



POLICY AND PROCEDURE MEMO

NO. 3.004
DATE: 1-27-14 Approved
Rev: 10/2019

SUBJECT: PURCHASING POLICY

Blewin Cox
CITY MANAGER

I. STATEMENT:

- A. It is the policy of the City of Rochester that all purchases of supplies, materials, services and equipment be conducted in accordance with the guidelines stated in this policy. This policy is intended to provide overall guidance to City departments for City purchases. The Finance Director or his/her designee shall serve as the Purchasing Agent. This policy is intended to work in conjunction with Chapter 27 of the City Charter and Chapter 7 of the City's General Ordinances, regarding purchasing. For purposes of this policy any reference to Finance Director shall be synonymous with Deputy City Manager.
- B. One of the most important methods of effectively controlling purchases and the appropriations against which they are to be charged is the proper and timely use of purchase orders. To that end, it is of the utmost importance that departments follow this policy as authorization to purchase and as a means to properly manage funds by reserving a portion of departmental appropriations.
- C. A purchase order must be procured through the City's electronic requisition system before any item or service is ordered or purchased by any method. Any item or service, of a non-emergency nature, ordered prior to the purchase order requires Department Head explanation of event and corrective action. The explanation must also address whether budgetary account balances were negatively impacted by the event. Repeated violations may be subject to additional administrative actions and may include suspension of decentralized purchasing privileges. Additionally, all travel related expenditures must have a purchase order in place before any reservations, travel or commitments are made.
- D. Exceptions to this policy shall be listed within the policy or approved in advance of purchasing by the Finance Director and or City Manager.

II. DEFINITIONS

- A. Emergency Purchase Order - An emergency exists when the purchase is deemed by the Purchasing Agent to be of urgent necessity for the preservation of life, health, property, or to restore services to the public. Emergency purchases may be made by whatever appropriate means necessary to bring the emergency under control. Emergency purchases should not be exorbitant, should be only the minimum amount necessary to complete the task and be fiscally responsible.



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B. Normal Purchase Order - Normal purchases that do not meet the above emergency purchase criteria.

1. Unless specifically exempted in this policy or the City's ordinances, all purchase requests must follow the City's electronic purchasing system.

Examples of items for which purchase orders are not required are:

- a. Monthly electric bills
- b. Monthly telephone and cellular bills
- c. Monthly or quarterly water and sewer bills
- d. Monthly natural gas bills

III. PROCEDURE

A. Requisitions

1. Purchase orders begin as requisitions through the electronic purchasing system and follow a predetermined approval process.
2. Only employees with the appropriate permissions will be able to enter requisitions and approve at the various levels. Once all levels of approval have occurred the final conversion of the requisition changes the request to a purchase order.
3. All purchase requests must clearly state in the notes section or as an attachment the need for the purchase. This clarification must be provided in such a way that the average user can determine what the purchase is being made for, without the knowledge of either internal or external codes.

B. Determine if the purchase is an emergency or non-emergency

1. Emergency purchases will follow the same procedures as a normal purchase, except that the purchase order process will be after the purchase has been made. This type of purchase should happen very seldom. Begin with step "C" below.
2. Normal purchases are the norm and must be followed in all except emergency purchase orders.

C. Emergency Purchase



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1. In the event of an actual emergency the decision to make a purchase without a purchase order may be approved by the City Manager, Finance Director, Deputy Finance Director or Department Head. Once the purchase has been made, a requisition must be entered into the system the same as any other purchase request at the earliest possible time.
- D. Routine Purchase Thresholds: All purchases shall have electronic approval, and sums for each category below shall not be exceeded for any one item, or combination of items to be purchased from any single vendor. Electronic approval levels are noted for each category.
1. All purchases up to five thousand dollars (\$5,000) shall have approval of the Department Head and Purchasing Department before conversion to a purchase order.
 2. All purchases five thousand and one dollars (\$5,001) up to fifteen thousand dollars (\$15,000) shall have a minimum of three (3) quotations for the same product or service. The three quotations must be written vendor responses, no verbal quotations shall be allowed. The quotation, or notes, must be attached to the requisition request. Approval is required by the Department Head, Purchasing Department, Director of Finance, or Deputy Finance Director before conversion to a purchase order. As a rule, purchases in this category will be made based on the lowest cost. If it's in the best interest of the City to not select the lowest cost vendor detailed notes must be entered in the requisition request to justify why the lowest price vendor was not selected, and all other quotations must be attached.
 3. Purchases fifteen thousand and one dollars (\$15,001) or greater require a competitive sealed bid process. Utilization of approved vendor lists, or other approved bid lists, may be substituted for the sealed bid process with approval of City Manager, or designee. Bid results and quotation notes must be attached to requisition request. Approval is required by Department Head, Purchasing Department, Finance Director, or Deputy Finance Director, and City Manager. As a rule, purchases in this category will be made based on the lowest cost. If it's in the best interest of the City to not select the lowest cost vendor detailed notes must be entered in the requisition request to justify why the lowest price vendor was not selected, and all other quotations must be attached.



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4. Competitive Sealed Bid Substitutions: NH State Bid list, Massachusetts State Bid lists, Approved Vendor lists and other Finance approved purchasing groups may be substituted for the competitive sealed bid process.

a) Approved Vendor lists are those vendors that have had a qualifications review by the Department or Purchasing Agent. Qualifications review shall include Department's past experience with the vendor, identification of special skill sets or products, proof of insurance, and may also include professional references. The Purchasing Agent shall review and approve all approved vendor requests, hold all master approved vendor lists and be responsible for updates. Utilization of approved vendor lists as substitution for the competitive sealed bid process shall require purchase or service specifications be created and submitted to all preferred vendors at the same time, with instructions to respond to the Purchasing Agent.

b) Other Approved Purchasing groups are those groups that the City has completed the application process and has become an official member.

5. Exceptions to the section D above may be allowed for the following, provided it is determined to be in the best overall interest of the City. Categories that require approval by City Manager or designee include the following:

- a) Professional service contracts
- b) Sole Source Vendors
- c) Computers, Information Technology (IT) equipment, and software
- d) Documented reasons why bid or required quotations cannot be sourced.
- e) Emergency situations which create immediate risk to City.

E. Blanket Purchase Orders: Blanket Purchase Orders are Purchase Orders prepared to cover routine and recurring purchases from a vendor based on being awarded a bid to furnish supplies, materials or services to the City.



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Blanket purchase orders shall be limited to 1-2 months of supplies for a specific purpose. Purchase orders are processed daily and limit the need for wide ranging use of blanket purchase orders.

- F. Sole Source Vendor Requests: It is recognized that sole source vendors can under certain circumstances provide overall benefits to the City, and in some cases is unavoidable. Departments seeking to use Sole Source Vendors must submit a detailed explanation of purchase requirements, and how the arrangement is in the overall best interest of the City. Approval is required in advance by Deputy City Manager/Director of Finance, or designee.
- G. Standardization of Equipment: It is recognized that standardization of equipment can under certain circumstances provide overall benefits to the City. Departments seeking to incorporate a standardization of equipment plan must submit a detailed explanation of the benefits achieved by standardization. A standardization of equipment plan does not automatically equate to a sole source vendor relationship. If a standardization of equipment plan does create a sole source vendor situation then the Sole Source Vendor request (F) above must also be followed. Approval of standardization of equipment is required in advance by Deputy City Manager/Director of Finance, or designee.

IV. COMPETITIVE SEALED BIDDING

- A. Oversight - The bidding process falls under the oversight and monitoring of the Purchasing Agent. Immediately upon receipt by the purchasing department, the sealed envelope shall be date and time stamped with the proper stamp, located in the purchasing department in the basement of Rochester City Hall. All bids in this category must be clearly marked on the bid invitation form:

**The City of Rochester, New Hampshire, will accept sealed bids for "Bid Name".
Bids must be submitted in a sealed envelope plainly marked:**

**"Bid Name"
Bid # xx-xx
City of Rochester, New Hampshire
31 Wakefield Street
Rochester, NH 03867
Attn: Purchasing Agent**



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All bids must be received in the Purchasing Office, Basement of City Hall, no later than "Date" at "2:15" PM. Actual bid opening will begin at 2:30 p.m. No late bids, telephone, faxed, or emailed bids will be accepted. The bid specifications, appendices and proposal forms may be obtained by visiting www.rochesternh.net, or emailing purchasing@rochesternh.net, or by contacting the Purchasing Agent at City Hall, 31 Wakefield Street, Rochester, NH 03867, (603) 335- 7602. All bid questions must be submitted in writing (email preferred) to the Purchasing Agent. All bid proposals must be made on the bid proposal forms supplied, and the bid proposal forms must be fully completed when submitted.

The City of Rochester reserves the right to reject any or all bids or any part thereof, to waive any formality, informality, information and/or errors in the bids, to accept the bid(s) considered to be in the best interest of the City, or to sell on the open market if it is considered in the best interest of the City to do so. Failure to submit all information called for may be sufficient for disqualification.

B. Bid Documents - The City maintains standard bid documents for small bids, small bids with bonds and large bids. Generally large bids use engineer produced documents for large construction or specialized projects, instead of the large bid sample. (Sample documents attached).

C. Bid Development - Starting with a sample bid document described above:

1. Contact Purchasing/Accounts Payable Clerk to obtain bid number and opening date. Enter product or project specifications and make appropriate changes to headers, invitation page and all other pertinent pages.
2. Forward bid document to Purchasing Agent for review and approval.
3. After approval by Purchasing Agent the bid can be advertised and distributed. All bids will be advertised in a minimum of three mediums: the City's Purchasing/Bids website, New Hampshire Municipal Association's classified section, and a newspaper public notices section.

D. Bid Opening - Every effort will be made to open bids on Thursday afternoons beginning at 2:30 PM. Exceptions may be made upon approval of the Purchasing Agent. Bids will be read aloud upon opening in a public forum.



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E. Bid Selection - Bid selection will be made based on compliance with bidding requirements, reputation of bidder, the City's perceived ability to comply with bid requirements, price and any other criteria deemed appropriate by the Purchasing Agent as deemed to be in the best interest of the City of Rochester. All bid acceptance recommendations must be approved by the Finance Director before bid acceptance or rejection letters are released.

F. Bid Acceptance/Award and Rejection - It shall be the policy of the City to accept bids that are the lowest net cost and/or deemed to be in the best interest of the City of Rochester. Any time a bid is accepted that is not the lowest cost, clear justification shall be included in the requisition. Whenever any discrepancy on selection occurs, the Finance Director and/or City Manager will make the final decision.

1. Once accepted, a bid acceptance letter (sample attached) will be sent to the successful bidder and arrangements will be made for a formal contract if applicable. A requisition must be entered into the electronic requisition system, all approvals must be received and a purchase order processed before the actual order can be placed.
2. Bid rejection letters will be sent to all applicable bidders.
3. Bid results will be available on the City's website within 48 hours of bid opening.
4. If all bids are rejected, the bid document must be reviewed, changed accordingly and approved again by the Purchasing Agent. A new bid number and opening date will need to be authorized and the remainder of the sealed bid procedure shall be repeated.

G. Purchase Order and Payment

1. Once bid is awarded the requisition/purchase order and payment process can commence in accordance with the agreed upon terms and conditions of the vendor and related vendor contract.



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V. PURCHASING AGENT RESPONSIBILITIES

- A. Institute measures to ensure that all departments practice conservation of all commodities.
- B. Administer the disposition of all surplus municipal property.
- C. When appropriate coordinate with the School Department or other area municipal Purchasing Agents on purchasing common items of substantial value with the aim of obtaining the lowest possible cost when purchasing such items as a group. Examples are gasoline and heating fuel. The Purchasing Agent will review with Departments all recurring high to moderate volume items and their normal ordering periods to determine which items fall in this category.
- D. Review services contracts to insure they meet IRS contractual criteria and are not, in fact, employer/employee relationship agreements.
- E. Maintain bid files and related documents.
- F. Perform all other related functions.

VI. DEPARTMENT HEAD RESPONSIBILITIES

- A. Utilize requisition and purchase order process for all purchases.
- B. Anticipate the department's supplies and outside service requirements well in advance to minimize the need for emergency purchases.
- C. Work with the purchasing agent within the purchasing system to ensure the best interests of the City and Department are met.
- D. Review and compare detail invoice against PO and/or bid specifications to ensure conformity of quantity, quality and price. Notify Purchasing Agent of any discrepancy or dissatisfaction with goods or services received.
- E. Minimize the use of Blanket (open) Purchase Orders-Blanket Purchase orders shall be used only when deemed to be appropriate by both the Purchasing Agent and the department head for the purchase of recurring goods and services.



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- F. Prepare specifications for bid items and obtaining technical assistance as needed to interpret and prepare certain specifications, taking care to ensure interested vendors will not include any specifications that would favor them.
- G. Use discretion in dealing with vendors so as not to provide any preferential treatment.
- H. When purchasing supplies and materials the terms of sale "F.O.B. Destination" shall be specified to the extent possible and shall be so stated on the Purchase Order. This places the burden of the delivery and the status of the items on the seller, especially if there was damage to the shipped items. Appendix C lists all of the Terms of Sales. The most advantageous payment terms should also be sought, ideally 30 days from Date of Receipt.
- I. Upon delivery of materials or completion of services an inspection and acceptance by the Department Head or his/her designee will be performed to ensure that the specifications or terms of the contracts/agreements, as amended when necessary, have been fully met. This would include Progress Payments, if part of the terms. Payment Authorizations would then be processed via the City's payment processing system.
- J. In the case of materials, if received with visible damage, it will be immediately brought to the attention of the delivering carrier and noted on the freight bill at the time of delivery. Appendix A lists the various terms and a description of their meanings along with general instructions of what to do in the event of visible damage.
- K. If there is concealed damage, the Department Head or his/her designee shall contact the delivering carrier and the vendor immediately and all packaging shall be saved for inspection.
- L. If materials or services do not meet the terms of the purchase or contract, the Department Head will withhold payment.

VII. FINANCE DIRECTOR RESPONSIBILITY

- A. Through the electronic requisition process, all requisitions shall certify available funds for all requisitions before the order or purchase is made.
- B. Oversee all purchasing functions.



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- C. The Finance Director, or designee will work with all departments to correct any discrepancies of the purchasing process. The City Manager will be notified only when abuses of the purchasing process occur or if resolutions between the Finance Director and Department Head cannot be reached. Authorization to purchase shall be withheld until the matter is resolved to the Finance Director's satisfaction.

VIII. REQUEST FOR TRANSFER OF FUNDS

- A. In the event that funds, in any particular budget line, are not sufficient to meet the departments purchasing needs, transfer requests may be made to supplement the appropriate line for the purchase. Purchase requests must be charged to the appropriate budget line in all instances. Splitting a charge between budget lines due to insufficient funds is not acceptable. The following protocol should be used to transfer funds between budget lines.
1. Funds will not be transferred from wage and benefit lines except under extremely rare circumstances on a case-by-case basis.
 - a. A memo should be submitted to the Finance Director, or designee, by the Department Head to explain the reason for this request. No budget transfers from wage and benefit lines should be done until after the Finance Director, or designee, has reviewed and approved the memo.
 2. Funds will not be transferred between departments without City Manager (or designee's) approval.
 3. Determine which budget line the necessary funds are to be transferred from.
 - a. Electronic request of a transfer must be made to the to the Finance Director, or designee, with an explanation of why the transfer is necessary and exactly which lines the funds will be transferred from and to.
 - b. Once the transfer request is approved and posted, the account is ready for the requisition process to begin.



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APPENDIX A

TERMS OF SALES

1. F.O.B destination, freight prepaid (Preferred Terms)

Seller	Pays freight charges
Seller	Bears freight charges
Seller	Owens goods in transit
Seller	Files claims, if any

2. F.O.B. origin, freight collect

Buyer	Pays freight charges
Buyer	Bears freight charges
Buyer	Owens goods in transit
Buyer	Files claims, if any

3. F.O.B. origin, freight prepaid

Seller	Pays freight charges
Seller	Bears freight charges
Buyer	Owens goods in transit
Buyer	Files claims, if any

4. F.O.B. origin, freight prepaid and billed

Seller	Pays freight charges
Buyer	Bears freight charges
Buyer	Owens goods in transit
Buyer	Files claims, if any

- END OF PROCEDURE -

See Attached Form(s):

Invitation to Bid Package - Example

Bid Acceptance letter - Example

Bid Non-Acceptance Letter - Example

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