

1. 1. Call To Order

Documents:

[1. 2019-11-06 FINANCE AGENDA.PDF](#)

2. 2. Public Purchase Expenditure/Purchasing Policy

Documents:

[2.1 REVISED PUBLIC PURPOSE EXPENDITURES-PURCHASING POLICY.PDF](#)

3. 3. Banking Services

Documents:

[3. BANKING SERVICES.PDF](#)

4. 4. Adjourn



City Council Finance Committee
Wednesday, November 6, 2019 at 7:00 pm or
immediately following the Joint Committee meeting
City Hall – Public Meeting Room

AGENDA

1. Call to Order
2. Public Purchase Expenditure/Purchasing Policy
3. Banking Services
4. Adjourn

Please contact the City Administrator's Office if you need special accommodations while attending this meeting



Council Committee Memorandum

TO: Finance Committee
THROUGH: Tim Murray, City Administrator
FROM: Jeanne Day, Finance Director
MEETING DATE: November 6, 2019
SUBJECT: Public Purpose Expenditure/Purchasing Policy

Discussion:

The City is currently operating under Resolution 2018-045, Approve Public Purpose Expenditures/Purchasing Policy. Faribault City Charter, Section 7.14 states this policy shall be reviewed and approved by the City Council annually. The attached policy was prepared by reviewing the City Charter; State Statutes; information on the League of Minnesota Cities website, and policy language provided by the City Attorney.

Attached is a redlined draft of the policy. The majority of the changes are for consistency or grammatical. The most significant changes are in the amounts listed in 2C, 2E and 3C. These changes are in compliance with Minnesota competitive bidding law.

Attachments:

- Public Purpose Expenditure/Purchasing Policy – draft
- Public Purpose Expenditure/Purchasing Policy – draft redlined
- Resolution 2018-045



Public Purpose Expenditure/Purchasing Policy

Purpose: The purpose of this policy is to establish guidelines for purchases made on behalf of the City of Faribault.

1. PURPOSE

Pursuant to provisions of the Faribault City Charter and the statutes and laws of the State of Minnesota, which permit and require the expenditure of public funds for public purposes, this policy establishes guidelines for purchases made by the officials, employees and representatives of the City of Faribault. The policy has the following objectives:

- A. Ensure compliance with Minnesota Public Purpose Doctrine.
- B. Ensure compliance with the Faribault City Charter, Chapter 7 – Taxation and Finances.
- C. Ensure compliance with applicable state laws, in particular Minnesota Statute §471.345, Uniform Municipal Contracting.
- D. Provide clear guidance to City Council and City Staff to ensure purchasing decisions result in the best use of tax dollars for its constituents.
- E. Encourage purchases from local and state vendors when cost effective.

2. GUIDELINES

A. The Constitution of the State of Minnesota, Article X, Section 1, provides that taxes shall be levied and collected for public purposes. The Minnesota Public Purpose Doctrine provides that in order for an expenditure of public funds to be lawful, there must be specific or implied authority for the expenditure in state statute or the City's Charter and it must be a public purpose expenditure. To be considered a public purpose expenditure the activity must meet all of the following criteria:

1. It benefits the city as a body.
2. It is directly related to functions of government.
3. It does not have as its primary objective the benefit of a private interest but instead promotes the public health, safety, general welfare, security, prosperity, and contentment of all city residents.

Exhibit A provides additional guidelines regarding expenditures that are authorized as being made for a public purpose, even though a limited personal employee benefit may be derived. Further, the expenditures must be authorized in accordance with the City's annual budgeting process.

B. As provided in the Faribault City Charter, Section 7.14, the City Council shall establish a Public Expenditure Policy which shall be reviewed and approved by the City Council annually. In reviewing and approving the policy, the City Council shall consider whether the

expenditures serve a public purpose. When determining the content of the policy, the City Council shall consider the opinion of the City Attorney and statewide sources of authority, which may include judicial determinations, Minnesota Attorney General’s opinions and findings of the Office of the State Auditor.

- C. All disbursements shall be authorized by the City Council. All accounts, claims, and invoices shall be audited by the Finance Department and presented to the Council for approval. The City Council has delegated its authority to the City Administrator to pay certain claims made against the City prior to formal authorization. A resolution approving the administrator purchasing and contracting authority, is executed by the City Council annually, per the Faribault City Charter, Section 6.05, Purchases and Contracts. This resolution authorizes the City Administrator to make purchases and let contracts when the amount involved does not exceed \$10,000, except when necessary to pay monthly utility and credit card bills that produce late fees and interest charges if not paid prior to formal Council approval.
- D. The Faribault City Charter, Section 6.05, Purchases and Contracts, provides that all contracts, bonds, and instruments of any kind to which the City is a party shall be signed by the Mayor and the City Administrator on behalf of the City and shall be executed in the name of the City.
- E. Purchasing and budgetary control is the responsibility of each department head. The department head may designate other staff within their department to purchase goods and services in compliance with the annual budget. Department heads and their designees are authorized to make purchases according to the following thresholds:

Dollar Amount	Process	Payment Type Options	Approval Requirements
<\$100	None	Credit Card Charge Account Check Request	Purchase must be within annual budget, approved by department head, reviewed by the Finance Department and coded appropriately.
<\$5,000	Pursue an open market purchase.	Credit Card Charge Account Check Request	Purchase must be within annual budget, approved by department head, reviewed by the Finance Department and coded appropriately.
\$5,000- \$24,999	Pursue an open market purchase. Obtain two or more quotes if practical.	Charge Account Check Request	Purchase must be within annual budget, approved by department head, reviewed by the Finance Department and coded appropriately.
\$25,000- \$175,000	Obtain two or more written quotes, bids, or proposals and maintain copies on file.	Check Request	Purchase must be within annual budget, approved by department head, reviewed by the Finance Department and coded appropriately.

>\$175,000	Sealed Bids	Check Request	Purchase must be within annual budget, approved by department head, reviewed by the Finance Department and coded appropriately.
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Notes:

- All payments are presented to the City Council for final approval.
- If a cooperative purchasing agreement is in place, quotations are not needed.
- Authorized purchasers are only allowed to authorize funds from within their department’s budget. Purchaser should collaborate with other authorized purchaser from the necessary departments to make joint purchases.
- Employees will not make any purchases for personal use through the City.
- Information technology (IT) purchases should be coordinated with the City’s IT Coordinator to ensure purchases are compatible with and supported by the City’s IT infrastructure systems.

3. PURCHASING PROCESS

A. Decentralized Purchasing

The City of Faribault has a “decentralized” purchasing program where individual departments are responsible for making their own purchases. There are a few exceptions including State Bid vehicles and other similar state or cooperative purchasing agreements.

All other purchases should follow the rules below:

1. Determine the need for commodities or services.
2. Research the cost of the purchase and determine proper purchasing alternative.
3. Determine the appropriate account coding and whether there is sufficient funds available in that budget line item.
4. Request approval from department director or designee to make purchase.
5. Following purchase, complete accounts payable payment form, attach original invoice and forward to the Finance Department for processing.
6. Accounts payable listing is approved by City Council.
7. Payment is made by the Finance Department.

B. Purchasing Practice

1. The City will use documented purchasing procedures which will reflect applicable State and local laws and regulations and conform to applicable federal law.
2. The City will maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or performance agreements.
3. The City of Faribault holds its employees to the highest ethical standards. Purchases shall be conducted so they foster public confidence in the integrity of the City’s procurement system, and open and free competition among prospective suppliers. The following code of conduct regarding purchasing conflicts of interest and the performance of its employees will be upheld:

- a. No employee, officer, or agent may participate in the selection, award, or administration of a contract if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employees or is about to employ any of the parties indicated herein, has a financial interest or other interest in or a tangible personal benefit from a firm considered for a contract.
 - b. Officers, employees, and agents of the City may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts.
 - c. If the financial interest is not substantial or the gift is an unsolicited item of nominal value, it may be allowable upon review.
 - d. Violations of these standards by officers, employees, or agents of the City will result in disciplinary action up to and including termination.
 - e. If federal funding is involved, the City must disclose in writing any potential conflict of interest to the federal awarding agency or pass-through entity.
 - f. In keeping with the values and ethical standards expected from City employees, they should avoid the following practices when making purchases on behalf of the City:
 - 1. Circumventing competitive bidding requirements by splitting purchases so that they can be made through several small purchases; using the emergency procedure process when no true emergency exists; using a "sole source" exemption when competition is available; or other manners of avoiding competitive bidding.
 - 2. Denying one or more vendors the opportunity to bid on a contract using unnecessarily restrictive specifications; pre-qualifying bidders on a discriminatory basis; removing companies from a bidders list without just cause; requiring unnecessarily high bonding; or other manners of denying opportunities for vendors to bid.
 - 3. Giving favored vendors an unfair advantage by providing vendors with information regarding their competition's offers in advance of a bid opening; making information available to favored vendors and not to others; giving un-favored vendors inaccurate or misleading information; or other manners to provide unfair advantages.
 - 4. Avoiding the use of outside vendors by using employees of the City to provide goods or services through their personal business practices; not providing fair opportunity to vendors for all goods or services required for City operations; or other means to use City employees as an alternative to outside vendors.
4. City employees will avoid acquisitions of unnecessary or duplicative items. In addition, each department will implement internal controls to ensure that goods and services ordered are received, that only goods and services actually received are paid

for, that goods and services ordered are necessary and that no duplicate payments are made.

5. City employees will seek out purchasing alternatives that result in the most economical outcomes. Consideration will be given to consolidating or breaking out purchases, lease versus purchase options, and other appropriate alternatives. In addition, Minnesota's Cooperative Purchasing Venture and other joint purchasing agreements will be considered.
6. Construction contracts will be awarded based on Minnesota Statute §412.311 which allows the City to use a "Best Value" alternative instead of awarding the bid to the lowest responsible bidder. Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, qualifications of key personnel and financial and technical resources.
7. The City staff will maintain records sufficient to detail the history of its purchases. These records will include, but are not necessarily limited to, the rationale for the method of procurement, the selection of contract type, the contractor selection or rejection, and the basis for the contract price.
8. The City is responsible, in accordance with good administrative practice and sound business judgement, for the settlement of all contractual and administrative issues arising out of procurements. These issues include source evaluation, protests, disputes, and claims.
9. All procurement transactions will be conducted in a manner following written procedures that provide full and open competition. For federal contracts that includes prohibiting the use of statutorily or administratively imposed state or local geographical preferences, except in those cases where applicable federal statutes expressly mandate or encourage geographical preference. In addition:
 - a. All solicitations will provide for clear and accurate descriptions of the technical requirements that must be provided for the material, product, or service to be procured.
 - b. All solicitations will identify the requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.
 - c. All prequalified lists of persons, firms, or products which are used in acquiring goods and services will be current and include enough qualified sources to ensure maximum open and free competition. Also, the City will not preclude potential bidders from qualifying during the solicitation period.

10. The City will take all necessary affirmative steps to assure that small and minority businesses, women's business enterprises, and veterans' business enterprises are used when possible including:
 - a. Placing qualified businesses and enterprises on solicitation lists.
 - b. Assuring that qualified businesses and enterprises are solicited whenever they are potential sources.
 - c. Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by these businesses and enterprises.
 - d. Establishing delivery schedules, when requirements permit, that encourage participation by these businesses and enterprises.
 - e. Using the services and assistance, as appropriate, of organizations such as the Small Business Administration and the Minority Business Development Agency.
 - f. Requiring the prime contractor, if subcontracts are to be let, to take the affirmative steps listed above.

11. City employees will make every effort to purchase goods and services from local vendors and award purchases to those vendors when cost effective. This can be accomplished by insuring that local and state vendors who have goods or services available are included in the competitive shopping process that will precede most purchases.

12. If the purchase of items results in the need to dispose of existing city property, the following guidelines apply:
 - a. City staff will make a recommendation to the City Council and the Council will determine if the capital assets are surplus and should be subsequently sold or disposed.
 - b. Council must approve the disposal of equipment via trade-in, which may be performed as part of the approval of the purchase of new equipment.
 - c. Surplus capital assets in a condition for sale are to be sold at public auction, online auction or through a sealed bid process with reasonable public notice regarding the upcoming sale.
 - d. Minnesota Statute §471.345, subd. 17 states that a city "may contract to sell supplies, materials, and equipment which is surplus, obsolete, or unused using an electronic selling process in which purchasers compete to purchase the surplus supplies, materials, or equipment at the highest purchase price in an open and interactive environment."
 - e. No employee of the City who is a member of the administrative staff, department head, a member of the Council, or an advisor serving the City in a professional capacity may be a purchaser of property sold under this

section. Other City employees may be purchasers if they are not directly involved in the sale, if they are the highest responsible bidder in the public disposition process.

- f. Assets not in a condition for sale should be disposed of according to waste management guidelines.
- g. In all instances, the City will abide by applicable Minnesota Statutes in regards to the disposal or sale of capital assets.

13. Documented internal accounting and administrative procedures are in place to ensure proper disbursement of funds and generally accepted accounting principles will be followed.

C. Purchasing Options

The following options may be used for making public purchases:

1. Sealed Bids

- a. A formal sealed bid procedure is required for all purchases in excess of \$175,000 except for professional services.
- b. A published notice of bid is required in the official City newspaper at least ten days in advance of bid opening, except in cases where special assessments are intended to finance a local improvement project, in which case the City will follow statutory requirements. The published notice must state where the plans and specifications can be obtained by bidders and specifically, where the bid opening will be held. The notice may also be published on the City's official web site; however, this publication is in addition to the official newspaper publication.
- c. All bid openings are to be administered by originating department.
- d. The preparation of all specifications are to be the responsibility of the originating department.
- e. Required authorization for all plans and specifications is the responsibility of the originating department.
- f. Contract change orders may be approved by the City Administrator or his/her designee provided the total change does not exceed purchasing limitations as outlined in the City Charter. Details are provided in the Purchasing Procedures.
- g. The City Council must formally approve the bid contract.

2. State, County, and Other Cooperative Purchasing Contracts

- If it is determined that a product/service is on a state contract, vendors should be told that the purchase will be made using that contract. When completing the purchasing paperwork, note that the purchase is per state contract and indicate the contract number.
- All requirements of this policy are deemed to be met if purchases are made through the State of Minnesota Cooperative Purchasing Program.

Depending upon the purchase level of the item, appropriate approvals still apply.

3. Quotes

Quotes should be submitted in writing by the vendor. If the quotes are not written, the requestor who received the verbal quote must document the quote in writing. All such quotes must be kept on file by the department making the purchase.

4. Emergency

Emergency situations may arise where the normal purchasing process cannot be followed for the procurement of goods and services. An emergency means an unforeseen combination of circumstances that calls for immediate action to prevent a disaster from developing or occurring.

Minnesota Statute §12.29 gives the Mayor the authority to declare a local emergency for up to three days, which period may be extended by the City Council. During such an emergency, if authorized by City Council, the City is not required to use the typically mandated procedures for purchasing and contracts. During that time, the governing body may waive compliance with the prescribed purchasing guidelines, including compliance with Minnesota Statute §471.345, Uniform Municipal Contracting Law.

Whenever possible the current purchasing policies and procedures should be followed even when an emergency is declared, but as described above if the emergency requires speedy action essential to the health, safety, and welfare of the community and if there has been an emergency declaration, the standard purchasing policies and procedures can be waived in accordance with Minnesota Statute §12.37.

5. Professional Services

Professional Services are considered to be unique and are not subject to the bid law even though the contract amount may exceed \$175,000. This group includes architects, engineers, construction managers, attorneys, accountants, consultants, and other services requiring technical, scientific or professional training.

Request for Proposals (RFPs) may be used to solicit proposals for professional services. Typical information to address in RFPs include:

- Background and scope of the project
- The project's budget to ensure that the proposals stay within that range
- Proposal requirements should include adequate information to allow for proper review and evaluation including:
 - Description of firm and qualifications, including any specialized experience related to the project
 - A list of similar projects that the firm has completed
 - Project timetables including: estimate of hours, breakdown by hours by phase, and the City's expectation of a completion date
 - Designation of a firm principal who will be in charge of the project
 - Résumés for all staff who will work on the project

- Statement that either no subcontractors are allowed or that all subcontractors will be identified and are subject to the City's approval
- Estimate of cost to provide the service, outline of fee schedule and payment schedule
- Description of City's selection process
- City's evaluation criteria, which typically may include:
 - Quality and thoroughness of the proposal
 - Similar past experience and/or experience
 - References
 - Cost estimate
- The following statement must be included: "The City reserves the right to reject any and all proposals, waive all technicalities and accept any proposal deemed to be in the City's best interest."
- Submittal deadline: date, time, project name, and addressee
- Statement: "Proposers are solely responsible for delivery of their proposals to the City before the deadline. Any proposal received after the deadline will not be considered and will be returned."
- Information about where questions should be directed

6. Lease Purchases

All operating and capital lease agreements require approval through the Finance Department and legal counsel prior to initiating a lease. Staff will conduct a lease versus purchase analysis to determine the most cost-effective method.

7. On-Line Purchases

The following guidelines are recommended for purchasing products over the internet:

- Purchases should be made only from vendors that use secure servers for e-commerce.
- Standard purchasing guidelines should be followed.

Compliance should also be assured relating to requirements outlined in the City's Employee Handbook and all other City policies (currently in place or adopted in the future) and Minnesota State Statutes. This policy does not replace the State's Gift Policy statutes.

EXHIBIT A

Public Purpose Expenditures

Pursuant to provisions of the Faribault City Charter, Section 7.14 – Authority for expenditures, the City Council expressly authorizes expenditures related to any of the following activities to be deemed as public purpose expenditures. All benefited full time and part time employees, elected officials and commission members will follow the public purpose expenditures guidelines. Under no circumstances will expenditures be authorized as a public purpose if made for the benefit of spouses, partners, family members, or friends of employees unless those individuals are serving in an otherwise authorized capacity. Officials and employees must obtain separate receipts for authorized and non-authorized City expenditures for reimbursement and auditing purposes.

Certain awards or incentives may be considered to be additional compensation to employees and will be reported on the employees' W-2 form as required by law. The City's Employee Handbook provides guidelines and procedures related to clothing benefits, conference attendance and authorized travel expenses.

Permitted Expenditures

Every City expenditure must be valid based upon the public purpose for which it is expended. The following items are deemed to meet the Council definition of public purpose expenditures:

A. Employee Recognition and Retention

These permitted expenditures are intended to serve the public purpose of recruitment and retention of personnel. These practices are meant to ensure high employee productivity and morale and reduce expenses resulting from low productivity and high turnover.

- a. City employees completing 5, 10, 15, 20, 25, 30, and 35 years of service may receive a service award not to exceed \$150 in value as determined by the City Administrator.
- b. Annually, in conjunction with the presentation of service awards, the City may sponsor an Employee Recognition event for City employees.
- c. Annually, the City may sponsor a Volunteer Recognition event to promote teamwork and coordination among the City Council, department directors, commission/committee members, and employees. This event and a token gift for volunteers also serve as de minimus compensation for the service provided by the volunteers.
- d. The City supports other events that are planned and paid for by employees to encourage team building activities.
- e. The City supports up to \$50 for a cake, or similar food, in recognition of long-time service or retirement for employees, volunteers, and elected officials.

B. Employee Wellness and Safety Programs

The City Council recognizes the importance of employee fitness and health as it relates to the overall work and life satisfaction of the employee and the overall impact on the City's health insurance plan. As such, the City Council supports an Employee Wellness Program, which has been designated to educate employees on fitness and health issues.

The incentives provided to employees through the Wellness Program are considered to be "additional compensation" for work performed by employees, but is entirely dependent on receiving funding from year-to-year. The City receives a payment from the Insurance Cooperative to be used to promote wellness among City employees.

The Employee Safety Program supports programs to promote and maintain a safe work environment. Safety incentives may be used to recognize accomplishments with an award to the department of \$150 to sponsor a team event for participating in and promoting safety practices in their respective departments.

C. Meals and Refreshments

The City Council recognizes that situations in which City business needs to be discussed and may need to occur during or adjacent to a meal hour. In addition, there are public and employee meetings and events in which reasonable refreshments may be necessary to create a more productive environment and to be responsive to participants' time schedules. The following items are deemed to meet the Council definition of public purpose expenditures in regards to meals and refreshments:

- a. Meals and refreshments are allowed when they are part of a meal hour meeting for official City business when it is the only practical time to meet. These meetings must have a pre-planned agenda and typically involve meetings with City Council members, Committee/Commission members, or local business or civic organizations.
- b. Meals and refreshments are allowed at employee meetings and events that have a purpose of discussing City issues or is a part of an employee training. These meeting must have a pre-planned agenda and do not include routine staff meetings.
- c. Meals and refreshments are allowed when work activities requiring continuous service when it is not possible to break for meals (e.g., election days, water main breaks, high profile criminal investigation, on-going emergency response activities). All non-emergency events require advance authorization by the responsible department director.
- d. City sponsored training or work-related meetings where employees are required to participate or be available during break periods and/or lunch.
- e. Annual employee events to which all employees are invited (e.g., recognition luncheon, wellness programs).
- f. Travel expenses for employees, including meals, are outlined in the Employee Handbook.
- g. No purchase of alcoholic beverages is allowed at any time.

D. Membership, Dues and Contributions

The City Council has determined that the City will fund memberships and dues (individual or organization) in professional organizations, and local social and community organizations when the purpose is to promote, advertise, improve or develop the City's resources and advantages that advance the City's efforts in improving economic development, civic, educational and governmental efficiency but such expenditures shall not have as their primary purpose the personal interest or gain of an individual employee.

Monetary contributions to civic organizations must be approved by the City Council during the annual budget process and/or by City resolution. Monetary contributions provided by the City must be for programs that serve our citizens and are deemed to meet the public purpose guidelines.

E. International, Cultural, and Economic Development Programs

The City Council has determined that funds may be expensed for the purpose of advertising the City and its resources and advantages. Sister Cities programs, or their equivalent, are expressly authorized by this provision. Funds appropriated pursuant to this authority may be allocated for activities such as preparation or advertising materials, official travel to related events, and monuments memorializing participation in such events. Funds appropriated pursuant to this authority may further be used in any manner that the City Administrator deems appropriate for the purpose of advancing the City's interests with respect to international, cultural, or economic development activities.

F. Community Events, Festivals, and Celebrations

The City Council authorizes the allocation and expenditure of funds for the purpose of hosting or participating in community events, festivals, or celebrations. The City shall not expend any funds unless it has been determined, by the City Administrator, that participation in such event shall positively advertise the City.

Appropriation of Funds

The cost of the authorized public purpose expenditures will be included in the City's annual budget and approved by the Council as part of the overall budget approval process which includes public notification and opportunity for public input regarding budgeted expenditures.

THIS POLICY SPECIFICALLY REPEALS AND REPLACES PRIOR CITY POLICIES AND ADMINISTRATIVE MEMORANDA RELATIVE TO PUBLIC PURPOSE EXPENDITURES AND PURCHASING POLICIES.

Approved:

Mayor

City Administrator

November 12, 2019

DRAFT



Public Purpose Expenditure/Purchasing Policy

Purpose: The purpose of this policy is to establish guidelines for purchases made on behalf of the City of Faribault.

1. **PURPOSE**

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- A. Ensure compliance with Minnesota Public Purpose Doctrine.
- B. Ensure compliance with the ~~City of Faribault~~ City Charter, ~~Section Chapter~~ 7.14 – Taxation and Finances.
- C. Ensure compliance with applicable state laws, in particular Minnesota Statute §471.345, Uniform Municipal Contracting.
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The following code of conduct regarding purchasing conflicts of interest and the performance of its employees will be upheld:

- a. No employee, officer, or agent may participate in the selection, award, or administration of a contract if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employees or is about to employ any of the parties indicated herein, has a financial interest or other interest in or a tangible personal benefit from a firm considered for a contract.
 - b. Officers, employees, and agents of the City may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts.
 - c. If the financial interest is not substantial or the gift is an unsolicited item of nominal value, it may be allowable upon review.
 - d. Violations of these standards by officers, employees, or agents of the City will result in disciplinary action up to and including termination.
 - e. If federal funding is involved, the City must disclose in writing any potential conflict of interest to the federal awarding agency or pass-through entity.
 - f. In keeping with the values and ethical standards expected from City employees, they should avoid the following practices when making purchases on behalf of the City:
 1. Circumventing competitive bidding requirements by splitting purchases so that they can be made through several small purchases; using the emergency procedure process when no true emergency exists; using a “sole source” exemption when competition is available; or other manners of avoiding competitive bidding.
 2. Denying one or more vendors the opportunity to bid on a contract using unnecessarily restrictive specifications; pre-qualifying bidders on a discriminatory basis; removing companies from a bidders list without just cause; requiring unnecessarily high bonding; or other manners of denying opportunities for vendors to bid.
 3. Giving favored vendors an unfair advantage by providing vendors with information regarding their competition’s offers in advance of a bid opening; making information available to favored vendors and not to others; giving un-favored vendors inaccurate or misleading information; or other manners to provide unfair advantages.
 4. Avoiding the use of outside vendors by using employees of the City to provide goods or services through their personal business practices; not providing fair opportunity to vendors for all goods or services required for City operations; or other means to use City employees as an alternative to outside vendors.
4. City employees will avoid acquisitions of unnecessary or duplicative items. In addition, each department will implement internal controls to ensure that goods and

services ordered are received, that only goods and services actually received are paid for, that goods and services ordered are necessary and that no duplicate payments are made.

5. City employees will seek out purchasing alternatives that result in the most economical outcomes. Consideration will be given to consolidating or breaking out purchases, lease versus purchase options, and other appropriate alternatives. In addition, Minnesota's Cooperative Purchasing Venture and other joint purchasing agreements will be considered.
6. Construction contracts will be awarded based on Minnesota Statute §412.311 which allows the City to use a "Best Value" alternative instead of awarding the bid to the lowest responsible bidder. Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, qualifications of key personnel and financial and technical resources.
7. The City staff will maintain records sufficient to detail the history of its purchases. These records will include, but are not necessarily limited to, the rationale for the method of procurement, the selection of contract type, the contractor selection or rejection, and the basis for the contract price.
8. The City is responsible, in accordance with good administrative practice and sound business judgement, for the settlement of all contractual and administrative issues arising out of procurements. These issues include source evaluation, protests, disputes, and claims.
9. All procurement transactions will be conducted in a manner following written procedures that provide full and open competition. For federal contracts that includes prohibiting the use of statutorily or administratively imposed state or local geographical preferences, except in those cases where applicable federal statutes expressly mandate or encourage geographical preference. In addition:
 - a. All solicitations will provide for clear and accurate descriptions of the technical requirements that must be provided for the material, product, or service to be procured.
 - b. All solicitations will identify the requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.
 - c. All prequalified lists of persons, firms, or products which are used in acquiring goods and services will be current and include enough qualified sources to ensure maximum open and free competition. Also, the eCity will not preclude potential bidders from qualifying during the solicitation period.

10. The City will take all necessary affirmative steps to assure that small and minority businesses, women's business enterprises, and veterans' business enterprises are used when possible including:
 - a. Placing qualified businesses and enterprises on solicitation lists.
 - b. Assuring that qualified businesses and enterprises are solicited whenever they are potential sources.
 - c. Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by these businesses and enterprises.
 - d. Establishing delivery schedules, when requirements permit, that encourage participation by these businesses and enterprises.
 - e. Using the services and assistance, as appropriate, of organizations such as the Small Business Administration and the Minority Business Development Agency.
 - f. Requiring the prime contractor, if subcontracts are to be let, to take the affirmative steps listed above.

11. City employees will make every effort to purchase goods and services from local vendors and award purchases to those vendors when cost effective. This can be accomplished by insuring that local and state vendors who have goods or services available are included in the competitive shopping process that will precede most purchases.

12. If the purchase of items results in the need to dispose of existing city property, the following guidelines apply:
 - a. City staff will make a recommendation to the City Council and the Council will determine if the capital assets are surplus and should be subsequently sold or disposed.
 - b. Council must approve the disposal of equipment via trade-in, which may be performed as part of the approval of the purchase of new equipment.
 - c. Surplus capital assets in a condition for sale are to be sold at public auction, online auction or through a sealed bid process with reasonable public notice regarding the upcoming sale.
 - d. Minnesota Statute [§471.345](#), subd. 17 states that a city "may contract to sell supplies, materials, and equipment which is surplus, obsolete, or unused using an electronic selling process in which purchasers compete to purchase the surplus supplies, materials, or equipment at the highest purchase price in an open and interactive environment."
 - e. No employee of the City who is a member of the administrative staff, department head, a member of the Council, or an advisor serving the City in a professional capacity may be a purchaser of property sold under this

section. Other City employees may be purchasers if they are not directly involved in the sale, if they are the highest responsible bidder in the public disposition process.

- f. Assets not in a condition for sale should be disposed of according to waste management guidelines.
- g. In all instances, the City will abide by applicable Minnesota Statutes in regards to the disposal or sale of capital assets.

13. Documented internal accounting and administrative procedures are in place to ensure proper disbursement of funds and generally accepted accounting principles will be followed.

C. Purchasing Options

The following options may be used for making public purchases:

1. Sealed Bids

- a. A formal sealed bid procedure is required for all purchases in excess of ~~\$100~~175,000 except for professional services.
- b. A published notice of bid is required in the official City newspaper at least ten days in advance of bid opening, except in cases where special assessments are intended to finance a local improvement project, in which case the City will follow statutory requirements. The published notice must state where the plans and specifications can be obtained by bidders and specifically, where the bid opening will be held. The notice may also be published on the City's official web site; however, this publication is in addition to the official newspaper publication.
- c. All bid openings are to be administered by originating department.
- d. The preparation of all specifications are to be the responsibility of the originating department.
- e. Required authorization for all plans and specifications is the responsibility of the originating department.
- f. Contract change orders may be approved by the City Administrator or his/her designee provided the total change does not exceed purchasing limitations as outlined in the City Charter. Details are provided in the Purchasing Procedures.
- g. The City Council must formally approve the bid contract.

2. State, County, and Other Cooperative Purchasing Contracts

- If it is determined that a product/service is on a state contract, vendors should be told that the purchase will be made using that contract. When completing the purchasing paperwork, note that the purchase is per state contract and indicate the contract number.
- All requirements of this policy are deemed to be met if purchases are made through the State of Minnesota Cooperative Purchasing Program.

Depending upon the purchase level of the item, appropriate approvals still apply.

3. Quotes

Quotes should be submitted in writing by the vendor. If the quotes are not written, the requestor who received the verbal quote must document the quote in writing. All such quotes must be kept on file by the department making the purchase.

4. Emergency

Emergency situations may arise where the normal purchasing process cannot be followed for the procurement of goods and services. An emergency means an unforeseen combination of circumstances that calls for immediate action to prevent a disaster from developing or occurring.

Minnesota Statute §12.29 gives the Mayor the authority to declare a local emergency for up to three days, which period may be extended by the City Council. During such an emergency, if authorized by City Council, the City is not required to use the typically mandated procedures for purchasing and contracts. During that time, the governing body may waive compliance with the prescribed purchasing guidelines, including compliance with Minnesota Statute §471.345, Uniform Municipal Contracting Law.

Whenever possible the current purchasing policies and procedures should be followed even when an emergency is declared, but as described above if the emergency requires speedy action essential to the health, safety, and welfare of the community and if there has been an emergency declaration, the standard purchasing policies and procedures can be waived in accordance with Minnesota Statute §12.37.

5. Professional Services

Professional Services are considered to be unique and are not subject to the bid law even though the contract amount may exceed \$~~100~~175,000. This group includes architects, engineers, construction managers, attorneys, accountants, consultants, and other services requiring technical, scientific or professional training.

Request for Proposals (RFPs) may be used to solicit proposals for professional services. Typical information to address in RFPs include:

- Background and scope of the project
- The project's budget to ensure that the proposals stay within that range
- Proposal requirements should include adequate information to allow for proper review and evaluation including:
 - Description of firm and qualifications, including any specialized experience related to the project
 - A list of similar projects that the firm has completed
 - Project timetables including: estimate of hours, breakdown by hours by phase, and the City's expectation of a completion date

- Designation of a firm principal who will be in charge of the project
- Résumés for all staff who will work on the project
- Statement that either no subcontractors are allowed or that all subcontractors will be identified and are subject to the City’s approval
- Estimate of cost to provide the service, outline of fee schedule and payment schedule
- Description of City’s selection process
- City’s evaluation criteria, which typically may include:
 - Quality and thoroughness of the proposal
 - Similar past experience and/or experience
 - References
 - Cost estimate
- The following statement must be included: “The City reserves the right to reject any and all proposals, waive all technicalities and accept any proposal deemed to be in the City’s best interest.”
- Submittal deadline: date, time, project name, and addressee
- Statement: “Proposers are solely responsible for delivery of their proposals to the City before the deadline. Any proposal received after the deadline will not be considered and will be returned.”
- Information about where questions should be directed

6. Lease Purchases

All operating and capital lease agreements require approval through the Finance Department and legal counsel prior to initiating a lease. Staff will conduct a lease versus purchase analysis to determine the most cost-effective method.

7. On-Line Purchases

The following guidelines are recommended for purchasing products over the internet:

- Purchases should be made only from vendors that use secure servers for e-commerce.
- Standard purchasing guidelines should be followed.

Compliance should also be assured relating to requirements outlined in the City’s Employee Handbook and all other City policies (currently in place or adopted in the future) and Minnesota State Statutes. This policy does not replace the State’s Gift Policy statutes.

EXHIBIT A

Public Purpose Expenditures

Pursuant to provisions of the Faribault City Charter, Section 7.14 – Authority for expenditures, the City Council expressly authorizes expenditures related to any of the following activities to be deemed as public purpose expenditures. All benefited full time and part time employees, elected officials and commission members will follow the public purpose expenditures guidelines. Under no circumstances will expenditures be authorized as a public purpose if made for the benefit of spouses, partners, family members, or friends of employees unless those individuals are serving in an otherwise authorized capacity. Officials and employees must obtain separate receipts for authorized and non-authorized City expenditures for reimbursement and auditing purposes.

Certain awards or incentives may be considered to be additional compensation to employees and will be reported on the employees' W-2 form as required by law. The City's Employee Handbook provides guidelines and procedures related to clothing benefits, conference attendance and authorized travel expenses.

Permitted Expenditures

Every City expenditure must be valid based upon the public purpose for which it is expended. The following items are deemed to meet the Council definition of public purpose expenditures:

A. Employee Recognition and Retention

These permitted expenditures are intended to serve the public purpose of recruitment and retention of personnel. These practices are meant to ensure high employee productivity and morale and reduce expenses resulting from low productivity and high turnover.

- a. City employees completing 5, 10, 15, 20, 25, 30, and 35 years of service may receive a service award not to exceed \$150 in value as determined by the City Administrator.
- b. Annually, in conjunction with the presentation of service awards, the City may sponsor an Employee Recognition event for City employees.
- c. Annually, the City may sponsor a Volunteer Recognition event to promote teamwork and coordination among the City Council, department directors, commission/committee members, and employees. This event and a token gift for volunteers also serve as de minimus compensation for the service provided by the volunteers.
- d. The City supports other events that are planned and paid for by employees to encourage team building activities.

- e. The City supports up to \$50 for a cake, or similar food, in recognition of long-time service or retirement for employees, volunteers, and elected officials.

B. Employee Wellness and Safety Programs

The City Council recognizes the importance of employee fitness and health as it relates to the overall work and life satisfaction of the employee and the overall impact on the City's health insurance plan. As such, the City Council supports an Employee Wellness Program, which has been designated to educate employees on fitness and health issues.

The incentives provided to employees through the Wellness Program are considered to be "additional compensation" for work performed by employees, but is entirely dependent on receiving funding from year-to-year. The City receives a payment from the Insurance Cooperative to be used to promote wellness among City employees.

The Employee Safety Program supports programs to promote and maintain a safe work environment. Safety incentives may be used to recognize accomplishments with an award to the department of \$150 to sponsor a team event for participating in and promoting safety practices in their respective departments.

C. Meals and Refreshments

The City Council recognizes that situations in which City business needs to be discussed ~~can and~~ and may need to occur during or adjacent to a meal hour. In addition, there are public and employee meetings and events in which reasonable refreshments may be necessary to create a more productive environment and to be responsive to participants' time schedules. The following items are deemed to meet the Council definition of public purpose expenditures in regards to meals and refreshments:

- a. Meals and refreshments are allowed when they are part of a meal hour meeting for official City business when it is the only practical time to meet. These meetings must have a pre-planned agenda and typically involve meetings with City Council members, Committee/Commission members, or local business or civic organizations.
- b. Meals and refreshments are allowed at employee meetings and events that have a purpose of discussing City issues or is a part of an employee training. These meeting must have a pre-planned agenda and do not include routine staff meetings.
- c. Meals and refreshments are allowed when work activities requiring continuous service when it is not possible to break for meals (e.g., election days, water main breaks, high profile criminal investigation, on-going emergency response activities). All non-emergency events require advance authorization by the responsible department director.
- d. City sponsored training or work-related meetings where employees are required to participate or be available during break periods and/or lunch.

- e. Annual employee events to which all employees are invited (e.g., recognition luncheon, wellness programs).
- f. Travel expenses for employees, including meals, are outlined in the Employee Handbook.
- g. No purchase of alcoholic beverages is allowed at any time.

D. Membership, Dues and Contributions

The City Council has determined that the City will fund memberships and dues (individual or organization) in professional organizations, and local social and community organizations when the purpose is to promote, advertise, improve or develop the City's resources and advantages that advance the City's efforts in improving economic development, civic, educational and governmental efficiency but such expenditures shall not have as their primary purpose the personal interest or gain of an individual employee.

Monetary contributions to civic organizations must be approved by the City Council during the annual budget process and/or by City resolution. Monetary contributions provided by the City must be for programs that serve our citizens and are deemed to meet the public purpose guidelines.

E. International, Cultural, and Economic Development Programs

The City Council has determined that funds may be expensed for the purpose of advertising the City and its resources and advantages. Sister Cities programs, or their equivalent, are expressly authorized by this provision. Funds appropriated pursuant to this authority may be allocated for activities such as preparation or advertising materials, official travel to related events, and monuments memorializing participation in such events. Funds appropriated pursuant to this authority may further be used in any manner that the City Administrator deems appropriate for the purpose of advancing the City's interests with respect to international, cultural, or economic development activities.

F. Community Events, Festivals, and Celebrations

The City Council authorizes the allocation and expenditure of funds for the purpose of hosting or participating in community events, festivals, or celebrations. The City shall not expend any funds unless it has been determined, by the City Administrator, that participation in such event shall positively advertise the City.

Appropriation of Funds

The cost of the authorized public purpose expenditures will be included in the City's annual budget and approved by the Council as part of the overall budget approval process which includes public notification and opportunity for public input regarding budgeted expenditures.

THIS POLICY SPECIFICALLY REPEALS AND REPLACES PRIOR CITY POLICIES AND ADMINISTRATIVE MEMORANDA RELATIVE TO PUBLIC PURPOSE EXPENDITURES AND PURCHASING POLICIES.

Approved:

Mayor

City Administrator

| ~~February 27, 2018~~ November 12, 2019

DRAFT

CITY OF FARIBAULT

RESOLUTION #2018-045

APPROVE PUBLIC PURPOSE EXPENDITURES/PURCHASING POLICY

WHEREAS, expenditures by a public entity must be authorized by statute or Charter and also must have public purpose; and

WHEREAS, the City of Faribault has only such powers as are determined by statute or Charter which may be necessarily and reasonably implied there from and may make expenditures only in the reasonable exercise of those powers; and

WHEREAS, the City Council wishes to define certain practices and procedures as they relate to public purpose expenditures and purchasing practices; and

WHEREAS, a public purpose expenditures/purchasing policy has been written, which complies with the recommendations of the Minnesota Office of the State Auditor and the League of Minnesota Cities; and

WHEREAS, the Finance Committee and Joint Committee met and a consensus were in favor of recommending City Council approval of the Public Purpose Expenditures/Purchasing Policy.

NOW, THEREFORE BE IT RESOLVED, that the attached Public Purpose Expenditures/Purchasing Policy dated February 27, 2018 is hereby adopted as written.

Date Adopted: February 27, 2018

Faribault City Council

Kevin F. Voracek, Mayor

ATTEST:

Timothy C. Murray, City Administrator



Council Committee Memorandum

TO: Finance Committee
THROUGH: Tim Murray, City Administrator
FROM: Jeanne Day, Finance Director
MEETING DATE: November 6, 2019
SUBJECT: Banking Services

Discussion:

According to the Community Management Plan, the City of Faribault is to receive proposals for banking services with local institutions every three years. The current appointment with Wells Fargo was awarded in 2011 and again in 2014. The City has been pleased with the services provided. On October 16, 2018 the Finance Committee reviewed the written request for proposal (RFP) document for banking services. Finance has solicited proposals as the RFP was sent to the local institutions on October 24, 2018. Proposals were received from:

- Citizens Community Federal N.A. (CCFBank)
- Premier Bank Minnesota
- Reliance Bank
- State Bank of Faribault
- Wells Fargo Bank

On December 4, 2018, a letter was sent to the five institutions noting that the selection of a proposal for banking services was temporarily postponed due to the Finance Director leaving. On October 1, 2019, a letter was then sent to request any amendments to the proposals. Review began on October 19, 2019 with the objective to identify the banking institution that can offer the most comprehensive services at the most competitive rates. CCFBank clearly stood out throughout this process. All Finance Staff then confirmed this selection on October 30, 2019 following an oral presentation by CCFBank.

The change in banking services would be effective January 1, 2020 but service transfers will be phased in over the months of January and February. Work involved would be ordering checks, deposit slips, deposit stamps for all City locations, modification to Springbrook software,

transferring files for utility billing debit accounts, direct deposit, ACH payments to vendors, notifying the State of Minnesota and other agencies regarding account change for electronic wires, working with our credit card vendor, and opening a night depository account for the Aquatic Facility.

Staff is requesting the Finance Committee recommend CCFBank to the City Council the appointment for banking services.

Attachments:

(None)