

City of
Port Townsend

Comprehensive
Financial
Management
Policy Guidelines

Adopted October 21, 2019

Comprehensive Financial Management Policies Index

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I. FINANCIAL POLICY GUIDELINES

The financial policies outlined in this document have been developed in accordance with the Government Finance Officers Association's "Best Practices". These policy guidelines are intended to aid the City Council and City management in financial decision making. These policy guidelines also provide a means to guide short-term financial and budget decisions to help ensure the City is able to meet its immediate and long-term financial service objectives and obligations. These policies will be reviewed and/or updated no less than every three years.

The City of Port Townsend is accountable to its citizens for the use of public funds. Municipal resources must be wisely used to ensure adequate funding for services, public facilities and infrastructure needed to meet the community's present and future needs. These policies are designed to help safeguard the fiscal stability required to achieve the City's goals and objectives.

The City's Comprehensive Financial Policies have the following objectives:

- To guide the City Council and management policy decisions that have significant financial impact.
- To set forth operating principles which minimize the cost of government and financial risk to the City.
- To employ balanced, consistent and fair revenue policies that provide adequate funding for desired programs.
- To promote sound financial management by providing accurate and timely information on the City's financial condition.
- To protect the City's credit rating and provide for adequate resources to meet the provision of the City's debt obligations for all municipal debt.
- To ensure the legal use of financial resources through an effective system of internal controls.

II. ORGANIZATION

The City provides municipal services for its citizens, including protection of life and property, public health and welfare, and improved quality of life. The City Council deems it a high priority to deliver municipal services in the manner consistent for all citizens, and with maximum efficiency and financial prudence.

The Council, as the legislative and governing body, sets the City's Financial and Budget Policy Guidelines, and through its Finance and Budget Committee, monitors and reviews the City's overall financial performance.

The City Manager, as the City's Chief Executive Officer and Chief Budget Officer, is responsible to the Council for managing City operations and program services, and preparation of the City's Annual Budget consistent with established Financial and Budget Policy Guidelines.

The Director of Finance and Administrative Services, as the City's Chief Financial Officer and Chief Auditing Officer, is responsible to the City Manager for the preparation of accurate and timely financial and budget reporting. Additional responsibilities include human resource and information technology administration, general accounting, business license/tax administration and utility billing operations, grant, federal & state funding compliance, purchasing administration, as well as policy advice to the City Manager and Council.

The Department Heads are responsible to the City Manager for department operations, budget observance, capital project management, and grants administration. Department Heads monitor related revenue performance and expenditure control with the assistance of the Finance Department.

The City must prioritize its services and, should revenues become constrained, the following services are considered priorities in the following general order:

1. Public Life, Health and Safety: Police, fire, emergency medical services; building inspections; and traffic control; water, sewer, and storm drainage service and streets infrastructure maintenance.
2. Legal Mandates: Accounting/auditing/financial reporting; land-use planning; required staff certifications and training.
3. City Facilities and Property: maintenance of parks, buildings, public rights of way, and City equipment (including information technology equipment);
4. Council and community goals, both annual and long-range, including strategic plan goals.

III. ACCOUNTING, AUDITING AND FINANCIAL REPORTING

The City will maintain a system of financial monitoring, control and reporting for all operations and funds to provide effective means of ensuring that overall City goals and objectives are met.

Accounting Records and Reporting – The City will maintain its accounting records in accordance with state and federal regulations. Budgeting, accounting and reporting activities will conform to the Budgeting, Accounting and Reporting System (BARS) for Governments as prescribed by the Washington State Auditor. The City maintains its accounting and budgeting records on a cash basis and adheres to the cash basis BARS manual.

Capital Assets – As a cash basis entity, the City records and reports only inflows and outflows of cash. When a capital asset is purchased the entire expenditure is recorded when the cash is expended and depreciation is not recorded. The City considers capital assets to be real and intangible assets above \$5,000 in value that have an anticipated life of one year or more. Capital assets are tracked by the Finance Department as a fixed asset

inventory . Items that are no longer needed or no longer functional will be disposed according to the City surplus policy (PTMC 3.44.030) and state law.

Capital assets that are purchased with grant funds may be subject to additional compliance requirements. The department obtaining the grant is responsible for understanding any compliance requirements related to acquiring, inventorying, tracking and disposing of assets obtained through these types of funds.

Small and Attractive Assets - The City identifies small and attractive assets as items with a cost greater than \$300 but less than \$5,000. These items have a life expectancy of more than one year AND are not likely to be immediately missed upon disappearance. These items are generally mobile in nature and may be easily transported from the workplace. Some exceptions to the \$300 minimum include tablets, phones, personal computers and other lower cost items that have ongoing maintenance or service costs associated with them. Department Heads are accountable for the security of these items and are responsible for following the Small and Attractive Assets Policy and Procedures that have been adopted by Council (Resolution 16-022). The Finance and Administrative Services Director has oversight responsibility for this policy and the associated inventory of these items.

Auditing – The Washington State Auditor will perform the City’s financial, federal single audit and accountability/compliance audits in accordance with state and federal laws. Results of the audit will be provided to the Council in a timely manner.

Cash Management – The Finance & Administrative Services Director will ensure that cash management systems are developed to ensure accurate and timely accounting for all cash and security of all cash assets.

Careful financial control of the City’s daily operations is an important part of the City’s overall fiscal management practices. Achieving adequate cash management and investment control requires sound financial planning to ensure that sufficient revenues are available to meet the current expenditures of any operating period.

The City’s cash management and investment guidelines are as follows:

- The City will maintain a cash management program, which includes internal control practices for collection of accounts receivable, disbursement of funds, and prudent investment of its available cash.
- The Finance & Administrative Services Director (Finance Director) serves as the investment officer of the City of Port Townsend. The Finance Director is authorized to oversee the investment program and to develop operating procedures to administer the program. The Finance Director may delegate the authority to conduct investment transactions and manage the operation of the investment portfolio to one or more subordinates as outlined in the investment program operating procedures. All participants in the City’s investment process shall act responsibly as custodians of the public trust.

- As permitted by law and City ordinances and to maximize the effective investment of assets, all funds needed for general obligations may be pooled into one account for investment purposes. The income derived from this account will be distributed to the various funds based on their average fund balances on a periodic basis.

See **APPENDIX A** for Full Investment Policy.

IV. FUND STRUCTURE & FUND RESERVE GUIDELINES

The City’s accounting and budgeting systems are organized and operated on a fund basis. Funds are accounting entities used to record revenues and expenditures. By definition, balanced funds mean that total revenues equal total expenditures. The budgeted funds are grouped into categories: General, Special Revenue, Debt Service, Capital Projects, Enterprise, and Internal Service.

The following provides a brief description of the fund types and reserve guidelines for each fund. The numbers in parentheses represent the BARS manual fund series numbering scheme.

GENERAL FUND (010) -- This is the primary operating fund or current expense fund of the City. To maintain the City’s credit rating and meet seasonal cash flow, the budget shall provide for an anticipated undesignated fund balance between 8% and 15% of estimated annual revenues for general government fund types. The fund balance shall be exclusive of all reserves not anticipated to be readily available for use in emergencies and contingencies. Should the fund balance fall below 8% of revenues, a plan for expenditure reductions and/or revenue increases shall be submitted by the City Manager to the Council. If, at the end of a fiscal year, the fund balance falls below 8%, then the City shall rebuild the balance within a period not to exceed three fiscal years.

GENERAL FUND COUNCIL RESERVE (*Included in the General Fund*) – The annual budget for the General Fund shall provide for a “Council Reserve” equivalent to approximately 1% of estimated operating revenues in the General Fund (010). Only the General Fund shall maintain a “Council Reserve.” The Council Reserve is established to provide for community requests or unanticipated needs deemed necessary by Council. The Council Reserve shall be suspended during times of significant economic downturn, especially during years when the General Fund ending fund balance falls below 8%. The Council Reserve is a budgeted appropriation expected to be specifically allocated at the Council’s discretion. Unspent council reserves will not carry over to the next fiscal year.

SPECIAL REVENUE FUNDS (101-199) -- These funds account for revenues derived from special taxes, grants or other restricted sources designed to finance particular

activities defined when the fund is established or outlined by state law. Apart from any unrestricted General Fund contributions to a Special Revenue Fund, the unexpended ending fund balances carry over year to year and should retain enough revenue to cover operating cash flow and anticipated major project or program obligations of the fund.

Of these funds, the Street, Library, and Community Services funds are of an operations nature. The Street and Community Services Funds reserve target will be equivalent to 2-3% of fund expenditures. The Library Fund reserve target is set at 5-8% of Library property tax revenue.

Other Special Revenue Funds are more cyclical or project related and only need retained ending fund balances or transfers in to cover anticipated obligations: Drug Enforcement, Lodging Tax, Fire/EMS, Affordable Housing, and CDBG Grants.

CONTINGENCY (102) – While classified as a Special Revenue Fund, the City’s Contingency Fund is more of a strategic reserve to meet emergency conditions or to help maintain essential services during periods of economic downturn. Each fund should retain enough in its own Ending Fund Balance Reserves to offset minor non-recurring or unanticipated expenses during the budget year. The City’s Contingency Fund is intended for major events and should be maintained at no less than 2% of the General Fund annual estimated operating revenues. If the contingency falls below 2% of estimated operating revenue, the City will initiate a plan that will restore the balance to the required level over a three-year period.

DEBT SERVICES FUND (200) – These funds are used to pay general government debt. The City shall retain or transfer in funds sufficient to cover the annual debt service obligations, and retain such “coverage” amounts to comply with bond covenants or other loan restrictions.

CAPITAL PROJECTS FUNDS (300) – These funds are established for the acquisition or construction of general government (non-utility) capital improvements. Ending Fund Balance Reserves should be maintained at levels sufficient to cover anticipated annual expenditures with transfers in from supporting funds (General, REET, etc.) to cover project needs and to balance the funds.

ENTERPRISE FUNDS (400) – These funds are the proprietary or “business-like” funds for operations providing services to the general public supported primarily through user’s fees (Water, Sewer, and Stormwater).

The Ending Fund Balances of the operating funds should be equal to or greater than 60 days of operating expenditures and any additional amounts needed to build towards future project cash or debt payment needs. To the extent that the reserved Fund Balance and operating cash flow are not adequate to fund needed utility system improvements or maintain 60 days of operating expenditures, additional rate increases or surcharges may be adopted by Council.

Included as Enterprise Funds are the Utility Debt Service Reserve Funds, Utility Capital Project Funds, Olympic Water Gravity System (Transmission Line) Fund, the System Development Fund, and Golf Course Fund; however these funds are not required to maintain 60 days of operating expenditures due to the nature of the funds.

Revenue bonds may be issued by the Enterprise Funds. Investors may require additional lending requirements or covenants (such as a pledge of future revenue streams from the fund). The ending fund balance of the Enterprise Funds should include a reserve to cover any additional covenant requirements.

INTERNAL SERVICE FUNDS (500) – These funds are also internal “business-like” funds for operations providing services to other City departments (funds) on a direct cost-reimbursement basis (e.g. Equipment Rental including Information Technology services and equipment, Public Works Administration and internal Engineering Services). The purpose of a reserve in an internal service fund is to ensure that the fund is able to continue to provide the service without interruption. Fund balances should break even after set aside of funds for future capital equipment replacements.

FIDUCIARY FUNDS (600) – These funds account for assets held by the City as a trustee or as an agent on behalf of others. Ending Fund Balances and any transfers in should be maintained consistent with fund restrictions.

ENDING FUND BALANCE, RESERVES, CONTINGENCY SUMMARY

The following is a summary of the reserves guidelines. Guidelines will be reviewed annually as a part of the Budget process:

- General Fund 8-15% of operating revenue
- Library 5-8% of property tax
- Street..... 2-3% of expenditures
- Community Services 2-3% of expenditures
- Other Special Revenue Funds Sufficient to meet obligations
- Contingency..... No less than 2% of estimated operating revenue
- Debt Service Sufficient to meet obligations
- General and Enterprise Capital Funds Sufficient to meet obligations
- Enterprise Operating Funds..... 60 days of operating expenditures
- Internal Service..... Sufficient to meet obligations
- Fiduciary Funds Sufficient to meet obligations

The undesignated General Fund Balance (the balance not tied to a known project) will be maintained at a level that provides the City with sufficient working capital and a comfortable margin of safety to address emergencies and unexpected declines in revenue without borrowing. The City should not use the undesignated General Fund Balance to

finance recurring operating expenditures. Annual General Fund revenues should be equal to or greater than annual regular operating expenditures.

Reserves above the target can be used for new expenditures, with emphasis placed on one time uses that achieve future operating cost reductions.

General Fund revenues will be used for general government, street and community service programs only. General Fund revenue for other purposes will require approval by the City Council.

General Fund revenues will not be used to subsidize utility or enterprise operations, which will be self-supporting through user rates.

V. REVENUE POLICIES

General Revenue Policies - The City will strive to maintain a diversified and stable revenue system to shelter the government from short-term fluctuations in any one revenue source and ensure its ability to provide ongoing service. The revenue portfolio will strive to draw resources from the community that is perceived as fair and equitable.

Restricted revenue shall only be used for the purposes legally permissible and in a fiscally responsible manner. Programs and services funded by restricted revenue will be clearly designated as such.

Non-recurring and excess yield on volatile revenues (sometimes considered “one-time” revenues) should support one-time expenditures. Examples of acceptable uses of non-recurring and excess yield on volatile revenue include paying down debt, building up reserve balances, special projects and capital equipment.

County, state or federal funding will be used to finance only those capital improvements that are consistent with the capital improvement plan and local government priorities, and whose operation and maintenance costs have been included in operating budget forecasts.

Enterprise Fund Revenue Policies – Enterprise operating funds will be operated in a manner that generates sufficient revenues to maintain a minimum ending fund balance that is not less than 60 days of operating expenditures.

Utilities will be self-supporting through user rates and charges.

Utility user charges for each of the City utilities will be based on cost of service (i.e., set to full support the total direct, indirect, and capital costs) and established so that the operating revenues of each utility are at least equal to its operating expenditures and annual debt service obligations. The user rates of a utility shall be designated so that a portion covers replacement of the utility’s facilities.

The Utility will conduct a study of its user rates no less than every 5 years to ensure rates are adequate to fund operations and meet future needs.

Fund balances may be used to temporarily offset rate increases, after sufficient funds have been accumulated for identified capital improvement needs or alternative funding for projects has been secured.

Fees and Charges (Non-Utility) – All fees for licenses, permit, fines, and other miscellaneous charges shall be set to recover the City’s expense in providing the attendant service. Average cost or actual cost methodology may be used. These fees will be reviewed periodically and will be incorporated into the budget process for possible action by Council.

Fees and charges for services will generally be set to recover the actual cost of service delivery. Fees that are set lower than the cost of service delivery will be reviewed at least every other year to determine if those fees are still appropriate based on City finances and the community needs.

Where direct beneficiaries of a city program or services can be identified, fees will be established to recover the costs of that program or service. Fees will also be set in a manner that protects tax payers from subsidizing special service users. A fee shall be charged for any service that benefits limited interests within the community, except for human needs type services to persons with limited ability to pay.

Rental fees will be established to recover full cost of use of the property or facility. Fees related to the rental of City properties may be waived only through approval of the City Manager. The waiver of fees will only be provided if the purpose of the rental or its associated event will benefit the community at large.

Some services provide greater benefit to the community. When a greater community benefit is identified, the Council may choose to subsidize, either whole or in part, such services.

Park and Pool Fees – The Pool division will strive to recover 50% of Pool direct costs by generating revenues through special programs, fees, charges, donations and/or designated use of City-operated facilities.

Through a volunteer recruitment program, the Parks will seek to minimize the subsidy required for partial and minimum fee support programs.

Solicitation of funds through donations, fund raising events, non-traditional sources, and various other modes will be encouraged by the City through its park and pool user groups. Funds collected for any special purpose shall be earmarked for that purpose.

VI. OVERHEAD COST RECOVERY (COST ALLOCATION)

As provided in the Washington State Auditor’s Office guidelines, “Cost allocation is a method to determine and assign the cost of central services to the internal-government users of those services. Cost allocation thereby enables local governments to more accurately account for the complete cost of the services it provides to the public—and to better assess the fees it should charge them.” Included in cost allocation are direct costs (not otherwise charged to budget units) and indirect costs. Direct Costs are those costs that can be specifically identified with a particular service or unit if not already charged directly (e.g. facilities, janitorial, etc.) Indirect Costs are costs incurred for common or joint purposes, benefiting more than one unit, not readily assignable to a specific unit (e.g. legal, human resources, administration, clerk, etc.).

The term “allocation” implies that there is no overly precise method available for direct charging a cost to a unit, so the City is using the most appropriate method available for doing so. However, a cost allocation plan should be designed and used to provide a reasonable, consistent and equitable means to allocate costs. Inequitable charges result in questionable charges to grant, utilities and restricted funds. For grant purposes, costs that benefit the public at large cannot be included and should follow the OMB A-87 and/or 2CFR Part 200 guidelines.

The Council adopted a Cost Allocation Plan in Resolution 14-035 on June 25, 2014. In addition to using the overhead cost recovery model to assess the appropriate amount of overhead to utilize for establishing user fees, the model will be used to apply charges to Departments/Funds for City-wide overhead indirect cost recovery where allowed (Council, City Manager, City Clerk, City Attorney and Finance).

The Council may authorize waiver of the overhead cost-recovery in all or part if Council determines doing so will provide a general benefit to the citizens, taxpayers or utility rate payer. If a portion of the overhead cost-recovery is waived, the General Fund must absorb these costs; waived costs may not be absorbed by or reallocated to a Special Revenue or Enterprise Fund.

VII. GENERAL BUDGET POLICIES

Annual Budget – The City’s annual budget will be developed in accordance with the policies and priorities set forth in the comprehensive plan, the City Council’s strategic plan, City Council goals and priorities, the needs of the community, and federal and state laws.

In general, budgeted operating revenues must meet or exceed budgeted operating appropriations each year. Current year operating expenses, maintenance costs and direct and indirect costs of services provided will be covered by current year operating revenues. One-time expenditures may be appropriated if one-time revenues or excess fund balance (in excess of reserve requirements) are available.

The City budget appropriations are adopted at the fund level. Department heads are responsible for preparing a budget that reflects realistic expense projections and that adhere to guidelines within this policy document.

Expense (Appropriation) Policies – Operating expenditures will be proposed at a level that will be supported by ongoing annual operating revenues. The city will strive to a level of expenditures sufficient to ensure the ongoing health, safety and welfare of the community.

Staffing Budget – Salary and benefit costs are the City’s most significant operating expense. The City will strive to provide a total compensation package that is comparable to other cities and similar type positions within the same labor market or other cities of a similar size with comparable type and quality services in order to recruit and retain high quality staff.

The City Manager’s proposed budget will identify staffing levels and provide justification for any increases or decreases in overall City staffing.

Union Contract negotiations may impact budget expenditures annually. However, if a collective bargaining agreement is, or will be, under negotiation, a specific amount will not be included in the budget from potential wage adjustments resulting from the negotiation, other than a base COLA adjustment. This is to protect the City from any claims of not “bargaining in good faith”. Funding for unknown contract terms must be considered in balancing ongoing revenues with ongoing expenses.

Equipment Replacement & Maintenance - Equipment replacement and maintenance projections will be updated according to the Fleet Equipment Rental and Replacement Fund and Fleet Operations and Maintenance Fund Policies (**EXHIBIT A**) and the Information Technology(I.T.) Equipment Rental and Replacement Fund and I.T. Operations and Maintenance Fund Policy (**EXHIBIT B**).

In general, The Fleet Equipment Rental and Replacement Committee is responsible for planning, directing, managing, coordinating and supervising programs for the acquisition, assignment, maintenance and repair, rental, replacement of the City Fleet. This committee will meet at least annually to recommend fleet purchases for the upcoming budget year. Fleet replacement rates (if applicable to Funds) will be evaluated at least once per year and recommended to council for appropriation in the annual budget.

Fleet maintenance rates will be adjusted to recover 100% of the actual direct and indirect costs. Fleet maintenance rates will be reviewed mid-year. Current year rates, if necessary, will be adjusted through an adopted supplemental budget request, and rates for the upcoming budget year will be established and adopted by City Council with the annual budget appropriations.

In general, the Technology Services Department, in collaboration with the Finance Department, will be responsible for planning, directing, managing, coordinating and

supervising programs for acquisition, assignment, maintenance and repair, rental, replacement and disposal of the City's I.T. equipment. I.T. replacement rates will be evaluated at least once per year and recommended to council for appropriation in the annual budget.

I.T. maintenance rates will be adjusted to recover 100% of the actual direct and indirect costs. I.T. maintenance rates will be reviewed mid-year. Current year rates will be adjusted through an adopted supplemental budget request, if necessary, and rates for the upcoming budget year will be established and adopted by City Council with the annual budget appropriations.

Training and Travel – City employees or others on official City business or training may be required to travel outside the City to conduct their business or training for the City. City employees and officials will be reimbursed for reasonable and customary expenses incurred in the conduct of their business for the City, including food, lodging and travel expenses while away, excluding any expenses for personal entertainment or alcoholic beverages, as provided in the City's Personnel Policies Manual for business or training travel. Such training or travel shall be as provided either specifically or generally in the annual budget.

Training is an investment in maintaining the certifications and skills of the City's employees. At least 1% of the department's budgeted salary expense will be allocated for certifications and skills training. The City will also include a targeted amount of 1% of City-wide salaries for organizational development and process improvement.

Investments that Forestall Adding Permanent Staff - Since personnel-related expenditures represent the largest portion of the City's budget, funding of technology or process improvements that increase efficiency and effectiveness of the delivery of City services should receive priority funding.

Budget Monitoring-

The Finance & Administrative Services Director will maintain a system for monitoring the City's budget performance. This system will provide timely information to Department Heads and the City Manager to ensure accuracy of financial data and compliance with budget appropriations. The Council will receive (at a minimum) quarterly reports regarding fund level revenues and expenditure performance compared to budget.

Significant financial issues that need to be addressed between regular monitoring reports will be provided to Council as warranted.

The Finance & Administrative Services Director will monitor unanticipated needs or emergency expenditures and prepare budget amendments in compliance with State Law. Department Heads will be responsible for maintaining budgetary discipline and analyzing

all over and under spending. Explanations for variances in spending to authorized appropriations will be provided by the Department Director to the Finance and Administrative Services Director in a timely manner.

VIII. FINANCIAL PLANNING POLICIES

FINANCIAL FORECAST – The City will develop a 5-year Financial Plan and Forecast Model based on these financial policy guidelines and a best estimate of likely revenues and expenditures. The model will be used to test the policies against likely surrounding economic conditions. The model will be used for long-range financial planning and is not a replacement for budgeting.

The City's financial planning will include the current year budget plus five additional years of projected data. The City may elect to extend its planning horizon further if conditions warrant.

The long range financial plan operating revenues and expenses will include data for the General Fund, Contingency Fund, Library Fund and Community Services Fund. In addition to ongoing revenues and expenses, this forecast will utilize assumptions that forecast general obligation debt and general fund contributions to capital projects.

The long range financial plan should present trends and projections in key financial indicators, such as:

- Revenues and expenses per capita including nominal and inflation adjusted data.
- Staffing levels per 1,000 population: total and by major department.
- Projected annual growth rates of revenues and expenses including personnel costs.

The long range financial plan may include comparisons to other cities and benchmarks, recognizing that the data for comparable cities may reflect differences in service delivery, financial structure and financial policies. Comparative information may include:

- Comparative revenues and expenses by major type to include:
 - Total revenues and expenses per capita.
 - Taxes per capita by tax source.

IX. ENTERPRISE FUNDS

The Water, Sewer and Stormwater utilities will be managed as self-supporting business enterprises. Each utility will be managed in a professional manner in accordance with applicable laws and standards. The long-range financial plan model for each utility will analyze rate revenues, rate structure, operating costs, replacement capital costs, debt service and other utility considerations (special rate programs, paybacks, etc.). The City may utilize specialized rate consultants to evaluate the rate and cost structure of the utilities.

X. CAPITAL INVESTMENT PROGRAM PLAN POLICIES

General Policy Considerations - The major resources for funding capital improvement and capital maintenance programs are revenues, grants and debt. Financing planned capital replacement costs are an ongoing challenge. Preparing for the challenges of infrastructure replacement or enhancements demands a long-term view of replacement needs. In order to plan for these needs the City will develop a six-year Capital Improvement Plan (CIP) for adoption by Council as required by the Washington's Growth Management Act. The CIP will be consistent with the Capital Facilities Element of the City's Comprehensive Plan. A capital project over \$15,000 with a minimum of a five-year anticipated life will be included in the CIP.

The city should weigh the full lifecycle costs of proposed projects in relation to funding sources and strategic plans and determine the availability of funding sources. If debt financing is needed, the cost of the debt should be analyzed against the city's debt capacity and debt management policies before being incorporated in the CIP.

The CIP should include the following:

Project description

Identify anticipated funding sources

Outline the project's proposed timing and scope

XI. DEBT MANAGEMENT POLICY

Statement of Purpose – The debt financing policy statement sets forth comprehensive guidelines for the financing of capital expenditures. It is the objective of the policy that (1) the City obtain financing only when necessary, (2) the process for identifying the timing and amount debt or other financing be as efficient as possible, (3) the most favorable interest rate and other related costs be obtained, and (4) when appropriate, future financial flexibility be maintained.

The Finance and Administrative Services Director is charged with carrying out the policy and developing recommendations for financing.

Long Term Debt - The City will manage its long-term debt in a manner designed to utilize its credit to optimize City services while balancing overall debt levels and annual debt service obligations. Long-term debt includes Bonds, Federal or State loans (e.g. Public Works Trust Fund, Federal Housing Administration, State Revolving Fund), or private placement financing. The City shall only use long-term debt for capital projects that cannot be financed out of current revenues. Annual debt payments should not exceed 15% of the total of annual General Government operating revenues plus budgeted transfers from capital funding sources. General Government Funds include the General Fund, Contingency Fund and Special Revenue Funds.

Debt financing will generally be limited to capital improvement projects identified in the capital improvement planning process and only under the following circumstances:

- When the project’s useful life will exceed the term of the financing;
- When project revenue or specific resources as identified will be sufficient to service the debt;
-
- ;
- When projects cannot be cash funded.

Debt financing will not be considered appropriate for:

- Current or ongoing operating and maintenance expenses (except for issuing short-term instruments such as revenue anticipation notes or tax anticipation notes); and any recurring purpose (except as indicated above).

The City’s Limited (non-voted) General Obligation (LTGO) Debt Capacity per State Law is 1.5% of total assessed value. The City should seek to retain 5-10% of its LTGO Debt Capacity for unforeseeable emergencies.

Short Term Debt – Short-term debt is used to cover the gap in long-term financing or to finance short lived assets. Short-term debt financing instruments may be considered if the transaction costs plus interest of the short-term debt are less than the cost of internal financing and / or if it is more practical to use than committing available operating and working capital cash. Before issuing short-term debt, there should be a reasonable certainty that a known revenue source will be received to repay the debt, unless there is a clear financial emergency.

Options for Interim or “Bridge” financing may include:

- Bond Anticipation Notes (BANS)
- Tax Anticipation Notes (TANS)
- Lines of Credit with major financial institutions
- Interfund Loans

Bond Anticipation Notes (BANS) are used when capital projects begin before long-term bond proceeds have been received. **Tax / Revenue Anticipation Notes (TRANS)** are used to cover operating expenditures when tax revenues are received in large lump sums later in the year (Example: Property Taxes).

Tax anticipation debt will be retired annually, and bond anticipation notes should be retired within twelve (12) months of the completion of the project or prior to maturity. Short-term debt outstanding at the end of the year will not exceed 5% of net operating revenue (including tax anticipation notes but excluding bond anticipation notes.)

Transfers – General Fund transfers to other funds are intended as payments for the support of specific programs or services. Amounts not needed to support such specific program or service expenses will remain in the General Fund’s fund balance. Operating transfers result in a change in fund equity. For example, the General Fund may make transfers to the Debt Fund to fund annual debt service payments or to the Community Services Fund to support parks or service programs.

Interfund loans are temporary in nature. The requirements for interfund loans are as follows:

- The Council must approve all interfund loans by resolution. The resolution will include a planned schedule of repayment of the loan principal as well as setting a reasonable rate of interest to be paid to the lending fund.
- The borrowing fund must reasonably be able to anticipate sufficient revenue to repay the principal and interest payments as required by the authorizing resolution.
- The rate of interest should not be lower than the “opportunity cost” if the funds were otherwise invested, such as the LGIP (Local Government Investment Pool) rate or a bank CD rate for a similar term; not higher than the external rate available to the municipality.
- Interest is not required in the following circumstances:
 - If the borrowing fund has no independent source of revenue other than the lending fund;
 - The lending fund is the General Fund, which, being unrestricted, can provide interest free loans to other funds.
- The term of the interfund loan will not exceed three years. Any interfund loans that are not repaid within three years will be scrutinized for a “permanent diversion” of moneys. (Note: These restrictions and limitations do not apply to those funds which are legally permitted to support one another through appropriations, transfers, advances, etc.)

For short-term cash deficits in non-General Fund operating funds during the course of the year, City interfund loans are preferable to outside short-term or private sector lines of credit.

XII. PURCHASING POLICY

Purchases of goods, services and capital items will be made consistent with the annual budget appropriations, state and federal law, the City’s Purchasing Ordinance and Purchasing Policy and Procedure Manual (**EXHIBIT C**), and the Washington State Auditor’s requirements. The City’s Purchasing Ordinance will outline the City Manager’s spending and contracting authority. Any purchases or contracts above those authority limits must be authorized in advance by City Council (some exceptions for public emergencies will apply). The City Manager may delegate spending authority (within his/her limits) to Department Heads to facilitate operating efficiency.

In General, the City Manager and Department Heads will purchase goods and services at a reasonable cost, using an open, fairly documented and competitive process whenever reasonable and possible. Actions of city employees, when purchasing supplies and services, should be fair and impartial and not be used for personal gain or benefit. Employees may not willfully circumvent purchasing and procurement policies and procedures to enter into contracts, or purchase goods and services except as allowed by state statutes.

The Finance & Administrative Services Director is charged with developing administrative/operating procedures to implement sound purchasing policies. These procedures will be based on guidelines provided in State Law and by the State Auditor's Office. All purchases made by the City will ultimately be approved by the Council through the voucher approval process.

XIII. GRANTS MANAGEMENT POLICY

Leveraging City and community resource with external financial assistance can enhance the quality and level of public services, facilities and infrastructure. City Policy is to seek and accept grants and other financial assistance consistent with the City's strategic plan.

External assistance also carries with it the goals and restrictions of the grantor. Grant relationships are partnerships where the goals of both the City and grantor must be in alignment. The benefits, costs and long-term implications of the partnership must be considered prior to formal application. The City's Grants Management Policy involves the following steps:

Search – City department staff and officials are encouraged to actively search out and identify potential grants which may further the City's vision and goals, within the City's financial limitations.

Pre-Application – Department Directors and staff shall pursue grants within their purchasing authority identified in City Purchasing Policies. The City Manager shall be advised of all grant considerations over a \$10,000 total.

Formal Application – Formal applications directly by the City, or indirectly by other agencies involving the City, must fall within Departmental Purchasing levels.

All grants will seek reimbursement of direct cost departmental and City wide indirect or administrative costs to the maximum extent allowable by the grantor.

Grants by other agencies involving the City or by the City involving other grantees must have City Manager, or Council approval beyond the \$60,000 Purchasing levels.

Award and Contract – Upon formal Notice of Grant Award (NOGA) or informal notification, a written contract must be approved prior to any City commitment, formal or otherwise. All grant contracts must be within the City's Purchasing levels. Any needed

budget amendments for grant match not otherwise within general budget authority shall be adopted prior to formal grant acceptance and contract signing.

Accounting and Reporting – City departments shall coordinate with Finance to assure that grants comply with Federal, State and local requirements for timely reimbursements, monitoring of vendors and sub recipients, as well as City Purchasing Policies. Any notification of audit of grant programs or funds should be sent to the Director of Finance and Administrative Services even if the audit is coordinated in another department.

Close Out – Multi-year grants shall have periodic accounting reviews not less than at the close of each fiscal year. Upon conclusion of each grant, the Department grant manager shall prepare a grant close-out report in coordination with the City’s Finance Department. A complete grants management file record shall be maintained per City policy, either in the Department, Finance or Clerk’s Office.

The City Council Adopted Federal Awards Standards, Procurement Policy and Code of Conduct Policy for all Federal Loans and Grants on July 10, 2017. Standards for federal awards are detailed in **APPENDIX B**.

APPENDIX A: INVESTMENT POLICY –

To the extent possible, funds not needed for operations should be invested in approved investment vehicles. Investments shall be made with judgment and care, under circumstances then prevailing, that persons of prudence, discretion and intelligence in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by investments officials shall be the prudent person standard and shall be applied in the context of managing the overall portfolio. Investment officers acting in accordance with written procedures and the investments policy and exercising due diligence shall be relieved of personal responsibility for an individual’s security’s credit risk of market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

The City will strive to maximize the return on its investments, with the primary objective of preserving capital and prudent investment practices, including diversification.

Investments will be made in accordance with the following objectives:

- 1) **Legality:** Funds of the City will be invested in accordance with the Revised Code of Washington (RCW), the BARS manual, these policies and any applicable administrative procedures.
- 2) **Safety:** Investments of the City will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is

required in order that potential losses on individual securities do not exceed the income generated by other investments.

3) Liquidity: The City's investments will remain sufficiently liquid to enable the city to meet all operating requirements that might be reasonably anticipated.

4) Yield: The City's investments will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and cash flow characteristics.

The Finance & Administrative Services Director will approve financial institutions to be eligible to conduct investment business with the City, in accordance with Washington State Law.

The Finance & Administrative Services Director will periodically furnish the City Manager and Council with a report that shall include the amount of interest earned to date. At least annually, a report summarizing investment activity and rate of return will be provided.

APPENDIX B- CITY OF PORT TOWNSEND FEDERAL AWARDS STANDARDS, PROCUREMENT POLICY & CODE OF CONDUCT

CITY OF PORT TOWNSEND FEDERAL AWARD STANDARDS:

PURPOSE

Establish and maintain internal controls that provide reasonable assurance that Federal awards are being managed in compliance with all federal regulations and with the terms and conditions of the award. The City of Port Townsend will follow the Uniform Guidance, the Local Agency Guidelines (LAG) distributed by The Washington State Department of Transportation (WSDOT), and the City of Port Townsend's Comprehensive Financial Management Policy Guidelines.

INTERNAL CONTROLS

The City of Port Townsend will maintain effective internal control over the Federal award providing reasonable assurance that the City of Port Townsend is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

- Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.
- Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive.

ADVANCE PAYMENTS AND REIMBURSEMENTS

Payment methods must minimize the time elapsing between the transfer of funds from

the United States Treasury or the pass-through entity and the disbursement by the City of Port Townsend whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means.

- Advanced payments must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the City of Port Townsend to carry out the purpose of the approved program or project. Any advanced payments must be consolidated to cover anticipated cash needs.
- The City of Port Townsend shall minimize the time elapsed between receipt of federal aid funds and subsequent payment of incurred costs.

ALLOWABLE COSTS

Federal awards will meet the following general criteria to be allowable except where otherwise authorized by statute:

- Be necessary and reasonable for the performance of the Federal award;
- Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items;
- Be consistent with policies and procedures that apply uniformly to both Federally- financed and other activities of the City of Port Townsend;
- Be accorded consistent treatment;
- Not be included as cost or used to meet cost sharing or matching requirements of any other Federally-financed program in either the current or a prior period;
- Be adequately documented.

PROCUREMENT

When procuring property and services under a Federal award, the City of Port Townsend will follow 2 CFR §200.318 General procurement standards through §200.326 Contract provisions or City of Port Townsend purchasing procedures whichever is more restrictive. The following table outlines procurement requirements when using Federal funds.

Procurement Method	Goods	Services
Micro-Purchase - No required quotes. However, must consider price as reasonable, and, to the extent practical, distribute equitably among suppliers.	\$5,000 or less <i>Must use</i> more restrictive City threshold instead of \$10,000 federal threshold	\$5,000 or less <i>Must use</i> more restrictive City threshold instead of \$10,000 federal threshold
Small Purchase Procedures	\$5,000 - \$40,000 (Single trade); \$3,000 -	\$5,000 - \$40,000 (Single trade); \$5,000 - \$65,000

<p>(Informal) - Obtain/document quotes from a reasonable number of qualified sources (at least three).</p>	<p>\$65,000 (Multi trade); \$5,000 - \$50,000 (Non-Public Works projects)</p> <p>Must use more restrictive City threshold instead of \$250,000 Federal threshold</p>	<p>(Multi trade); \$5,000 - \$50,000 (Non-Public Works projects)</p> <p>Must use more restrictive City threshold instead of \$250,000 Federal threshold</p>
<p>Sealed Bids / Competitive Bids (Formal)</p>	<p>\$40,000 or more (Single trade); \$65,000 or more (Multi trade); \$50,000 or more (Non-Public Works Projects)</p> <p>Must use more restrictive City threshold instead of \$250,000 Federal threshold</p>	<p>\$40,000 or more (Single trade); \$65,000 or more (Multi trade); \$50,000 or more (Non-Public Works Projects)</p> <p>Must use more restrictive City threshold instead of \$250,000 Federal threshold</p>
<p>Competitive proposals</p>	<p>Used when conditions are not appropriate for the use of sealed bids.</p> <ul style="list-style-type: none"> • Must publicize request for proposals soliciting from an adequate number of qualified sources • Maintain written method for conducting technical evaluations • Contract must be awarded to the responsive and responsible firm whose proposal is most advantageous to the program 	
<p>Non-competitive proposals</p>	<p>Appropriate only when:</p> <ul style="list-style-type: none"> • Available only from a single source; or • Public emergency; and • Expressly authorized by awarding or pass-through agency in response to written request from the City of Port Townsend; or • After soliciting a number of sources, competition is deemed inadequate. 	

Contracts for more than the simplified acquisition threshold currently set at \$250,000 must address administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as appropriate.

Contracts and sub-grants of amounts in excess of \$250,000 require that the City of Port Townsend will comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act and the Federal Water Pollution Control Act.

The City of Port Townsend will monitor procurements to avoid duplicative purchases, and exhaust all mandated sources before soliciting new sources. The City will also continue to enter into inter-entity agreements to realize cost savings for shared goods and services when possible.

The City will verify and document that vendors are not suspended or debarred from doing business with the Federal government.

SINGLE AUDIT ACT

The City of Port Townsend, as a recipient of Federal funds, shall adhere to the Federal regulations outlined in 2 CFR §200.501 as well as all applicable Federal and State statutes and regulations.

CLOSURE

A project agreement end date will be established in accordance with 2 CFR §200.309. Any costs incurred after the project agreement end date are not eligible for Federal reimbursement.

CITY OF PORT TOWNSEND CODE OF CONDUCT:

PURPOSE

The purpose of the Code of Conduct is to ensure the efficient, fair and professional administration of federal grant funds in compliance with 2 CFR §200.112, 2 CFR §200.318 and other applicable federal and state standards, regulations, and laws.

APPLICATION

This Code of Conduct applies to all elected officials, employees or agents of the City of Port Townsend engaged in the award or administration of contracts supported by federal grant funds.

REQUIREMENTS

No elected official, employee or agent of the City of Port Townsend shall participate in the selection, award or administration of a contract supported by federal grant funds if a conflict of interest, real or apparent, would be involved. Such a conflict would arise when any of the following has a financial or other interest in the firm selected for award:

- The City employee, elected official, or agent; or
- Any member of their immediate family; or
- Their partner; or
- An organization which employs, or is about to employ any of the above.

The City of Port Townsend's elected officials, employees or agents shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, potential contractors or subcontractors.

REMEDIES

To the extent permitted by federal, state or local laws or regulations, violation of these standards may cause penalties, sanctions or other disciplinary actions (up to and including employment or contract termination) to be taken against the City of Port Townsend's elected officials, employees or agents, or the contractors, potential contractors, subcontractors or their agents. Any potential conflict of interest will be disclosed in writing to the Federal awarding agency or pass-through entity in accordance with applicable Federal awarding agency policy.

EXHIBIT A



**Fleet Equipment Rental & Replacement Fund and
Fleet Operations & Maintenance Fund**

Policy

November 2018

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II. Overview

A. Purpose:

The purpose of this document is to establish and specify the City of Port Townsend's (City) policy governing asset and fund management, including rental, replacement, and maintenance services for motorized vehicles and wheeled equipment (Fleet) (See separate policy for I.T. Equipment Rental & Replacement and I.T. Operations & Maintenance).

B. General Policy:

1. It is the policy of the City to provide for centralized management of its Fleet. Management activities include fund management and asset purchase, rental, maintenance and repair, replacement and disposal.
2. The City Manager has delegated responsibility for implementing the provisions of this policy to the Public Works Department. The Public Works Department in collaboration with the Finance Department shall be responsible for ensuring uniform application and interpretation of the policy. Proposed exceptions to the policy will be considered for maximum benefit of the City.
3. The Public Works Department shall be responsible for planning, directing, managing, coordinating and supervising programs for the acquisition, assignment, maintenance and repair, rental, replacement and disposal of the City Fleet. To provide for administrative ease and operational flexibility this responsibility is further delegated to the Equipment Rental & Replacement Committee (ERRC), which consists of the Public Works Director, Public Works Operations Manager, a representative of the Finance Department, and up to two at-large city employee members.

C. Funds Purpose:

The purpose of the Fleet Equipment Rental & Replacement Funds (FERRF) and the Fleet Operations & Maintenance Fund (FOMF) is to manage replacement and maintenance funds to ensure sufficient monies are available when needed. This allows the City to focus on using maintenance and efficiency indicators when making asset equipment replacement decisions. Additionally, FERRF is designed to rent FERRF owned equipment to other funds.

D. Services:

The FERRF and FOMF are designated as an Internal Service Fund with three major functions. The Replacement function supports the process to provide for replacement of assets. The Administration function supports asset and operations management. The operations function supports maintenance, fuel, motor pool, and intergovernmental activities.

III. Replacement Reserve Management

A. Donation of Equipment to FERRF:

Departments that participate in replacement will donate all eligible assets to its own FERRF, where they will be considered FERRF owned Assets.

B. Replacement Reserves for FERRF Owned Equipment:

During the budget process, the ERRC will establish reserves for the replacement of assets.

1. Replacement charges are generally calculated based on each individual asset's original cost, its useful life, salvage value, the regional inflationary rate, and the anticipated replacement value. Replacement rates are sometimes adjusted for special purposes. All charges will be accumulated in the FERRF. A calculation model, such as the Excel model provided by FCS Group, shall be used to track each individual asset and determine the appropriate replacement charge.
2. Capital additions made to increase the asset's useful life will be added to the total cost of the asset, and the replacement calculation will be recomputed over the new useful life of the asset.
3. Replacement rates may be adjusted when the useful life of an asset is changed, or the cost of the replacement asset is significantly higher or lower than the norm.
4. Assets acquired for service by means other than purchase (e.g. lease) will have a replacement rate established like a purchased asset and will require Finance approval for replacement at the time of acquisition.

C. Prohibited uses of Reserves:

1. FERRF replacement reserves will not be used to fund construction projects, purchase non-capital equipment (unless part of a system), or purchase capital items that are not authorized to have a replacement schedule.
2. FERRF replacement reserves will not be permanently transferred to other funds unless directed by Council.

D. Purpose and Uses of Reserves:

The FERRF is designed to ensure replacement of an asset with a "like" item. The FERRF exists to accumulate monies based on the replacement cost of an asset.

1. True-up Process: During the semi-annual review process the annual reserve need will be re-evaluated, compared with the actual annual reserve contributions, and any excess/deficit will be refunded to or contributed by the appropriate fund as required. If the new estimate is within 5% (+/-) of the actual annual reserve contribution, then no action is required.
2. Like-for-Like Baseline: When computing funds available for replacement, the ERRC determines the estimate by comparing the equipment being replaced to an identical piece of equipment in today's marketplace.

3. Equipment Improvements: If there are changes in equipment technology that either make the old asset obsolete, antiquated or not match generally accepted industry trends, this will be considered a like-for-like replacement.
4. Upgrades: New equipment technology that is not an Equipment Improvement will be considered an upgrade. Upgrades are acceptable if there is enough money available using the like-for-like formula. If there is a need for additional funds, the department must fund the difference with their department's budget.
5. Rebuilds: There is an option to use the FERRF monies to rebuild equipment if it extends the useful life and it is more cost-effective than the replacement option.
6. Legal and Safety Requirements: If a mandated legal or safety requirement occurs and there is a cost increase, the department must fund with their department's operating budget.
7. Early Replacement: If it is determined by the ERRC that an asset has failed before the end of its useful life, the FERRF will pay for this (pending availability of funds). To collect the shortfall, an increased rate of replacement, which will include the funds still to be collected on the original asset, shall be charged on the newly replaced asset.
8. Combining Assets or Obtaining Multiple Assets: It is permissible to combine assets to obtain a single asset or to obtain more than one asset when replacing a single asset. In both cases, if there is a shortage of funds (based on the like-for-like formula), the department must fund the difference from their department's operating budget.

IV. Replacement Rules

A. FERRF Owned Assets:

All assets placed in the FERRF must have the following basic criteria as determined by the ERRC. The ERRC can change the minimum criteria to match the City's standards and approve exceptions on a case-by-case basis. These criteria must be met to have a replacement schedule created:

1. Useful life be more than two years.
2. Minimum individual value is \$10,000. *Please note that this value may change from time to time to account for inflation.*
3. Asset must be a motorized vehicle or a wheeled piece of equipment.

B. Useful Life:

The useful life is established based on industry standards and the normal life expectancy of similar assets. Asset classes generally affect large groups of similar assets; however, special applications and unique items may have separate lives. Normally the useful life is changed when actual average disposal age deviates by more than one year at replacement. Useful life can also be changed because of technological changes or ERRC determination.

C. Acquisition and Disposal of Assets:

The ERRC reviews all assets to determine those that should be replaced, retained or disposed of. The ERRC meets with the operating departments to agree on the selection of items to be

replaced and to discuss new acquisitions. The formal budget approval for acquisition of assets occurs when Council approves the budget and disposal of assets must follow the City's Disposal and Surplus Policy.

V. Operations & Maintenance

A. Maintenance Rates:

The ERRC will establish rates for various operational costs and services provided by the approved budget of the Fleet Services operations. A separate fund will be used to account for maintenance operation charges. All departments will share one FOMF.

1. FOMF maintenance rates will be established to recover 100% of the actual direct and indirect costs (e.g. Salaries, operational expenses, inventory, fuel, etc.). Rates will be adjusted during the budget process and mid-year review based on the fund balance if revenue exceeds or is below needs.
2. Each department, including departments not participating in the FERRF will be direct charged based on the actual maintenance and repair costs tracked by Fleet Services plus an indirect cost allocation calculated by the model.

B. Maintenance and Services:

Fleet Services will maintain all FERRF assets except specialty equipment that has specifically been delegated to other departments. Fleet Services may perform maintenance and provide services on equipment not assigned to FERRF.

1. Fleet Services will track all direct costs of repairs for each individual asset including fuel and outside repairs. These costs will be used to determine each department's portion of the maintenance & operations annual charge.

VI. Appendix

A. Acronyms:

1. ERRC - Equipment Rental & Replacement Committee
2. FERRF – Fleet Equipment Rental & Replacement Fund
3. FOMF - Fleet Operations & Maintenance Fund

B. Roles and Responsibilities:

1. Operating Departments
 - a) Work with the ERRC to identify FERRF asset needs and provide all pertinent information for any asset owned and maintained by the FERRF and FOMF. This is particularly important for specialty equipment.
 - b) Assist in identifying cost increases in existing equipment that exceeds inflation. Working with the ERRC to develop budgetary proposals ensuring proper funds are available in FERRF and FOMF.
 - c) Provides prudent use, care, and stewardship of FERRF owned assets.

- d) Manages all non-owned FERRF equipment.
 - e) Provides feedback on asset management policies.
2. Public Works Department: Fleet Services
- a) Manages all FERRF assets in accordance with this policy.
 - b) Manages the budget and financial operations of the FERRF and FOMF.
 - c) Maintains all titles for City owned licensed vehicles and equipment.
 - d) Prepares the asset replacement plan and recommends new purchases.
 - e) Prepares purchase requisitions for all new FERRF assets.
 - f) Represents Fleet Services on the operating budget and financial issues.
3. Public Works Department: ERRC
- a) Establishes and administers the funds policies in collaboration with the Finance Department.
 - b) Manages all FERRF assets in accordance with this policy.
 - c) Determines equipment that will be maintained by FOMF.
 - d) Establishes the useful life, replacement schedules and rates for all asset classes, and makes changes to the useful life based on actual experience.
 - e) During the budget process develops FERRF and FOMF financial plans for the budget period.
 - f) Sets maintenance, replacement, and estimated fuel charges to user departments.
 - g) Works with the Finance Department to estimate reserve needs, compare them with actual annual reserve contributions, and determines if there is any excess/deficit to be refunded to or contributed by the appropriate fund as required. If the new estimate is within 5% (+/-) of the actual annual reserve contribution, then no action is required.
 - h) Determines when surplus assets are retained and rented beyond their expected disposal date.
 - i) Provides financial services to Fleet Services including assistance in the development and review of financial policies, budgets and rates.
 - j) Assists the Fleet Services manager in budget monitoring.
4. Finance Department
- a) Working with the ERRC establishes and administers the funds policies.
 - b) Analyzes and makes recommendations to the Leadership Team on FERRF and FOMF financial plans for the budget period, including: asset replacement plan, proposed new asset purchases, and total charge allocations by department.
 - c) Works with the ERRC to analyze reserve needs, compares them with actual annual reserve contributions, and determines if there is any excess/deficit to be refunded to or contributed by the appropriate fund as required. If the new estimate is within 5% (+/-) of the actual annual reserve contribution, then no action is required.
 - d) Processes FERRF and FOMF department billings and prepares FERRF and FOMF financial statements.
 - e) Ensures City property and equipment is disposed of in accordance with State and City regulations.

- f) Invests fund money in accounts for interest in accordance with the City's Financial Policy.
- 5. Leadership Team
 - a) During the budget process approves the FERRF and FOMF financial plans for the budget period.
 - b) Approves exceptions to established policies on a case-by-case basis.
- 6. City Council
 - a) Adopts the appropriations and operating budgets for FERRF and FOMF during the budget process.

C. Chronology of Significant Events:

1. RCW 32.21.088 address the creation and guidelines of the Equipment Rental Fund.
2. The Equipment Rental & Replacement Fund (ERRF) was created July 2, 1974 by Ordinance No. 1712.
3. Original ERRF created by Ordinance No. 1712 is repurposed effective January 1, 2019 through Ordinance No. 3218.
4. New Fleet Equipment Rental Operating and Maintenance Fund (FOMF) effective January 1, 2019 by Ordinance No. 3218.

D. Common Audit Issues shared by the State Auditor's Office:

1. Failure to maintain a current list of assets and lack of the performance of physical inventories. (This is the most common condition observed.)
2. Failure to retain adequate records for support of expenditures.
3. Failure of the ER&R fund to bill departments for use of equipment and supplies.
4. Submitting replacement cost estimates for reimbursement with grant money.

EXHIBIT B



**I.T. Equipment Rental & Replacement Fund and I.T
Operations & Maintenance Fund**

Policy

November 2018

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II. Overview

A. Purpose:

The purpose of this document is to establish and specify the City of Port Townsend's (City) policy governing asset and fund management, including rental, replacement, and maintenance services for equipment related to Information Technology (I.T.) (See separate policy for Fleet Equipment Rental & Replacement and Fleet Operations & Maintenance).

B. General Policy:

1. It is the policy of the City to provide for centralized management of its computer and I.T. equipment. Management activities include fund management and asset purchase, rental, maintenance and repair, replacement and disposal.
2. The City Manager has delegated responsibility for implementing the provisions of this policy to the Information Technology Services Department. The Information Technology Services Department in collaboration with the Finance Department shall be responsible for ensuring uniform application and interpretation of the policy. Proposed exceptions to the policy will be considered for maximum benefit of the City.
3. The Information Technology Services Department shall be responsible for planning, directing, managing, coordinating and supervising programs for the acquisition, assignment, maintenance and repair, rental, replacement and disposal of the City's I.T. equipment.

C. Funds Purpose:

The purpose of the I.T. Equipment Rental & Replacement Fund (ITERRF) and the I.T. Operations & Maintenance Fund (ITOMF) is to manage replacement and maintenance funds to ensure sufficient monies are available when needed. This allows the City to focus on using maintenance and efficiency indicators when making asset equipment replacement decisions.

D. Services:

The ITERRF and ITOMF are designated as Internal Service Funds with three major functions. The Replacement function supports the process to provide for replacement of assets. The Administration function supports asset and operations management. The operations function supports maintenance and intergovernmental activities.

III. Replacement Reserve Management

A. Donation of Equipment to ITERRF:

Departments that participate in replacement will donate all eligible assets to the ITERRF, where they will be considered ITERRF owned Assets.

B. Replacement Reserves for ITERRF Owned Equipment:

During the budget process, the Information Technology Services Department will establish reserves for the replacement of assets.

1. Replacement charges are generally calculated based on the estimated cost of each equipment category, its useful life, and the anticipated replacement value. Replacement rates are sometimes adjusted for special purposes. All charges will be accumulated in the ITERRF. A calculation model, such as the Excel model provided by FCS Group, shall be used to track each individual asset and determine the appropriate replacement charge.
2. Replacement rates may be adjusted when the useful life of an asset is changed, or the cost of the replacement asset is significantly higher or lower than the norm.
3. Assets acquired for service by means other than purchase (e.g. lease) will have a replacement rate established like a purchased asset and will require Finance approval for replacement at the time of acquisition.

C. Prohibited Uses of Reserves:

1. ITERRF replacement reserves will not be used to fund construction projects, purchase non-capital equipment (unless part of a system), or purchase capital items that are not authorized to have a replacement schedule.
2. ITERRF replacement reserves will not be permanently transferred to other funds unless directed by Council.

D. Purpose and Uses of Reserves:

The ITERRF is designed to ensure we can replace an asset with a “like” item. The ITERRF exists to accumulate monies based on the replacement cost of an asset.

1. True-up Process: During the semi-annually review process the annual reserve need will be re-evaluated, compared with the actual annual reserve contributions, and any excess/deficit will be refunded to or contributed by the appropriate fund as required. If the new estimate is within 5% (+/-) of the actual annual reserve contribution, then no action is required.
2. Like-for-Like Baseline: When computing funds available for replacement, the Information Technology Services Department determines the estimate by comparing the equipment being replaced to an identical piece of equipment in today’s marketplace.
3. Equipment Improvements: If there are changes in equipment technology that either make the old asset obsolete, antiquated or not match generally accepted industry trends, this will be considered a like-for-like replacement.
4. Upgrades: New equipment technology that is not an Equipment Improvement will be considered an upgrade. Upgrades are acceptable if there is enough money available using the like-for-like formula. If there is a need for additional funds, the department must fund the difference with their department’s operating budget.
5. Rebuilds: There is an option to use the ITERRF monies to rebuild equipment if it extends the useful life and it is more cost-effective than the replacement option.
6. Legal and Safety Requirements: If a mandated legal or safety requirement occurs and there is a cost increase, the department must fund with their department’s operating budget.

7. Early Replacement: If it is determined by the Information Technology Services Department that an asset has failed before the end of its useful life, the ITERRF will pay for this (pending availability of funds). To collect the shortfall, an increased rate of replacement, which will include the funds still to be collected on the original asset, shall be charged on the newly replaced asset.
8. Combining Assets or Obtaining Multiple Assets: It is permissible to combine assets to obtain a single asset or to obtain more than one asset when replacing a single asset. In both cases, if there is a shortage of funds (based on the like-for-like formula), the department must fund the difference from their department's budget.

IV. Replacement Rules

A. ITERRF Owned Assets:

All assets placed in the ITERRF must have the following basic criteria as determined by the Information Technology Services Department. The Information Technology Services Department can change the minimum criteria to match the City's standards and approve exceptions on a case-by-case basis. These criteria must be met to have a replacement schedule created:

1. Useful life be more than one year.
2. Minimum individual value is \$500. Please note that this value may change from time to time to account for inflation.
3. Assets such as tablets and cellular devices will not be included in the ITERRF. These assets will be purchased directly out of the respective department's operating budget as needed or replaced.

B. Useful Life:

The useful life is established based on industry standards and the normal life expectancy of similar assets. Asset classes generally affect large groups of similar assets; however, special applications and unique items may have separate lives. Normally the useful life is changed when actual average disposal age deviates by one year or more at replacement. Useful life can also be changed because of technological changes or the Information Technology Services Department's determination.

C. Acquisition and Disposal of Assets:

Information Technology Services Department reviews all assets to determine those that should be replaced and those that should be retained. The Information Technology Services Department meets with the operating departments to agree on the selection of items to be replaced and to discuss new acquisitions. Approval for acquisition of assets is decided during the Budget process with Council's approval and disposal of assets must follow the City's Disposal and Surplus Policy.

V. Operations & Maintenance

A. Maintenance Rates:

The Finance Department and Information Technology Services Department will establish rates for various operational costs and services provided by the approved budget of the Information Technology Services Department. The ITOMF will be used to account for operations and maintenance charges.

1. ITOMF maintenance rates will be established to recover 100% of the actual direct and indirect costs (e.g. Salaries, operational expenses, etc.). Rates will be adjusted during the budget process and mid-year review based on the fund balance if revenue exceeds or is below needs.
2. Each department will be charged based on the number of pieces of I.T. equipment assigned to them in the ITERRF, along with an allocation for citywide shared equipment. The allocation will be calculated by the model.

B. Maintenance and Services:

The Information Technology Services Department will maintain all ITERRF assets. The Information Technology Services Department may perform maintenance and provide services on equipment not assigned to ITERRF.

VI. Appendix

A. Acronyms:

1. ITERRF – I.T. Equipment Rental & Replacement Fund
2. ITOMF – I.T. Operations & Maintenance Fund

B. Roles and Responsibilities:

1. Operating Departments
 - a) Work with the Information Technology Services Department to identify ITERRF asset needs and provide all pertinent information for any asset owned and maintained by the ITERRF and ITOMF. This is particularly important for specialty equipment.
 - b) Work with the Information Technology Services Department to develop budgetary proposals ensuring proper funds are available in the ITERRF and ITOMF.
 - c) Provides prudent use, care, and stewardship of ITERRF owned assets.
 - d) Provides feedback on asset management policies.
2. Information Technology Services Department
 - a) Establishes and administers the funds policies in collaboration with the Finance Department.
 - b) Manages all ITERRF assets in accordance with this policy.
 - c) Manages the budget and financial operations of the ITERRF and ITOMF.
 - d) Prepares the asset replacement plan and recommends new purchases.
 - e) Prepares purchase requisitions for all new ITERRF assets.

- f) Represents I.T. on the operating budget and financial issues.
 - g) Determines equipment that will be maintained by ITOMF.
 - h) Establishes the useful life, replacement schedules and rates for all asset classes, and makes changes to the useful life based on actual experience.
 - i) During the budget process develops ITERRF and ITOMF financial plans for the budget period.
 - j) Sets maintenance and replacement to user departments.
 - k) Works with the Finance Department to estimate reserve needs, compare them with actual annual reserve contributions, and determines if there is any excess/deficit to be refunded to or contributed by the appropriate fund as required. If the new estimate is within 5% (+/-) of the actual annual reserve contribution, then no action is required.
3. Finance Department
- a) Working with the Information Technology Services Department establishes and administers the funds policies.
 - b) Analyzes and makes recommendations to the Leadership Team on ITERRF and ITOMF financial plans for the budget period, including: asset replacement plan, proposed new asset purchases, and total charge allocations by department.
 - c) Works with the Information Technology Services Department to analyze annual reserve needs, compares them with actual annual reserve contributions, and determines if there is any excess/deficit to be refunded to or contributed by the appropriate fund as required. If the new estimate is within 5% (+/-) of the actual annual reserve contributions, then no action is required.
 - d) Processes ITERRF and ITOMF department billings and prepares ITERRF and ITOMF financial statements.
 - e) Ensures City property and equipment is disposed of in accordance with State and City regulations.
 - f) Invests fund money in accounts for interest in accordance with the City's Financial Policy.
4. Leadership Team
- a) During the budget process approves the ITERRF and ITOMF financial plans for the budget period.
 - b) Approves exceptions to established policies on a case-by-case basis.
5. City Council
- a) Adopts the appropriations and operating budgets for ITERRF and ITOMF during the budget process.

C. Chronology of Significant Events:

1. RCW 32.21.088 address the creation and guidelines of the Equipment Rental Fund.
2. The Equipment Rental & Replacement Fund (ERRF) was created July 2, 1974 by Ordinance No. 1712.
3. Original ERRF created by Ordinance No. 1712 is repurposed effective January 1, 2019 through Ordinance No. 3218.

4. New ITERRF and ITOMF effective January 1, 2019 with Ordinance No. 3218. All departments will participate in the new ITERRF and ITOMF.

D. Common Audit Issues shared by the State Auditor's Office:

1. Failure to maintain a current list of assets and lack of the performance of physical inventories. (This is the most common condition observed.)
2. Failure to retain adequate records for support of expenditures.
3. Failure of the ER&R fund to bill departments for use of equipment and supplies.
4. Submitting replacement cost estimates for reimbursement with grant money.

EXHIBIT C



Purchasing Policies and Procedures Manual

250 Madison Street
Port Townsend, WA 98368
cityofpt.us

PURCHASING MATRIX – BID LIMITS & SIGNING AUTHORIZATION

(Always include applicable sales tax when determining dollar amounts)

Purchase of Goods & Equipment	Bidding Process	Contract and Payment Requirements	Authorization
Under \$500	No requirement	Payment off signed invoice (or use purchase card if within limits) No contract required Employee personal reimbursement if approved by supervisor W-9	Department head or designee
\$500-\$7,500	No requirement, but three estimates recommended May use MRSC Vendor Roster, State contract, or interlocal agreement Select lowest qualified vendor	Payment off signed invoice (or use purchase card if within in limits) W-9	Department head or designee
\$7,501-\$15,000	Obtain three telephone and/or written quotations or use formal bidding May use MRSC Vendor Roster, State contract, or interlocal agreement Select lowest qualified vendor	Purchase order if >\$10,000 Requisition form & signed invoice W-9	Department head (if within budget appropriations)
\$15,001-\$29,999	<u>Must</u> either: formally bid, use State contract, or interlocal agreement Select lowest qualified vendor	Purchase order Requisition form & signed invoice W-9	City Manager (if within budget appropriations)
\$30,000 or more	<u>Must</u> either: formally bid, use State contract, or interlocal agreement Select lowest qualified vendor	Purchase order Requisition form & signed invoice W-9	Council approval ¹ Contract and/or invoice signed by City Manager

Public Works Projects	Bidding Process	Contract and Payment Requirements	Authorization
\$5,000 or less	<p>Required to have three estimates</p> <p>May use MRSC Small Works Roster</p> <p>Award to lowest qualified contractor</p> <p>Alternatively, may use day labor (City staff)</p>	<p>Small public works contract</p> <p>Insurance</p> <p>W-9</p> <p>Prevailing wage (<i>Contractor may use Combined Intent/Affidavit Form for projects \$2,500 or less</i>)</p> <p>5% retainage or retainage bond, unless waived in advertisement by City Manager, department head, or designee</p> <p>Performance and payment bonds, unless waived in advertisement by City Manager, department head, or designee</p>	Department head or designee
<p>Less than \$50,000</p> <p><u>Limited</u> Small Public Works process</p>	<p>Obtain estimates from at least <u>three</u> contractors on MRSC Small Works Roster²</p> <p>Award to lowest qualified contractor</p> <p>Alternatively, may use formal bidding or day labor (City staff)</p>	<p>Small public works contract</p> <p>Insurance</p> <p>W-9</p> <p>Prevailing wage</p> <p>5% retainage or retainage bond, unless waived in advertisement by City Manager</p> <p>Performance and payment bonds, unless waived in advertisement by City Manager</p> <p>Contractor may choose to have 10% retainage held instead of providing performance and payment bonds</p> <p>Purchase order (encumbrance) if >\$10,000, except capital projects</p>	<p>City Manager for less than \$20,000 single trade or \$35,000 multiple trades³</p> <p>Contracts over these limits require Council approval</p> <p>Contract signed by City Manager</p>
<p>\$350,000 or less</p> <p>Small Public Works Roster process</p>	<p>Obtain estimates from at least <u>five</u> contractors on MRSC Small Works Roster</p> <p>All contractors in applicable roster category</p>	<p>Small public works contract</p> <p>Insurance</p> <p>W-9</p>	<p>Council approval (see above)</p> <p>Contract signed by City Manager</p>

	<p><u>must</u> be given opportunity to submit estimate before any contractor can be solicited again</p> <p><i>If project total is between \$250,000-\$350,000, <u>all</u> contractors in applicable category must be notified that project is being bid</i></p> <p>Recommend bid deposits for projects >\$40,000</p> <p>Alternatively, may use formal bidding or may use day labor (City staff) for single trade projects \$75,500 or less and multiple trade projects \$116,155 or less</p> <p>Award to lowest qualified contractor</p>	<p>Prevailing wage</p> <p>5% retainage or retainage bond, unless waived in advertisement by City Manager ⁴</p> <p>Performance and payment bonds</p> <p>Contractor may choose to have 10% retainage held instead of providing performance and payment bonds for projects \$150,000 or less</p> <p>Purchase order (encumbrance), except for capital projects approved in CIP</p>	
Projects over \$350,000	<p><u>Must</u> use publicly advertised formal bid process</p> <p>5% bid deposit required</p>	<p>Public works contract</p> <p>Insurance</p> <p>W-9</p> <p>Prevailing wage ⁵</p> <p>5% retainage or retainage bond ⁴</p> <p>Performance & payment bonds</p> <p>Purchase order [except Capital Projects approved in CIP]</p>	<p>Council approval</p> <p>Contract signed by City Manager</p>
Services [not including Architecture & Engineering]	Bidding Process	Contract and Payment Requirements	Authorization
Under \$5,000	<p>No requirement, but three estimates recommended</p> <p>Check requirements if using federal funding</p>	<p>No contract required</p> <p>Payment off signed invoice</p> <p>W-9</p> <p>Prevailing wages may be required for certain services (e.g., landscaping)</p>	<p>Department head or designee</p>

\$5,000-\$9,999	<p>No requirement, but recommend <u>at least three</u> estimates from firms on the MRSC Consultant Roster</p> <p>Request price quotes, schedule, qualifications</p> <p>Check requirements if using federal funding</p> <p>Contract with lowest qualified vendor</p>	<p>Professional services agreement</p> <p>Insurance</p> <p>W-9</p> <p>Purchase order (encumbrance) if requested</p> <p>Prevailing wages may be required for certain services (e.g., landscaping)</p>	City Manager
\$10,000-\$19,999	<p>Request proposals or estimates from <u>at least three</u> firms on the MRSC Consultant Roster</p> <p>Request price quotes, schedule, and qualifications</p> <p>Check requirements if using federal funding</p> <p>Contract with lowest qualified vendor</p>	<p>Professional services agreement</p> <p>Insurance</p> <p>W-9</p> <p>Purchase order (encumbrance)</p> <p>Prevailing wages may be required for certain services (e.g., landscaping)</p>	<p>Council approval ⁶</p> <p>Contract signed by City Manager</p>
\$20,000 or more	<p>Formal, advertised <u>RFP or RFQ</u> process recommended</p> <p>Check requirements if using federal funding</p> <p>Contract with lowest qualified vendor</p>	<p>Professional services agreement</p> <p>Insurance</p> <p>W-9</p> <p>Purchase order (encumbrance)</p> <p>Prevailing wages may be required for certain services (e.g., landscaping)</p>	<p>Council approval ⁶</p> <p>Contract signed by City Manager</p>
Architecture, Engineering, Landscape Architecture, & Surveying	Bidding Process	Contract and Payment Requirements	Authorization
Any dollar amount	<p>Must publish need for services in advance</p> <p>May use MRSC Consultant Roster</p>	<p>Professional services agreement</p> <p>Insurance, including professional liability</p> <p>W-9</p>	<p>City Manager if less than \$10,000 ⁶</p> <p>\$10,000 or more requires Council approval</p>

	<p>Firms submit statement of qualifications</p> <p>Award based on qualifications, not price</p> <p><i>Some A/E contractor funding agencies may require their own contract and/or contract language placed into the city contract. Verify with funding agency.</i></p>	<p>Purchase Order if > \$10,000</p>	
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¹ The City Manager may sign contracts for purchase of goods greater than \$30,000 if they specifically implement the annual budget and result from the aggregation of approved budgetary programs and services for the current year (PTMC 3.46.110(A)(1)).

² For projects under \$50,000, you may use the Limited Small Public Works process, which requires estimates from at least three contractors on the roster.

³ The City Manager may sign public works contracts up to \$65,000 for multiple trades if the contract is time-sensitive and a delay in bringing the matter before Council would cost the City time and money.

⁴ Retainage is not required for federally funded transportation projects through the Federal Highway Administration. Check grant documents for specific requirements. If the local government waives retainage, they assume liability of contract non-payments but do retain the right of recovery from the contractor.

⁵ Federally funded or assisted public works projects over \$2,000 require payment of Davis-Bacon wage rates determined by the U.S. Department of Labor.

⁶ The City Manager may sign professional services contracts, including architectural, engineering, legal, or consulting services, up to \$25,000 if the contract is time-sensitive and delay in bringing the matter before Council would cost the City time and money.

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Sources

- [City of Port Townsend Municipal Code](#)
- [Washington State RCW's](#)
- [Municipal Research and Services Center](#)
- [The Bidding Book](#)

1.0 Introduction

1.1 Purpose of the Manual

The Purchasing Policies and Procedures Manual guides and assists City staff with basic procurement and contracting requirements as set forth in the City of Port Townsend Municipal Code (PTMC) Chapter 3.46 and Washington State statutes.

This manual establishes policy guidelines and clarifies the procedures for purchasing supplies and materials, public works construction, and contracting for services by the City of Port Townsend. The procedures set forth in subsequent sections of this manual are designed to assure the citizens, the City Council, and City administrative staff that the City is receiving maximum value for each tax and utility dollar expended and to ensure fiscal responsibility in the procurement process. All employees and City representatives must follow these policies and procedures.

All references to the Revised Code of Washington (RCW) and City Ordinances and Resolutions shall be incorporated as part of this manual, including all future amendments. In cases where these policies conflict with any City Ordinance or State or Federal Law or Regulations, the terms of that law or regulation prevail. In all other cases, these policies apply.

1.2 Contact Information

Name	Responsibility
Finance Director/Manager	Fiscal control, policy, & budget
Finance – Accountant	Grants & capital improvement program
City Attorney/Legal Asst.	Contracts and bidding process
Finance Technician III	Accounts payable & vendors; ordinary purchases of supplies, materials, maintenance, and equipment; surplus & disposition of assets; purchasing cards

1.3 Code of Ethics ([RCW 42.23](#))

This section of the manual should be interpreted in tandem with the City of Port Townsend [Personnel Policy Manual](#) Chapter 2.1 (Code of Conduct) and [PTMC Chapter 2.80](#). Please also refer to [RCW 42.23](#) (Code of Ethics for Municipal Officers – Contract Interests). A municipal officer includes all elected officials, advisory board members, and City employees.

City employees are expected to represent the City in a professional and accountable manner that is courteous, helpful, and efficient. Employees shall conduct their public and private actions and financial dealings in a manner that shall present no conflict of interest between the public trust and their private interest.

Actions of City employees, when purchasing supplies and services, should be fair and impartial and not be used for personal gain or benefit. Public employment shall not be used for personal gain, and City employees may neither solicit, accept, nor agree to accept any compensation, gratuity, or reward for themselves, their families, or others that results in their personal gain or which may affect their impartiality in making decisions on the job. Discounts or concessions realistically available to the general population, items received that do not result in personal gain, and samples for general City use are examples of items that are not gratuities. Personal judgment should be used, and questions regarding particular situations should be referred to the employee's supervisor or department head.

Personal gifts or gratuities that might influence or give the appearance of influencing purchases of goods or services must be declined.

Employees may not willfully circumvent purchasing and procurement policies and procedures to enter into contracts or purchase goods and services. Any contract made in violation of this policy manual, City code, or State statutes will be considered null and void, and the employee or officer may be subject to discipline or dismissal. Willful disregard of these policies and statutes when purchasing goods and services may also be subject to discipline and/or dismissal from service. Please see [PTMC 2.80.060](#) (Penalties) for reference.

1.4 Conflict of Interest

No City staff or Council member may undertake consulting, professional practice, or other assignments that would result in a conflict of interest. Any

City employee or Council member who recommends or approves a purchase and has any financial interest in the firm involved in the purchase shall disclose his or her interest prior to recommending or approving the purchase.

No city staff or Council member may participate in the selection, award, or administration of a contract supported by a Federal award if they have a real or apparent conflict of interest. Such a conflict of interest would arise when the City employee or Council member, any member of their immediate family, their partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. Any willful violation will be subject to disciplinary action according to [PTMC 2.80.060](#).

1.5 Unauthorized Purchases

PURCHASES FOR PERSONAL USE ARE NOT ALLOWED. The person ordering the unauthorized and unjustified purchase is personally liable for the costs of the purchase or contract and may be subject to disciplinary action, up to and including termination of employment. If the purchase was made without proper authorization but is in fact a justified purchase, then the department head has the option to approve the purchase after the fact.

When representing the City through purchasing goods and services, employees are prohibited from doing the following:

- “Bid Splitting” – A capital (public work) project means a complete project. The project may not be split into units or classes of work to avoid the restriction on work that may be performed by day labor or other bid rules.
- Purchase breakup – Purchases that exceed authorization limits or exceed the quote requirements should not be split up to circumvent the purchasing policies and procedures.
- Purchasing alcohol or personal entertainment goods and services.
- Generating a purchase order. Only the Legal Department or Finance Department have the authority to generate a purchase order (encumbrance).
- Purchasing controlled commodities without prior approval including the following:
 - Cell phones, telephone equipment, pagers, etc.
 - Computers and related equipment, fax machines, printers, scanners, copiers, software, or systems

Speaking the Same Language

The following terms are often used interchangeably. We typically use these terms as described below:

Purchasing, Procurement

Purchasing is the act, function and responsibility for the acquisition of equipment, materials, supplies and services. The term describes the process of buying.

Procurement includes all functions that pertain to the acquisition, including description of requirements, selection and solicitation of sources, preparation and award of contract and all phases of contract administration.

- Anything that IT staff is requested or required to install, connect, service, maintain, or support
- Anything purchased using Equipment Rental and Revolving Funds
- Using a City-issued purchase card for cash advances or professional services

1.6 Sustainable Purchasing

The City shall acquire its goods and services in a manner that complies with all federal, State, and City laws and other requirements (e.g., City resolutions).

Environmental factors to consider in selecting products include:

- Pollutant releases, especially persistent bio-accumulative toxins (PBTs)
- Waste generation
- Greenhouse gas emissions
- Recycled content [recommend using 30% recycled paper]
- Energy consumption
- Depletion of natural resources
- Potential impact on human health and the environment

Social equity factors that should be considered include but are not limited to:

- Use of local businesses when allowable under bid rules
- Use of small, minority, and women-owned businesses
- Ergonomic and human health impacts

Fiscal factors to be considered include but are not limited to:

- Lowest total cost
- Leveraging our buying power
- Impact on staff time and labor
- Long-term financial/market changes
- Technological advances in a rapidly changing market

1.7 What This Manual Covers

The process of selecting vendors and managing contracts shall embody the value of stewardship of public resources by providing the greatest levels of both quality and value.

The goals are to ensure that the purchase process:

Speaking the Same Language

The following terms are often used interchangeably. We typically use these terms as described below:

Vendor, Contractor, and Consultant:

Vendor is typically used when referring to a supplier of goods, materials, or supplies.

Contractor is typically used when referring to a construction or maintenance company. Can also apply to an individual or business having a contract with the City.

Consultant is typically used when working on a Professional Service Contract. The term means a person with education and/or experience which uniquely qualifies them to perform some specialized services.

- **Practices ethical behavior and conduct:** Create purchasing processes that are fair, open, and at least cost of public funds.
- **Obtains value with public funds:** Purchase goods and services that are fiscally responsible, reduce resource consumption and waste, perform adequately, promote advantages to lessor advantaged segments of the community, and promote health and well-being.
- **Acts with integrity and ensures open and effective communication:** Be impartial in fact, as well as in appearance.

From Start to Finish...

Before any purchase is made, the following questions should be answered:

- **Define the need** – What kind of purchase is this?
- **Determine the cost** – How much will it cost?
- **Process** – How do I procure it?
- **Protecting the City** – How do we properly protect the City from liability?
- **Authority** – Who must approve it?
- **Contract administration** – What are my responsibilities?

1.8 Define the Need

The first question that should be answered is “What type of purchase is this?” The major categories of purchases include:

Public Works: [\(RCW 39.04.010\)](#)

Includes all work, construction, alteration, repair, or improvements other than ordinary maintenance executed at the cost of the City:

Examples: demolition, remodeling, renovation, road construction, building construction, and utilities construction.

Ordinary maintenance is generally considered to include work not performed by contract and performed on a regular basis to service, check, or replace items that are not broken. For purposes of prevailing wage

Speaking the Same Language

The following terms are often used interchangeably. We typically use these terms as described below:

Bid, Estimate/Quote, Proposal

Bid is an offer submitted by a contractor or vendor in response to an invitation to bid (ITB) or advertisement

Estimate or quote is a statement of prices, terms of sale, and description of goods or services offered by a vendor or contractor to the City. Commonly used in more informal solicitations.

Proposal is the document submitted by the offeror in response to an RFP/RFQ. Proposals allow contract award based on factors other than cost and may result in negotiations.

requirements, public works includes ordinary maintenance when performed by contract. See Section 3.2.

Materials, Supplies, and Equipment:

Materials, supplies, and equipment are considered tangible items, which are manufactured and are moveable at the time of purchase. It is important to distinguish materials, supplies, and equipment used in public works contracts from those in non-public works contracts, as different bidding requirements apply to each.

Examples: office supplies, off-the-shelf software, hardware, trucks, copy machines, auto parts, gravel, janitorial supplies, food, and beverages.

Services:

Distinguishing between services and public works is important, as services have different bidding requirements. Services require the labor, time, or effort of a human being and can include intellectual or physical work.

Examples: accountants, attorneys, elevator maintenance, instructors, technology consulting, engineers, and land surveyors.

1.9 Determine the Cost

Once the need has been defined, the estimated cost of the goods or services will generally determine what competitive selection process you follow. Estimated project costs for competitive bidding purposes must include:

- All construction-related work (except for engineering or architectural design fees)
- All phases of the project
- Any permitting costs of the project
- All labor and materials required for the project
- All applicable sales and use taxes

The cost estimate should not include donated materials, labor, supplies, etc.

1.10 Determine Contract Value

Contract value refers to the total aggregate value of the contract, including potential renewal periods. Examples of contract value are as follows:

- Example #1: A three-year contract for \$40,000 per year is considered a \$120,000 contract.
- Example #2: A one-year, \$8,000 professional services contract is renewed for an additional year at \$8,000. The aggregate value of

Acronyms

SOQ – Statement of Qualifications

RFQ – Request for Qualifications

RFP – Request for Proposal

ITB – Invitation to Bid (Formal Bid)

ITQ – Invitation to Quote (Small Works)

MWDBE – Minority, Women, and Disadvantaged Business Enterprise

CIP – Capital Improvement Plan

the contract becomes \$16,000, which requires City Council approval.

1.11 Exemptions to the Competitive Bidding Process

Exemptions to this policy must be approved in writing by the City Manager when within his or her signing authority; otherwise, exemptions shall be approved by City Council. Exemptions should make good business sense and be in the best interest of the City. In all cases, it is the City’s responsibility to conduct a good faith review of all available providers.

Exemptions to competitive bidding requirements as provided in [RCW 39.04.280\(1\)](#) and [PTMC 3.46.090](#):

Type	Examples and Notes
Sole source	<ul style="list-style-type: none"> Licensed or patented goods or services Specialized items that are compatible with existing equipment or systems (i.e. water treatment plant filters) Meets City standards (i.e. meters) Factory-authorized warranty services Meets a specialized need of the City
Purchases involving special facilities or market conditions	<ul style="list-style-type: none"> Items of special design, shape, or manufacture that match or fit existing equipment, inventory, systems, programs, or services Items offered at highly favorable price that will be sold before City can follow bidding process
Auctions, closeout, & bankruptcy sales	<ul style="list-style-type: none"> Only when items can be purchased below market cost
Emergency purchases or public works	<ul style="list-style-type: none"> See Section 1.12
Purchases of insurance or bonds	<ul style="list-style-type: none"> Competitive bidding is not required for insurance or bond purchases
Real property	<ul style="list-style-type: none"> The City Manager, upon approval by City Council, may proceed to acquire real property through negotiation Negotiations must be based upon an independent appraisal of the property The City will not pay more than market value If purchased with federal funds, the acquisition shall comply with the Uniform Real Property Acquisition and Relocation Assistance Act of 1970, as amended
Surplus property (RCW 39.33.010)	<ul style="list-style-type: none"> The City may by agreement acquire, sell, or exchange surplus property to or from another government without the use of bids

Tips & FAQs

Q: *The garage door at Public Works is stuck closed. The door must be fixed immediately. What do we do?*

A: Although this is an urgent need, it does not present a real, immediate threat to life or property, so regular contracting processes must be followed. The Legal Department can assist with developing a contract quickly once a contractor has been chosen.

Q: *Our City water tank has been badly damaged and water pressure is threatened. Is this an emergency?*

A: This is not a natural disaster, but does “present a real, immediate threat” and makes competitive bidding impractical. This would be treated as a declared emergency. Follow the declared emergency process.

Note: Emergencies involving FEMA reimbursements or work in critical areas may have different or additional requirements. Please contact the City Attorney or Finance Department for assistance with either emergency.

Interlocal agreements (Piggybacking) (RCW 39.34.030)	<ul style="list-style-type: none">• See Section 2.4
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Exemption Process:

Complete a written request to the City Manager or City Council (depending on signing authority) explaining why this option is the only option, makes good business sense, and is in the best interest of the City. Explain what features, knowledge, or qualifications the vendor can provide that are not available from other sources. Outline steps taken to verify that this is the only vendor available, which could include:

- (1) internet search
- (2) calls to vendors or contractors on MRSC rosters
- (3) advertisement in paper with a “Notice of Intent to Contract”
- (4) advice from expert consultant in service area

This request should be signed by the requestor. Use the ***Sole Source Justification Form*** if applicable.

1.12 Declared Emergency

For purposes of this section “emergency” means unforeseen circumstances beyond the control of the City that either: (a) present a real, immediate threat to the proper performance of essential functions, or (b) will likely result in material loss or damage to property, bodily injury, or loss of life if immediate action is not taken. Competitive bidding may be waived subject to the following process:

1. Staff (usually a department head) identifies an urgent need and requests that the City Manager declare an emergency.
2. Upon approval from the City Manager, the department authorizes work and/or equipment procurement required to address the emergency.
3. Department drafts a memorandum explaining the basis for the emergency and the selection of the particular vendor. This memorandum should be included in the contract file.
4. Request that the Legal Department draft a contract.
5. Department schedules the contract award on next City Council agenda. City Attorney and department head prepare materials necessary to ratify the emergency declaration finding.

Tips & FAQs

Tax revenue from purchases:

The City may factor in tax revenues generated by a purchase of supplies, materials, and equipment, including those from local sales tax or from gross receipts business and occupation tax. If these tax revenues are considered, the City must consider the taxes it would receive from suppliers located both within and without its boundaries (RCW 39.30.040).

Preference for recycled products:

The City may allow for preferential purchase of products made from recycled materials or products that may be recycled or reused (RCW 39.30.040).

2.0 New Procurement

2.1 Initiate a New Procurement

The City makes many small and large purchases over the course of the year and must comply with State and local laws for each type of procurement, based on type of work, dollar limits, and level of risk involved.

See the matrix at the beginning of this manual for a summary of the types of new procurements typically performed at the City of Port Townsend. City staff may also initiate new procurements through purchasing card purchases (see Section 6.0) and by requesting reimbursement for purchases made with the employee's personal funds. It is recommended that employees use a purchasing card for small purchases whenever practicable and allowed by City policy.

2.2 Purchases of Goods, Supplies, & Equipment

2.2 (a) SMALL Purchases of Goods, Supplies, & Equipment (\$7,500 or less)

Small purchases of goods, supplies, materials, and equipment **\$7,500 or less** can be made using one of the following processes:

Process	Dollar Limit	Allowed Uses	Non-Allowed Uses
<p>Purchasing Card (see Section 6.0)</p> <p><i>It is strongly recommended you use a City purchasing card vs. personal credit card</i></p> <p><i>All receipts must be retained and turned into supervisor for approval.</i></p>	<p>Contact Finance if you need to know your limits.</p> <p>Sample limits: \$500 single purchase; \$1500 monthly billing cycle limit</p> <p><i>Exceptions may be made with the Finance Director's approval</i></p>	<p>Business-related purchases of goods and services (i.e., subscriptions, seminars, meeting supplies, maintenance, repair, operations, office supplies, computer peripherals, software subscriptions)</p>	<p>Alcohol, capital equipment, cash advances, consulting services, personal items, professional services, meals while traveling</p>

Tips & FAQs

When purchasing telecommunications and data processing (computer) equipment or software, the City may follow a “competitive negotiation” process as an alternative to the bid process (RCW 39.04.270). This process requires, at a minimum:

- A request for proposals (RFP) published in the newspaper of general circulation at least 13 days before the submission deadline.
- The RFP identifies significant evaluation factors, including price, and their relative importance.
- The City provides reasonable procedures for technical evaluation of the proposals, identification of qualified sources, and selection for awarding the contract.
- The award must be made to the qualified bidder whose proposal is “most advantageous” to the City. The City may reject all proposals for good cause and request new proposals.

Personal/employee Reimbursement	Up to \$1,000 <i>Personal credit card use must be approved by dept. head.</i>	Incidentals such as postage, ferry tolls, parking fees, hotel fees, CDL license, etc.	Regular business-related goods and services
Vendor Invoice	\$7,500 <i>All invoices MUST be addressed and/or shipped to the City of Port Townsend and have an invoice number, date of purchase, and description of item purchased.</i>	Contracted supplies Goods at low risk and not otherwise covered under a contract or purchase order	Capital expenditures

Although there are no bidding requirements for goods purchases **between \$500 and \$7,500**, it is recommended that City staff obtain estimates from three vendors, preferably off the MRSC Vendor Roster. Staff may also use a State contract or interlocal agreement (“piggybacking”). The applicable department head or designee has invoice signing authority.

Purchases of goods **under \$500** do not require quotes, but staff may solicit estimates from the MRSC Vendor Roster or use a State contract or interlocal agreement (“piggybacking”). The applicable department head or designee has invoice signing authority.

All payments made by a check issued by the Finance Department require a W-9 from the vendor.

2.2 (b) INTERMEDIATE Purchases of Goods, Supplies, & Equipment (\$7,501-\$15,000)

Purchases of goods, supplies, materials, and equipment **from \$7,501 to \$15,000** should be made using a purchase order if over \$10,000 and a vendor invoice for payment. Purchases in this category could also be made using a State contract, interlocal agreement, or formal sealed bidding.

Employees may not use a purchase card or personal payment for reimbursement unless previously approved by their department head and within card limits.

When making purchases **from \$7,501 and \$15,000**, staff should obtain at least three telephone or written quotations from vendors on the MRSC

Vendor Roster. The applicable department head has invoice signing authority.

A purchase order or written agreement may be required. Check with the Finance Department for additional requirements.

All purchases in this category require a W-9 from the vendor.

2.2 (c) LARGE Purchases of Goods, Supplies, & Equipment (\$15,001 or more)

Per [RCW 35.23.352\(8\)](#), any purchase of material, supplies, and equipment with a cost **exceeding \$15,000** requires formal, competitive bidding or the use of a State contract or interlocal agreement.

Formal Bidding Process:

	Task	Action
1.	Identify grants or federal funds as applicable	Notify Accountant in Finance
2.	Prepare bid documents	Include: <ul style="list-style-type: none"> • Invitation to bid • Instructions and information for bidders • Bid proposal template • Bid bond template • Bidder’s statement of qualifications template • Sample contract • Insurance requirements Contact Legal Dept. to review prior to finalization of bid package
3.	Prepare product specifications	Considerations: warranties, delivery, liquidated damages
4.	Advertise, publish, and notify	Advertise in official newspaper Publish bid on Builder’s Exchange Email notification to recommended roster participants (if any)
5.	Addenda required?	Department to write addenda, notify plan holders, and post online
6.	Schedule & conduct bid opening	Department to schedule conference room and open and read sealed bids

7.	Bid Award	<p>Determine the lowest, responsible, responsive bidder</p> <p>Prepare Council agenda materials if \$30,000 or more</p> <p>Prepare purchase contract (or contact Legal Department if needed)</p> <p>Obtain vendor signature and forward to Legal Assistant</p> <p>Give Legal Assistant or Finance BARS code and request purchase order/encumbrance. Obtain W-9 for Accounts Payable</p> <p>Do not notify non-selected bidders about award until contract is fully signed</p>
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The City Manager has signing authority for purchases less than \$30,000. All purchases totaling \$30,000 or more require City Council approval. Consider the entire cost of the purchase for all years (for example, maintenance costs) involved when determining the approval level. Contact the Finance or Legal Department with questions on total contract value.

All purchases in this category require a W-9 from the vendor.

2.3 Food and Beverage Purchases

Generally, consuming food and beverages at public expense will be discouraged. The consumption of nourishment is ordinarily regarded as private and personal and not a public activity. (This includes light snacks.) In the occasion where food and beverages are approved for purchase, **in all circumstances the department head and/or the City Manager must pre-approve the purchase(s) and the department must have adopted budget appropriations.**

The following outlines circumstances when the City will provide for the consumption of food and beverages:

1. Meal reimbursements while in travel status. Please refer to the City of Port Townsend Personnel Policy Manual, Section 5.7 for meal per diem policies.
2. Light refreshments and/or meals may be purchased by the City when:

Tips & FAQs

Q: *My department is having a regular staff meeting. I want to treat my staff for a job well done. Can I use City funds to purchase pizza for my staff and serve it at our regular meeting?*

A: The quick answer is NO, if the meeting is scheduled during regular business hours at the place of business. Although the purpose of the meeting is to discuss City business, providing pizza is not an integral part of the meeting.

Some exceptions may be made. For example, if the Dept. Head has budgeted staff recognition in the annual budget and the appropriations were approved by City Council, then it would be appropriate to buy pizza for staff.

As noted in the first paragraph of Section 2.12, consuming food and beverages at public expense is discouraged.

- Employees or officials attend a special meeting, training, or similar circumstance where the purpose of the event is to discuss City business, **AND**
 - It provides benefit to the City, **AND**
 - The refreshments are an integral (necessary) part of the meeting or training session for the employee or official to receive the full benefit of the meeting and/or training. (e.g., a working breakfast, lunch, or dinner), **AND**
 - The meeting or training session takes place away from the employee or official's regular workplace, **AND**
 - Receipts for actual costs of the refreshments/meals are kept with documentation of who was in attendance and the purpose of the meeting or training session.
3. In emergency situations when a department head determines that employees or intergovernmental employees performing critical City functions must remain at their workplaces, providing refreshments/meals will be allowed if the department head pre-approves the purchase.
 4. Meals and/or refreshments for employee, official, volunteer, wellness, public, or occasional appreciation events when:
 - The City Manager and/or department head has approved the purchase(s) in advance and documentation of such is evident, **AND**
 - Receipts for actual costs are kept with documentation of who was in attendance and the purpose of the event, **AND**
 - The meal/refreshment purchases for the event is approved through budgeted appropriations.

Prohibited purchases of refreshments include the following circumstances and will not be reimbursed by the City:

1. Meals and/or refreshments that were not pre-approved by the department head and/or the City Manager.
2. Meals and/or refreshments that were not approved in budgeted appropriations.
3. Purchase of alcoholic beverages.

Tips & FAQs

Q: How do I find what contracts the State has available to use?

A: Visit the Department of Enterprise Services' website: <http://www.des.wa.gov/services/ContractingPurchasing/CurrentContracts/Pages/default.aspx>

Tip

Some vehicles and heavy equipment purchased through the State require a State PO prior to purchase.

Tip

State contracts typically have good pricing. However, keep in mind that they may not always be the lowest cost option. These contracts offer a good starting point in the quote process.

Tip

Advertising:

Advertising requirements are found in the following codes:

[RCW 39.80.030](#) – Architectural and Engineering Services

[RCW 35.23.352\(1\)](#) – Public Works

[RCW 39.04.155\(2\)\(a\)](#) – Public Works Small Works Roster

2.4 Piggybacking (State Contracts and Interlocal Purchasing Agreements)

State Contract Piggybacking Process

The City has signed a master contract with the Washington State Department of Enterprise Services (DES) to use the State's contracts for goods and services. When using a State contract, we are "piggybacking" off their competitive process, eliminating the need to perform our own. The City encourages the use of these contracts whenever possible.

	Task	Action
1.	Review State contract website for piggybacking requirements	Contact Finance Department with process questions
2.	Contact vendor to verify they will honor State contract pricing	Obtain details regarding all aspects of purchase, including invoicing, availability, delivery, etc.
3.	Contact Finance Dept.	Finance or Legal Asst. will develop a purchase order for the good/service if contract value > \$10,000 or otherwise required by the vendor
3.	Contact buyer to place order <i>It is highly recommended that all agreements to use the State pricing are documented in writing</i>	Place order and process invoice for payment. Provide Finance Department with BARS and State contract number for purchase order

State contracts include standard terms and conditions. When piggybacking off a State contract, all State contract terms and conditions apply. Contact the Legal Department if any contract terms do not suit the City's needs. Only certain particulars can be changed, such as quantity and delivery terms.

Interlocal Purchasing Agreements

The process described above for State contracts can also be used to purchase goods and services through other agencies' contracts. However, the following additional steps must be taken by City staff:

1. Read the other agency's contract carefully to confirm that it allows other agencies to use it.
2. Document that the purchase was made according to the other agency's bidding requirements and our bidding requirements. Contact the Legal Department for assistance. This is best done by

Tips & FAQs

Q: *What is a public work?*

A: According to the American Public Works Association, “public work” is the combination of physical assets, management practices, policies and personnel necessary for government to provide and sustain structures and services essential to the welfare and acceptable quality of life for its citizens. The projects are financed and constructed by and/or for the government.

Q: *What is ordinary maintenance?*

A: According to WAC 296-127-010(7)(b)(iii), ordinary maintenance is defined as work not performed by contract that is performed on a regularly scheduled basis (e.g., daily, weekly, monthly, seasonally, semiannually, but not less frequently than once per year), to service, check, or replace items that are not broken; or work not performed by contract that is not regularly scheduled but is required to maintain the asset so that repair does not become necessary.

Q: *A contractor has requested a deposit or advance before starting work. Is this okay?*

A: The City can only pay for work that has been completed. We cannot advance a contractor funds to purchase materials for a public works project.

requesting and retaining copies of all bid documents from the other agency.

3. Confirm that the City has a current interlocal purchasing agreement with the agency before making the purchase.
4. If we do not have an agreement, contact the purchasing coordinator at the other agency to request one. Contact the Legal Department for assistance in processing the agreement.

Note: Be particularly careful about documentation when piggybacking off a contract from an out-of-state agency or a different type of agency (for example, a school district or port district). The authorization limits shown on the matrix at the beginning of this manual apply to purchases through State contracts and Interlocal Agreements.

2.5 Public Works

Bid Limit:

According to [RCW 35.23.352](#), a second-class city, such as Port Townsend, may construct a public work by contract or by day labor (City staff) without calling for bids when the estimated cost of the work will not exceed \$116,155 if more than one trade is involved or \$75,500 if a single trade is involved. When the cost of a public work exceeds these figures, the project should be done by contract through formal sealed bidding, except that the City may use the small works roster process for projects up to \$350,000.

Determining the Cost of a Public Work:

The total construction cost of each project must be estimated in order to correctly apply bid limit dollar amounts to determine if a public works project must be competitively bid. This estimate may be prepared by an outside third party; however, the final cost estimate must be validated by the City. The total construction cost (estimated as if the project were to be bid) should include materials, supplies, equipment, and labor for that project AND applicable sales and use taxes. However, the value of volunteer labor, donated materials, or donated equipment need not be included in the cost estimate for a public works project, as these are not a cost to the City.

For projects completed by any means other than a contract or small works roster process (for example, using City workers) having an estimated cost exceeding \$25,000, the City must publish a description of the project and its estimated cost in the official newspaper at least fifteen days before beginning work, as required by [RCW 39.04.020](#).

Tips & FAQs

Q: *The contractor I'm hiring doesn't want to use our contract form. Is this okay?*

A: You can forward a contractor-provided contract to the Legal Department for review; however, we prefer to use City forms whenever possible. In some cases, such as formally bid projects, we must use the contract form provided to bidders with the solicitation.

Developing Scope of Work:

Things to consider when developing your scope:

- Hold the contractor accountable.
- Be precise. Avoid ambiguity.
- Use the active voice (i.e., "The Contractor will or shall").
- Due dates & deliverables.

Other considerations when developing the contract:

- Term of contract or period of performance.
- Compensation and payment.
- Payment terms.

Duration of Contracts:

Every City contract should state the start and end dates. End dates for some public works contracts will be based off the Notice to Proceed date.

Bid Splitting:

[RCW 35.23.352\(1\)](#) prohibits the division of a project into units of work or classes of work to avoid the restriction on work that may be performed by day labor on a single project.

Small Works Roster:

When the estimated cost of a public works project is \$350,000 or less, the City may follow the small works roster process for construction of a public work or improvement as an alternative to the general competitive bidding requirements, in accordance with [RCW 39.04.155](#). The City of Port Townsend has contracted with the [Municipal Research and Services Center of Washington \(MRSC\)](#) for use of its statewide electronic database for small public works contractors, vendors, and consultants.

Publication:

At least once a year, on behalf of the City, MRSC publishes notice in local newspapers of the existence of the rosters and solicits the names of contractors for the rosters. Responsible contractors can be added to the appropriate MRSC roster(s) at any time that they submit a written request and necessary records. The City may require contracts to be signed when project awards are made using a small works roster.

2.6 Limited Small Works Process (Public Works Projects under \$50,000)

If a public work, construction, alteration, repair, or improvement project is estimated to cost **less than fifty thousand dollars (\$50,000)**, the City may use the limited public works process instead of formal, competitive bidding, as provided in [RCW 39.04.155\(3\)](#).

Process:

1. Develop a scope of work describing the nature of the work to be performed and materials and equipment to be furnished. Detailed plans and specifications need not be included in the invitation.
2. Solicit **at least three contractors** on the MRSC Small Works Roster for the applicable category or categories. Requests for estimates should include the date, time, and location to return the estimate. Notify contractors that:
 - a. they must pay prevailing wage;
 - b. the City must equitably distribute opportunities among contractors in the geographic area;
 - c. the City will require a performance bond and a payment bond, each for the total cost of the project; and

Tips & FAQs

Equitable Distribution:

“Equitably distribute” means that the City may not favor certain contractors on the roster over other contractors on the roster who perform similar services.

Projects \$250,000-\$350,000:

If the estimated cost of the work is \$250,000 to \$350,000, the City may choose to solicit estimates from less than all appropriate contractors on the roster but must notify the remaining contractors on the roster that estimates on the work are being sought. The City can choose to do this by:

Publishing notice in a legal newspaper in the general circulation in the area where the work is to be done

Mailing a notice to these contractors; or

Sending a notice to these contractors by email.

Access to the Small Works Roster is available:
<http://www.mrscrosters.org/>

- d. the City will hold 5% retainage until releases are received from the State ([RCW 60.28.011](#)), unless waived by staff member with contract signing authority.

Note: The City staff member with contract signing authority may waive the bond and retainage requirements; however, contractors must be notified about this waiver in the request for estimates and/or advertisement for the project.

Note: If payment and performance bonds are required, the contractor may choose to have 10% retainage held instead of obtaining bonds.

3. Determine the lowest responsive, responsible bid.
4. Send the Legal Assistant copies of all estimates or a list of all contractors contacted and their bid amounts. *(We are required by law to maintain a list of contractors contacted under the limited public works process.)*
5. The Legal Assistant will make sure the contractor meets all bidder criteria and will draft a contract.
6. If project total is over staff signing authority, contact the City Clerk to schedule contract approval on an upcoming City Council agenda.
7. After Council approval, send the draft contract to the contractor along with a request for items identified by the Legal Assistant *(for example, W-9 and proof of insurance)*.

Note: All projects require a W-9 from the contractor.

Alternative to Process:

Local governments may waive retainage but must assume liability of contractors for non-payment. The local government has the right of recovery from the contractor.

2.7 Small Works Roster Process (Public Works Projects \$350,000 or less)

If a work, construction, alteration, repair, or improvement project is estimated to cost **\$350,000 or less**, the small public works process may be used instead of formal, competitive bidding, as allowed by [RCW 39.04.155\(1\)](#).

Process:

1. Develop a scope of work describing the nature of the work to be performed and materials and equipment to be furnished. Detailed plans need not be included in the invitation.

Tips & FAQs

Deadlines for estimates:

The statutory requirement of 13 days' advertising for a public works project in a formal bid process does not apply to small works roster or limited public works process; advertising is not required. However, depending on the complexity of the project, it is suggested that at least 7 to 14 days be allowed for contractors to submit a proposal, so they have adequate time to research the specifications

Contractor requirements for formal bidding at time bid is submitted:

- Bids must be sealed when submitted to City
- Bids should be labeled on the envelope with the bidder's name and project identification
- Bid must include a 5% deposit in the form of a cashier's check, postal money order, or surety bond
- Include all applicable taxes in bid amount
- Complete and sign bid proposal
- Meet all responsible bidder criteria in RCW 39.04.350
- Meet all supplemental bidder criteria, if any
- If project is \$1 million or more, provide a list of all subcontractors for HVAC, plumbing, and electrical work within one hour of bid opening (RCW 39.30.060)

Note: For projects totaling \$250,000-\$350,000, all contractors in the applicable category must be notified that the project is being bid, even if they are not invited to bid.

2. Contact **at least five contractors** on the MRSC Small Works Roster for the applicable category or categories. Requests for estimates should include the date, time, and location to return the estimate. Notify contractors that:
 - a. they must pay prevailing wage;
 - b. the City will require a payment bond and a performance bond, each for the total cost of the project; and
 - c. the City will hold 5% retainage until releases are received from the State ([RCW 60.28.011](#)).

Note: The City staff member with contract signing authority may waive retainage requirements; however, contractors must be notified about this waiver in the request for estimates and/or advertisement for the project.

Note: For projects totaling \$150,000 or less, the contractor may choose to have 10% retainage held instead of obtaining bonds.

Note: The city will retain the right of recovery from the contractor if retainage is waived.

3. Determine the lowest responsive, responsible bid.
4. Send the Legal Assistant or Engineering staff (for capital projects) the estimate for the lowest bid and expected project dates. (The City's "Small Works less than \$350,000 Documentation Form" may be used.)
5. The Legal Assistant or Engineering staff will make sure that the contractor meets all bidder criteria and will draft a contract.
6. Contact the City Clerk to schedule the contract approval for an upcoming City Council meeting.
7. Draft agenda bill and resolution, if applicable, and send to City Attorney for review.
8. After Council approval, send the draft contract to the contractor along with a request for items identified by the Legal Assistant or Engineering staff, such as proof of insurance and a W-9.

2.8 Formal, Competitive Bid Process (Required for Public Works Projects over \$350,000)

Formal, competitive bidding must be used for **all public works projects over \$350,000**; however, it may also be used for any projects below this threshold. Competitive bidding is designed to prevent favoritism in awarding public work contracts and to enable local governments to obtain

Tips & FAQs

Contractor requirements after selection as lowest bidder:

- Pay prevailing wage
- Obtain performance bond on City-issued form for 100% contract price
- Obtain payment bond on City-issued form for 100% contract price
- Provide proof of insurance and endorsement naming City as additional insured
- Have an Intent to Pay Prevailing Wage approved by L&I before the City will make any payments
- Have an Affidavit of Wages Paid approved by L&I before the City will make final payment.
- Pay all applicable taxes
- Provide all required information on the project to the Department of Labor & Industries, Employment Security Department, and Department of Revenue.

Tip

If a project uses federal highway funding, check the grant agreement carefully for all requirements. These projects require that the notice to bid be published at least 21 days before the bid deadline.

Tip

If federal funds are involved, all bid specifications and contracts shall include the Davis-Bacon Act.

the best work or supplies at the most reasonable prices. It is also designed to provide a fair forum for bidders and to protect the public interest.

Bidding process:

1. Coordinate with Accountant in Finance if using grant or federal funds.
2. Draft or work with consultant to draft bid package and send to City Attorney for review.
3. Draft a notice to bid, stating the nature of the work.
4. Notify bidders that bids must be sealed, and a 5% bid deposit is required, in the form of a cashier's check, postal money order, or surety bond.
5. Have the notice to bid published in the City's official newspaper (currently *The Leader*) at least 13 days prior to the date bids are due. Staff may choose to publish notice in additional newspapers, such as the *Daily Journal of Commerce*.
6. Post the bid on *Builder's Exchange*.
7. City Administration receives and date and time stamps sealed bids.
8. Hold a public bid opening after the bid deadline closes.
9. Identify the lowest responsive, responsible bidder.
Note: If the contract is not awarded to the lowest bidder, a full and complete statement of the reasons for selecting another bidder must be prepared, approved by the City Manager, and retained in the file. See [RCW 35.23.352\(2\)](#) or Section 2.15.
10. Notify the City Clerk to add approval of the project contract to an upcoming City Council agenda.
11. Draft an agenda bill and resolution, if applicable. Ask the City Attorney to review.
12. Following Council approval, ask the Engineering Dept. (capital projects) or Legal Assistant (other projects) to draft a contract.
13. Send draft contract to contractor with request for additional items identified by Engineering staff or the Legal Assistant.
14. After the contract has been fully signed, send a copy to the contractor and return all bid bonds, except for the one submitted by the successful bidder.

2.9 Equipment Purchases Including Installation

[RCW 35.23.352\(1\)](#) prohibits the division of a public works project into units of work or classes of work to avoid the restriction on work that may be performed by day labor on a single project.

Occasionally projects include the direct purchase of equipment separate from the installation. For example, the City purchases equipment for

Tips & FAQs

Determining the total cost for an equipment purchases with installation:

Equipment & materials cost
+ Cost of installation =
Total project cost

Tip

All public works, including maintenance, when performed by contract, shall comply with [RCW 39.12.020](#) as it pertains to prevailing wage requirements. According to [RCW 39.04.010 \(4\)](#), there are clearly two categories of work that must comply with prevailing wage requirements: (1) public works and (2) maintenance when performed by contract.

Tip

When the City executes any public work by any means other than by contract or small works roster, it must keep a full, true, and accurate account and record of the costs of executing such work as prescribed in RCW 39.04.070.

Prior to commencement of the public work project, the Legal Assistant, upon request, will create an encumbrance number (purchase order number) for use in coding all costs associated with the project.

\$50,000 off a State contract, and the installation is estimated to cost \$25,000.

How do we bid this project?

Because we cannot split public works into units to avoid the bidding process, we must combine the cost of the two purchases and treat them as one to establish the “project cost.” In this example, the cost of the entire project is \$75,000 (equipment @ \$50,000 + installation @ \$25,000), which exceeds the City’s limited public works bid threshold of \$50,000. Therefore, the public work installation must be awarded using the small works process or formally bid (*see Sections 2.7 and 2.8 above*). The purchase of the equipment can be made using the State contract (*see Section 2.4 above*).

What kind of contract do we use?

For this project, because the public works installation is under \$350,000, we would use a small public works contract. Usual contract requirements that apply to small public works projects apply to this project. Because the total project cost is \$75,000, this contract would have to go to City Council for approval.

There are so many variables to this type of purchase that it would be difficult to highlight every possible scenario. Please contact the Finance Department or Legal Department for assistance.

Approval Process:

Refer to the Public Works section of the matrix at the beginning of this manual.

2.10 Unit Priced Contracts

[RCW 35.23.352](#) allows the City to use unit priced (or on-call) contracting for public work projects that are expected to happen on a recurring basis, such as tree trimming, road resurfacing, or public facility maintenance. Unit priced contracts means a competitively bid contract in which public works are anticipated on a recurring basis to meet the business or operational needs of the city or town, under which the contractor agrees to a fixed period indefinite quantity delivery of work, at a defined unit price for each category of work. Whenever possible, the city must invite at least one proposal from a certified minority or women contractor who otherwise qualifies.

Unit priced contracts must be executed for an initial contract term not to exceed three years, with the city or town having the option of extending or renewing the unit priced contract for one additional year.

Invitations to bid for these contracts shall include, for purposes of the bid evaluation, estimated quantities for the anticipated types of work and specify how

Tips & FAQs

Examples of general services:

- Customized accounting software and ongoing support
- Landscaping, building, and grounds maintenance
- Snow and ice removal
- Garbage collection and disposal (Solid waste collection and disposal contracts do not have to be bid. An RFQ/RFP process as noted in [RCW 35.21.156](#) can be used.)
- Office equipment maintenance
- Official newspaper

Formal competitive bidding for general services:

1. Prepare a formal solicitation document, including description of project requirements and proposal evaluation criteria.
2. Publish legal notice in newspaper.
3. Develop bidder's list of firms responding to solicitation.
4. Develop score sheets to be used by evaluators (if applicable).
5. Send the solicitation to at least five firms or individuals.
6. Provide answers to bidder's questions via addenda.
7. Require sealed bids and a public bid opening. Date and time stamp all bids received.
8. Evaluate proposals according to score sheet.
9. Negotiate contract with lowest responsive, responsible bidder.

the City will issue or release work assignments, work orders, or task authorizations based on the hourly rates or unit prices bid by the contractor. Contracts must be awarded to the lowest responsive, responsible bidder.

Unit priced contractors shall pay prevailing wages and update rates annually. Intents and affidavits for prevailing wages paid must be submitted annually for all work completed within the previous twelve-month period of the unit-based contract.

Note: The City is also allowed (by [RCW 39.10.420](#)) to obtain public works services by job order contracts; however, these contracts are for a broader scope than unit priced contracting and require that 90% of the work be performed by subcontractors. Please consult with the City Attorney for more information.

2.11 Services

There are three types of services that the City may need to obtain:

1. **Professional services** (also called personal services) are provided by independent contractors with specialized knowledge, advanced education, professional licensing, or certifications; the primary service provided is mental or intellectual, involving the consistent exercise of judgment and discretion.
2. **General services** (also known as purchased services) include all service-related work not considered a public work or professional service. Most often these are routine in nature (i.e. yearly, monthly, weekly, etc.). Examples include courier services, weeding, and vehicle inspection services. State law does not require a competitive process for the selection of general services, with the exception of the City newspaper.
3. Architectural, engineering, land surveying, and landscape architecture services (A&E) are addressed in Section 2.12 below. Section 2.11 does not apply to A&E services.

The City uses MRSC's Consultant Roster, which distinguishes architectural and engineering services as defined in [RCW 39.80.020](#) from other consulting services. Consultants can be added to the appropriate roster when they submit a written request and necessary records to MRSC. The City reserves the right to publish an announcement on each occasion when professional or other services are required.

To ensure a more competitive process, the City has adopted tighter standards for selection of service providers than required by State law. Unless the City Manager approves in writing an exemption based on the best interests of the City, staff shall follow these guidelines for selection of professional or general services:

Tips & FAQs

Examples of Professional Services:

Programmers, accountants, attorneys, physicians, consultants, graphic artists

Examples of A&E Services:

Engineers, land surveyors, architects & landscape architects

A&E Requests for Proposals (RFPs) must, at a minimum, include:

1. Statement of need (scope)
2. Estimated schedule
3. Evaluation criteria
4. Proposal elements
5. Submittal deadline
6. Standard terms & conditions

Advertising:

Advertising requirements are found in the following codes:

RCW 39.80.030 – Architectural and Engineering Services

RCW 35.23.352(1) – Public Works

RCW 39.04.155(2)(a) – Public Works Small Works Roster

- **Under \$5,000** – No competitive process required. It is still incumbent on the department to ensure that the price is reasonable, and the provider is qualified. It is recommended to request prices, schedules, and qualifications from three consultants on the MRSC Consultant Roster.
- **\$5,000 to \$9,999** – It is highly recommended to request prices, schedules, and qualifications from at least three consultants on the MRSC Consultant Roster.
- **\$10,000 to \$19,999** – Request proposals from at least three consultants on the MRSC Consultant Roster (with one having a MWDBE classification when possible) or use an RFP/RFQ process.
- **\$20,000 or more** – Formal advertised RFP or RFQ process recommended.

Note: Some general services, such as landscaping work, require payment of prevailing wages. Contact the Legal Department with questions.

Contract Award Process:

1. Develop scope of work.
2. Determine budget amount for work.
3. If grant funds are involved, check the grant agreement requirements.
4. Obtain proposals or conduct formal bidding as required above.
5. Evaluate the proposals and negotiate a contract with the lowest qualified, responsible bidder.
6. If Council approval is required, contact City Clerk for meeting date. Draft agenda bill and resolution, if applicable, and send to City Attorney for review.
7. After Council approval (if required), contact the Legal Assistant with a copy of the estimate and other relevant information, such as project start and end dates.
8. Legal Assistant will prepare a draft Professional Services Agreement.
9. Send contract to service provider for review and signature, along with request for documents identified by Legal Assistant, such as W-9.
10. Forward signed contract and additional documents to Legal Assistant for processing.
11. Forward fully signed contract to contractor and arrange for project start.

Approval Limits:

For the approval limits, refer to the Services section of the Purchasing Matrix at the beginning of this manual.

Tips & FAQs

Q: *What is the difference between an RFP and an RFQ?*

A: An RFP will typically focus on a specific project and includes price as one of the submittal requirements and evaluation factors.

An RFQ does not have price/cost considerations and is dependent on qualifications only. An RFQ is commonly issued for architects and engineers per RCW 39.80. An RFQ can be used for specific projects when hiring an A&E firm but will not include price/cost as one of the evaluation factors.

Sample evaluation criteria for RFPs:

1. Experience with project type
2. Quality of previous performance
3. Ability to meet contract deadlines
4. Responsiveness to solicitation requirements
5. Compliance with laws relating to contracts or services
6. References
7. Availability for the project
8. Financial capacity
9. Licensing and certification
10. History of errors and omissions
11. Construction change order history

2.12 Purchases of Architectural & Engineering Services

Architectural, engineering, land surveying, and landscape architecture services (frequently referred to as “A&E”) are to be acquired under the authority and procedures outlined in chapter [RCW 39.80](#).

[RCW 39.80.030](#) requires that the City publish advance notice of its need for A&E services. The City may comply with this section by (1) publishing an announcement on each occasion when professional consultant services are required or (2) announcing generally to the public its projected requirements for any category or type of professional service.

A&E consultants are initially selected based upon their qualifications, rather than price (see [RCW 39.80.050](#)). The City will negotiate a contract with the most qualified firm at a price that the City determines is fair and reasonable. In making its determination, the City shall consider the estimated value of the services to be rendered, as well as the scope, complexity, and professional nature of the project. If the City is unable to negotiate a satisfactory contract with the selected firm for a price the City determines to be fair and reasonable, negotiations shall be terminated, and the City shall begin negotiations with the next highest qualified firm. There are two ways to select an A&E firm based upon their qualifications:

1. Roster statement of qualifications (SOQ) review – Select three or more consultants from the MRSC Consultant Roster in the relevant service category and evaluate their qualifications. Documentation of the three reviews is required. Minority-owned, women-owned, and veteran-owned firms must be given the maximum practicable opportunity to compete for these contracts.
2. Project-specific request for proposals (RFP) – Use the MRSC Consultant Roster to send out an RFP and request for qualifications (RFQ) to consultants in the relevant service category. Minority-owned, women-owned, and veteran-owned firms must be given the maximum practicable opportunity to compete for these contracts.

Contract Award Process:

1. Develop scope of work
2. Determine budget amount for work
3. If grant funds are involved, check the grant agreement requirements
4. Public advance notice of need for services, if not already done
5. Obtain proposals or conduct formal solicitation, as described above
6. Evaluate proposals and/or statements of qualifications and select the most highly qualified firm
7. Negotiate final project scope and fees with selected firm

Tips & FAQs

Q: State law does not require any formal competition for services. Why do I have to do an RFP/RFQ?

A: Its true, State law does not require competition for services. However, City policy is more restrictive than that of the State.

8. If project total is over City Manager signing authority, contact City Clerk to add contract approval to upcoming City Council agenda
9. After Council approval (if applicable), request that Legal Assistant draft professional services agreement
10. Obtain consultant's signature on agreement, along with proof of insurance, professional certification (if applicable), and W-9
11. Send documents to Legal Assistant for City signatures and processing

Approval Limits:

Refer to the matrix at the beginning of this manual.

2.13 RFPs and RFQs

Request for Proposals:

A Request for Proposals (RFP) is a method of soliciting competitive proposals for a defined scope of work. The proposals would normally include factors to measure qualifications, delivery, and service reputation, as well as price.

An RFP is a formal invitation from the City to a company to submit an offer to provide a solution (or proposal) to a problem or need that the City has identified. The supplier's experience, qualifications, and solution may take precedence over the cost proposal to the City.

Elements of an RFP:

1. Purpose of RFP (brief description of project)
2. Project background
3. Scope of work or statement of need
4. Goals and objectives
5. Minimum qualifications
6. Technical requirements (if any)
7. Schedule
8. Estimated project budget & request for cost proposal
9. Submittal requirements, including deadline
10. Evaluation process and criteria
11. Insurance requirements
12. Funding sources (if applicable)

Evaluation criteria for the submitted proposals should relate to the project's scope of work and stated objectives and should be clearly communicated with the proposers.

Request for Qualifications:

A Request for Qualifications (RFQ) is a method of soliciting competitive proposals that considers and evaluates companies on the basis of demonstrated competency and qualification rather than price. This process

is typically used for architectural and engineering services where price is not a consideration. An RFQ will generally result in negotiations.

Elements of an RFQ:

1. Project background and scope of services
2. Project budget and source of funding
3. Schedule
4. Minimum qualifications
5. Submittal requirements, including deadline
6. Selection process/evaluation criteria.

Information request of the respondents may include list of principals, previous projects, number of employees, and licenses or certifications.

Depending upon the complexity of the project, a typical RFP or RFQ takes around 6-8 weeks to complete.

Process for RFPs or RFQs:

	Task	Action
1.	Identify need	Develop scope of services
2.	Determine the estimated cost	Confirm sufficient budget exists and identify funding source(s)
3.	Identify grants or federal funds	Notify Finance Dept. (Accountant)
4.	Develop draft RFP/RFQ	Considerations: <ul style="list-style-type: none"> • Schedule • Scope of services • Qualifications • Selection process & evaluation criteria • Submittal requirements & deadline • Proposal validity period • Term of contract
5.	Finalize RFP/RFQ	Contact City Attorney for review, then finalize RFP/RFQ
6.	Identify appropriate roster category	Identify roster category and companies
7.	Advertise, publish, and notify	<ul style="list-style-type: none"> • Advertise • Publish RFP on City's website • Email notification to recommended roster participants
8.	Evaluate proposals	Department to identify selection committee
9.	Conduct interviews	Department to schedule
10.	Identify "apparently successful proposer"	Seek management approval to negotiate with "apparently successful proposer"

11.	Negotiate contract	Goal: reach a mutually advantageous position on issues of concern while fulfilling requirements of contract
12.	Award contract	Prepare council agenda materials, if applicable, and contact Engineering or Legal Assistant for draft contract when approved

2.14 Bid Opening Process

Bid Due Dates

Time is of the essence. It is important to make the bid submittal deadline clear in the bid documents. For example: “The bid form will be received up to 3:00 p.m. on April 27, 2020. Bids received after that date and hour, based on the time on our atomic clock, will not receive consideration.” For example, if a bid is due at 2:00 P.M., a bid received at:

- 1:59 p.m. is on time
- 2:00 p.m. is on time
- 2:00:01 p.m. is late

If a bidder insists on submitting a bid after the deadline and leaves it, do not open it. Make a photocopy of the bid envelope with the time stamp and immediately return the bid by certified mail, return receipt requested.

Equal Treatment of Bidders

Avoid giving bidders an advantage to include: permitting bidders use of private offices and conference space for finalizing bid prices, providing envelopes for bidders to use in sealing the bid, or permitting bidders to use the agency’s telephone, computer, fax, or photocopier. Avoid disclosing the names of bidders or the total number of bidders until the bid opening.

Receiving Bids Checklist

- Is the bid in writing? Do not accept bids by fax, email, telephone or orally unless the bid solicitation allows for it (generally not allowed for formal, competitive bidding).
- Did the bidder attend the mandatory pre-bid meeting, if applicable?
- Is the bid envelope sealed? Offer tape if not sealed.
- Is the correct information on the envelope?
- Is the time stamp clear?
- Is the time stamp prior to deadline?
- All received bids should be kept in a secure and centralized location not accessible to other bidders.

Withdrawal & Modification of Bids

- A request to withdraw or modify the bid in advance of the deadline may be received verbally or in writing. If unfamiliar with the bidder, ask for identification.
- Make a photocopy of the face of the bid envelope, ensuring the bid receipt time shows up on the copy.
- Have the bidder sign the photocopy with the following “Received by (signature, printed name, date, time).”
- Keep the original signed photocopy.
- Remove the bid receipt stamp or cross it out on the face of the bid envelope.
- Return the bid to the bidder, notifying the bidder that if they choose to resubmit the bid, it must be received prior to the bid submittal deadline and stamped in again with a new time and date stamp prior to the deadline.

Modifying Bids from a Distance

The bidder may submit additional information modifying a previously submitted bid if the modification is:

- Received in writing.
- Signed by an authorized representative of the bidder.
- Received prior to the bid receipt deadline.
- In a sealed envelope.
- Clear in stating what prices are being changed.

Subcontractor’s List

Due either with the bid or within one hour of the bid submittal deadline ([RCW 39.30.060](#)).

Opening the Bids

Bids should be opened in a public meeting. Read each bid before opening the next one. Consider using one person to open the bids and a second person to read. The project manager staff should record the prices on a bid tabulation form. The bid reader should state publicly all the information noted in looking at the bid, without passing judgment whether it is responsive or non-responsive, to include:

- Name of bidder
- Is bid form signed?
- Bid amount
- Is bid guaranty included?
- Are addenda acknowledged?
- Is subcontractor’s list included?

The bids will be evaluated for responsiveness after the bid opening. If a contractor wishes to review the bids after the bid opening, allow only one contractor at a time to review the bids in a monitored environment.

2.15 No Bids or Non-Responsive/Responsible Bids or Submittals

No Bids or Submittals Received:

As provided in [RCW 35.23.352\(1\)](#), in the event the City does not receive any bids or submittals on the first call, the City has three options: (1) re-advertise and make a second call, (2) enter into a contract with any qualified contractor, or (3) purchase the supplies, materials, or equipment and perform such work and improvement by day labor (City staff).

Before determining which option would best fit, the department should conduct a survey of the registered bidders or proposers or any other known interested parties to determine: 1) why they didn't they submit, 2) whether the City's document too restrictive or too complex, 3) if there ample time to submit, and 4) if there too many open questions before the due date. The City Attorney may be consulted for additional assistance in determining the best option.

Determining Lowest Responsible Bidder:

The City should award the contract for a public works project to the lowest responsible bidder, unless the lowest bid is above the budget for the project. In that case, all bids may be rejected, and the City may call for new bids.

A responsible bidder shall be a registered and/or licensed contractor who meets the mandatory bidder responsibility criteria established by [RCW 39.04.350](#) and who meets any supplementary criteria established by the City.

According to [RCW 35.23.352\(2\)](#), the City may award a contract to the second lowest bidder if: (1) the bid is within five percent of the lowest bid, (2) the second lowest bidder meets the same criteria as the lowest bidder, **AND** (3) the City has issued a written finding to the lowest bidder within the last three years that the lowest bidder was late, over budget, or did not meet specifications, and the City has not found in writing that the lowest bidder has shown how they would improve performance.

Non-Responsive and/or Not-Responsible:

The City shall draft bidder responsibility criteria that are based upon clear business reasons, and the criteria must not be overly restrictive of the bidding pool. Note that in Washington State, a bidder who objects to the

supplemental bidder responsibility criteria may request that the City modify the criteria before the bid submittal deadline.

Bids may be rejected as non-responsive for a multiple of material factors, including lack of subcontractor's list when required (for contracts in excess of \$1M or contracts of three or more trades), insufficient bid guarantees, bids submitted after the deadline, qualified bids, and/or lack of acknowledgement of addenda. In general, a material irregularity is required before the bid may be deemed non-responsive (defined as any variance which provides "a bidder substantial advantage or benefit not enjoyed by others"). In the event the City receives a bid or submittal on the first call that is deemed non-responsive or non-responsible, the department shall consult with the City Attorney to determine whether it is a material or immaterial irregularity. Each project will be evaluated on a case-by-case basis.

Bid Protest:

The City follows the bid protest guidelines established in [RCW 39.04.105](#).

2.16 Contracting 101

A contract is a written agreement between two or more people or entities to accomplish a specific outcome. In a public purchasing context, a contract is an agreement by a vendor or contractor to provide goods or services to the City in return for receiving payment from the City. The following is an overview of the contract process:

Invitation:

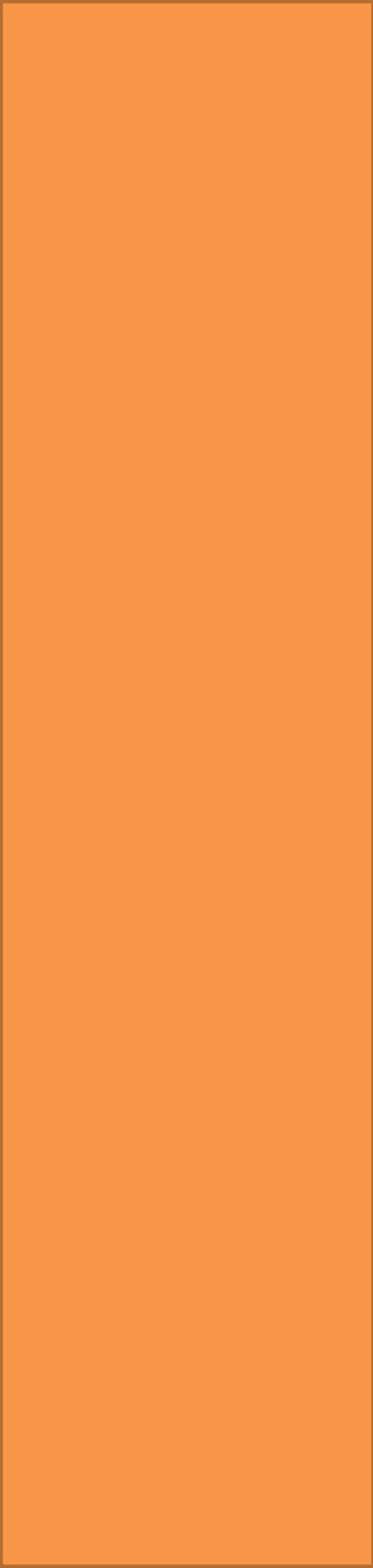
- A solicitation (ITB, ITQ, or RFP) is an invitation to a contractor to make an offer.
- These are most often directed at multiple parties and outline the needs of the City.

Offer:

- The contractor's returned quote/bid/proposal is their offer to the City to perform the work, outlining **what** and **how much**.
- The offer shows that the contractor is willing to agree to specific terms.
- The offer is given to a particular party.
- The contractor has made an offer to do what the City requested for a specific price.

Acceptance:

- The City must now accept one of the offers.

- 
- The acceptance is a communication showing agreement to the exact terms of the offer or a **contract**.
 - Contracts must show that the offer made by the contractor has been accepted, usually by attaching the contractor's estimate or scope of work and fee schedule.

Tips & FAQs

Q: *Does the exemption from the sales and use tax for labor and services on a City street project apply if a private contractor does the work?*

A: Yes. It makes no difference, for the purposes of the exemption, whether the City does the work, or has it done by someone else.

3.0 Other Considerations

3.1 Rule 171 – Sales Tax Exemptions

Normally sales tax applies to every sale of tangible personal property (and some services) to all persons, including cities. Thus, for bid limit purposes, the tax must be included when determining the cost of a public work or when calculating the cost of materials, supplies, and equipment purchases separately from a public work.

However, there are some sales and use tax exemptions for certain public work projects. The exemptions include:

1. Labor and services rendered for the building, repairing, or improving of any street, place, road, highway, easement, right-of-way, mass public transportation terminal or parking facility, bridge, tunnel, or trestle owned by a city or town which is used primarily for pedestrian or vehicle traffic ([RCW 82.04.050\(10\)](#). See also [WAC 458-20-171](#), nicknamed “Rule 171.”) Materials used in constructing these projects are not exempt from the sales and use tax.
2. Labor and services for the processing and handling of sand, gravel, and rock taken from City pits and quarries when the material is for publicly-owned road projects ([RCW 82.08.0275](#) and [WAC 458-20-171](#)).

3.2 Prevailing Wages

What are prevailing wages? The **Department of Labor and Industries** (L&I) requires that workers be paid prevailing wages when employed on **all** public works, public building service maintenance, and contracted maintenance, based upon the classification of labor performed.

Prevailing wages are defined as the hourly wage, usual benefits, and overtime paid in the largest city in each county, to the majority of workers, laborers, and mechanics. Prevailing wages are established by the Department of Labor and Industries for each trade and occupation

Tips & FAQs

Q: *Do I have to include prevailing wage rates in the contract specifications as an attachment or can I just put in a link to the L&I website?*

A: Per [RCW 39.12.030](#) all bid specifications and contracts shall include a list of the applicable wage rates.

employed in the performance of public work. They are established separately for each county and are reflective of local wage conditions.

What are the responsibilities of the City when contracting for public works?

The City, in awarding a contract, must make the determination of whether that contract involves “public work” and communicate it to contractors in the bid specifications and contracts.

What provisions must be made for prevailing wage?

Awarding agencies must stipulate in bid specifications and contracts for public work that workers shall receive the prevailing rate of wage. Those documents must either contain a list of the applicable prevailing wage rates or a link to the rates on L&I’s website. If including a link, print the current rates and keep with the project file.

What are the public building service maintenance contract requirements?

Public building service maintenance (janitorial) contracts of more than one-year duration must include wage language recognizing the potential for future variance in applicable prevailing wages each year after the first year of the contract.

What are awarding agency requirements when disbursing public funds?

Agencies may not make any payments where contractors have not submitted an *Intent to Pay Prevailing Wage* form that has been approved by L&I. Agencies may not release final payment until all contractors have submitted an *Affidavit of Wages Paid* form that has been certified by L&I. The requirement to submit these forms should also be stated in the contract.

What are the contractor’s filing requirements?

Public work contracts require that each and every contractor and subcontractor on the project file the “Statement of Intent to Pay Prevailing Wages” and “Affidavit of Wage Paid” forms.

Is there a minimum contract amount for a contractor to file?

There is no minimum dollar contract amount. Intent and Affidavit forms are required for every public works contract regardless of the size of the contract.

When does the contractor file an Intent?

The Intent form is filed immediately after the contract is awarded and before work begins, if that is possible.

When does the contractor file an Affidavit?

The Affidavit form is not filed until after all the work is complete.

3.3 Retainage

What is the purpose of retainage? The City retains a portion of the contract amount for public works contracts as a trust fund to pay any claims associated with the contract and/or for payment of amounts due by the contractor to the Department of Labor and Industries, the Employment Security Department, and the Department of Revenue ([RCW 60.28.011](#)).

What level of retainage is required? The City generally retains 5% of the contract amount. However, for contracts awarded by the small works roster process and totaling less than \$150,000, contractors may opt to have 10% retained in lieu of obtaining a performance bond. The City may alternatively choose to waive retainage requirements for any small works roster contracts. Retainage is not held for projects funded by federal transportation funds.

What are the retainage options? The City retains the funds in a City fund, unless otherwise requested by the contractor. A contractor may choose to have the funds deposited by the City into an interest-bearing account or placed by the City in escrow with a bank or trust company. If the escrow option is selected, contact the City Attorney for an escrow agreement.

When can retainage be released? Retained funds will be released after final acceptance of the project and after the City has received all releases from the [Department of Revenue](#), the [Department of Labor and Industries](#), and the [Employment Security Department](#). Upon receipt of all releases, the project manager should notify the Legal Assistant to release the funds. For projects under \$35,000, the retained funds will be released when the Department of Labor and Industries has approved the contractor's Affidavit of Wages Paid.

Is the City liable for payment of project costs to subcontractors if waiving retainage? Local governments may waive retainage but must assume liability of the contractor's non-payment. The Local government does retain the right to recovery from the contractor.

4.0 Contract Administration

4.1 Risk Management Considerations

The City enters into numerous contracts throughout the year. These contracts involve risk. City property can be damaged. Employees of the City, contractors, subcontractors, and suppliers can be injured. Members of the public can be harmed. These and other accidental losses can arise during and as a result of the activities during the contract fulfillment process. The City seeks to transfer responsibility to such events to those with whom it contracts.

The City's approach to contracting is designed and managed to avoid undue exposure to risk with exceptions where it makes good business sense. Certificates of insurance and endorsements naming the City as an additional insured are required from all contractors and consultants who contract with the City. Verification of appropriate insurance requirements shall be completed prior to signing of the contract by the City. Any waiver of insurance requirements requires the approval of the person with signing authority for the contract (generally the City Manager). Contact the City Attorney with questions about insurance requirements or for advice on the risk of a requested waiver.

4.2 Payment Options

Prior to contract award, payment terms should be identified to determine the most effective compensation method. The most common include:

Hourly/Time and Materials:

The City pays a fixed hourly rate and pays for the cost of certain specific services and/or materials. For certain professions, such as consultants, this is the standard option. Time and materials contracts should have a ceiling amount or a not to exceed amount included. This type of payment term may be used if the City is unable to clearly define the level of effort required to accomplish the objectives. A time and materials contract places most of the risk on the City and little on the contractor and provides no positive profit incentive to the contractor for cost control or labor efficiency. Frequent contract monitoring is required to ensure that the number of hours is kept to a reasonable level.

Fixed or Lump Sum:

The contractor receives a fixed amount or lump sum payment based on terms established in the contract. Typically, payment is tied to a completion of agreed upon performance achievements. Other alternatives are possible, such as progress payments made to compensate for activities conducted over the specific period of the contract. This type of contract should generally establish a minimum allowable level of compensation. With this method of compensation, the City may not be required to pay if specific terms in the contract are not met and thus the risk is placed on the contractor.

Cost Reimbursement:

A cost reimbursement method of compensation has a higher risk for the City because it reimburses the contractor for all costs incurred under the terms of the contract. To prevent overpayment, allowable cost provisions should be clearly identified. Contract managers should consider including a contract provision for a maximum allowable compensation level for the contract period and budget. Cost reimbursement contracts generally require more fiscal pre-planning and monitoring than other methods.

Performance Based:

These contracts are based on attainment of a specific outcome. The rate of compensation is generally negotiated based on cost information provided by the contractor. Generally, performance-based contracts identify the maximum allowable compensation. This allows the City to define the quality of services in terms of performance standard and pay accordingly. Performance based contracts differ from time and materials or fixed price contracts in that if the quantifiable quality of service is low, the payment may be reduced or withheld. This requires a higher level of reporting from the contractor to the City. The contractor primarily assumes the risk because the City does not pay if performance levels are not met.

4.3 Contract Execution & Administration

Contract Execution:

The contract is fully executed when all authorized parties have signed it. Upon execution, signed copies of the contract should be provided to all interested parties including, at a minimum, the contractor and Legal Assistant.

Contract Administration:

Contract administration means any activity related to contracting, including the decision to contract, contractor screening, contractor selection, contract

preparation, contract monitoring, auditing and post contract follow up. Typical responsibilities of the project manager include:

- Understanding the contract, including the specific contract obligations and performance indicators by which performance will be monitored.
- Assessing the risks related to the project before soliciting proposals and contracting to determine the extent of the monitoring required.
- Ensuring the contractor has a clear understanding of how the contract will be managed and monitored.
- Providing the contractor with guidance and technical assistance, as needed, to promote effective contract performance.
- Identifying the extent and source of funding for services provided.
- Monitoring the contractor's activities to ensure quality service delivery. Ensuring funding is used only for authorized purposes.
- Reviewing invoices and verifying that delivery of services is rendered.
- Resolving issues or problems that arise during the contract.
- Measuring and tracking satisfaction with contractor performance.
- Complying with State and City rules and regulations.
- Documenting the contract to validate that effective contract management has occurred.

Project managers need to be mindful not to do the following:

- Instructing the contractor to begin work before the contract is executed and approved.
- Changing the description, scope, period of performance, or cost of the contract without processing a written amendment.
- Directing the contractor to do work that is not specifically described in the contract.
- Signing a contractor's contract form (some exceptions apply)
- Authorizing payment to the contractor for any work not performed satisfactorily.
- Paying for the same or similar services more than once.

4.4 Contract Monitoring - Performance

Monitoring Contract Performance:

Monitoring means any planned, ongoing, or periodic activity that measures and ensures contractor compliance with the terms, conditions, and requirements of a contract. The level of monitoring should be based on a risk assessment of the contractor's role in delivering the services and the contractor's ability to deliver under the terms of the contract.

The purpose of monitoring is to ensure the contractor is:

- Complying with the terms and conditions of the contract and applicable laws and regulations.
- In compliance with the contract through identifying and resolving potential problems and providing constructive, timely feedback.
- Adhering to the project schedule and making appropriate progress toward the expected results and outcomes.
- Providing the quality of service expected.

Monitoring Activities May Include:

- **Periodic contractor reporting** – Require the contractor to submit progress reports or other appropriate data or reports, based on pre-defined criteria, and review the contractor's reports for verification of services provided and adherence to the contract. Substandard performance should be identified and addressed timely and appropriately.
- **Invoice review** – Compare billings with the terms agreed upon in the contract. Ensure the costs being charged are within the contract parameters.
- **Other periodic contact with contractor** – On-site visits to maintain contact with the contractor to review progress on a regular basis. Good contract monitoring includes a continuous dialogue with the contractor.

4.5 Contract Monitoring - Payment

Reviewing Invoices for Payment:

Contract payment is the process by which the contractor submits invoices for reimbursement for services and receives payments. The contract manager must carefully review the contractor's request for payment to verify the accuracy of all charges.

Considerations:

- Are the hours/costs commensurate with the services or deliverables received?
- Is the service period identified on the invoice and were the services rendered prior to contract expiration?
- Do the rates invoiced match the rates stated in the contract?
- Has the necessary documentation been included to verify charges accurately? Is there enough money remaining on the contract?
- Reimbursable expenses. Below are the recommended reimbursable expenses:
 - Travel
 - Mileage

Tips & FAQs

Renewals vs. Year-to-Year Contracts:

Keep in mind that including additional periods or renewal language in your solicitation or contract provides for greater continuity with terms and conditions such as pricing, scope, and availability. More often than not, contractors will give discounts for longer term contracts.

To enter into a series of year-to-year (or standalone) contracts, opens up the terms and conditions for contractors to modify their price and availability. Standalone contracts require a competitive process at each contract period and therefore may result in higher costs to the city.

However, if a contract includes “options to renew” language, the contract must be routed to include all future renewals of the “potential value” of the contract.

Documented Benefit to City:

All contract amendments must have consideration for any additional time or funds. This means that the amendment must state what benefit the contractor will provide to the City in exchange for the increased time or payment amount. Contact the City Attorney with questions.

- Food
- Miscellaneous expenses

If charges are acceptable, the contract manager submits a claim approval form for payment. Payment terms are 30 days from date of invoice.

4.6 Amendments & Change Orders

Amendments:

Amendments are changes to service contracts.

Changes to contracts may be processed as amendments, rather than new contracts, but only if the changes are within the general scope of the original contract.

Change Orders:

A change order is the formal document that alters some condition of the contract documents. The change order may alter the contract price, schedule of payments, completion date, terms and conditions, or the plans and specifications. Change orders are changes to public works contracts and reflect unforeseen conditions that must be addressed to meet the contract requirements and without which the work requested in the original contract could not be completed. Minor modifications that do not materially affect the scope or cost of the contract, such as address changes or staff changes, do not require a formal change order but should be documented in writing.

These situations should be distinguished from extra work that could stand on its own and is outside and independent of the contract, in which case a new competitive bid process is required. Appropriate uses of change orders include:

Scope – Scope changes may include adding, modifying, or deleting tasks, services, or deliverables or revising specifications. Changes to scope should be well documented and include any additional costs associated with these changes.

Changes that are outside the general scope of the contract or bid request are not appropriate to award through contract change orders. Such changes would have the effect of making the work performed substantially different from the work defined at the time the original contract was awarded.

Terms and Conditions – Changed conditions could include price variations in commodities.

Cost – If the cost of the contract is increased or decreased, document reasons for change (e.g.: scope changes, changes to unit price items).

Period of Performance – An extension to the contract end date is the most common change to the period of performance. Minor modifications that do

not materially affect the scope or cost of the contract, such as address changes or staff changes do not require a formal change order but should be documented in writing.

Amendment and Change Order Approval:

- Amendments and change orders that do not change the total value of the agreement contract (i.e.: a new expiration date) may be signed by the City Manager or designee.
- Accumulated cost changes up to 10% of the original agreement or contract amount may be approved by the City Manager or designee, if there is budget capacity and available revenues.
- Accumulated cost changes greater than 10% of the original agreement or contract amount must be approved by the City Council. Such approval establishes a new agreement or contract amount against which the above percentages apply for subsequent amendments or change orders.
- The City Council may pass a resolution on an individual project giving the City Manager the authority to sign all amendments and change orders within the allotted project budget, superseding the 10% limit.

To protect the City’s interests, all amendments or change orders shall be executed in writing prior to the end of the contract period of performance and before the contractor begins work as authorized by the amendment.

4.7 Contract Close-Out & Termination

Contract Termination:

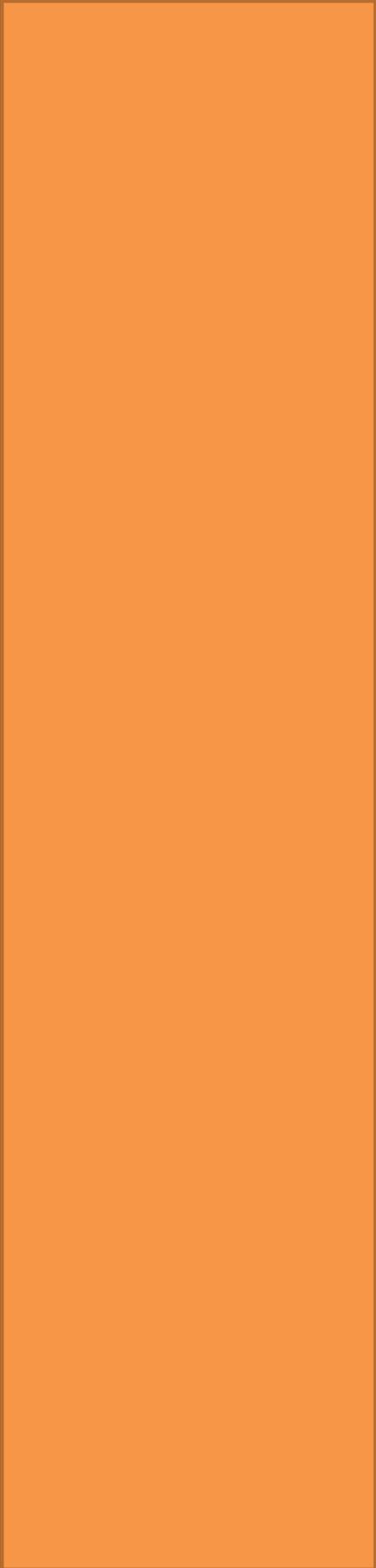
Contracts may be terminated prior to the completion date of the contract either for convenience of the parties or for cause. Contact the City Attorney’s Office for guidance when considering a contract termination.

Contract termination should be done in writing and follow the process described in the contract or as advised by the City Attorney.

Contract Close-Out Process:

Once the contract is complete, it is critical that the project manager complete the close-out process in a timely manner and stay on a schedule.

- 1) **Notice of Completion of Public Works Contract.** Required for projects totaling \$35,000 or more. The project manager should complete and file a “*Notice of Completion of a Public Works Contract*” form with the Department of Revenue, Department of Labor and Industries, and Employment Security Department. This form is available on L&I’s website.

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- 2) **Receive release letters** from Employment Security Department, Department of Revenue, and Department of Labor & Industries. These letters will be sent either by mail or through that department's web portal.
 - 3) **Release retainage.** Once the above-mentioned letters are received, the project manager should request that the Finance Department release retainage by a memo or coversheet along with a copy of the letters received.
 - a) **Release retainage bond.** If the contractor provided a bond instead of having the City hold retainage, the project manager should contact the bond issuer to release the bond.
 - b) **Escrow release.** If the contractor requested that the City hold retainage in an escrow account, the project manager should provide a written release to the bank.

Liens

Whenever a valid lien has been filed against the retainage, the City may only release that amount of the retainage in excess of the total amount of the valid lien claims and an amount sufficient to defray the costs and attorney's fees of the claimants in foreclosing the liens.

Invoices Submitted after Close-Out Process

Invoices that are submitted after contract expiration may still be paid if the following conditions apply:

- Invoice or pay estimate clearly shows that services were performed prior to contract expiration.
- Sufficient funds existed prior to close-out.

Every effort should be made to process invoices in a timely manner to eliminate delays and extra steps in payment processing

Tips & FAQs

Surplus is any City property and/or asset that is no longer deemed valuable or of use to the City now or in the foreseeable future.

Estimated value of property should be the amount of money or interest a third party would be willing to pay. Estimating values may be determined through obtaining an estimate, an official appraisal, an offer from another agency, *Kelly Blue Book* value, or other sources.

5.0 Surplus and Disposition of Assets

5.1 General Information

It is the policy of the City of Port Townsend to provide the best possible stewardship and management of municipal assets in the best interests of the residents of Port Townsend.

[PTMC Chapter 3.44](#) sets forth the City's processes for disposition of surplus property and long-term leases. The information in this policy manual is intended summarize the code requirements.

5.2 Declaring Surplus

A department head or operations manager may recommend that personal or real property under his or her control is deemed no longer to have any value and may desire to surplus that property.

- If the property has an estimated value under \$10,000, the City Manager may declare that it is surplus.
- All personal property with an estimated value greater than \$10,000, and any real property must be declared surplus by the City Council.
- All personal property acquired with utility funds may be transferred to and used by a non-utility department if the property is of de minimis monetary value. Disposition of utility assets must have an administrative hearing by the City Manager.

Criteria for declaring surplus is based on one or more of the following:

- The City has or soon will have no practical, efficient, or appropriate use for the property, nor will it have such a use for the property in the near future.
- The purpose served by the property can be accomplished by use of a better, less costly, or more efficient alternative;
- The purpose served by the property no longer exists as determined by a change of policy evidenced by an ordinance or resolution of the City Council;
- The property is damaged, worn out, or otherwise inoperable and the cost of repairing the same is unwise or impractical.

5.3 Disposition of Personal Property

Departments that determine they have surplus property should first make these items or equipment available to other City departments when reasonable. If the item is no longer of value to the City, staff may do the following:

- Sell or transfer the item(s) to another government agency, subject to the public notice and hearing requirements of [RCW 39.33.020](#) for items with a value in excess of \$50,000.
- Auction the item(s). The originating department will be responsible for all costs associated with this option. Finance will coordinate the auction with the department representative.
- Sell the item through a sealed bid process.
- Trade the item(s) in for new replacement equipment.
- Send the item(s) to the State surplus program.
- Donate the item(s) to a non-profit that serves or benefits low-income persons or persons with disabilities. *(Be sure to obtain a receipt for record retainage.)*
- Dispose of the item(s) in the most cost effective, efficient manner.

A department head or designee that is responsible for the disposition of property or assets. They should sign the “Declaring Surplus Memo” to the City Manager. The memo should be a detailed statement of the item(s), where the asset is located, the estimated value and the recommended disposition procedure. Send the memo to the Finance Department to coordinate obtaining the City Manager’s or Council’s approval.

Once approval has been granted to dispose of the property, the receiving individual or organization must sign an **“As-Is/Where-Is” Statement and/or Liability Waiver**. The signed form must be forwarded to the Finance Department for record retainage.

Within 24 hours of receipt, proceeds from any sale and sales tax collected will be forwarded to the Finance Department to be deposited. Sales tax will be remitted to the *Department of Revenue* on the next reporting cycle.

Prior to sale, remove all City logos or other markings identifying the item(s) as City property from any vehicles and or equipment prior to sale.

Tips & FAQs

Be mindful of your budget appropriations when using your purchasing card as a method of payment.

5.4 Seizure Items ([RCW 69.50.505](#))

The Port Townsend Police Department follows their Asset Forfeiture Policy (Policy 601) in regards to the authority and procedures for the seizure, forfeiture and liquidation of property associated with designated offenses.

5.5 Surplus of Real Property (Land)

The City Council shall make all decisions that relate to surplusage of real property in accordance with [Chapters 35.94](#) and [39.33 RCW](#) and whether property should be designated to meet affordable housing needs and surplused or retained for that purpose. Because real property should perform a valuable public function, the City Council should consider both current use and any foreseeable future use when surplusizing real property.

Pursuant to [PTMC 3.44](#), affordable housing needs will be considered before surplusizing public lands.

The City Council shall hold a duly-noticed public hearing prior to disposing of real property or designating that the property may meet affordable housing needs and be surplused or retained for that purpose. All procedural guidelines shall be followed in accordance with the code.

6.0 Purchasing Cards

6.1 Purchasing Cards as a Method of Payment

In accordance with [RCW 43.09.2855](#), local governments are authorized to use credit cards or procurement cards for official government purchases and acquisitions.

The City of Port Townsend's purchasing card program has been established to provide a convenient, efficient means to purchase commodities and services from vendors and reduce the costs associated with a purchasing process. The City has obtained purchasing card participation in the statewide contract with US Bank as administered by the Washington State Department of Enterprise Services (DES). A benefit of using the contract is that it allows the City to earn a quarterly rebate based on the volume spent and timely payment.

Tips & FAQs

CDL licenses and renewals and work boots should be purchased initially by the employee. The receipt for these items should be submitted to the employee's manager for reimbursement.

The program is designed to empower employees to purchase items needed for operational City business. It is a method used to pay for purchases and is not meant to circumvent the purchasing policies or bidding procedures.

6.2 Purchasing Card Administration

Purchasing cards (p-cards) are administered by the Finance Department. The purchasing card program administrator maintains the accounts and is authorized to make necessary changes and updates, corresponds with the bank to resolve issues, orders p-cards, reconciles purchases made during the billing cycle to the bank statement, verifies accuracy of supporting documents and signatures, maintains records, and assures timely payment.

All purchasing cards will have the "City of Port Townsend" embossed on the card with the cardholder's name. **It is not permitted to allow anyone other than the cardholder to use a card to make purchases.**

Approval to participate in the purchasing card program will be determined by the applicable department head. **It is recommended that employees complete their initial probationary period before being eligible to have a purchasing card issued to them. (Exceptions to this may be made with authorization from the Finance Manager).** Prior to releasing the purchasing card to the employee, the cardholder will:

1. Attend training to cover the City's purchasing policies and procedures.
2. Attend training to cover p-card procedures for US Bank Online purchasing card transaction management.
3. Acknowledge they have received, read and understood the City's Purchasing Policy and Procedures Manual by signing a **Cardholder's Agreement Form.**

Department heads or their designees will ensure employees approve their charges and submit the proper supporting documentation, assign correct fund and account numbers (BARS Codes) and descriptive information for each charge, approve the charges online, print activity statements, and submit paperwork to the program administrator in Finance within five days of the billing cycle close date. **Failure to comply with these policies and procedures may result in suspension of an employee's privilege of using a City issued purchasing card. Improper use of the p-card may result in disciplinary action up to and including termination of employment.**

6.3 Authorized Charges and Uses

As authorized, employees will use their p-cards at time of purchase for operational materials, supplies, small equipment, postage, subscription services, professional memberships, ordinary maintenance, services, CDL physicals, and authorized business travel expenditures. (Please see the City's Guidelines for Employee Travel for detail on authorized travel expenditures).

Purchasing cards may be used at any vendor that accepts VISA credit.

When making a purchase:

- The cardholder must obtain a vendor's register receipt or invoice (Proof of Purchase). Packing slips and statements are not substitutes for receipts or invoices.
- Register receipts and invoices should include transaction detail such as date of purchase, a description of each item, tax, shipping, and total. If the vendor does not issue a detailed receipt, it is the employee's responsibility to write a description of the purchase(s) on the receipt.
- If a receipt is lost or the cardholder is unable to obtain a receipt, a **"Declaration of Lost Invoice" Form** must accompany the reconciled statement in place of the receipt. Employees who routinely do not submit actual invoices/receipt may have their purchasing card benefits suspended.
- Follow the purchasing requirements outlined in the Purchasing Policies and Procedures Manual.

6.4 Unauthorized Purchases

Cardholders must comply with the State bidding and purchasing laws and the City's Purchasing Policies when using a purchasing card.

Examples of unauthorized uses and purchasing include:

- Personal purchases of any kind
- Cash advances through ATMs or banks
- Cash refunds for returned items
- Items restricted by City policy or State law, such as alcohol, tobacco, and entertainment
- Any items from vendors restricted by the Finance Department, a department head, or the City Manager

Examples of inappropriate uses:

- Any purchase in which the purchasing card is used to circumvent City or State policies, bid limits, or a cardholders personal purchasing limit.
- Any purchase made on a cardholder's account by someone other than the cardholder.

6.5 Returns and Exchanges

Cardholders are responsible for contacting the vendor when supplies, equipment, and services purchased with the p-card are not acceptable (incorrect, damaged, defective, not received) and for arranging a return for credit or exchange.

- If items are returned for credit, the cardholder is responsible for obtaining a credit receipt from the vendor to include in the monthly purchasing card reconciliation.
- If items need to be exchanged, the cardholder is responsible for returning the items to the vendor and obtaining a replacement as soon as possible.
- If items are disputed, the cardholder is responsible for resolving any disputes directly with the vendor. If resolution is not possible, contact the Program Administrator.

6.6 Account Maintenance

Online account maintenance:

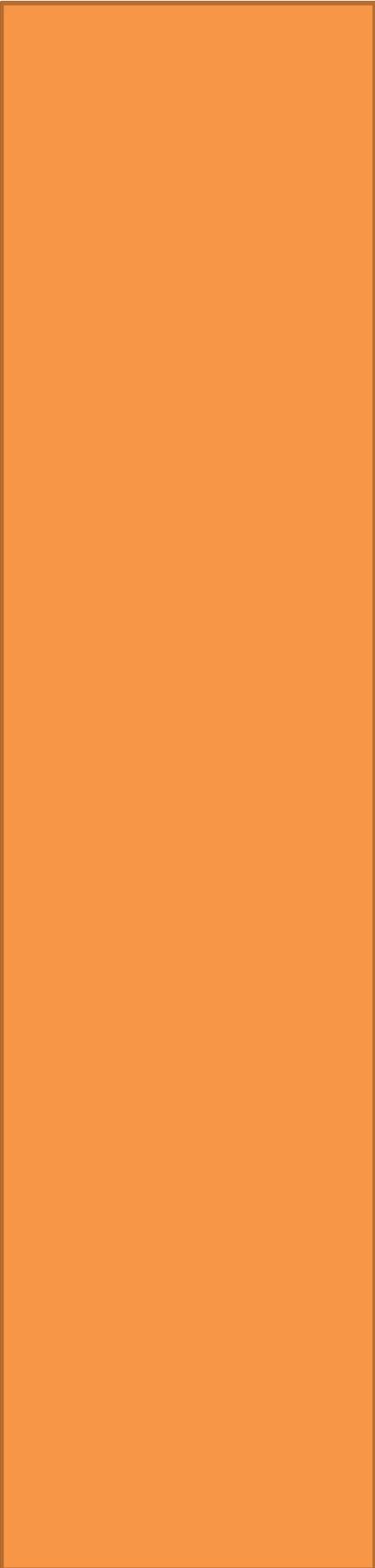
US Bank Online account maintenance is the responsibility of the cardholder. If an employee is locked out of their account, they should contact US Bank directly. The customer support number is listed on the back of the purchasing card. Please see the **US bank Purchasing Card Instruction Guidelines** for online account maintenance or call the purchasing card administrator in the Finance Department.

Name changes:

Changes to a cardholder's name should be reported to the program administrator. A new card will be issued in the employee's name. The cardholder should surrender the old p-card to his or her department head or to the program administrator.

Lost or stolen card or fraud detection:

Cardholders are responsible for their own card security. In the event the cardholder loses their card, suspects fraudulent activity on the card, or the card is stolen, they should contact US Bank immediately. In addition, the cardholder should contact the program administrator.



Termination of employment or revocation of purchasing card privilege:

Cardholders must turn in their purchasing card to their department head, Human Resources, or the program administrator in the event they terminate their employment with the City, or they have had their purchasing card privileges revoked.

Spending Limits:

Spending limits will be requested by the applicable department head and approved by the Finance Department. In general, authorized spending limits will be established as follows (single transaction limit/monthly cycle limit):

- \$5,000/\$5,000 – department heads and purchasing card program administrator
- \$2,500/\$5,000 – department managers, supervisors, department purchasing designees
- \$1,000/\$2,500 – maintenance and operator staff
- \$500/\$1,500 – others as assigned.

Exceptions to these general guidelines will be reviewed at the request of the applicable department head.

7.0 Definitions and Acronyms

A&E: Architectural and engineering services; includes land surveyors and landscape architects.

Appropriation: City Council authorization to expend funds for a specific purpose.

Bid: A written proposal submitted by a vendor or contractor to furnish supplies, materials, equipment, or services in conformity with the City's specifications included in a request for bids by the City.

Bidding: Procedure used to solicit quotations on price from various prospective providers of supplies, materials, equipment, or services.

Bid Evaluation: A review of bids/proposals received as a result of a competitive process to determine bidders' responsibility, responsiveness to requirements, and to determine the successful bidder(s).

Bid Opening: The official process in which sealed bids are opened, usually in the presence of one or more witnesses, at the time and place specified in the invitation for bid. Each bid is logged, and bids are made available for public inspection only after award of the contract. The bid opening must be open to the public.

Bid Deposit (also called a bid bond): A deposit in the form of a cashier's check, postal money order, or surety bond equal to 5% of the amount of the bid. Required for all formally bid public works projects.

Bid Splitting: Breaking a public work project or purchase into segments. The City may not split a project or purchase to avoid compliance with bidding statutes ([RCW 35.23.352\(1\)](#)).

Capital Equipment: Equipment of the City having an initial value of one thousand (\$1,000) or more and an estimated useful life of three or more years.

Change Order: An amendment to a public works contract, signed by both parties and outlining the mutually agreed upon changes to contract time, payment amount, or scope of work, as applicable.

Contract: A legally binding and enforceable written agreement between two or more parties stating the terms and conditions for an exchange of something of value (usually money, goods, or services) between parties. The Legal Department should be contacted if there is uncertainty as to the need for a written contract and how to go about it.

Contractor: Individual, company, corporation, firm, or combination, with whom the City develops a contract for the procurement of goods and services.

Cooperative Purchasing (also called piggybacking): The action taken when two or more entities combine their requirements to obtain advantages of volume purchases including administrative savings and other benefits.

DES: Washington State Department of Enterprise Services.

Delivery Terms: Conditions in a contract relating to freight charges, place of delivery, time of delivery, or method of transportation.

Effective Date of Contract: The date on which the contract starts.

Emergency: Unforeseen circumstances beyond the control of the agency that present a real, immediate, and extreme threat to the proper performance of essential functions or which may reasonably be expected to result in excessive loss or damage to property, bodily injury, or loss of life.

Emergency Purchase: A purchase in which the normal competitive purchasing procedures have been waived by a declaration of emergency issued by the City Council or City Manager.

Encumbrance: Interchangeable with “purchase order.”

Equitably distribute opportunities: Means that the local government may not favor certain contractors on the appropriate small works roster over other contractors on the same roster who perform similar services.

Formal Competitive Bid: The process of advertising and receiving sealed written bids from prospective vendors or contractors. The selection of the vendor or contractor is primarily based on the lowest cost from a responsible vendor.

General Services: Interchangeable with “purchased services.”

Goods and Services: Material, supplies, services, and equipment offered for purchase by a vendor or contractor and required by an agency to accomplish continuing and necessary functions.

Informal Solicitations: Price quotes from vendors that are obtained using a variety of mediums such as phone, fax, email, or writing. Results must be documented and submitted to the Finance Department to obtain a purchase order (encumbrance). The selection of the vendor is based on lowest cost from a responsible vendor.

Interlocal Agreements: The exercise of governmental powers in a joint or cooperative undertaking with another public agency.

L&I: Washington State Department of Labor and Industries.

MRSC: Municipal Resources and Services Center. A Washington-based non-profit that provides information and educational services to local government agencies. The City of Port Townsend uses MRSC’s vendor, consultant, and small public works rosters.

Ordinary Maintenance: Defined by [WAC 296-127-010](#) as: “ work not performed by contract and that is performed on a regularly scheduled basis (e.g., daily, weekly, monthly, seasonally, semiannually, but not less frequently than once per year), to service, check, or replace items that are not broken; or work not performed by contract that is not regularly scheduled but is required to maintain the asset so that repair does not become necessary.”

Personal Services: Interchangeable with “professional services.”

Prevailing Wage Rate: The rate of hourly wage, usual benefits, and overtime paid in the locality to the majority of workers, laborers, or mechanics in the same trade or occupation; required to be paid on all public works and public building service maintenance contracts. These rates are set by L&I.

Professional Services: Services that involve technical expertise provided by a consultant to accomplish a specific study, project, task, or other work. These activities and products are mostly intellectual in nature and do not include architectural and engineering (A&E) services. Examples of personal services include accounting, legal, comprehensive planning, and real estate services.

Proposal: An offer to perform a contract to supply goods or services in response to a request for proposal (RFP).

Purchase: The buying, leasing, renting or lease-purchasing of goods or services.

Purchase Order (also called encumbrance): A form issued by the Finance Department or Legal Assistant, which reserves the purchase amount in the applicable fund and can sometimes serve as a written request to a vendor to provide the item being purchased.

Purchased Services (also called general services): Services that are generally routine, repetitive, or mechanical in nature and support the City’s day-to-day operations. Purchased services include janitorial, debt collections, equipment service agreements, machine repair, or delivery services.

Public Work: A project including all work, construction, alteration, repair, or improvement other than ordinary maintenance executed at the cost of the City. Public work projects include the related materials, supplies, and equipment to complete the project.

Purchase Order (Encumbrance): Official document used in authorizing the encumbrance of City funds toward a purchase.

Quotation: An offer, including price, to perform a contract to supply goods and/or services in response to a request for quotation.

Request for Proposals (RFP): A process that requests interested firms to submit a statement of their proposal for completing a project. Proposals are evaluated based on suitability, practicality, quality of the proposal, experience, and cost.

Request for Qualifications (RFQ): a request for only a firm’s general capabilities, including a list of principals, previous projects, number of employees, and licenses. An RFQ doesn’t not including pricing information.

Requisition Form: A standard form providing detail information as to quantity, description, estimated price, vendor, fund account, signature, and other information necessary to make a purchasing decision.

Responsible Bidder: Contractor, supplier, or vendor who is determined to be qualified to provide services or goods to the City based on the criteria in [RCW 39.04.350](#).

Responsive Bidder: An entity whose bids conforms in all material respects to the terms and conditions, the specifications, and other requirements of a solicitation.

Sealed Bid (Formal Bid): An advertised solicitation for a requirement in which the cost exceeds the bid limit. The bids are opened during a public opening.

Sole Source (also called a single source purchase): An exception to competitive bidding. A purchase of goods or services that is clearly and legitimately limited to a single source of supply in which the purchase price may be best established by direct negotiation.

Solicitation: Notification to prospective bidders about a future project or purchase, with a request for competitive bids, quotes, or proposals.

Splitting: The separation of continuing/repetitive requirements for the same good or service into several purchases to avoid dollar limitations or competition.

Small Works Roster: List of contractors by work category who have registered with MRSC and requested to be notified by the City about upcoming projects or purchases and bid opportunities.

Specification: A clear, complete, and accurate statement of the technical requirements descriptive of a material, item, or service.

State Contract: Contracts for goods or services administered by the Department of Enterprise Services on behalf of agencies. The contract document will identify the conditions under which usage by agencies is allowed.

Subcontractor: A person or business that is, or will be, providing or performing an essential aspect of a contract under the direction and responsibility of the primary contractor.

Supplier: A vendor of purchased goods and services.

Surplus Property: Personal property belonging to the City for which the City has no further use.

Vendor: A provider of materials, supplies, goods, or equipment.