually to determine whether competitive bids are required. Department heads determine, based on items budgeted for the year, the time of desired delivery of goods. The City Manager, at the beginning of the fiscal year, will coordinate with department heads the availability of funds and subsequent timing of bids. Preparation of specifications by the department head should begin far enough in advance to ensure the desired bid date can be reasonably met.

Once the department head has prepared the specifications, they should be submitted, along with a cover memo, to the City Manager. The City Manager will place the item on the City Council agenda for approval. Once the City Council approves the specifications, the item goes out for bid. Each department is responsible for advertising their own bids. Advertising in the City's official newspaper must be published once a week for two consecutive weeks

prior to the time set for opening sealed bids. The date of the first publication is to be at least fourteen days prior to the date set for opening sealed bids. All bids received shall be sealed and delivered to the City Secretary. The City Secretary will open and tabulate the bids. A department representative will be present at the bid opening. Upon review of the bids, the department head shall make a written recommendation in the form of a memo to the City Manager. The bid recommendation should contain the following information:

1. Indicate the date and time bids were opened and what product was bid. If necessary, describe what the product is and what the product does when these facts are not clearly evident from the product name. Indicate the budgeted amount and the account number. If the product is an inventory item purchased on an "as required" basis, these facts should be indicated.
2. Indicate the number of invitations mailed to prospective vendors, including local vendors, and the number of responses received at the close of the bidding process.
3. Include bid amounts, ranked in the order of the lowest to the highest bidder. If a bid does not meet specifications, indicate the reason.
4. Indicate the staff recommendation.

Upon receipt of the bid recommendation from the department head, the City Manager will place the item on the City Council agenda for award. The City reserves the right to reject any and all bids. Following the City Council award, it will be the department head's responsibility to complete the necessary documents for the actual purchase.

## **5.2. What To Do If You Receive A Bid**

All bids received shall be sealed and delivered to the City Secretary. If a bid envelope or package is delivered to your office by mistake, you should:

1. **Never** open a sealed bid.
2. Write the time and date the bid was received in your office on the front of the bid envelope or package.
3. Immediately deliver the bid envelope to the City Secretary.
4. If a company representative is delivering the bid, direct this person to the City Secretary or the location of the bid opening.

## **5.3. Identical Bids**

In cases where competitive sealed bidding is required and where two or more responsible bidders submit the lowest and best bids in connection with a proposed City contract and these bids are identical in both account and nature, the City will enter into a contract with only one of the responsible bidders and reject all other bids. The one bidder will be selected by casting of lots. The casting of lots will be conducted at a time that all qualified bidders or their legal representative may also be present. Nothing herein will prohibit the rejection of all bids by the City. A vendor with his place of business within the City of Richland Hills will automatically be awarded a tie bid in preference to a vendor outside the City.

## **5.4. Competitive Sealed Proposals**

Competitive sealed proposals may be used for high technology procurement, which are defined as:

- a. data processing equipment, software, and firmware used in conjunction with data processing equipment;
- b. telecommunications equipment and radio and microwave systems;
- c. electronic distributed control systems, including building energy management systems;
- d. technical services related to those items.

Any high technology good or service whose cost is estimated at \$5,000 (per City Charter) or more is subject to competitive sealed proposals, using the same guidelines as competitive sealed bidding. Quotations will be solicited through a Request for Proposal, with specifications provided by the department head. Public notice for the Request for Proposal will specify the relative importance of price and other evaluation factors, and the award of contract will be made to the responsible party whose proposal is determined to be the most advantageous to the City, taking into consideration the relative importance of price and other evaluation factors set forth in the Request for Proposal.

All proposals that have been submitted will be opened so as to avoid disclosure of contents to competing parties and kept secret during the process of negotiation. All proposals that have been submitted will be open for public inspection after contract award. Trade secrets and confidential information contained in the proposals will not be open for public inspection.

As provided in the Request for Proposal, discussions may be conducted with parties who submit proposals determined to be reasonably qualified for selection of award. Parties will be accorded fair and equal treatment with respect to any opportunity for discussion and revision of proposals, and such revision may be permitted after submissions and prior to award for the purchase of obtaining best and final offers.

### **5.5. Public Works Contracts**

Any construction, repair, or renovation of a structure, road, highway, or other improvement or addition to real property estimated at \$50,000 or more is subject to competitive bidding procedures.

The successful bidder will be required to give a good and sufficient bond in the full amount of the contract price, for the faithful performance of such contract, executed by a surety company authorized to do business in the State of Texas. However, any contract for less than \$100,000 may, in lieu of the bond requirement, provide in the contract that no money will be paid to the contractor until completion and acceptance of the work by the city.

### **5.6. Change Orders**

Contract prices may be increased because of changes in plans or specifications when additional funds are appropriated from available funds. If the change order involves a decrease or increase of 25% or less, the City Manager is authorized by City Council to

approve the change order. The original contract price may not be increased by more than 25% without formal City Council approval. The original contract cannot be decreased more than 25% without contractor consent.

### **5.7. Professional Services Procurement**

Specifically exempted from formal bid procedures is professional services procurement. Included in the definition of professional services are: accounting, architecture, medicine, land surveying, or professional engineering. Professional services also include labor and skills that are predominantly mental or intellectual, rather than physical or manual, such as the services of lawyers, physicians, theologians, engineers, and other disciplines requiring special knowledge or attainment and a higher order of learning, skill, and intelligence. Such contracts will be awarded based on demonstrated competence and qualifications for the type of professional services to be performed, and at fair and reasonable prices.

In the procurement of architectural or engineering services, contracts will be negotiated in a two-step process:

- a. Initial selection will be based on demonstrated competence and qualifications.
- b. After selection is made, price negotiation can be made for the contract.

If a satisfactory contract cannot be negotiated with the person most highly qualified, formal negotiations will end. Negotiations will then begin with the second most qualified person, and so on until a contract is made.

## **6. INTERLOCAL PURCHASING:**

The Interlocal Cooperation Act (Government Code §791.001) allows local governments to agree to cooperative purchasing arrangements, either between and among themselves, special districts, or with the state, including cooperative agreements with the State Purchasing and General Services Commission. State contracts for services are extended to local governments.

The City may participate in the purchasing program by filing a City Council adopted resolution, designate the City Manager to act for the City, and identify the specific contracts in which the City desires to participate. Payment is made directly to vendors under the approved contract. Any purchase made under a state contract satisfies competitive bid requirements for purchase of the item.

Bidding requirements may be waived by purchasing under a formal interlocal agreement. Purchase orders/purchase authorization memos used for this type of purchasing should reference the interlocal agreement used.

## **7. INVOICING AND PAYMENT:**

### **7.1. Invoices**

An invoice is an itemized statement of merchandise shipped by the vendor. Invoices are based upon the purchase orders and should contain the same information.

All invoices should be sent directly to the Finance Department for processing. They will be entered to the vendor's accounts payable identification number, showing the date, amount, then processed for payment. Payment will not be made from statements unless no copy of an invoice is available from the vendor. This practice is to protect against duplicate payments.

## **7.2. Prompt Payment Act**

The City processes for payment, once each week, invoices submitted by vendors for goods or services rendered. State law governs timeliness of payments. A payment owed by the City is due not later than the 30th calendar day:

- a. after the day on which the City received supplies, materials, or equipment;
- b. or the day on which the performance of services was completed;
- c. or the date on which the City received the invoice for supplies, equipment, or services, whichever is later.

Interest of one (1 %) percent per month will accompany overdue payments. Interest accrues and is charged beginning the day after the payment is due, and ceases to accrue on the date that the payment is postmarked/mailed by the City. If there is a dispute because of an error in an invoice submitted for payment, the Finance Department will notify the vendor who submitted the invoice of the alleged error not later than the 21st day after the date on which the invoice is received. If the dispute is resolved in favor of the vendor, that vendor will receive interest on all invoices, for which payment has not been received. If the dispute is resolved in favor of the City, the vendor who submitted the original invoice will submit a corrected invoice and the corrected invoice will be paid in a timely manner.

**Exceptions:** The Prompt Payment Act **does not** apply to payments made by the City when:

- a. The terms of a contract specify other times and methods of payment.
- b. The invoice is not mailed to the addressee in strict accordance with instructions, if any, on the purchase order.
- c. The terms of a federal contract, grant, regulation, or statute prevent the City from making a timely payment with federal funds.

## **7.3. Early Payment Discounts**

The City will take advantage of early payment discounts when offered.

## **7.4. Purchase Orders- All Purchases \$1000 and Over**

The purchase order is the vendor's authorization to invoice and ship materials as specified. The purchase order is a contract and must be considered as such. The purchase order is

designed to expedite and control buying for the City. Shipping and handling charges, if any, should be included on the purchase order.

Canceling purchase orders – upon request from the department head, accounting office may cancel a purchase order.