

**TO: All Town Employees**  
**FROM: John O'Keefe, Town Manager**  
**RE: Town Procurement Policy**  
**DATE: April 15, 2009**

The Selectboard recently adopted the following Policy regarding procurement, (defined as the purchasing of goods and services).

**POLICY PURPOSE:** The purpose of the Policy is to create a process for purchasing goods and services that will increase efficiency, promote fairness, accountability and confidence, and provide necessary supplies and services in a timely and cost effective manner. The purpose of this policy is **not** to create a bureaucratic system that forces the Town to make poor decisions or procure products and services that do not meet the Town's needs or goals.

**POLICY STATEMENT:** The Town shall purchase goods and services using a competitive process with the overall goal of receiving the best product or service at the lowest price. Procurement shall be based on quality of the goods and services offered, cost, ability of the vendor to provide future maintenance, and the ability, capacity and skill of the vendor (usually demonstrated under prior contracts with the Town).

**GENERAL PROVISIONS:** Only the Town Manager may approve PURCHASE ORDERS. Please do not attempt to circumvent this Policy by splitting orders or underestimating purchase prices.

All purchases involving food or catering must be approved by the Town Manager prior to purchasing or contracting.

Only the Town Manager or the Selectboard (or Board of Water Commissioners) are authorized to sign legal documents, memoranda of understanding, contracts, agreements, and grant applications. Documents signed by other Town employees will be considered null and void.

Appointed board members and volunteers may not procure goods or services and may not bind the Town financially or legally, unless otherwise provided for in State law. Please note that all requests for reimbursement (with the exception of mileage and food as provided for in the Town's Reimbursement Policy) and procurement by non-Town employees and unauthorized personnel will be denied.

Credit applications or Vermont Sales Tax Exemption Certificates requests from vendors should be submitted to the Finance Office for completion.

This Policy is not intended to supersede State or Federal laws and/or requirements. Procurement involving State or Federal grants or funds must comply with all applicable requirements and laws.

Department heads may delegate Tier 1 and Tier 2 purchases to fulltime employees; however, the department head is responsible for oversight.

Please remember that employee reimbursements are governed by the Town's Reimbursement Policy.

**PURCHASING CATEGORIES:** With the exception of emergencies (as defined herein), it is imperative that department heads seek and obtain permission for Tier 3 and Tier 4 items from the Town Manager using the PROCUREMENT REQUISITION WORKSHEET and PURCHASE ORDER process **before** obligating the Town of Manchester. Obligating means ordering or accepting delivery of products or services. Please note that a Purchase Order is required for all purchases greater than \$1,000.00.

**Tier 1: Up to \$499.99**

These items tend to be incidental or smaller in nature. For example, new windshield wiper blades for a truck or two new basketballs. PROCUREMENT REQUISITION WORKSHEET and PURCHASE ORDER are not required for procurement in this Tier. Please remember that office supplies and other general operations commodities are now ordered centrally through the Town Manager's Office. Please call Ioana Drew at 362-1313 or email her at i.drew@town.manchester.vt.us.

**Tier 2: \$500.00 to \$999.99**

Obtain not less than three verbal or written quotes from suppliers or contractors. PROCUREMENT REQUISITION WORKSHEET is required for procurement in this Tier; department heads shall submit the PROCUREMENT REQUISITION WORKSHEET with the invoice and/or receipts during the Accounts Payable process. If three quotes cannot be obtained department heads shall receive a waiver from the Town Manager prior to ordering or procuring the product or service. Purchase Order is not necessary.

**Tier 3: \$1,000.00 to \$4,999.99**

Solicit not less than three written quotes from suppliers or contractors. PROCUREMENT REQUISITION WORKSHEET and PURCHASE ORDER are required for procurement in this Tier. Do not order the product or service until the PURCHASE ORDER is approved by the Town Manager. Please attach the written quotes to the PROCUREMENT REQUISITION WORKSHEET.

**Tier 4: \$5,000.00 and Above**

This Tier requires department heads to solicit formal sealed bids using newspaper advertising with a public bid opening, as well as PROCUREMENT REQUISITION WORKSHEET and PURCHASE ORDER. Do not begin the bidding or RFP process until the Town Manager approves the PURCHASE ORDER. Please attach all bidding documents to the PROCUREMENT REQUISITION WORKSHEET.

The following components shall be included in any Tier 4 purchase:

1. The department head shall prepare specifications that detail the product or service to be procured. Products and services may be procured using (1) the bidding process or (2) a Request for Proposal (RFP). The Town Manager shall determine the appropriate format (bid or RFP).

2. An advertisement that concisely describes the product or service to be procured, Bid or Request for Proposal (RFP) for at least one week in *The Manchester Journal*. The Town Manager may waive this advertising requirement if the department head can demonstrate that advertising the Bid or RFP would not attract any additional respondents. Ideally, the RFP bid should be published on the Town's website.
3. Directly notify any and all known possible respondents of the Bid or RFP.
4. Include any insurance requirements that shall apply to the selected respondent.
5. Include the deadline (date and time) for responses. Also include the date, time and location of the public Bid or RFP opening. Bid openings are always at the Town Manager's Office. Please coordinate with the Town Manager's Office before scheduling a bid opening.
6. Include a statement of the rights of the Town of Manchester "to reject any and all Bids or RFPs if doing so is deemed by the Town to be in the best interests of the Town of Manchester."

Department Heads shall submit the PROCUREMENT ACQUISITION WORKSHEET form to the Town Manager's Office for approval. When the PROCUREMENT ACQUISITION WORKSHEET is approved, a copy of the PURCHASE ORDER (filled out by the Town Manager's Office) will be delivered to the department head. At this point the department head may place an order for the goods or service. The Town Manager's Office shall attach PROCUREMENT REQUISITION WORKSHEET and PURCHASE ORDER to the payment voucher and invoice during the Accounts Payable (AP) process. Delivery of goods or services without an approved PURCHASE ORDER, as required by this Policy, may result in nonpayment of a submitted invoice. Failure to adhere to this Policy may result in disciplinary action.

#### **PROCUREMENT POLICY WAIVERS:**

**GENERAL WAIVER:** Procurement decisions shall be based on quality of the goods and services offered, cost, ability of the vendor to provide future maintenance, and the ability, capacity and skill of the vendor as well as warranties and guarantees. At the request of a department head, the Town Manager may grant a waiver when the department head has demonstrated that (1) the lowest bid is not an appropriate product or service for the Town's needs, (2) another bid has provided a better product or service for marginally more than the lowest bidder or (3) another bid has better ability to maintain the product.

**WAIVER FOR MANCHESTER-BASED BUSINESSES:** The Town Manager may grant a waiver when a Manchester-based business, defined as a business that pays (1) property taxes to the Town of Manchester or (2) local option taxes (sales tax, meals and alcohol tax or rooms tax), if the department head requests an exemption; provided that, when compared to the lowest bidder, the Manchester-based business is providing a similar product at only a *slightly* higher price. A Manchester-based business does not include Manchester residents who own businesses outside of Manchester.

**SOLE SOURCE VENDOR:** A Sole Source Vendor is a vendor approved by the Town Manager to provide certain goods and services for the Town. This is typically done for commodities (such as salt, electricity,

heating fuels, diesel and gasoline), systems or products that are proprietary and when only one vendor exists, such as a franchise.

**EMERGENCY PURCHASES:** Emergency purchases are those urgent purchases of goods and services that are required to protect the public health, safety and welfare. A Purchase Order is not necessary for these types of items. The following employees are authorized to make emergency purchases: Chair of the Selectboard, Town Manager, Police Chief, Fire Chief, Emergency Management Coordinator, Water and Sewer Superintendent, Director of Public Works, Facilities Supervisor, Highway Foreman and Health Officer.

**OTHER REQUIREMENTS:**

**SALES TAX:** The Town of Manchester is exempt from most taxes, with the exception of the State gasoline tax. The Town is exempt from the State diesel fuel tax. Please work diligently to ensure that the Town does not pay sales tax and other taxes and government fees.

**BILLING ADDRESS:** The billing address for all orders should be:

Town of Manchester  
Accounts Payable – [DEPARTMENT NAME HERE]  
6039 Main Street  
Manchester Center, VT 05255

**GIFTS AND GRATUITIES:** Town employees may not under any circumstances accept gifts or gratuities from vendors. Offers of gifts and gratuities must be reported to the Town Manager immediately. If you have any questions or concerns please contact the Town Manager directly.

**ACCOUNTS PAYABLE PROCESS:** Invoices, bills and receipts must be remitted to the Town Manager's Administrative Assistant as soon as possible. Please do not hold accounts payable documents. The Town of Manchester uses a "modified accrual accounting system," which means that the Town must record the cost of goods and services when the product is delivered or the service is rendered. To illustrate this point, products delivered and services rendered on or before June 30 are expensed to that fiscal year (July 1 through June 30), even if the invoice is not received until July 15, for example. Because of the modified accrual accounting system, it is imperative that department heads turn in accounts payable documents quickly, especially at the end of any fiscal year.

**VENDOR REQUIREMENTS:**

**W-9 FORM:** The Town of Manchester, and the IRS, requires a W-9 form for all vendors that provide personal services (i.e. labor) for the Town. For example, the company that services the Town's boilers would be required to provide a W-9. Companies that ship, deliver or sell goods to the Town are not required to provide a W-9. For example, a company that delivers photocopy paper to the Town and

does not provide any personal services, it is not required to provide a W-9. Generally, a new W-9 is required if the vendor circumstances have changed; for example, the vendor has new owners or new legal name. Please see Ruth Woodard if you have questions about W-9 forms.

**CERTIFICATE OF INSURANCE:** The Town of Manchester requires all vendors that provide personal services (i.e. labor) for the Town to provide a valid Certificate of Insurance that names the Town as an additionally insured. Minimally, the Town requires \$500,000 per incident and \$1,000,000 overall coverage. Higher limits may be required by the Town Manager for high hazard exposures (for example, fireworks displays). Please note that Certificates of Insurance expire. Please make sure that the Certificate of Insurance is valid for any successful bidder or vendor. Besides informing vendors of the Town's insurance requirements, it is not necessary to confirm insurance coverage when soliciting quotes or bids. Certificates are required before any work can be performed. If you have questions about Certificates of Insurance or whether a certain type of procurement requires a Certificate of Insurance, please contact Ruth Woodard.

VENDOR REQUIREMENTS:

**W-9 FORM:** The Town of Manchester, and the IRS, requires a completed W-9 form for all vendors that provide goods or services to the Town. In addition to certifying correct TIN (Taxpayer Identification Number) the W-9 serves to certify that the vendor is not subject to backup withholding. Please see Finance Director Ruth Woodard if you have questions about the W-9 forms.

**CASH ADVANCE POLICY:** The Town of Manchester routinely applies for grants from various entities. For awards of \$50,000 or greater, whenever practical or allowed, the Town will take advantage of requesting advance payments on the award. Grant applicants—Heads of Departments—should consult with Finance Director Ruth Woodard to ensure full compliance with Grant Requirements and in order to fully account for grant expenditures as well as reimbursements.