

## **PURCHASING POLICY**

### **1.0 Purpose**

- 1.1 To establish orderly purchasing policies and procedures to guide authorized City personnel in the procurement of construction, repair and maintenance projects, supplies and services in accordance with the requirements of state law, the City Charter, and the City Code, including Chapter 38 of the City Code relating to the Purchasing Agent (City Manager).
- 1.2 The City Manager or designee is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. Specifications for the internal controls will be documented in a Purchasing Procedures Manual.

### **2.0 Scope**

- 2.1 This Directive governs all purchases for The City of Lake Forest, except as otherwise provided by state law, the City Charter or the City Code. The policy and supporting procedures address who is authorized to approve various purchases, flexible purchasing, open market purchasing, competitive bidding, requests for proposals, qualification based selection, and general requirements applicable to all purchases.
- 2.2 Any dollar amounts used in this Directive shall be gross of (including) the value of any trade-in of City property, where a trade-in is applicable.

### **3.0 Definitions**

For the purposes of this Directive, the following terms are defined as follows:

**"Change Order"**: A change to a contract, made after it has been approved by the City that alters the term of the contract, the contract price, or the obligations of the parties.

**"Construction"**: The building, altering, repairing, improving, or demolishing of any public improvement.

**"Contract"**: An agreement, either oral or written, regardless of what it may be called, to purchase construction, repair and maintenance projects, supplies or services.

**"Contract Price"**: The approved price for any contract, and shall be gross of (including) the value of any trade-in of City property.

***“Department Head”***: Administrative officer of the City or Department Designee who is authorized to approve purchases up to \$4,999.

***“Department Supervisor”***: Administrative officer of the City, approved by the Department Head, who is authorized to approve purchases up to \$1,000.

***“Encumber/Encumbrance”***: To allocate funds in advance of incurring an expense, ensuring compliance with the City’s annual budget and appropriations ordinance.

***“Finance Department”***: Director of Finance or designee who is authorized to administer all purchases.

***“Local Vendor”***: A vendor or supplier located within the corporate limits of the City.

***“Professional Services”***: Services which due to their nature or complexity require a high degree of professional skill.

***“Public Improvement”***: Any public building or structure or other improvement of any kind on public property or easement or other rights of The City in land, including without limitation water mains, sanitary sewers, storm sewers, bridges, roads, streets, alleys, street lighting, sidewalks, parkways, parking lots, parks and recreation areas.

***“Purchase”***: The buying, renting, leasing or otherwise acquiring of any construction, repair and maintenance projects, supplies or services.

***“Purchasing Agent”***: The City Manager of The City of Lake Forest or designee. In this Directive, the Purchasing Agent may also be referred to as the City Manager who is authorized to approve all purchases.

***“Services”***: The furnishing of labor, time, or effort by a contractor, not involving the delivery of a specific end product other than reports that are merely incidental to the required performance. Services shall not include services performed pursuant to employment agreements or collective bargaining agreements.

***“Sole Vendor/Source”***: A supplier or vendor who is the only available source for a particular product or services.

***“Supplies”***: All property, including but not limited to, equipment, materials, and printing, but excluding any interest in real estate.

***“Territorial Supplier”***: A supplier/vendor of goods or services who is designated to service a specific geographic area, including the City of Lake Forest.

***“Third-Party Payee”***: The recipient of payment for provision of goods or services provided to or on behalf of the City when such payment is made by another party.

#### **4.0 Authorization of Purchases**

- 4.1 Under \$1,000. All purchases for construction, repair and maintenance projects, supplies and services in amounts less than \$1,000 must be approved by a Department Supervisor **or** the Department Head or another employee authorized by the Department Head. Such approvals will be granted within the City's financial software and a purchase order is not required.
- 4.2 \$1,000 to \$4,999. All purchases for construction, repair and maintenance projects, supplies and services in amounts greater than or equal to \$1,000, but less than \$5,000, must be approved by a Department Supervisor **and** the Department Head or designee. Such approvals will be granted within the City's financial software and a purchase order is not required.
- 4.3 \$5,000 to \$ 24,999. All purchases for construction, repair and maintenance projects, supplies and services in amounts of \$5,000 or greater, but less than \$25,000, must be approved by a Department Supervisor, the Department Head or Designee, the Finance Department, and the City Manager. Such approvals will be granted within the City's financial software and a purchase order is required prior to incurring the expense in order to encumber the funds.
- 4.4 \$25,000 or More. All purchases for construction, repair and maintenance projects, supplies and services in amounts of \$25,000 or more must be approved by a Department Supervisor, the Department Head, the Finance Department, the City Manager and the City Council. Such approvals will be granted within the City's financial software immediately following approval by City Council Action and a purchase order is required prior to incurring the expense in order to encumber the funds.
- 4.5 Related Purchases. Related purchases that will be necessary or required in order to complete a project or facility within the fiscal year, or within 120 days regardless of fiscal year, shall be treated as a single procurement and the sum of the related purchases shall be used to determine the applicable level of authority under Section 4.0.
- 4.6 Credit Approval.
  - A. Vendor Accounts. The Finance Department is responsible for maintaining a list of all authorized vendors with the City. New vendors will be required to submit documentation (i.e. W-9) to the Finance Department before being established as an authorized vendor.

- B. Credit Cards. All City credit cards and credit limits for City employees and officials must be approved in advance by the City Manager, upon recommendation of the applicable Department Head.
  - C. House Accounts. Vendors may allow City employees and officials to purchase items “on account”. Examples include Home Depot, Lowes, Mutual, Sunset Foods and Jewel and such vendors may or may not require a card in the employee’s name. When making a purchase for the City on account, the employee shall provide sufficient documentation to allow the Finance Department to route the invoice or statement to the appropriate department. At a minimum, the employee’s name shall be provided and signatures must be legible.
- 4.7 Lease and Installment Contracts. All leases and all options or installment purchase contracts must be approved by:
- A. the City Manager in all cases; and
  - B. the City Council in cases where the amount is \$25,000 or more over the life of the lease.
- 4.8 Contracts: All contracts must be approved by:
- A. Department Head or Designee – contracts less than \$5,000
  - B. City Manager – contracts \$5,000 - \$24,999
  - C. City Council – where the amount is \$25,000 or more over the life of the contract.
- 4.9 Legal Services: Invoices for legal services in the amount of \$1,000 or greater must be reviewed and approved for payment by the City Council Finance Chairman before a check is issued.

## **5.0 Purchasing Policies**

- 5.1 Appropriation Required. All purchases authorized under this Directive must correspond to funds appropriated and budgeted by the City Council for the fiscal year in which the purchase is made.
- 5.2 Flexible Purchasing. Purchases for construction, repair and maintenance projects, supplies and services involving an expenditure less than \$5,000 may be awarded pursuant to the method determined by the Department Head to be the most effective means of obtaining the best value for the City and its residents.

- 5.3 Open Market Purchasing. Purchases for construction, repair and maintenance projects, supplies and services involving an expenditure of \$5,000 to \$25,000 must be awarded in conformance with Open Market Purchasing Procedures unless an exception is granted by the City Manager.
- 5.4 Competitive Bids. All purchases for construction, repair and maintenance projects, supplies and services involving an expenditure of \$25,000 or more must be awarded to the lowest responsible bidder in conformance with Competitive Bidding Procedures unless an allowable exception or waiver is granted by the City Council. For eligible professional services, a qualification based Request for Proposal process meets the competitive bid requirement provided cost is included in the evaluation criteria.
- 5.5 Grant Funded Projects: Projects funded via Federal/State/Local Grants, including pass through outside agencies, must follow Administrative Directive 3-6.
- 5.6 Subdivision Prohibited. No purchase shall be subdivided to avoid the requirements of the Competitive Bidding Procedures and Open Market Purchasing Procedures and any other Section of this Directive. This prohibition shall not prevent the repetitive purchase of construction, repair and maintenance projects, supplies and services which are purchased over a period of time and that cannot be reasonably anticipated in advance. When repetitive purchases are anticipated to exceed \$25,000 cumulative in a fiscal year for a specific vendor, the purchases must be approved through competitive bid, inclusion on the approved vendor list, or approved by the City Manager and City Council Finance Chairman. On a quarterly basis, the City Council Finance Chairman shall receive a list of vendors that have been paid year to date \$25,000 or more.
- 5.7 Approved Vendor List.
- A. Distribution and Use of Vendor List. The City Manager shall, not less than annually, issue a list of vendors and suppliers with which City departments may contract for recurring purchases of supplies or services totaling more than \$5,000 annually. All departments are required to consult this list before procuring supplies or services.
- B. Updating the Vendor List. The City Manager shall make periodic solicitations for contracts or guaranteed price arrangements for recurring purchases of supplies or services totaling more than \$5,000 annually. The Department Heads shall meet at the direction of the City Manager to prepare an assessment of their combined needs for the supplies or services which they shall report to the City Manager. If the Department Heads determine that they have a common need for supplies or services for which the City does not have a current contract or guaranteed price arrangement, they shall inform the City Manager of this need.

C. Vendor List Approvals:

- (i) Vendors or other providers delivering supplies or services on an unspecified but ongoing basis in annual amounts anticipated to be \$25,000 or more, such contracts or similar authorizations shall be presented to the City Council for consideration as part of the review and approval of the City's annual budget. If such vendor is identified after approval of the budget, a vendor approval form shall be submitted to the City Council Finance Chairman for approval.
- (ii) Contracts relating to insurance-related services from vendors on an unspecified but ongoing basis in annual amounts anticipated to be \$25,000 or more, but whose costs for services are established on a calendar year basis, such contracts or similar authorizations shall be presented to the City Council for consideration prior to the beginning of the calendar year for which services are to be provided.
- (iii) Contracts relating to supplies or services of a regular but routine nature for which savings might be attained through multi-year arrangements in which the annualized amount of the contract is expected to total \$25,000 or more, such contracts or similar authorizations shall be competitively bid and presented to the City Council for consideration and approval as directed by the City Council.
- (iv) Contracts with vendors or other providers delivering instructional services as part of fee-based recreational programs may be approved by the City Manager provided that:
  - a. The total amount approved for such contracts or other authorizations by the City Manager do not exceed the amounts set forth in the City's annual budget; and
  - b. The budgeted amount for such contracts or similar authorizations does not exceed \$75,000.

5.8 Local Sources and Preference.

- A. Local Sources. The City Manager shall endeavor to include vendors located within the City for purchases subject to this Directive where practical.
- B. Local Preference. The City Manager is authorized to accept the bid or quote of a Local Vendor where the quality, customer service, responsiveness, and other aspects of the Local Vendor and its bid or quote are at least equivalent to the lowest vendor and its bid or quote.

5.9 Online Purchases: Online purchases must be from reputable sources, reducing the risk to the City. All personal and credit card information transmitted through the internet must be protected with a current, secure encryption protocol that protects

data as it travels over the Internet. Care should be taken with City information to prevent fraudulent charges. If the option is provided, do not store any payment information (e.g., credit card numbers) on any website. Approval processes and procedures must be followed as outlined in section 4.0, ensuring the best possible price.

- 5.10 Change Orders and Contract Modifications: All change orders and contract modifications must have sufficient budgetary authority. If a change order or contract modification will exceed budgetary authority, it must be approved by the City Council. Change orders and contract modifications must be documented in writing. For purposes of this section, “original contract price” shall mean the base contract amount approved, exclusive of any contingency approved by the City Council.
- A. Department Head's Authority: Other Than Construction. In procurements other than for construction, the Department Head responsible for supervision of any contract shall have authority to authorize any change to such contract that, when added to all other changes to such contract, would not increase the original contract price by more than 10% or \$2,000, whichever amount is less. If the change order plus the original contract is \$25,000 or more, the contract will require City Council approval.
  - B. Department Head's Authority: Construction. In procurements for construction, the Department Head shall have the authority to authorize any change to a contract for construction that would not increase the original contract price approved by the City Council. If a contingency amount above the original contract price is approved by the City Council, the department head shall have authority to approve any change order that when combined with all previous change orders, increases the original contract price by the lesser of 10% or \$10,000.
  - C. City Manager's Authority. The City Manager shall have authority to authorize any change to a contract that, when added to all other changes to the contract, would not increase the contract price as authorized by the City Council, inclusive of any contingency amount approved as part of the City Council approval. If no contingency amount was authorized as part of the City Council’s approval, the City Manager shall have the authority to approve any change to a contract that, when added to all other changes to the contract, would not exceed the original contract price by more than 5% or \$25,000, whichever amount is less.
  - D. City Council's Authority. The City Council shall have authority to authorize all other changes to contracts.

E. Justification. Any change to a contract that, when added to all other changes to the contract, increases the original cost of the contract by \$10,000 or more shall not be approved without a written determination that explains:

- (i) the circumstances said to necessitate the change were not reasonably foreseeable at the time the contract was signed; or
- (ii) the change is germane to original contract as signed; or
- (iii) the change is in the best interest of the City.

Each such change order and each such written determination shall be preserved in the contract's file. 720 ILCS 5/33E-9.

F. Re-Bid Required. Any change order to a City public works contract that, when added to all other changes to the contract, increases the original price of the contract or any subcontract by 50% or more, shall require the portion covered by the change order to be resubmitted to bidding or quotes in the same manner as applicable to the original contract or subcontract. 50 ILCS 525/2 *et seq.*

G. Emergencies. All emergency change orders must be presented to the City Manager as soon as practical, and those requiring City Council approval must be submitted to the City Council for ratification at the next scheduled Council meeting.

5.11 Procurements Funded by "Donated" Funds. Any procurement of construction, repair and maintenance projects, supplies and services to be funded by monies donated to the City by third parties shall be governed by the terms of this Directive. This limitation does not apply to public improvements constructed pursuant to an annexation, subdivision or development agreement.

5.12 Information Technology and Computer Procurements. All new purchases in the area of information technology, e.g. hardware, software, hosted services (Cloud), etc. are subject to the evaluation and approval of the IT Department prior to commencing the purchase process.

5.13 City's Reservation of Rights. The City shall have the authority to reject the low bid, to accept any item of a quote or bid, to reject any and all quotes or bids, to accept and incorporate corrections or clarifications following bid opening and to waive irregularities and informalities in any quote or bid submitted or in the bidding process, when to do so would not, in the City's opinion, prejudice the bidding process or create any improper advantage to any bidder.

5.14 Third-Party Payee. The City Manager or other person designated by this Directive shall seek to limit purchases involving a Third-Party Payee, as this violates the City's required reporting of vendors to the Internal Revenue Service (ie. 1099



reporting). All purchases involving a Third-Party Payee shall be subject to City Council approval if the payment to the Third-Party Payee is reasonably expected to exceed \$25,000 over the life of the contract or engagement. The only exceptions to this are limited to: 1) construction contracts in which the City Council has approved a contract with a general contractor who may pay sub-contractors for portions of the work provided to the City, or 2) joint purchases of goods/services for which an agency has agreed to serve as the primary agency on behalf of all participating agencies.

- 5.15 Tax Exempt Status. City purchases are granted exemption from sales tax by the Illinois Department of Revenue. City employees should ensure tax—exempt status is communicated to City vendors at the time of purchase.

## **6.0 Exceptions and Waiver of Competitive Bidding**

- 6.1 Exceptions to Procedural Requirements. Except when otherwise directed by the City Manager, the City Council, Federal Grant or State Grant, policies outlined in this Directive and its associated purchasing procedures will not apply in the following circumstances, regardless of the amount of the expenditure.

- A. Emergency Purchases. Purchases or contracts that are necessary in the case of accident or other circumstances creating an emergency where necessary to protect life, the public health and safety, and public property may be entered into by the City Manager, who shall follow Open Market Purchasing Procedures when practicable. All emergency purchases and contracts involving expenditures of \$25,000 or more must be presented to the City Council for ratification at the next scheduled Council meeting. Emergency change orders are subject to Section 5.10.
- B. Sole Source Purchases. Contracts for construction, repair and maintenance projects, supplies and services that are produced or provided by only one supplier or vendor may be awarded without engaging in Flexible Purchasing, Open Market Purchasing or Competitive Bidding. Purchases of \$25,000 or more will require City Council approval.

For this exception to apply, the following steps must be followed:

- (i) The Department Head or City Manager, depending on the level of expenditure, shall specify such supplier's or vendor's make or brand in an invitation to bid, and shall attempt to obtain competitive bids from authorized dealers or distributors of such supplier or vendor and, if possible, directly from such supplier or vendor and the contract for the construction, repair and maintenance projects, supplies and services shall be awarded to the lowest responsible bidder.

- (ii) If the Department Head or City Manager determines that there is only one supplier or vendor of the construction, repair and maintenance projects, supplies and services the City requires, the Department Head or City Manager is authorized to negotiate and to recommend to the City Manager or City Council, as applicable, a contract with such supplier to purchase the construction, repair and maintenance projects, supplies and services at prices or on terms most advantageous to the City.
- (iii) In such a case, the Department Head or City Manager shall make a written determination that such supplier is the sole source for such construction, repair and maintenance projects, supplies and services. The written determination shall be on the Vendor Approval Form or as otherwise required by the City Manager, and noted in the financial system.

C. Special City Requirements Purchases. Contracts for construction, repair and maintenance projects, supplies and services that are produced or provided by only one supplier or vendor meeting special City requirements may be awarded without engaging in Flexible Purchasing, Open Market Purchasing or Competitive Bidding. Procurements of \$25,000 or more will require City Council approval. For this exception to apply, the following steps must be followed:

- (i) If the Department Head or City Manager determines that there is only one supplier or vendor that can provide the construction, repair and maintenance projects, supplies and services within the special parameters required by the City or pursuant to an overall plan for procurement to achieve improved public service or long term operational efficiencies for the City, the Department Head or City Manager is authorized to negotiate and to recommend to the City Manager or City Council, as applicable, a contract with such supplier to purchase the construction, repair and maintenance projects, supplies and services at prices or on terms most advantageous to the City.
- (ii) In such a case, the Department Head or City Manager shall make a written determination of the basis for the special City parameters or overall plan for procurement to achieve improved public service or long term operational efficiencies for the City and that such supplier is the sole source for such construction, repair and maintenance projects, supplies and services. The written determination shall be on the Vendor Approval Form or as otherwise required by the City Manager, and noted in the financial system.

D. Government Joint Purchases. Contracts for joint purchasing of construction, repair and maintenance projects, supplies and services with one or more governmental units shall conform to the requirements of applicable law, such

as, without limitation, the Governmental Joint Purchasing Act, 30 ILCS 525/0.01 *et seq.*, and the Intergovernmental Cooperation Act, 5 ILCS 220/1 *et seq.*, or be approved pursuant to the City's home rule powers. Qualified joint purchasing contracts may include procurements made through the Northwest Municipal Conference, the Illinois Park and Recreation Association Cooperative Purchasing Program, the State of Illinois Department of Central Management Services, National Intergovernmental Purchasing Alliance (National IPA) National Joint Powers Alliance (NJPA) and the federal General Services Administration. Nothing shall prevent the City from seeking quotes and bids and making purchases from vendors who can provide lower prices than those available through joint purchasing programs for equivalent or better items. This exception shall apply only for government joint purchases that have been competitively bid by the awarding agency or an affiliate. All contracts \$25,000 or more require City Council approval.

- E. Matching Funds. Where a condition of a grant or loan of funds to the City requires the City to provide City funds as matching funds or for other purposes related to the grant or loan, the full amount of the grant or loan contract must be approved pursuant to authorization levels set forth in Section 4.0. Projects funded through a grant must meet the requirements set forth in Administrative Directive 3-6.
- F. Purchases for Resale. Contracts for the purchase of supplies for the purpose of resale (e.g., golf balls for resale at golf course pro shop or theater tickets for resale for senior center events) may be awarded without engaging in Flexible Purchasing, Open Market Purchasing or Competitive Bidding Procedures.
- G. Membership in Trade or Professional Organizations, Lobbying Groups and Governmental Services. Membership in trade or professional organizations, lobbying groups and governmental services (e.g., the Northern Illinois Regional Crime Lab) are not subject to the Flexible Purchasing, Open Market Purchasing and Competitive Bidding Procedures.
- H. Private/Public/Educational. Membership in private, public or educational groups (e.g. Midwest Higher Education Compact (MHEC)) are not subject to the Flexible Purchasing, Open Market Purchasing and Competitive Bidding Procedures.
- I. Existing Relationship. If the City already has a satisfactory existing relationship with a firm providing the services, or the vendor has been approved by the City Council during the annual approval of the vendor listing, then contracts for purchases may be awarded without engaging in Flexible Purchasing, Open Market Purchasing or Competitive Bidding procedures. Contracts of \$25,000 or more will require City Council approval.

- 6.2 Waiver of Procedures. Contracts for construction, repair and maintenance projects, supplies and services that exceed \$25,000, have not been competitively bid, are not included on the approved vendor list and do not qualify for an exception under section 6.1 require an express waiver of procedures approved by a two-thirds vote of the City Council.

## **10.0 Petty Cash Policy**

- A. A limited number of employees may be authorized by their Department Heads to make purchases with petty cash funds. Petty cash should only be used to pay for reimbursement of employees in amounts of \$75.00 or less, with the exception of the Chief of Police Investigative Fund.
- B. All purchases made with petty cash must be documented by a petty cash voucher form properly signed by the purchaser and accompanied by any available supporting bill or authorization.

## **10.5 Receipt of Goods.**

By entering and approving an invoice for payment, the applicable department is confirming receipt of the goods. As an enhanced internal control, it is recommended that purchases of \$5,000 or more from the categories listed below require two signatures on the packing slip or on the invoice attesting to the fact that the items shown have been received by the City. The individuals who sign should also **legibly print their names** under their signatures and include the date received. The individuals that sign should be the individuals that witness the receipt of the goods.

The items affected are:

- 1. Chemicals
- 2. Computer equipment
- 3. Equipment
- 4. Merchandise for the pro shop
- 5. Plants, trees, flowers, shrubs
- 6. Salt
- 7. Sand
- 8. Sod
- 9. Tools

## **11.0 Contingency Account Administration**

- 11.1 Contingency accounts may be established in various City Funds to address unanticipated expenses during the fiscal year. The City Council shall establish the amounts to be budgeted in contingency accounts annually.

## 11.2 General Contingency Account Procedures.

- A. Minimum amount of expense to be charged to a Contingency Account is \$500.
- B. Departments requesting allocation of contingency funds must first complete a “Contingency Request” form, as established by the Finance Director, and submit to the City Manager’s Office. Once approved by the City Manager’s Office, the form is to be forwarded to the Finance Director. Departments are prohibited from incurring any contingency expense prior to submitting and receiving approval of a Contingency Request. The Contingency Request form must indicate the total anticipated payments if the expense will not be billed in a single invoice.
- C. Contingency requests \$25,000 or more require City Council approval.
- D. Requisition entry and approval levels – Immediately upon receipt of an approved Contingency Request form, the Finance Department shall initiate requisition entry, at which time the requesting department may proceed with the expense. Invoices to be charged to a contingency account are to be approved for payment with manual signatures and submitted to the Assistant Finance Director for payment processing. Primary and secondary requisition approvers shall be as follows:
  - a. Requisition Entry – Assistant Finance Director/Accountant
  - b. Supervisor Approval – Accountant/Assistant Finance Director
  - c. Department Approval – Finance Director/Assistant Finance Director
  - d. City Manager Approval – City Manager/Assistant to the City Manager

## 11.3 Monthly Reporting

- A. The Finance Department shall prepare a monthly contingency report denoting all contingency requests approved. This report shall include the account number, vendor, description and amount. The amount shall distinguish between expended and encumbered totals as of each month end.
- B. The monthly Contingency Report shall be distributed to the Finance Director, Assistant Finance Director, City Manager and City Council Finance Chairman.

## 11.4 Additional Limits on Contingency Requests

- A. An expense to be charged to a Contingency Account in a single fiscal year shall be limited to less than \$25,000 unless approved by the City Council. This limit shall apply to the sum total of all individual payments to be made in a fiscal year.

- B. An expense to be charged to a Contingency Account over multiple fiscal years shall be limited to a grand total of \$50,000 when all payments are combined, unless approved by the City Council.

## **12.0 Annual Review**

Administrative Directive 3-5 shall be reviewed annually by the City Council Finance Committee. Procedures and Forms related to Administrative Directive 3-5 shall be reviewed annually by the City Manager and/or the Finance Director.

## **13.0 Distribution**

Human Resources website: [www.citylf.org](http://www.citylf.org).

Jason Wicha  
City Manager