



MONROE CITY COUNCIL
Finance & Human Resources Committee Meeting
Tuesday, March 13, 2018, 6 P.M.
Monroe City Hall, Council Conference Room

2018 Committee
Councilmembers
Jason Gamble
Kevin Hanford
Kirk Scarboro

AGENDA

- I. **Call to Order** (Councilmember Gamble)
- II. **Approval Minutes** (Meeting of Tuesday, February 13, 2018) Pg 2
- III. **Unfinished Business**
- IV. **New Business**
 - A. Procurement Policy - Proposed Amendments (Finance) Pg 4
 - B. 2X/Month Payroll Discussion (Finance/HR) Pg 63
 - C. Debt Policy - Introduction (Finance) Pg 65
- V. **Other**
- VI. **Next Committee Meeting** (April 10, 2018)
- VII. **Adjournment**



MONROE CITY COUNCIL
Finance & Human Resources Committee Meeting
Tuesday, February 13, 2018, 5:30 P.M.
Monroe City Hall, Council Conference Room

2018 Committee
Councilmembers
Jason Gamble
Kevin Hanford
Kirk Scarboro

MINUTES

I. Call to Order

A regular meeting of the Monroe City Council Finance & Human Resource Committee was held on February 13, 2018, in the Council Conference Room of City Hall. The Meeting was called to order by Councilmember Hanford at 5:36 p.m.

Committee Present: Councilmembers Kevin Hanford and Kirk Scarboro
Mayor Present: Geoffrey Thomas
Staff Present: Elizabeth Adkisson, City Clerk; Becky Hasart, Finance Director; Deborah Knight, City Administrator; Jakeh Roberts, Public Works Operations & Maintenance Manager; and Ben Warthan, Human Resources Director
Citizens Present: Heather Rousey, Monroe Planning Commissioner; and Joie Worthen, Downtown Monroe Association

II. Approval Minutes (Meeting of Tuesday, January 9, 2018)

Councilmember Hanford moved to approve the Finance & Human Resources Committee Meeting minutes of Tuesday, January 9, 2018; the motion was seconded by Councilmember Scarboro. Motion carried (2-0).

III. Unfinished Business

A. 5-6 Year Budget Assumptions

Ms. Hasart reviewed the 5-6 Year Budget Assumptions as discussed at the January Committee Meeting and January 30, 2018, Council Retreat. There were no additional questions.

IV. New Business

A. Human Service & Non-Profit Grant Application Process

Ms. Knight provided background information on potentially creating a human service & non-profit grant application process to address non-profit organization funding requests; including: Staff and the Mayor's recommendation; the application process developed by the Eastside Cities Human Services Consortium; application examples; process and timeline examples; and alternatives.

Discussion ensued regarding history of funding requests, current process, provision/value of subsidized rent, criteria for funding, example programs/processes of local jurisdictions, and timeline. Ms. Knight stated the Mayor and Staff will prepare a draft program and bring back to the full Council for consideration.

B. Proposed Economic Development Programs

Ms. Knight provided background information on proposed economic development programs - building business recruitment, retention and expansion; and expanding tourism promotion and marketing; including: current process, scope of work, issuance of RFPs, potential consultants selection/interview process, proposed contracts, fiscal impacts, time constraints, and alternatives.

Discussion ensued regarding scope of work, fiscal impacts, the interview and selection process, and proposed 'Choose Monroe' magazine/features. Ms. Knight stated the Mayor and Staff will bring proposed contracts and budgetary requests to the full Council for consideration.

C. Sick Leave Policies

Mr. Roberts and Mr. Warthan provided background information on Washington Initiative 1433 and requirements to provide paid sick leave to employees, proposed sick leave policy amendments to address I1433, fiscal impacts, and time constraints.

General discussion ensued regarding current sick leave policies/practices, proposed amendments to sick leave policies and the employee handbook, fiscal impacts, and current leave usage. Mr. Roberts and Mr. Warthan stated the proposed amendments will be brought to the full Council for consideration in March 2018.

D. Annual Performance Review Update

Mr. Warthan noted the annual performance reviews for Non-represented Employees have been completed; the average performance rating for the 27 employees was 3.74; and no employees were ranked a 2 or below.

Other - NONE

V. Next Committee Meeting (March 13, 2018, 6 p.m.)

Ms. Hasart noted items for the March Committee Meeting: purchasing and debt policies.

VI. Adjournment

Councilmember Hanford moved to adjourn the February 13, 2018, City Council Finance & Human Resources Committee Meeting; the motion was seconded by Councilmember Scarboro. Motion carried (2-0); and the meeting adjourned at 6:49 p.m.



MONROE CITY COUNCIL
Finance & Human Resources Committee Meeting
Tuesday, March 13, 2018, 6:00 P.M.

2018 Committee
 Councilmembers
 Jason Gamble
 Kevin Hanford
 Kirk Scarboro

Agenda Bill

SUBJECT:	Update of the City's Procurement Policies and Procedures
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DATE:	DEPT:	CONTACT:	PRESENTER:	ITEM:
03/13/2018	Finance	Becky Hasart	Becky Hasart	New Business A.

Discussion: 03/13/2018

- Attachments:**
1. Red-lined policies
 2. Clean version of policies (draft) with PW Contract Requirements Matrix
 3. Page 57 of MRSC's City Bidding Book (Competitive Bids Matrix)
 4. MRSC's Federal Uniform Guidance Blog Parts 1 & 2
 5. 2016 Audit Exit Recommendations

REQUESTED ACTION: Review and discussion of the proposed changes to the City's Procurement Policies and Procedures to send to the full Council for consideration and adoption.

DESCRIPTION/BACKGROUND

The City's current Procurement Policies and Procedures were last updated January 2012. Our existing policies have dollar thresholds which are very restrictive in comparison to current state law. These restrictive thresholds add additional time and cost to City procurement procedures, which do not allow us to be as efficient as possible in regards to our operations.

In addition to operational efficiencies, the City's current policies need to be updated to come into compliance with federal Uniform Purchasing Guidelines (UPG). These federal guidelines are required compliance for any jurisdiction that expends federal funding. As we continue to pursue grant opportunities for our larger capital projects, it would be prudent to update our policies and procedures with the federal purchasing guidelines prior to receiving funds. Our most recent audit from the State Auditor's office (fiscal year 2016) did recommend we update our procurement policies to reflect the federal guidance. The state audit also made additional recommendations regarding our procurement policies, all of which have been incorporated into the attached proposed draft (see attached 2016 Audit Exit Recommendations).

As you review the proposed changes to the current procurement manual, please disregard the table of contents. The table of contents will be updated with the correct section and page numbering once all changes have been finalized. The following is a listing of proposed changes to assist with your review. The numbering refers to the new section number and the text is the synopsis of the change associated with that section:

Section #	Change Synopsis
2	Expanded policy purpose statement to include the federal uniform purchasing guidance (UPG) in regards to federally funded programs. (Inclusion of the federal UPG was an exit item from this last audit.)
3	Added related acronyms. Added and/or updated definitions to match RCW.
4	Changed title from Procurement of Goods and Services to General Provisions.
4.1	Added Purchasing Code of Ethics (federal UPG).

4.2	Added Controlling Laws, again to address federal UPG and audit recommendations.
4.3	Added/consolidated Monitoring and Compliance language. Having this information in General Provisions better emphasizes the need and addresses the federal funding criteria regarding monitoring.
4.4	Added/consolidated Proper Authorization/Certification to include required federal certification language and to emphasize potential consequences for non-compliance.
4.5	Budget Sufficiency item moved. Same language; minor formatting corrections.
4.6	Financing item moved. Same language; minor formatting corrections.
n/a	Federal or State Funds section removed in its entirety. Is addressed in Section 4.2 Controlling Laws.
4.7	Breaking Down or Bid Splitting Purchases renumbered. Same language; minor formatting corrections.
4.8	Cost renumbered. Same language, with addition of use tax, and minor formatting corrections.
4.9	Local Business renumbered. Same language; minor formatting corrections.
4.10	Purchasing Limitations renumbered. Same language with minor formatting corrections except as follows:
4.10 b)	Clarified that cost limitation apply to aggregate costs, whether purchased once or over a series of orders. This addressed an exit item from the most recent audit.
4.10 c)	Increase the purchase authority by the Mayor from \$10,000 to \$100,000.
4.10 d)	Changed Mayor's authority from \$25,000 to \$50,000.
4.10 f)	Increased the Mayor's authority from \$10,000 to \$50,000, to be consistent with the intent from 4.10 d.
n/a	Created new Section 5 to address Public Works Projects specifically. (There are three major purchasing/bidding classifications. All three now have separate sections to address their respective unique needs.)
5	Added table to outline bidding thresholds regarding public works projects to be used in conjunction with the attached PW Contract Requirements Matrix, both of which conform to state law.
5	Added language after the table regarding up to a 20% contingency. Clarified that if adopted budget is not adequate to cover the project budget and contingency, council authority is needed prior to contract approval.
5	Removed prior language regarding one or more crafts or trade; information is now found in the table in this section.
5.1	Replaced prior change order language with new language to simplify the process, grant change order approval within the project budget to the Mayor, and require monthly reporting to council regarding executed change orders.
5.2	Prevailing Wage Laws renumbered. Same language; minor formatting corrections.
n/a	Created new Section 6 to address Professional and Personal Services specifically.

6	Added table to outline bidding processes and authorization thresholds in conformance with state law. Grants Mayor execution authority up to \$50,000 if in the budget. All contracts that do not have corresponding budget allocation must be approved by council. Table and clarifying language regarding budget authority replaces prior related language, which was removed in its entirety.
n/a	Created new Section 7 to address Purchases of Materials, Supplies, and Equipment specifically.
7	Added table to outline bidding processes and authorization levels in conformance with state law. Removed current language (replaced by the table) in its entirety.
7.1	Miscellaneous language regarding leasing of property was updated to reflect current state law.
7.1	Additional miscellaneous language regarding computer and telecommunications bidding was added/moved to this section.
7.1	Additional miscellaneous language regarding street signalization and street lighting was added/moved to this section.
8	Formal Competitive Bid section in its entirety was renumbered. Same language; minor formatting corrections.
9	Small Works Roster section was renumbered. Same language with minor formatting corrections throughout with the exception of 9b. Language in 9b was simplified to refer to the PW Contract Requirements Matrix.
10	Limited Public Works Process renumbered. Same language; minor formatting corrections.
11	Exemptions to Competitive Bidding Requirements renumbered through 11.7. Same language; minor formatting corrections.
n/a	Former section 4.3.3.8 moved to section 7.1 Miscellaneous. Language was updated to reflect current state law.
12	Travel section renumbered. Same language.
13	Payment Processing section renumbered. Same language with minor formatting changes with the exception of Purchase Orders. All references to purchase orders were removed in their entirety as we do not use purchase orders any longer.
14	Credit Cards renumbered. Section introduction is same language; minor formatting corrections.
14.1	Bank-Issued Credit Cards changed to Bank-Issued Credit Cards/Procurement Cards. Prior language was removed and replaced with the City's procurement cards policy and process in its entirety. Intent is to have most all the procurement processes in one document.
14.2	Store-Issued Credit Accounts section renumbered. Only language change was purchase order to procurement card.
15	Petty Cash renumbered. Same language.

Again, the intent of the proposed changes is to bring our procurement policies into compliance with both state law and the new federal uniform purchasing guidance required for federally funded projects and purchases (an audit requirement from our last audit). In addition, the new policies offer consistency regarding authorization thresholds were state law allows or is silent, formats the document into the three distinctive types of procurement the City would make, and should allow for greater efficiencies in bidding and managing our procurement processes.

Next steps: once these changes have been vetted by the Finance/Human Resources Committee, the final draft will be presented to the full Council for consideration and adoption. To adopt the updated policy and procedures, we would need to amend the Monroe Municipal Code sections 3.24, 3.25, and 3.26. Staff's recommendation will be to repeal these sections in their entirety as it is not common practice to codify a city's procurement policy into the code. Instead, the policy should be adopted by resolution. This will allow the City to be able to be timelier if and when the policies need to be updated to reflect changes in state law and/or federal guidelines.

City of Monroe



Procurement Policies & Procedures

January 17, 2012

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2 Policy**POLICY**

The purpose of this policy is to implement the requirements of state law and, when applicable, federal guidance with regards to procurement of goods and services and the bidding on public contracts for public works, goods, services, supplies, and materials. It is the City's policy to follow state and, when applicable, federal requirements with regard to the expenditure of public funds, to provide a fair forum for those interested in bidding on public contracts, and to help ensure that public contracts are performed satisfactorily and efficiently at least cost to the public, while avoiding fraud, waste, and favoritism in their award. For federally funded purchases and contracts, the purpose of this policy is to also insure that there is no abuse of federal funds and that all allowable costs are accorded consistent treatment.

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~~In order to reduce costs and ensure compliance with State laws and regulations, all purchases and services obtained by City of Monroe employees, including but not limited to materials, equipment, supplies, maintenance, professional services, non-professional services, and architectural and engineering services, shall comply with the following procedures:~~

All contract approvals and directly related purchasing actions taken through the effective date of this policy are hereby expressly ratified.

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3 Definitions**DEFINITIONS and ACRONYMS**

- a. "Architectural and Engineering services" means services rendered by any person, other than a city employee, to perform activities within the scope of the professional practice of architecture RCW 18.08, professional practice of engineering and land surveying RCW 18.43, and/or professional practice of landscape architecture RCW 18.96.
- b. "Bid splitting" means breaking a public work project or purchase of equipment, op= or supplies into segments. The city may not break a public works project to avoid compliance with bidding statutes. RCW 35.22.620.
- c. "Contract" means a contract in writing for the execution of a fixed or determinable amount duly awarded after advertisement and competitive bid, or a contract awarded under the small works roster process in RCW 39.04.155.
- ~~e.d.~~ "DES" – Washington Department of Enterprise Services.
- ~~e.e.~~ "Formal competitive bid" is the process of advertising and receiving sealed written bids from prospective vendors. The selection of the vendor is primarily based on the lowest cost from a responsible vendor.
- ~~e.f.~~ "Informal competitive quotes" are price quotes from vendors that are obtained using a variety of mediums such as phone, fax, e-mail, or writing. Results must be documented and submitted to the Finance Department. The selection of the vendor is primarily based on the lowest cost from a responsible vendor.

- g. “Interlocal agreements” are the exercise of governmental powers in a joint or cooperative undertaking with another public agency.
- h. “MMC” – Monroe Municipal Code.
- f.i. “MRSC” – Municipal Research Services Center.
- ~~g.~~ “Non professional Services” are services purchased by the city in which the contractor receives specific instructions and guidance from the city and does not meet the definition of professional services. Non professional services include janitorial, debt collection, equipment service agreements, machine repair, temp services or delivery services.
- j. “Ordinary maintenance” is work not performed by contract and that is performed on a regularly scheduled basis (e.g. daily, weekly, 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.
- k. “OSP” – Washington’s Office of State Procurement.
- ~~h.l.~~ “Personal services” – interchangeable with 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 they do not include Architectural and Engineering services. Example of services include accounting, legal, comprehensive planning, and real estate services.
- m. “Professional services” – ~~see personal services. are services provided by consultants that provide highly specialized generally one-time expertise to solve a problem or render professional opinions, judgments, or recommendations. Examples include Graphic Design, Advertising, Consulting, Attorneys and Real Estate Services. However, this does not include architectural or engineering services.~~
- i.n. “PSE” – Puget Sound Energy.
- o. “Public work,” as defined in RCW 39.04.010, means a complete project, and includes all work, construction, alteration, repair, or improvement other than ordinary maintenance executed at the cost of the city or which is by law a lien or charge on any city property. Public work projects include the related materials, supplies, and equipment to complete the project.
- j.p. “PUD” – Public Utility District.
- q. “Purchased Services” – different from personal services in that these services are generally routine, repetitive, or mechanical in nature and supports the City’s day to day operations. Purchased services include janitorial, debt collection, equipment service agreements, machine repair, or delivery services. (May include ordinary maintenance.)
- r. “RCW” – Revised Code of Washington.
- k. “Purchase Order” is a document which authorizes the delivery of specified merchandise or the rendering of certain services and the marking of a charge for them. The City of Monroe is guaranteeing payment when a purchase order is provided to a vendor.

s. “RFP - Request for Proposal (RFP)” means a process that requests interested firms to submit a statement of their proposal for completing a project. Proposals are evaluated based upon the suitability, practicality, quality of the proposal and experience and cost.

t. “RFQ - Request for Qualifications” means a request only for a firm’s general capabilities, including a list of principals, previous projects, number of employees, and licenses. An RFQ does not include pricing information.

u. “Small Works Roster” is a roster of qualified contractors maintained for use in a modified formal bid process. When the contract amount for a public works project is \$300,000 or less, the city may follow the small works roster process for construction of a public work or improvement as an alternative to formal competitive bid requirements.

v. “Sole Source Supplier” occurs when ~~competition among potential vendors is not possible for a particular procurement~~ a purchase is clearly and legitimately limited to a single supplier. These situations ~~often arise when an agency has specific technological requirements. Examples include:~~ may occur: (a) ~~when there is clearly and legitimately only one source capable of supplying the subject matter in a time fashion;~~ (b) ~~licensed, copyrighted, or patented products or services that only one vendor provides;~~ (c) ~~equipment or products that must be compatible with existing equipment or products;~~ (d) ~~proprietary or custom-built software or information systems that only one vendor provides;~~ and (d) ~~products or services where only one vendor meets the required certifications or statutory requirements.~~ ~~when there are special facilities or market conditions that result in only one source,~~ (e) ~~in the event of emergencies;~~ and (d) ~~when there is only one source capable of supplying the subject matter in a timely fashion such that seeking competitive prices would be impractical.~~ (RCW 39.04.280(1)(a)) Requires Council Approval.

w. “Use Tax” is a tax on the use of goods or certain services in Washington when sales tax has not been paid. Goods used in Washington are subject to either sales or use tax, but not both.

x. “WAC” – Washington Administrative Code

4 Procurement of Goods and Services **GENERAL PROVISIONS**

4.1 General Provisions

4.1 Purchasing Code of Ethics

To instill public confidence in the award of public contracts and the expenditure of public funds, the City adopts the following code of ethics with regard to public contracting:

- a) Actions of City employees shall be impartial and fair;
- b) City decisions and policies shall be made in compliance with required procedures and within the proper channels of government structure;
- c) Public employment shall not be used for personal gain, and City employees shall not solicit, accept, or agree to accept any gratuity for themselves, their families, or others that would or could result in personal gain. Purchasing decisions shall be made impartially, based upon the City’s specifications for the contract and the responses of those bidding on the contract; and

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d) No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which 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.

4.2 Controlling Laws

The expenditure of public funds for the purchase of and contracting for goods, services, supplies, and materials shall comply with all applicable state law requirements as set forth in the Revised Code of Washington (RCW) and the Washington Administrative Code (WAC). Where this policy conflicts with state law requirements, the more restrictive provision shall prevail. Where this policy is silent with regards to purchasing and/or bidding requirements, state law shall prevail.

Purchases and/or contracts that include federal funding shall also comply with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, published under Title 2 of the Code of Federal Regulations (2 CFR 200), hereinafter referred to as the Uniform Purchasing Guidance.

4.3 Monitoring and Compliance

The department director shall implement, monitor, and enforce these policies. In the event of any conflict in procurement requirements or questions about proper procedure or other requirements, the matter shall be referred to the City Administrator and/or the Administrator's designee for further action. Willful or intentional violations of public procurement requirements may result in personal penalties, financial liabilities, and/or discipline (RCW 39.30.020).

In addition to the enforcement of these policies, the department director shall insure that reasonable measures are taken to safeguard protected, personally identifiable information and other information the federal awarding agency or pass-through entity designates as sensitive or that the City considers sensitive consistent with applicable federal, state, and local laws regarding privacy and obligations of confidentiality.

4.4 Proper Authorization/Certifications

Only authorized employees acting within the scope of their authority may obligate the City in the acquisition of goods or services. Any employee purchasing goods on behalf of the City without proper authorization may be personally liable to the vendor and the City and subject to disciplinary action.

For federally funded purchases and contracts, to assure that expenditures are proper and in accordance with the terms and conditions of the federal award and approved project budgets, the annual and final fiscal reports or vouchers requesting payment under the agreement must

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include a certification, signed by an official who is authorized to legally bind the City, which reads as follows:

“By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements, and cash receipts are for the purposes and objectives set forth in the terms and conditions of the federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil, or administrative penalties for fraud, false statements, false claims, or otherwise. (US Code Title 18, Section 1001 and Title 31, Sections 3729-3730 and 3801-3812.)”

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4.5 Budget Sufficiency:

~~1.~~

Each ~~d~~Department ~~d~~irector must ensure that purchases are initiated only when the departmental budget is sufficient to cover the anticipated cost. Expenditures that exceed departmental appropriations require a budget amendment approved by City Council. Requests for budget amendments must be submitted in writing, and shall be approved by the requesting ~~d~~irector or ~~m~~anager and forwarded to the City Administrator and Finance Director for review prior to being forwarded to the City Council for approval.

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4.6 Financing:

~~2.~~

If a department is requesting financing for equipment or vehicles, it is necessary to work with the Finance Director. Financing documentation shall be included as part of the documentation for City Council approval to authorize Mayor or designee to sign loan or bond documents.

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~~3. Federal or State Funds:~~

~~When procurement involves the expenditure of state or federal funds or grants,~~

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~~purchasing shall be conducted in accordance with any applicable federal or state laws or regulations and applicable fund or grant contractual provisions.~~

4.7 Breaking Down or Bid Splitting Purchases.

4-

The breaking down or bid splitting of any purchase or contract into units or phases for the purpose of avoiding the maximum dollar amount is prohibited.

~~5. Signature Authority.~~

~~The Mayor may delegate, in writing, the signature authority provided in this policy to other city employees as deemed appropriate.~~

~~6. 4.8 Cost.~~

Purchase cost includes sales tax, use tax, delivery charges, and any related miscellaneous charges.

4.9 Local Businesses

~~7. Local businesses should be encouraged to submit bids on City procurements that are open to everybody. When determining the lowest bid on purchase of supplies, materials, or equipments, the City may, whenever indicated in advance, take into consideration sales and/or B&O tax revenue it would receive from a supplier located within its boundaries pursuant to RCW 39.30.040.~~

~~4.2~~ 4.10 Purchasing Limitations

~~1-a)~~ Expenditures are required to be included in the annual budget.

~~2-b)~~ Purchase limitations apply to the aggregate cost of individual items, ~~whether purchase in one order or over a series of orders, or the sum of the same items purchased at the same time to fulfill a specific business need, which are not part of a public work project as defined by RCW 39.04.010.~~ Cost is inclusive of sales tax, use tax, delivery charges, and any related miscellaneous charges.

~~3-c)~~ The Mayor or designee may execute professional services, and purchase non-professional services contracts, up to \$~~10~~100,000 (one hundred thousand), as long as the contract is consistent with the adopted budget.

~~4-d)~~ Services contracts greater than \$~~50~~25,000 (fifty thousand) require Council authorization.

~~5-e)~~ Contracts of any amount that are not consistent with the adopted budget require Council approval.

~~6-f)~~ Initial Interlocal agreements of any amount with governmental agencies require Council authorization. The Mayor or designee up to \$~~5~~40,000 (fifty thousand) may execute renewal or extension of existing ~~contracts~~ Interlocal agreements with governmental agencies, if the ~~contract agreement's terms address renewal and the agreement~~ is consistent with the adopted budget. ~~Renewal or extension of existing contracts and agreements with governmental agencies above \$10,000 require Council authorization. All other renewals require Council approval.~~

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7.g) The Mayor or designee may present any contract to the Council for approval even if the contract is not required to be approved by the Council.

5. PUBLIC WORKS PROJECTS

City purchases are subject to authorization & quote/bid requirements as follows:

4.2.1 Public Work Projects (RCW 35.23.352)

4.2.1.1 Plans and Specifications

The preparation of plans and/or specifications and an estimate of project cost shall be authorized by the Mayor or designee City Administrator for projects up to \$100,000 and by the City Council for larger projects.

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Type of Purchase or Project	Process (see attached matrix* for details)	Other Requirements	Contract Authorization
Projects costing under \$300K	Small Works Roster (the City uses the MRSC Rosters RCW 39.04.155)	Prevailing wage Insurance Performance bond Bid bond/deposit	Must be budgeted If under \$100K, Mayor or designee may execute All other must be approved by Council
Projects costing \$300K or more	Formal bids	Prevailing wage Insurance Performance bond Bid bond/deposit	Must be budgeted Requires Council approval
Projects costing under \$40K (Alternative to the Small Works Roster)	Solicited quotes	Prevailing wage Performance bond required between \$10K to \$40K	Must be budgeted Mayor or designee may execute
Projects with costs exceeding \$40K for single trade or \$65K for multiple trades and less than \$300K	Must call for bids or use Small Works Roster process to solicit quotes	Prevailing wage Insurance Performance bond Bid bond/deposit	Must be budgeted If under \$100K, Mayor or designee may execute All other must be approved by Council
Projects less than \$2,500	One quote needed, two recommended	Appropriate form(s) for prevailing wages No bond No retainage	Must be budgeted Mayor or designee may execute

*The Public Works Contract Requirements Matrix is adopted by reference as part of this policy and procedure document.

Regardless of cost limits, the City may do a formal bid at any time.

Project budget authorization may include a project contingency, not to exceed 20% (twenty percent). If additional budget authority is needed for the project, Council must approve the increase for budget amendment prior to approval of the contract.

~~4.2.1.2 Construction~~

~~4.2.1.2.1 One Craft or Trade~~

- ~~≤ \$ 15,000—No competitive bids required, Department selection~~
- ~~> \$ 15,000 ≤ \$30,000—3 informal competitive quotes, Department selection~~
- ~~> \$30,000 ≤ \$60,000—3 written informal competitive quotes, City Administrator approves.~~
- ~~> \$60,000 ≤ \$300,000 Small Works Roster, City Administrator approves~~
- ~~> \$300,000 Competitive sealed bid; City Administrator or Mayor approves / Council awards~~

~~4.2.1.2.2 Two or more Crafts or Trades~~

- ~~≤ \$ 15,000—No competitive bids required, Department selection~~
- ~~> \$ 15,000 ≤ \$30,000—3 informal competitive quotes, Department selection~~
- ~~> \$30,000 ≤ \$95,000—3 written informal competitive quotes, City Administrator~~
- ~~> \$95,000 ≤ \$300,000 small works roster, City Administrator.~~
- ~~> \$300,000 Competitive sealed bid; City Administrator or Mayor approves / Council awards.~~

~~4.2.1.3 5.1 Change Orders~~

~~For contracts equal to less than \$100,000:~~

~~Change orders which fall within the Council approved scope, project budget, and project contingency may be executed by the Mayor or his/her designee. Change orders which would change the scope of the project and/or exceed the Council approved project budget and Council approved project contingency would require additional Council action.~~

~~All change orders, regardless of amount, will be reported to Council on a monthly basis.~~

~~All change orders are reviewed and approved by department~~

~~For contracts over \$100,000:~~

~~All change orders reviewed by department~~

~~When change order cumulative total exceeds 3% of the original award authorization amount, approval by Project Manager.~~

~~When change order cumulative total equal to or less than 5% of the original award authorization amount, approval by department director~~

~~When change order cumulative total exceeds 12% of the original award authorization amount, approval by City Administrator.~~

~~When change order cumulative total exceeds 15% of the original award authorization amount, approval by Mayor required.~~

~~When change order cumulative total exceeds 18% of the original award authorization amount, approval by City Council.~~

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4.2.1.4 5.2 Prevailing Wage Laws

Public work projects and maintenance, when performed by contract, are governed by chapter 39.12 RCW, Prevailing Wages on Public Works regardless of contract amount. It is the responsibility of the contracting employee to notify the vendor of prevailing wage requirements and obtain compliance documentation prior to awarding any public work or maintenance contract. Public work and ordinary maintenance contracts will only be awarded to contractors who document compliance with the Washington State Prevailing Wage Law. The department head-director or designee managing the project is responsible for collecting ongoing compliance documents. If a contractor is found to be in violation of prevailing wage laws by the Department of Labor and Industries, the City will have to withhold payment (including retainage) from that contractor.

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4.2.2 6. PROFESSIONAL AND PERSONAL SERVICES ~~Architectural, Landscape Architecture and Engineering Services: (RCW 39.80)~~

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Type of Purchase	Process	Other Requirements	Contract Authorization
<u>Architectural and Engineering Services</u>	<u>Request for Qualifications (RCW 39.80)</u>	<u>Publish RFQ</u> <u>Must evaluate on performance and qualifications</u> <u>Negotiate contract after selection</u>	<u>Must be budgeted</u> <u>If under \$50K, Mayor or designee may execute</u> <u>All other must be approved by Council</u>
<u>All other personal services</u>	<u>No state law required process</u>		<u>Must be budgeted</u> <u>If under \$50K, Mayor or designee may execute</u> <u>All other must be approved by Council</u>

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Any professional and/or personal services contracts not part of the budget, regardless of amount, must be authorized by Council.

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Procedures set forth in RCW 39.80 shall be followed for contracts for architectural and engineering services:

- ~~≤\$20,000 — Selected based on qualifications, Mayor approves~~
- ~~→\$20,000 — Selected based on qualifications, Council awards~~

4.2.3 Professional and Non-Professional Services

- ~~<\$10,000 — 3 informal competitive quotes, Mayor or designee approves~~
- ~~→\$10,000 — formal request for proposal process, City Administrator & Mayor approves / Council awards~~

7. PURCHASES OF MATERIALS, SUPPLIES, AND EQUIPMENT (not associated with Public Works projects)

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<u>Type of Purchase</u>	<u>Process</u>	<u>Other Requirements</u>	<u>Contract Authorization</u>
<u>Items costing less than \$7,500</u>	<u>No state law required process</u>		<u>Must be within department budget Department director or designee may execute</u>
<u>Items costing over \$7,500 (except equipment and vehicles replaced through Fund 520 Fleet & Equip. Fund)</u>	<u>Must call for bids or use State Bid or other Interlocal Council approved bid process</u>	<u>Publication of RFP if bidding</u>	<u>Must be within department budget Over \$7,500 but less than \$50K, Mayor or designee may execute Over \$50K, Council must authorize</u>
<u>Items costing over \$7,500 purchased by Fund 520 Fleet & Equipment Fund only</u>	<u>Must call for bids or use State Bid or other Interlocal Council approved bid process</u>	<u>Publication of RFP if bidding</u>	<u>Must be within department budget Mayor or designee may execute</u>

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- ~~≤ \$ 5,000 — No Competitive Bids Required, Department Head Approves~~
- ~~≥ \$ 5,000 — ≤ \$ 7,500 — 3 informal competitive quotes in writing, Dept Head & City Administrator Approves~~
- ~~≥ \$7,501 — ≤ \$15,000 — At least 3 written informal competitive quotes from vendor lists as authorized by RCW 39.04.190, Dept Director, City Administrator & Mayor Approves~~
- ~~————— Vendor lists must be solicited at least twice per year in a newspaper of general circulation.~~
- ~~————— Immediately after award from a vendor list, all bid quotations must be recorded and made open to public inspection, including in response to telephone inquiries.~~
- ~~————— At least every two months, the City must post a list of contracts awarded from vendor lists. The list must contain the name of the vendor, the amount of the contract, a brief description of items purchased, and the date of the award.~~
- ~~————— ≥ \$15,000 — Formal competitive bid or State bid required, City Administrator approves, and Mayor awards bid, provided Council has authorized the expenditure through the budget.. If expense is not included in the budget, then City Administrator & Mayor approve and Council awards bid.~~

~~4.2.5~~ **7.1 Miscellaneous:**

A lease of property with option to purchase shall be treated similar to a Public Works project (RCW 35.42.220) subject to the same process requirements as outlined in Section 5 of this policy. ~~that is valued at more than \$15,000 shall be subject to competitive bid as required by RCW 35.42.220.~~

Bids are required for contracts for the City’s official newspaper as required by RCW 35.23.352(7).

A competitive negotiation process, as an alternative to bidding, may be used for computer and telecommunications equipment, software, and services (RCW 39.04.270). Item(s) must be within budget and may be authorized by the department head if under \$7,500, by the Mayor or designee if between \$7,500 and \$50,000, and by the Council if over \$50,000.

If the public works project is for street signalization or street lighting, it is treated as a single craft or trade project for bidding purposes.

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4.3 8. BID PROCEDURES

The following shall apply for public work contracts and when formal bidding is required for the purchase of materials, supplies, or equipment, except as otherwise noted:

- To ensure consistency and fair process, the City will use standard forms, documents, contracts, and terms and conditions, when practical. The City’s Project Coordinator will maintain templates for bid-related documents for use by departments when practical. The City ~~will~~ may use an evaluation selection committee to promote an open, proper selection. The requesting department director will appoint committee members to act in an advisory capacity.
- Minimum qualifications and/or specifications are stated to ensure bids address the needs of the City. Minimum qualifications cannot be used to eliminate qualified contractors and vendors. Minimum qualifications should be tested against the marketplace to ensure they aren’t overly restrictive.
- When practical for public works contracts, the City will conduct a pre-bid conference to allow a thorough discussion of the City’s intent, scope, specifications, and terms. Interested companies should be encouraged to attend.
- Selection of a winning offer is based primarily on lowest responsive bid. Quality and expertise, however, must be a consideration.

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~~4.3.1~~ **8.1 Formal Competitive Bid (RCW 35.23.352(1)):**

~~1.~~ **I. Publication of Notice.**

After City Administrator authorization, the requesting department director (or designee) will publish the Call for Bids for sealed bids in the official newspaper or a newspaper of general circulation most likely to bring responsive bids and ensure notice is posted on the City web page, at least 13 days prior to bid submittal deadline.

- ~~2.~~ **II. Notice Contents for Public Works Contracts.** Notice (or advertisement) for bids should contain definite specifications and procedures for bidders to use to estimate their bids. At a minimum, a bid notice for public works must include:
- a. Project title;

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- b. Nature and scope of work;
- c. Where contract documents (plans and specifications) can be reviewed or obtained;
- d. Cost to obtain a set of contract documents;
- e. Place, date, and time that bids are due;
- f. Place, date, and time that bid will be opened;
- g. Statement that a bid bond must accompany the bid;
- h. Statement that the City retains the right to reject any and all bids and to waive minor irregularities in the bidding process;
- i. Statement that the contract involves "public work," and that workers shall receive the prevailing rate of wage pursuant to the Prevailing Wages on Public Works Act (Chapter 39.12 RCW);
- j. List of the applicable prevailing wage rates or prevailing wage statement;
- k. Statement that the City is an equal opportunity employer and invites responsive bids from all qualified responsible bidders;
- l. The materials and equipment to be furnished, if any.

III. 3. Notice Contents for Purchases of Materials, Supplies or Equipment, Notice (or advertisement) for bids should contain definite specifications and procedures for bidders to use to estimate their bids. At a minimum, a bid notice must include:

- a. Name and description of requested items;
- b. Where contract documents (plans and specifications), can be reviewed or obtained;
- c. Cost to obtain a set of contract documents;
- d. Place, date, and time that bids are due;
- e. Statement that the City retains the right to reject any and all bids and to waive minor irregularities in the bidding process; Place, date and time that bid will be opened.

4. Bid Opening.

8.2 Bid Opening:

Bids are submitted to the responsible department head director, or designee, where they are time and date stamped and processed. The bids shall be opened at the time and place specified in the advertisement for bids.

I. 5. Report on Bids:

The responsible department head director or designee will prepare a report and recommendation on all bids received to the decision maker with the authority to approve the contract.

II. 6. Bid Award:

The City shall award the contract to the lowest responsible bidder or shall have power by Council resolution to reject any or all bids and to make further calls for bids in the same manner as the original call.

III. 7. Bid Bonds for Public Works Contracts:

Upon award of a public works contract or rejection of all bids, bid bonds shall be returned to the unsuccessful bidders. The successful bidder's bid bond or deposit

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shall be retained until the bidder enters into a contract with the City and furnishes a performance bond in the full amount of the contract price.

4.3.2 9. SMALL WORKS ROSTER (RCW 39.04)7

RCW 39.04.155 provides uniform small works roster provisions to award contracts for construction, building, renovation, remodeling, alteration, repair, or improvement of real property. The Small Works Roster may be used for public work projects valued below \$300,000 in lieu of formal bidding. Use of the Small Works Roster allows the City to ~~avoid-waive~~ the advertisement requirements of the formal competitive process. All other bidding requirements are the same.

The Washington State Municipal Research Services Center (“MRSC”) compiles small works rosters for cities and counties throughout the State of Washington. The City of Monroe has contracted with MRSC to use its small works rosters for public works contracts valued below \$300,000.

1-a) Invitations for Quotations.

Invitations for quotations shall include an estimate of the scope and nature of the work to be performed as well as materials and equipment to be furnished. However, detailed plans and specifications need not be included in the invitation. This subsection does not eliminate other requirements for architectural or engineering approvals as to quality and compliance with building codes.

2-b) Number of contractors invited.

Quotations may be invited from all appropriate contractors ~~on the appropriate small works roster. As an alternative, quotations may be invited from at least five contractors on the appropriate small works roster who have indicated the capability of performing the kind of work being contracted, in a manner that will equitably distribute the opportunity among the contractors on the appropriate roster. However, if the estimated cost of the work is from one hundred thousand dollars to two hundred thousand dollars, a state agency or local government that chooses to solicit bids from less than all the appropriate contractors on the appropriate small works roster must also notify the remaining contractors on the appropriate small works roster that quotations on the work are being sought per the attached Public Works Contract Requirements Matrix.~~

3-c) Vendors/contractors selected from the Small Works Roster are not relieved from observing applicable legal requirements such as Performance Bond, Prevailing Wage, Labor and Material Bonding, etc.

4-d) Immediately after an award is made, the bid quotations obtained shall be recorded, open to public inspection, and available by telephone inquiry.

5-e) As required by RCW 39.04.200, every even numbered month, the City must post a list of contracts awarded from the small works roster over at least the previous two months. The list must contain the name of the contractor, the amount of the contract, a brief description of the type of work performed, and the date of the award.

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~~4.3.2.1~~ **10. LIMITED PUBLIC WORKS PROCESS (RCW 39.04.155(3))**

For public work projects with an estimated cost of less than \$35,000, the city may use the limited public works process in lieu of the small works process.

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~~1-a)~~ **Invitations for Quotations.**

Invitations for quotations shall include an estimate of the scope and nature of the work to be performed as well as materials and equipment to be furnished. However, detailed plans and specifications need not be included in the invitation. This subsection does not eliminate other requirements for architectural or engineering approvals as to quality and compliance with building codes.

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~~2-b)~~ **Number of contractors invited.**

Quotations shall be invited from a minimum of three contractors from the appropriate small works roster and shall award the contract to the lowest responsible bidder. If no bids are received, see Section 11.7 for guidance.

~~3-c)~~ **Notification of Award.**

After an award is made, the quotations shall be open to public inspection and available by electronic request. The city shall maintain a list of the contractors contacted and the contracts awarded during the previous twenty-four months under the limited public works process, including the name of the contractor, the contractor's registration number, the amount of the contract, a brief description of the type of work performed, and the date the contract was awarded.

~~4-d)~~ **Vendors/contractors selected using the Limited Public Works Process are required to comply with prevailing wage and insurance requirements.**

~~4.3.3~~ **11. EXEMPTIONS TO COMPETITIVE BIDDING REQUIREMENTS**

~~Section~~RCW 39.04.280 ~~RCW~~ provides uniform exemptions to competitive bidding requirements utilized by municipalities when awarding contracts for public works and contracts for purchases.

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~~4.3.3.1~~ **11.1 Purchases that are clearly and legitimately limited to a single source of supply (Sole Source Vendor):**

If, after conducting a good faith review of available resources, the requesting department director determines that there is only one source of the required materials, supplies, or equipment, a purchase contract may be awarded without complying with established bid requirements. The requesting department director will submit a written request for sole source procurement to the Mayor/Council for approval, and conduct price, terms, and delivery negotiations, as appropriate. The vendor must certify in writing that the City is getting the lowest offered price.

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The City Council shall approve all sole source purchases by resolution that identifies the factual basis for the sole source justification and concludes that "the purchase is clearly and legitimately limited to a single source or supply." A sole source resolution shall not be required in case of emergency, under the terms and conditions specified in RCW 39.04.280(2)(b) and (c). On-going sole source purchases of materials, equipment and supplies should be reviewed annually to ensure the pricing is still the lowest price for the city and that the conditions that justify the sole source purchase still exist.

4.3.3.2 11.2 Purchases involving special facilities or market conditions:

RCW 39.04.280(1)(b) authorizes the City Council by resolution to waive established bidding requirements if an exceptional opportunity arises to purchase favorably-priced equipment or supplies or used goods that will be sold before the City can conduct the bid process. The resolution must set forth the factual basis for the special market conditions.

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4.3.3.3 11.3 Auctions:

RCW 39.30.045 authorizes the City to acquire supplies, materials, and equipment through an auction conducted by an agency of the State of Washington, an agency of the United States, any municipality or other government agency, or any private party if the items can be obtained at a competitive price.

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4.3.3.4 11.4 Surplus Property:

The City may acquire surplus property from another government without the use of competitive quotes or bids (RCW 39.33.010), when it is possible to procure obvious bargains through the procurement of surplus or distress material, supplies, or equipment. The requesting department director will submit a written request for procurement to the mayor for approval, and conduct price, terms, and delivery negotiations, as appropriate.

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4.3.3.5 11.5 Purchases in the event of an emergency:

"Emergency" is defined as "...unforeseen circumstances beyond the control of the municipality 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." If an emergency situation has been declared, the Mayor or designee may make or authorize others to make emergency procurements of materials, supplies, equipment, or services without complying with the requirements of this section when there exists a threat to public health, welfare, or safety or threat to proper performance of essential functions; provided, that such emergency procurements shall be made with such competition as is practical under the circumstances. A written determination of the basis for the emergency and for the selection of the particular contractor/vendor shall be included in the contract file. As soon as practical, a record of each emergency procurement shall be made and shall set forth the contract's name, the amount and type of the contract, and listing of the item(s) procured under the contract, which shall be reported to the Council at the next subsequent meeting. ~~Purchase order(s) must be properly documented as pertaining to an emergency as soon as possible following the event.~~ If a contract is awarded without competitive bidding due to a declared emergency, the City Council must adopt a resolution certifying the emergency situation existed no later than two weeks following the award of the contract (RCW 39.04.280(2)(b)). The persons authorized to issue an emergency proclamation under MMC 2.60.090, in the same order of succession, are authorized to declare an emergency for purposes of this bidding exemption.

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4.3.3.6 11.6 Interlocal Agreements

The eCity may enter into Interlocal agreements with other public agencies similarly authorized under RCW 39.34.030. State law in regard to competitive bidding shall govern any cooperative purchasing agreement. The competitive bid process of the original jurisdiction may substitute for Monroe's if consistent with the bidding laws that

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apply to Monroe. “Piggybacking” on other jurisdiction bids requires an ~~i~~Interlocal agreement. All Interlocal cooperative-purchasing agreements shall be presented to Council for approval.

The City of Monroe may be able to realize savings through quantity purchasing with the following organizations:

~~1-a)~~ 1-a) US Communities Shared Purchasing.

US Communities is a national collective of local and state agencies that have gathered together under a non-profit to bid on items for shared purchasing. The City of Monroe has registered with US Communities, allowing the City to use any US Communities contract that meets our needs. Cities and counties from around the country bid the US Communities contracts. They are all subject to bid laws that are similar to those in Washington, and they conduct competitive sealed bids or proposals in much the same way, if not exactly the same way, as we do in Washington. However, use the same care to review the US Communities contracts to verify that they do not violate the City’s Procurement Policies and Procedures or Washington State law. All US Communities purchasing agreements shall be presented to Council for approval.

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~~2-b)~~ 2-b) Office of State Procurement (OSP).

The City of Monroe may be able to realize savings through the OSP’s quantity purchasing. Use of OSP requires an Interlocal agreement with the State of Washington approved by the City Council.

~~4.3.3.7~~ 11.7 *No Bids or Quotations Received*

When no responsive bids or quotations are received in response to an invitation to bid or request for quotations, the department director or his/her designee is authorized to procure the required item through direct negotiations with a vendor or to rebid, or do the project with City employees for public works contracts, as the Mayor or his/her designee~~City Administrator~~ deems appropriate.

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~~4.3.3.8~~ *Electronic Data Processing or Telecommunication Equipment, Software or Service*

~~Purchases of these items if greater than \$7,500 may be procured under a competitive negotiation process as an alternative to the bid process. Competitive negotiation procedures shall comply with the requirements of RCW 39.04.270.~~

~~4.4~~ 12. **Travel**

All expense payments or reimbursements for travel and/or subsistence expenses must meet the requirements set forth in the City of Monroe Travel Policy, which establishes policy and procedure related to obtaining travel authorization, advance travel funds, and expenditure or reimbursement for travel and subsistence expenses incurred in conduct of business of the City. Refer to the City of Monroe Meeting, Travel & Meal Policy 2003-017 for details.

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5 13. Payment Processing

5.1 13.1 Approvals

Vendor invoices shall be signed for approval by the department ~~head-director~~ or designee. Reimbursements payable to City employees shall be signed for approval as follows: ~~(Employees may not approve their own reimbursement-);~~

- Council - approved by the Mayor, City Administrator, or designee;
- Mayor – approved by the City Administrator or designee;
- City Administrator – approved by the Mayor or designee;
- Department ~~Head-Director~~ – approved by the City Administrator or designee;
- Other employees – approved by the Department ~~Head-Director~~ or designee.

5.2 13.2 Accounts Payable

Original ~~h~~invoices that are received by accounts payable will be date-stamped and routed to department ~~heads-directors~~ weekly. Other invoices may be received directly by the department ~~head-director~~ or other staff, such as when items are picked up at will-call or services are performed on-site. For all invoices, department ~~heads-director~~ or designees will verify that the invoiced items have been received and that the invoiced amount is correct. The accounts payable original invoices should ~~be stamped with~~include the correct account coding and have a required authorized approval signature added. The approved invoice will be routed to accounts payable for payment. There are two accounts payable check cycles scheduled each month, ~~on~~ the 1st and 3rd Council meetings of each month, unless the date falls on a holiday. The Finance Director or designee audits the bills prior to City Council meetings ensuring the correct coding of the bills, authorization approvals, and proper documentation prior to Council approval. The Finance Director or designee approval is required before bills can be paid.

5.2.1 ~~Purchase Orders~~

~~Purchase orders are to be used for all purchases and contracts greater than \$10,000. A Request for a Purchase Order form must be completed and signed by the Requestor, and approved by the Department Director or Manager. Following approval, a copy of the signed purchase order request is forwarded to Accounts Payable.~~

5.3 13.3 Pre-Council Meeting Checks

Departments should avoid requests for pre-Council meeting checks by submitting approved invoices to ~~A~~accounts ~~P~~payable as soon as invoices are received. If extenuating circumstances exist, a check may be issued to avoid incurring penalties, interest, or late charges. Recurring invoices for utilities, PUD, PSE, and telephones may be paid early to avoid penalties or late fees.

5.4 14 Credit Cards

In accordance with RCW 43.09.2855, local governments are authorized to use credit cards

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or procurement cards for official government purchases and acquisitions. Cash advances on credit cards or procurement cards are prohibited. Credit cards and procurement cards may not be used to purchase alcoholic beverages. It will be the responsibility of each department ~~manager-director~~ to assign credit cards or procurement cards to employees that need them for city operations. Refer to the City of Monroe Meeting, Travel & Meal Policy 2003-017 for details regarding credit card usage when traveling.

5.4.1 14.1 Bank-Issued Credit Cards/Procurement Cards

~~Bank issued credit cards shall have a limit of \$5,000. Department Directors shall determine credit card limits for their department employees.~~ Bank issued credit cards shall not be used for official City business, with the exception of state approved procurement cards and their related program as administered by the Washington State Department of Enterprise Services (DES).

The City has obtained purchasing card (P-Card) participation in the statewide contract administered by DES, Office of State Procurement (OSP). A benefit of using the contract allows the City to earn a quarterly rebate based on the volume spent and timely payment. The rebate received is distributed to the source of funds expended for the purchase card transactions. The use of the P-Card does not relieve the employees from complying with other City and departmental policies and procedures.

The 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. The Program Administrator will pay by P-Card recurring payments such as utility, phone, postage, and other authorized purchases.

Credit limits and other controls are established by department directors when the card is authorized.

Department directors may request a change of credit limits and cancel or suspend a card when needed. P-cards will be issued to employees after the employee has received a copy of the City's Procurement Policies and Procedures and has signed a Purchasing Card Acceptance Agreement form. Department directors will ensure employees approve their charges and submit the proper supporting documents within five days after the billing cycle date (currently the 25th of the month). Department directors will verify the accuracy of charges and approve supporting documentation, assign correct fund numbers and descriptive information for each charge, final approve the charges online, print activity statements and submit paperwork to the Program Administrator within ten days after the billing cycle date. The department director may designate another employee who will fulfill these responsibilities in their absence.

As authorized, employees will use their P-Card at time of purchase for goods, maintenance, services, and construction as allowed by the vendor. The employee should not exceed the credit limit on their P-Card. The employee should contact their department director if the limit needs to be adjusted to make purchases. Employees will approve their charges and submit the proper supporting documents to their department director within five days after the

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billing cycle date (currently the 25th of the month). The documents must be turned in or made accessible to a department director before any absences (i.e. vacations, personal leave, or sick days). The department director may authorize employees' online access to view and approve their charges, update descriptive information, and print an activity statement. If there is a disputed charge on account, the employee should immediately notify the merchant. If unable to get satisfaction from the merchant, contact the Program Administrator to dispute the amount with the bank.

Unauthorized usage examples:

- Meals (see the City travel policy which pays for meals at a per diem rate)
- Personal charges
- Cash advances
- Unauthorized purchases

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Proper Supporting Documentation:

- Itemized receipts
- Itemized invoices
- Detailed Online Order Confirmations
- Training Request forms

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Employees who are frequently late submitting or missing supporting documentation will lose their P-Card privileges for an amount of time determined by their department director. Improper use of the P-Card may result in disciplinary action up to and including termination of employment.

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A few vendors, such as Lowe's and Costco, offer the City discounts by using an existing account rather than the P-Card. The Program Administrator should be notified if there are any other vendors who offer these discounts as it would be in the City's best interest to receive them (refer to Section 14.2 Store-Issued Credit Accounts).

The employee should safeguard their P-Card and account numbers against loss, theft, and unauthorized use. The P-Card may be used in person, by phone, online or by fax and should be kept either by the employee or locked in a secure location when not in use. If a P-Card is lost or stolen, the employee should immediately notify the bank and inform the Program Administrator. Failure to notify the bank may result in the City's responsibility for payment.

5.4.2 14.2 Store-Issued Credit Accounts

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The city discourages the practice of requesting new charge accounts from vendors unless the vendor will not accept a ~~procurement card purchase order~~ or check on delivery and the city will realize cost savings or has time constraints. It is the city's preference for employees to

use the procurement cards whenever possible. Store-issued credit cards shall have a limit of \$5,000. Individual store credit limits may be modified by City Council resolution upon finding that special circumstances necessitate the higher amount.

5.5 **15 — Petty Cash**

Petty cash funds cover minor disbursements. Employees may be reimbursed from petty cash funds for authorized purchases that do not exceed the established petty cash limit. Refer to the City of Monroe Petty Cash Policy 99-021 for details.

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City of Monroe



Procurement Policies & Procedures

March XX, 2018

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2 POLICY

The purpose of this policy is to implement the requirements of state law and, when applicable, federal guidance with regards to procurement of goods and services and the bidding on public contracts for public works, goods, services, supplies, and materials. It is the City's policy to follow state and, when applicable, federal requirements with regard to the expenditure of public funds, to provide a fair forum for those interested in bidding on public contracts, and to help ensure that public contracts are performed satisfactorily and efficiently at least cost to the public, while avoiding fraud, waste, and favoritism in their award. For federally funded purchases and contracts, the purpose of this policy is to also insure that there is no abuse of federal funds and that all allowable costs are accorded consistent treatment.

All contract approvals and directly related purchasing actions taken through the effective date of this policy are hereby expressly ratified.

3 DEFINITIONS and ACRONYMS

- a. "Architectural and Engineering services" means services rendered by any person, other than a city employee, to perform activities within the scope of the professional practice of architecture RCW 18.08, professional practice of engineering and land surveying RCW 18.43, and/or professional practice of landscape architecture RCW 18.96.
- b. "Bid splitting" means breaking a public work project or purchase of equipment, or supplies into segments. The city may not break a public works project to avoid compliance with bidding statutes. RCW 35.22.620.
- c. "Contract" means a contract in writing for the execution of a fixed or determinable amount duly awarded after advertisement and competitive bid, or a contract awarded under the small works roster process in RCW 39.04.155.
- d. "DES" – Washington's Department of Enterprise Services.
- e. "Formal competitive bid" is the process of advertising and receiving sealed written bids from prospective vendors. The selection of the vendor is primarily based on the lowest cost from a responsible vendor.
- f. "Informal competitive quotes" are price quotes from vendors that are obtained using a variety of mediums such as phone, fax, e-mail, or writing. Results must be documented and submitted to the Finance Department. The selection of the vendor is primarily based on the lowest cost from a responsible vendor.
- g. "Interlocal agreements" are the exercise of governmental powers in a joint or cooperative undertaking with another public agency.
- h. "MMC" – Monroe Municipal Code.
- i. "MRSC" – Municipal Research Services Center.
- j. "Ordinary maintenance" is work not performed by contract and that is performed on a regularly scheduled basis (e.g. daily, weekly, 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.

- k. "OSP" – Washington's Office of State Procurement.
- l. "Personal services" – interchangeable with 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 they do not include Architectural and Engineering services. Example of services include accounting, legal, comprehensive planning, and real estate services.
- m. "Professional services" – see personal services.
- n. "PSE" – Puget Sound Energy.
- o. "Public work," as defined in RCW 39.04.010, means a complete project, and includes all work, construction, alteration, repair, or improvement other than ordinary maintenance executed at the cost of the city or which is by law a lien or charge on any city property. Public work projects include the related materials, supplies, and equipment to complete the project.
- p. "PUD" – Public Utility District.
- q. "Purchased services" – different from personal services in that these services are generally routine, repetitive, or mechanical in nature and supports the City's day to day operations. Purchased services include janitorial, debt collections, equipment service agreements, machine repair, or delivery services. (May include ordinary maintenance.)
- r. "RCW" – Revised Code of Washington.
- s. "RFP - Request for Proposal" means a process that requests interested firms to submit a statement of their proposal for completing a project. Proposals are evaluated based upon the suitability, practicality, quality of the proposal and experience and cost.
- t. "RFQ - Request for Qualifications" means a request only for a firm's general capabilities, including a list of principals, previous projects, number of employees, and licenses. An RFQ does not include pricing information.
- u. "Small Works Roster" is a roster of qualified contractors maintained for use in a modified formal bid process. When the contract amount for a public works project is \$300,000 or less, the city may follow the small works roster process for construction of a public work or improvement as an alternative to formal competitive bid requirements.
- v. "Sole Source Supplier" occurs when purchase is clearly and legitimately limited to a single supplier. These situations often arise when an agency has specific technological requirements. Examples include: (a) licensed, copyrighted, or patented products or services that only one vendor provides; (b) new equipment or products that must be compatible with existing equipment or products; (c)

proprietary or custom-built software or information systems that only one vendor provides; and (d) products or services where only one vendor meets the required certifications or statutory requirements. (RCW 39.04.280(1)(a)). Requires Council Approval.

- w. "Use Tax" is a tax on the use of goods or certain services in Washington when sales tax has not been paid. Goods used in Washington are subject to either sales or use tax, but not both.
- x. "WAC" – Washington Administrative Code

4 GENERAL PROVISIONS

4.1 Purchasing Code of Ethics

To instill public confidence in the award of public contracts and the expenditure of public funds, the City adopts the following code of ethics with regard to public contracting:

- a) Actions of City employees shall be impartial and fair;
- b) City decisions and policies shall be made in compliance with required procedures and within the proper channels of government structure;
- c) Public employment shall not be used for personal gain, and City employees shall not solicit, accept, or agree to accept any gratuity for themselves, their families, or others that would or could result in personal gain. Purchasing decisions shall be made impartially, based upon the City's specifications for the contract and the responses of those bidding on the contract; and
- d) No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which 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.

4.2 Controlling Laws

The expenditure of public funds for the purchase of and contracting for goods, services, supplies, and materials shall comply with all applicable state law requirements as set forth in the Revised Code of Washington (RCW) and the Washington Administrative Code (WAC). Where this policy conflicts with state law requirements, the more restrictive provision shall prevail. Where this policy is silent with regards to purchasing and/or bidding requirements, state law shall prevail.

Purchases and/or contracts that include federal funding shall also comply with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, published under Title 2 of the Code of Federal Regulations (2 CFR 200), hereinafter referred to as the Uniform Purchasing Guidance.

4.3 Monitoring and Compliance

The department director shall implement, monitor, and enforce these policies. In the event of any conflict in procurement requirements or questions about proper procedure or other requirements, the matter shall be referred to the City Administrator and/or the Administrator's designee for further action. Willful or intentional violations of public procurement requirements may result in personal penalties, financial liabilities, and/or discipline (RCW 39.30.020).

In addition to the enforcement of these policies, the department director shall insure that reasonable measures are taken to safeguard protected, personally identifiable information and other information the federal awarding agency or pass-through entity designates as sensitive or that the City considers sensitive consistent with applicable federal, state, and local laws regarding privacy and obligations of confidentiality.

4.4 Proper Authorization/Certifications

Only authorized employees acting within the scope of their authority may obligate the City in the acquisition of goods or services. Any employee purchasing goods on behalf of the City without proper authorization may be personally liable to the vendor and the City and subject to disciplinary action.

For federally funded purchases and contracts, to assure that expenditures are proper and in accordance with the terms and conditions of the federal award and approved project budgets, the annual and final fiscal reports or vouchers requesting payment under the agreement must include a certification, signed by an official who is authorized to legally bind the City, which reads as follows:

“By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements, and cash receipts are for the purposes and objectives set forth in the terms and conditions of the federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil, or administrative penalties for fraud, false statements, false claims, or otherwise. (US Code Title 18, Section 1001 and Title 31, Sections 3729-3730 and 3801-3812.)”

4.5 Budget Sufficiency

Each department director must ensure that purchases are initiated only when the departmental budget is sufficient to cover the anticipated cost. Expenditures that exceed departmental appropriations require a budget amendment approved by City Council. Requests for budget amendments must be submitted in writing, and shall be approved by the requesting director or manager and forwarded to the City Administrator and Finance Director for review prior to being forwarded to the City Council for approval.

4.6 Financing

If a department is requesting financing for equipment or vehicles, it is necessary to work with the Finance Director. Financing documentation shall be included as part of the documentation for City Council approval to authorize Mayor or designee to sign loan or bond documents.

4.7 Breaking Down or Bid Splitting Purchases

The breaking down or bid splitting of any purchase or contract into units or phases for the purpose of avoiding the maximum dollar amount is prohibited.

4.8 Cost

Purchase cost includes sales tax, use tax, delivery charges, and any related miscellaneous charges.

4.9 Local Businesses

Local businesses should be encouraged to submit bids on City procurements that are open to everybody. When determining the lowest bid on purchase of supplies, materials, or equipment, the City may, whenever indicated in advance, take into consideration sales and/or B&O tax revenue it would receive from a supplier located within its boundaries pursuant to RCW 39.30.040.

4.10 Purchasing Limitations

- a) Expenditures are required to be included in the annual budget.
- b) Purchase limitations apply to the aggregate cost of individual items, whether purchase in one order or over a series of orders. Cost is inclusive of sales tax, use tax, delivery charges, and any related miscellaneous charges.
- c) The Mayor or designee may execute professional services, and purchase services contracts, up to \$100,000 (one hundred thousand), as long as the contract is consistent with the adopted budget.
- d) Services contracts greater than \$50,000 (fifty thousand) require Council authorization.
- e) Contracts of any amount that are not consistent with the adopted budget require Council approval.
- f) Initial Interlocal agreements of any amount with governmental agencies require Council authorization. The Mayor or designee up to \$50,000 (fifty thousand) may execute renewal or extension of existing Interlocal agreements with governmental agencies, if the agreement's terms address renewal and the agreement is consistent with the adopted budget. All other renewals require Council approval.
- g) The Mayor or designee may present any contract to the Council for approval even if the contract is not required to be approved by the Council.

5 PUBLIC WORKS PROJECTS

The preparation of plans and/or specifications and an estimate of project cost shall be authorized by the Mayor or designee for projects up to \$100,000 and by the City Council for larger projects.

Type of Purchase or Project	Process (see attached matrix* for details)	Other Requirements	Contract Authorization
Projects costing under \$300K	Small Works Roster (the City uses the MRSC Rosters RCW 39.04.155)	<ul style="list-style-type: none"> • Prevailing wage • Insurance • Performance bond • Bid bond/deposit 	<ul style="list-style-type: none"> • Must be budgeted • If under \$100K, Mayor or designee may execute • All other must be approved by Council
Projects costing \$300K or more	Formal bids	<ul style="list-style-type: none"> • Prevailing wage • Insurance • Performance bond • Bid bond/deposit 	<ul style="list-style-type: none"> • Must be budgeted • Requires Council approval
Projects costing under \$40K (Alternative to the Small Works Roster)	Solicited quotes	<ul style="list-style-type: none"> • Prevailing wage • Performance bond required between \$10K to \$40K 	<ul style="list-style-type: none"> • Must be budgeted • Mayor or designee may execute
Projects with costs exceeding \$40K for single trade or \$65K for multiple trades and less than \$300K	Must call for bids or use Small Works Roster process to solicit quotes	<ul style="list-style-type: none"> • Prevailing wage • Insurance • Performance bond • Bid bond/deposit 	<ul style="list-style-type: none"> • Must be budgeted • If under \$100K, Mayor or designee may execute • All other must be approved by Council
Projects less than \$2,500	One quote needed, two recommended	<ul style="list-style-type: none"> • Appropriate form(s) for prevailing wages • No bond • No retainage 	<ul style="list-style-type: none"> • Must be budgeted • Mayor or designee may execute

*The Public Works Contract Requirements Matrix is adopted by reference as part of this policy and procedure document.

Regardless of cost limits, the City may do a formal bid at any time.

Project budget authorization may include a project contingency, not to exceed 20% (twenty percent). If additional budget authority is needed for the project, Council must approve the increase for budget amendment prior to approval of the contract.

5.1 Change Orders

Change orders which fall within the Council approved scope, project budget, and project contingency may be executed by the Mayor or his/her designee. Change orders which would change the scope of the project and/or exceed the Council approved project budget and Council approved project contingency would require additional Council action.

All change orders, regardless of amount, will be reported to Council on a monthly basis.

5.2 Prevailing Wage Laws

Public work projects and maintenance, when performed by contract, are governed by chapter 39.12 RCW, Prevailing Wages on Public Works regardless of contract amount. It is the responsibility of the contracting employee to notify the vendor of prevailing wage requirements and obtain compliance documentation prior to awarding any public work or maintenance contract. Public work and ordinary maintenance contracts will only be awarded to contractors who document compliance with the Washington State Prevailing Wage Law. The department director or designee managing the project is responsible for collecting ongoing compliance documents. If a contractor is found to be in violation of prevailing wage laws by the Department of Labor and Industries, the City will have to withhold payment (including retainage) from that contractor.

6 PROFESSIONAL AND PERSONAL SERVICES

Type of Purchase	Process	Other Requirements	Contract Authorization
Architectural and Engineering Services	Request for Qualifications (RCW 39.80)	<ul style="list-style-type: none"> • Publish RFQ • Must evaluate on performance and qualifications • Negotiate contract after selection 	<ul style="list-style-type: none"> • Must be budgeted • If under \$50K, Mayor or designee may execute • All other must be approved by Council
All other personal services	No state law required process		<ul style="list-style-type: none"> • Must be budgeted • If under \$50K, Mayor or designee may execute • All other must be approved by Council

Any professional and/or personal services contracts not part of the budget, regardless of amount, must be authorized by Council.

7 PURCHASES OF MATERIALS, SUPPLIES, AND EQUIPMENT (not associated with Public Works projects)

Type of Purchase	Process	Other Requirements	Contract Authorization
Items costing less than \$7,500	No state law required process		<ul style="list-style-type: none"> • Must be within department budget • Department director or designee may execute
Items costing over \$7,500 (except equipment and vehicles replaced through Fund 520 Fleet & Equip. Fund)	Must call for bids or use State Bid or other Interlocal Council approved bid process	Publication of RFP if bidding	<ul style="list-style-type: none"> • Must be within department budget • Over \$7,500 but less than \$50K, Mayor or designee may execute • Over \$50K, Council must authorize
Items costing over \$7,500 purchased by Fund 520 Fleet & Equipment Fund only	Must call for bids or use State Bid or other Interlocal Council approved bid process	Publication of RFP if bidding	<ul style="list-style-type: none"> • Must be within department budget • Mayor or designee may execute

7.1 Miscellaneous

A lease of property with option to purchase shall be treated similar to a public works project (RCW 35.42.220) subject to the same process requirements as outlined in Section 5 of this policy.

Bids are required for contracts for the City’s official newspaper as required by RCW 35.23.352(7).

A competitive negotiation process, as an alternative to bidding, may be used for computer and telecommunications equipment, software, and services (RCW 39.04.270). Item(s) must be within budget and may be authorized by the department head if under \$7,500,

by the Mayor or designee if between \$7,500 and \$50,000, and by the Council if over \$50,000.

If the public works project is for street signalization or street lighting, it is treated as a single craft or trade project for bidding purposes.

8 BID PROCEDURES

The following shall apply for public work contracts and when formal bidding is required for the purchase of materials, supplies, or equipment, except as otherwise noted:

- To ensure consistency and fair process, the City will use standard forms, documents, contracts, and terms and conditions, when practical. The City's Project Coordinator will maintain templates for bid-related documents for use by departments when practical. The City may use an evaluation selection committee to promote an open, proper selection. The requesting department director will appoint committee members to act in an advisory capacity.
- Minimum qualifications and/or specifications are stated to ensure bids address the needs of the City. Minimum qualifications cannot be used to eliminate qualified contractors and vendors. Minimum qualifications should be tested against the marketplace to ensure they aren't overly restrictive.
- When practical for public works contracts, the City will conduct a pre-bid conference to allow a thorough discussion of the City's intent, scope, specifications, and terms. Interested companies should be encouraged to attend.
- Selection of a winning offer is based primarily on lowest responsive bid. Quality and expertise, however, must be a consideration.

8.1 Formal Competitive Bid (RCW 35.23.352(1))

- I. Publication of Notice.
After City Administrator authorization, the requesting department director (or designee) will publish the Call for Bids for sealed bids in the official newspaper or a newspaper of general circulation most likely to bring responsive bids and ensure notice is posted on the City web page, at least thirteen (13) days prior to bid submittal deadline.
- II. Notice Contents for Public Works Contracts.
Notice (or advertisement) for bids should contain definite specifications and procedures for bidders to use to estimate their bids. At a minimum, a bid notice for public works must include:
 - a. Project title;
 - b. Nature and scope of work;
 - c. Where contract documents (plans and specifications) can be reviewed or obtained;
 - d. Cost to obtain a set of contract documents;
 - e. Place, date, and time that bids are due;

- f. Place, date, and time that bid will be opened;
- g. Statement that a bid bond must accompany the bid;
- h. Statement that the City retains the right to reject any and all bids and to waive minor irregularities in the bidding process;
- i. Statement that the contract involves “public work” and that workers shall receive the prevailing rate of wage pursuant to the Prevailing Wages on Public Works Act (Chapter 39.12 RCW);
- j. List of the applicable prevailing wage rates or prevailing wage statement;
- k. Statement that the City is an equal opportunity employer and invites responsive bids from all qualified responsible bidders;
- l. The materials and equipment to be furnished, if any.

III. Notice Contents for Purchases of Materials, Supplies, or Equipment. Notice (or advertisement) for bids should contain definite specifications and procedures for bidders to use to estimate their bids. At a minimum, a bid notice must include:

- a. Name and description of requested items;
- b. Where contract documents (plans and specifications) can be reviewed or obtained;
- c. Cost to obtain a set of contract documents;
- d. Place, date, and time that bids are due;
- e. Statement that the City retains the right to reject any and all bids and to waive minor irregularities in the bidding process;
- f. Place, date, and time that bid will be opened.

8.2 Bid Opening

Bids are submitted to the responsible department director or designee, where they are time and date stamped and processed. The bids shall be opened at the time and place specified in the advertisement for bids.

- I. Report on Bids: The responsible department director or designee will prepare a report and recommendation on all bids received to the decision maker with the authority to approve the contract.
- II. Bid Award: The City shall award the contract to the lowest responsible bidder or shall have power by Council resolution to reject any or all bids and to make further calls for bids in the same manner as the original call.
- III. Bid Bonds for Public Works Contracts: Upon award of a public works contract or rejection of all bids, bid bonds shall be returned to the unsuccessful bidders. The successful bidder’s bid bond or deposit shall be retained until the bidder enters into a contract with the City and furnishes a performance bond in the full amount of the contract price.

9 SMALL WORKS ROSTER (RCW 39.04)

RCW 39.04.155 provides uniform small works roster provisions to award contracts for construction, building, renovation, remodeling, alteration, repair, or improvement of real property. The Small Works Roster may be used for public work projects valued below \$300,000 in lieu of formal bidding. Use of the Small Works Roster allows the City to waive the advertisement requirements of the formal competitive process. All other bidding requirements are the same.

The Washington State Municipal Research Services Center (MRSC) compiles small works rosters for cities and counties throughout the State of Washington. The City of Monroe has contracted with MRSC to use its small works rosters for public works contracts valued below \$300,000.

- a) Invitations for Quotations.
Invitations for quotations shall include an estimate of the scope and nature of the work to be performed as well as materials and equipment to be furnished. However, detailed plans and specifications need not be included in the invitation. This subsection does not eliminate other requirements for architectural or engineering approvals as to quality and compliance with building codes.
- b) Number of contractors invited.
Quotations may be invited from all appropriate contractors per the attached Public Works Contract Requirements Matrix.
- c) Vendors/contractors selected from the Small Works Roster are not relieved from observing applicable legal requirements such as Performance Bond, Prevailing Wage, Labor and Material Bonding, etc.
- d) Immediately after an award is made, the bid quotations obtained shall be recorded, open to public inspection, and available by telephone inquiry.
- e) As required by RCW 39.04.200, every even numbered month, the City must post a list of contracts awarded from the small works roster over at least the previous two months. The list must contain the name of the contractor, the amount of the contract, a brief description of the type of work performed, and the date of the award.

10 LIMITED PUBLIC WORKS PROCESS (RCW 39.04.155(3))

For public work projects with an estimated cost of less than \$35,000, the City may use the Limited Public Works Process in lieu of the small works process.

- a) Invitations for Quotations.
Invitations for quotations shall include an estimate of the scope and nature of the work to be performed as well as materials and equipment to be furnished. However, detailed plans and specifications need not be included in the

invitation. This subsection does not eliminate other requirements for architectural or engineering approvals as to quality and compliance with building codes.

b) Number of contractors invited.

Quotations shall be invited from a minimum of three contractors from the appropriate small works roster and shall award the contract to the lowest responsible bidder. If no bids are received, see Section 11.7 for guidance.

c) Notification of Award.

After an award is made, the quotations shall be open to public inspection and available by electronic request. The City shall maintain a list of the contractors contacted and the contracts awarded during the previous twenty-four months under the limited public works process, including the name of the contractor, the contractor's registration number, the amount of the contract, a brief description of the type of work performed, and the date the contract was awarded.

d) Vendors/contractors selected using the Limited Public Works Process are required to comply with prevailing wage and insurance requirements.

11 EXEMPTIONS TO COMPETITIVE BIDDING REQUIREMENTS

RCW 39.04.280 provides uniform exemptions to competitive bidding requirements utilized by municipalities when awarding contracts for public works and contracts for purchases.

11.1 Purchases that are clearly and legitimately limited to a single source of supply (Sole Source Vendor)

If, after conducting a good faith review of available resources, the requesting department director determines that there is only one source of the required materials, supplies, or equipment, a purchase contract may be awarded without complying with established bid requirements. The requesting department director will submit a written request for sole source procurement to the Mayor/Council for approval, and conduct price, terms, and delivery negotiations, as appropriate. The vendor must certify in writing that the City is getting the lowest offered price.

The City Council shall approve all sole source purchases by resolution that identifies the factual basis for the sole source justification and concludes that "the purchase is clearly and legitimately limited to a single source or supply." A sole source resolution shall not be required in case of emergency, under the terms and conditions specified in RCW 39.04.280(2)(b) and (c). On-going sole source purchases of materials, equipment, and supplies should be reviewed annually to ensure the pricing is still the lowest price for the City and that the conditions that justify the sole source purchase still exist.

11.2 Purchases involving special facilities or market conditions

RCW 39.04.280(1)(b) authorizes the City Council by resolution to waive established bidding requirements if an exceptional opportunity arises to purchase favorably-priced equipment or supplies or used goods that will be sold before the City can conduct the bid process. The resolution must set forth the factual basis for the special market conditions.

11.3 Auctions

RCW 39.30.045 authorizes the City to acquire supplies, materials, and equipment through an auction conducted by an agency of the State of Washington, an agency of the United States, any municipality or other government agency, or any private party if the items can be obtained at a competitive price.

11.4 Surplus Property

The City may acquire surplus property from another government without the use of competitive quotes or bids (RCW 39.33.010), when it is possible to procure obvious bargains through the procurement of surplus or distress material, supplies, or equipment. The requesting department director will submit a written request for procurement to the Mayor for approval, and conduct price, terms, and delivery negotiations, as appropriate.

11.5 Purchases in the event of an emergency

Emergency is defined as "...unforeseen circumstances beyond the control of the municipality 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." If an emergency situation has been declared, the Mayor or designee may make or authorize others to make emergency procurements of materials, supplies, equipment, or services without complying with the requirements of this policy when there exists a threat to public health, welfare, or safety or threat to proper performance of essential functions; provided, that such emergency procurements shall be made with such competition as is practical under the circumstances. A written determination of the basis for the emergency and for the selection of the particular contractor/vendor shall be included in the contract file. As soon as practical, a record of each emergency procurement shall be made and shall set forth the contract's name, the amount and type of the contract, and listing of the item(s) procured under the contract, which shall be reported to the Council at the next subsequent meeting. If a contract is awarded without competitive bidding due to a declared emergency, the City Council must adopt a resolution certifying the emergency situation existed no later than two weeks following the award of the contract (RCW 39.04.280(2)(b)). The persons authorized to issue an emergency proclamation under MMC 2.60.090, in the same order of succession, are authorized to declare an emergency for purposes of this bidding exemption.

11.6 Interlocal Agreements

The City may enter into Interlocal agreements with other public agencies similarly authorized under RCW 39.34.030. State law in regard to competitive bidding shall govern any cooperative purchasing agreement. The competitive bid process of the original jurisdiction may substitute for Monroe's if consistent with the bidding laws that apply to Monroe. "Piggybacking" on other jurisdiction bids requires an Interlocal agreement. All Interlocal cooperative-purchasing agreements shall be presented to Council for approval.

The City of Monroe may be able to realize savings through quantity purchasing with the following organizations:

- a) US Communities Shared Purchasing.
US Communities is a national collective of local and state agencies that have gathered together under a non-profit to bid on items for shared purchasing. The City of Monroe has registered with US Communities, allowing the City to use any US Communities contract that meets our needs. Cities and counties from around the country bid the US Communities contracts. They are all subject to bid laws that are similar to those in Washington, and they conduct competitive sealed bids or proposals in much the same way, if not exactly the same way, as we do in Washington. However, use the same care to review the US Communities contracts to verify that they do not violate the City's Procurement Policies and Procedures or Washington state law. All US Communities purchasing agreements shall be presented to Council for approval.
- b) Office of State Procurement (OSP).
The City of Monroe may be able to realize savings through the OSP's quantity purchasing. Use of OSP requires an Interlocal agreement with the State of Washington approved by the City Council.

11.7 No Bids or Quotations Received

When no responsive bids or quotations are received in response to an invitation to bid or request for quotations, the department director or his/her designee is authorized to procure the required item through direct negotiations with a vendor or to rebid, or do the project with City employees for public works contracts, as the Mayor or his/her designee deems appropriate.

12 TRAVEL

All expense payments or reimbursements for travel and/or subsistence expenses must meet the requirements set forth in the City of Monroe Travel Policy, which establishes policy and procedure related to obtaining travel authorization, advance travel funds, and expenditure or reimbursement for travel and subsistence expenses incurred in conduct

of business of the City. Refer to the City of Monroe Meeting, Travel & Meal Policy 2003-017 for details.

13 PAYMENT PROCESSING

13.1 Approvals

Vendor invoices shall be signed for approval by the department director or designee. Reimbursements payable to City employees shall be signed for approval as follows (employees may not approve their own reimbursement):

- Council – approved by the Mayor, City Administrator, or designee;
- Mayor – approved by the City Administrator or designee;
- City Administrator – approved by the Mayor or designee;
- Department Head – approved by the City Administrator or designee;
- Other employees – approved by the Department Director or designee.

13.2 Accounts Payable

Original invoices that are received by accounts payable will be date-stamped and routed to department directors weekly. Other invoices may be received directly by the department director or other staff, such as when items are picked up at will-call or services are performed on-site. For all invoices, department director or designees will verify that the invoiced items have been received and that the invoiced amount is correct. The accounts payable original invoices should include the correct account coding and have a required authorized approval signature added. The approved invoice will be routed to accounts payable for payment. There are two accounts payable check cycles scheduled each month, the 1st and 3rd Council meetings of each month, unless the date falls on a holiday. The Finance Director or designee audits the bills prior to City Council meetings ensuring the correct coding of the bills, authorization approvals, and proper documentation prior to Council approval. The Finance Director or designee approval is required before bills can be paid.

13.3 Pre-Council Meeting Checks

Departments should avoid requests for pre-Council meeting checks by submitting approved invoices to accounts payable as soon as invoices are received. If extenuating circumstances exist, a check may be issued to avoid incurring penalties, interest, or late charges. Recurring invoices for utilities, PUD, PSE, and telephones may be paid early to avoid penalties or late fees.

14 CREDIT CARDS

In accordance with RCW 43.09.2855, local governments are authorized to use credit cards or procurement cards for official government purchases and acquisitions. Cash advances on credit cards or procurement cards are prohibited. Credit cards and

procurement cards may not be used to purchase alcoholic beverages. It will be the responsibility of each department director to assign credit cards or procurement cards to employees that need them for City operations. Refer to the City of Monroe Meeting, Travel & Meal Policy 2003-017 for details regarding credit card usage when traveling.

14.1 Bank-Issued Credit Cards/Procurement Cards

Bank issued credit cards shall not be used for official City business, with the exception of state approved procurement cards and their related program as administered by the Washington State Department of Enterprise Services (DES).

The City has obtained purchasing card (P-Card) participation in the statewide contract administered by DES, Office of State Procurement (OSP). A benefit of using the contract allows the City to earn a quarterly rebate based on the volume spent and timely payment. The rebate received is distributed to the source of funds expended for the purchase card transactions. The use of the P-Card does not relieve the employees from complying with other City and departmental policies and procedures.

The 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. The Program Administrator will pay by P-Card recurring payments such as utility, phone, postage, and other authorized purchases.

Credit limits and other controls are established by department directors when the card is authorized.

Department directors may request a change of credit limits and cancel or suspend a card when needed. P-cards will be issued to employees after the employee has received a copy of the City's Procurement Policies and Procedures and has signed a Purchasing Card Acceptance Agreement form. Department directors or designee will ensure employees approve their charges and submit the proper supporting documents within five days after the billing cycle date (currently the 25th of the month). Department directors will verify the accuracy of charges and approve supporting documentation, assign correct fund numbers, and descriptive information for each charge, final approve the charges online, print activity statements, and submit paperwork to the Program Administrator within ten days after the billing cycle date. The department director may designate another employee who will fulfill these responsibilities in their absence.

As authorized, employees will use their P-Card at time of purchase for goods, maintenance, services, and construction as allowed by the vendor. The employee should not exceed the credit limit on their P-Card. The employee should contact their department director if the limit needs to be adjusted to make purchases. Employees will approve their charges and submit the proper supporting documents to their department director within five days after the billing cycle date (currently the 25th of the month). The documents

must be turned in or made accessible to a department director before any absences (i.e. vacations, personal leave, or sick days). The department director may authorize employees' online access to view and approve their charges, update descriptive information, and print an activity statement. If there is a disputed charge on account, the employee should immediately notify the merchant. If unable to get satisfaction from the merchant, contact the Program Administrator to dispute the amount with the bank.

Unauthorized usage examples:

- Meals (see the City travel policy which pays for meals at a per diem rate);
- Personal charges;
- Cash advances;
- Unauthorized purchases.

Proper Supporting Documentation:

- Itemized receipts;
- Itemized invoices;
- Detailed Online Order Confirmations;
- Training Request forms.

Employees who are frequently late submitting or missing supporting documentation will lose their P-Card privileges for an amount of time determined by their department director. Improper use of the P-Card may result in disciplinary action up to and including termination of employment.

A few vendors, such as Lowe's and Costco, offer the City discounts by using an existing account rather than the P-Card. The Program Administrator should be notified if there are any other vendors who offer these discounts as it would be in the City's best interest to receive them (refer to Section 14.2 Store-Issued Credit Accounts).

The employee should safeguard their P-Card and account numbers against loss, theft, and unauthorized use. The P-Card may be used in person, by phone, online, or by fax and should be kept either by the employee or locked in a secure location when not in use. If a P-Card is lost or stolen, the employee should immediately notify the bank and inform the Program Administrator. Failure to notify the bank may result in the City's responsibility for payment.

14.2 Store-Issued Credit Accounts

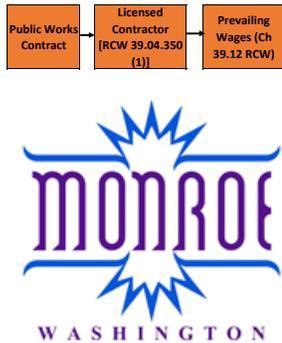
The City discourages the practice of requesting new charge accounts from vendors unless the vendor will not accept a procurement card or check on delivery and the City will realize cost savings or has time constraints. It is the City's preference for employees to use the procurement cards whenever possible. Store-issued credit cards shall have a limit of \$5,000. Individual store credit limits may be modified by City Council resolution upon finding that special circumstances necessitate the higher amount.

15 PETTY CASH

Petty cash funds cover minor disbursements. Employees may be reimbursed from petty cash funds for authorized purchases that do not exceed the established petty cash limit. Refer to the City of Monroe Petty Cash Policy 99-021 for details.

Public Works Contract Requirements

Symbol Key
 RC = Recommended
 RQ = Required
 M = Minimal
 AR = As Required
 FB = Full Blown
 NR = Not Required
 O = Optional
 NA = Not Applicable
 A = Allowed
 P = Possibly
 CO = Contractor's Option
 10% retainage to wave bonding
 *Full Fee Combined Form Available
 **Agency must adopt policy waiving bonds and retainage for these small contracts.
 SWR = Small Works Roster



Estimated Cost	Number of Bids	Informal Notification	Advertisement & Public Bid Opening	Bid Bond	General Supplemental Criteria	Project Specific Supplemental Criteria	Retainage/Retainage Bond	Performance/Payment Bond	Taxes (See Matrix)	Intents and Affidavits	Notice of Completion
\$150K Bond and Retainage Threshold (RCW 39.08.010)							10% at Contractor Option	Waive at Contractor Option		There are no filing fees for contracts less than \$750	
Less than \$2500	1	A	NR	NR	NR	NR	NR**	NR**		No-Fee Combined Form	NA
\$2500 to \$10K	2-3 RC	A	NR	NR	NR	NR	NR**	NR*		RQ*	NA
\$10K to \$35K	2-3 RC	A	NR	O	P	O	CO			RQ*	NA
Less Than Agency Bid Limit(s)	AR by Agency Policy	AR by Agency Policy	AR by Agency Policy	RQ	P	O	CO			RQ	If Over \$35K
Limited SWR Process Less Than \$35K	Minimum of 3 RQ	RQ to SWR		O	O	O	CO	CO		RQ	If Over \$35K
SWR Process Less Than \$150K	All on Roster Category or 5	RQ to SWR		O	RC	O	CO	RQ		RQ	If Over \$35K
SWR Process \$150K to \$300K	If 5, Then Notify All on Roster Category	RQ to SWR		O	RC	O	RQ	RQ		RQ	RQ
Under \$300K	Open to All		RQ	RQ	RC	O	RQ	RQ		RQ	If Over \$35K
Over \$300K	Open to All		RQ	RQ	RC	O	RQ	RQ		RQ	RQ

Cost of Project or Purchase at Which Competitive Bids Are Required by Statute

	First Class Cities	Second Class Cities and Towns	Code Cities	
	Over 150,000 Population		Population of 20,000 or More ^a	Population Less than 20,000
Public Work Projects				
Single craft or trade ^e	Over \$45,000 ^a	Over \$40,000	Over \$40,000	Over \$40,000
Multiple craft or trade	Over \$90,000	Over \$65,000	Over \$65,000	Over \$65,000
Small Works Roster				
All projects	Over \$300,000	Over \$300,000	Over \$300,000	Over \$300,000
Purchases^b				
Supplies, material, equipment	Bids not required ^c	Over \$7,500	Bids not required ^c	Over \$7,500
If informal telephone quotation system is adopted for purchases of supplies, materials, etc.	Bids not required ^c	Over \$15,000	Bids not required ^c	Over \$15,000
Services ^d	Bids not required ^c	Bids not required ^c	Bids not required ^c	Bids not required ^c
<p>^aAdditional limits are placed on first class cities: projects costing 10 percent or less of a city's public works construction budget may be performed by city forces (other limits still apply); once public works have been performed by city forces up to maximum level, all subsequent projects require competitive bids. See pages xxx, in which the argument is made that these cities, under current law, do not have to bid any public works contracts.</p> <p>^bRCW 39.04.270 provides for a competitive negotiation process, as an alternative to bidding, for computer and telecommunications equipment, software, and services; certain exemptions are provided for by RCW 39.04.280.</p> <p>^cCompetitive bids, if not statutorily required, may still be required by ordinance or charter.</p> <p>^dContracts for architectural or engineering services must follow the procedures set out in chapter 39.80 RCW.</p> <p>^eIf the public work project is for street signalization or street lighting, it is treated as a single craft or trade project for bidding purposes.</p>				



Federal Single Audit and the New Uniform Guidance, 2 CFR 200

December 2, 2016 by Toni Nelson
 Category: Purchasing and Contracting



Local governments across Washington State have been recipients of a variety of federal awards and some have also had a federal single audit this year as a result of those awards. These federal awards are now subject to revised audit standards and, as a result, we have been receiving inquiries about what these changes are and requests for information to assist with compliance.

Federal awards for local government were previously audited under the provisions of Circular No. A-87, A-102 and A-133. The new guidance, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," published in Title 2 of the Code of Federal Regulations (2 CFR 200), supersedes requirements from these circulars and consolidates them into a streamlined format to improve transparency. Federal awards made after December 26, 2014 will now be subject to this new guidance.

What is the Focus of the New Uniform Guidance?

The Office of Management and Budget (OMB) places considerable emphasis on written policies and procedures that are intended to reduce the risk of fraud, waste, and abuse of federal funds. The OMB's uniform guidance requires that non-federal entities have certain written policies and procedures surrounding the management of federal awards.

Many of you already have policies and procedures in place but these may need updating to comply with the new uniform guidance (2 CFR 200). In particular, policies regarding procurement, purchasing, and grant and contract management should be reviewed for compliance. Here is a list of specific areas to examine.

Internal Controls

The new guidance emphasizes written, effective internal controls. 2CFR 200.303 requires that the recipient establish and maintain effective internal controls that provides reasonable assurance that the federal award is being managed in compliance with all federal regulations and with the terms and conditions of the award. Additionally, compliance must be evaluated and monitored. To meet this requirement, we recommend written documentation and checklists.

The standard requires that internal controls adopted should be in compliance with Government Accountability Office Standards for Internal Control in the Federal Government (the Green Book) and the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Internal Control—Integrated Framework. Local governments will need to reference these internal control standards.

As part of the internal control framework (2 CFR 200.303 (e)), entities are now required to safeguard personally identifiable information. The uniform guidance states:

Take reasonable measures to safeguard protected, personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, state, local, and tribal laws regarding privacy and obligations of confidentiality.

This new compliance requirement under the Uniform Guidance will need to be incorporated into the financial policies of your jurisdiction.

It's important to note that policies and procedures for internal controls will vary depending upon the number of employees, types of activities, and level of risk. The size of your entity will have an impact on the controls that can be implemented. If you have concerns about compliance be sure to discuss it with your local audit team.

Advance Payments and Reimbursements

2 CFR 200.305 requires written procedures that address collecting payments of federal funds and specific requirements associated with interest earnings that may be realized on advance payments. Policies should discuss how an entity will minimize the time between draws and actual disbursements (see specific requirements in 2 CFR 200.302(b)(6)).

Allowable Costs

While the uniform guidance requires written procedures for determining whether a cost is allowable (see 2 CFR 200.403), the standard assumes an entity already has policies and procedures over disbursements. What the guidance is really looking for is documented internal control procedures that show how compliance will be assured through ongoing monitoring.

Conflicts of Interest

2 CFR 200.318 requires that conflicts of interest be written into policies that govern both employees who work directly with the award as well as **anyone** involved in the procurement process across the entity. The regulation reads: "no employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a federal award if he or she has a real or apparent conflict of interest." It's important to note that potential conflict of interest extends beyond the individual employee to include that person's immediate family members, partner, and other employers.

monitoring

Further, individuals involved in the procurement process cannot accept gratuities, favors, or anything of a monetary value from contractors or parties to subcontracts. Local governments should adopt a gift acceptance policy that speaks to de minimis and unsolicited gifts, as well as disciplinary actions for violations of this policy.

Procurement Policies

One of the most significant changes to the new guidance is that the procurement process now requires policies and standards of conduct (see [2 CFR 200.320](#)). Local governments that currently do not have purchasing and/or procurement policies in place will need to adopt them (see the [Sourcebook](#) at our [Purchasing and Contracting](#) webpage for sample documents).

While there were significant changes to the thresholds and appropriate processes for each of the five procurement methods, bid laws and thresholds in Washington State are fairly stringent, meaning Washington cities, towns, and counties with existing procurement policies should not have to update this section. However there is an exception for public works contracts that are \$150,000 or greater that may require some change. Additionally, code or 1st class cities with a population greater than 20,000 will need to review policies for compliance with the new regulations.



About Toni Nelson

Toni has over 24 years of experience with Local Government finance and budgeting. Toni's area of expertise include "Cash Basis" accounting and reporting, budgeting, audit prep and the financial issues impacting small local government.

[VIEW ALL POSTS BY TONI NELSON](#) ▶

Comments

0 comments on Federal Single Audit and the New Uniform Guidance, 2 CFR 200

Blog post currently doesn't have any comments.

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The New Uniform Guidance, 2 CFR 200 – Part 2

February 17, 2017 by [Toni Nelson](#)
 Category: [Purchasing and Contracting](#)



My December blog titled *Federal Single Audit and the New Uniform Guidance* gave rise to the fact that more than just a few of you receive federal awards, meaning numerous local government entities have already been impacted by this change. For those already receiving federal awards, it's crucial that you update policies and procedures for a successful audit. For those of you considering federal awards for future projects, the time to update policies

and procedures is now.

In the December [Part 1](#) blog, I focused on [Subpart D—Standards for Financial and Program Management](#) and sections 303, 305, 318, and 320 of [Title 2 of the Code of Federal Regulations 200 \(2 CFR 200\)](#). If you have not read [Part 1](#) of this series on the new uniform guidance, please do because it contains information on the internal control requirements and probable policy updates.

Part 2 will focus on select parts of [Subpart E—Cost Principles](#), which consists of:

- [Basic Considerations \(402 – 411\)](#);
- [Direct and Indirect \(F&A\) Costs \(412 – 415\)](#);
- [Special Considerations for States, Local Governments and Indian Tribes \(416-417\)](#);
- [Special Considerations for Institutions of Higher Education \(418-419\)](#); and
- [General Provisions for Selected Items of Cost \(420-475\)](#).

The objective is not to review each of these areas but to highlight items that are significantly different from previous guidance. You will note that there are subsections related to different entity types, such as tribal governments and education. Under the new uniform guidance, several circulars have been combined with the intent to streamline the federal grant process. Be careful that you only consider subsections that are applicable to your entity type (local government). However, areas such as the direct and indirect costs found in subpart sections [2 CFR 200.412-414](#)

apply to *all* entities and will require both review and consideration. Keep in mind that internal controls are a key component of the new uniform guidance. Additionally, in this cost section you will find the new certification requirement in 2 CFR 200.415.

Certification

With the implementation of the new uniform guide, there is a new certification requirement found in subsection 200.415 (a) that reads:

To assure that expenditures are proper and in accordance with the terms and conditions of the Federal award and approved project budgets, the annual and final fiscal reports or vouchers requesting payment under the agreements must include a certification, signed by an official who is authorized to legally bind the non-Federal entity, which reads as follows: "By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections 3729-3730 and 3801-3812)."

This new requirement states that anyone who signs a grant reimbursement request must be able to "legally bind" the entity that they represent. To implement this new requirement will depend upon organizational size and hierarchy, whether your organization has current policies that delegate this authority, and/or whether your council or commissioners will be required to adopt a resolution that authorizes a specific individual for this task (e.g., Mayor, City Manager, City Administrator, Public Works Director, Finance Director, etc.).

Included in the State Department of Transportation's Local Agency Guidelines (LAG) is the new guidance needed to meet this requirement. It became effective on December 1, 2016 for all progress submittals to WSDOT.

Allowable Costs

The new uniform guidance requires written procedures for determining whether a cost is allowable in accordance with Subpart E—Cost Principles, and subsection 2 CFR 200.403 provides criteria for costs to be considered allowable. Though most of the criteria provided in this subsection is considered basic, these are concepts that should be included in your policy to demonstrate that your organization has written procedures to ensure compliance with the new uniform guidance. For example, 2 CFR 200.403 (d) states that costs must:

Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

This criteria both speaks to the objective of the new uniform guidance, which is to reduce the risk of fraud, waste, and abuse of federal funds, and demonstrates the fair and uniform application of allowable costs.

Steps to Assure Compliance

Step #1 – Review your purchasing and procurement policies and update where needed. Many of you adopted your policies long before the new guidance was released. Audits starting with fiscal period 2015 were subject to the new uniform guidance and, as a result, several entities received exit comments or management letters on the necessity to update procurement policies.

Step #2 – Attend a training class. SAO has been conducting **Federal Grant Requirements & Management** classes across the state to assist jurisdictions with meeting these new uniform guidance requirements. Classes began in 2016 and there are two scheduled for 2017.

- [March 16th – Everett](#)
- [March 24th – Spokane](#)

You can register through [WFOA's Non-Conference training site](#).

Seeking Sample Policies

We have been asked for samples of policies that have been updated to conform to the new uniform guidance but have not yet received any. If you have updated your policy, please forward it to MRSC so that we may share it with others.

If you need assistance with the new guidelines, contact Toni Nelson at tnelson@mrsc.org. Don't let changes to the federal award audit catch you by surprise!



About Toni Nelson

Toni has over 24 years of experience with Local Government finance and budgeting. Toni's area of expertise include "Cash Basis" accounting and reporting, budgeting, audit prep and the financial issues impacting small local government.

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Comments

0 comments on The New Uniform Guidance, 2 CFR 200 – Part 2

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Exit Recommendations
City of Monroe
Audit Period Ending: December 31, 2016

Accountability Audit:

Police Evidence Room

The City received a management letter over its controls over the police evidence room in fiscal year 2015. We followed up on the recommendations and noted the City has made significant improvements to address our recommendations. However, we still found the City is not performing a full inventory, especially of high value items, on a regular basis. The last inventory of the evidence room was conducted in 2012. We did note the City has updated its policies for the police department to perform an additional audit of high value items every year. However, without a full inventory, especially of high value items, the City may not be able to timely identify any potential misappropriation if it were to occur.

We recommend the City perform a full inventory, specifically of high value items, on a regular basis to ensure it is adequately safeguarding property held by the Police Department.

Safeguarding Assets

The City received a management letter over its controls over assets in the prior audit. We followed up on the recommendations and noted the City has made significant improvements to address our recommendations. We found the City had made great progress in addressing our recommendations; however, we still found:

- The Police Department has added a portion of its military surplus program items to the City's asset listing. However, the Department is still working on adding its helmets to the small asset listing.
- Two vehicles in the vehicle listing incorrectly had the same serial number.

We continue to recommend the City:

- Update the small asset listing to ensure all items, including military surplus items, are properly and completely reported to the Finance Department.
- Review and update any unique identifying numbers in its asset listing to ensure assets have its proper unique identifying numbers.

Procurement Card Documentation

We reviewed 29 transactions during our review of the City's procurement cards. The City's procurement card policy states proper supporting documentation includes (1) itemized receipts, (2) itemized invoices, or (3) Training Request forms. However, we identified three transactions for online purchases only included order confirmations, which are not itemized and we do not consider proper supporting documentation in accordance with City policy.

We recommend the City obtain proper supporting documentation for transactions to ensure it complies with its procurement card policy.



Exit Recommendations
City of Monroe
Audit Period Ending: December 31, 2016

Bidding Over Chemical Supplies

We reviewed the City's policies and procedures over procurement cards. While the City had adequate controls to safeguard public resources, the City is still required to ensure purchases with procurement cards do not exceed competitive bidding thresholds. Purchases greater than \$15,000 are required under state law (RCW 35A.40.210) to be formally bid.

During our review, we found the City used the procurement card to purchase bulk supply of chemicals used for the wastewater treatment plant. These chemicals are used on an ongoing basis in the operations of the treatment plant. Although each individual purchase did not exceed competitive thresholds, the City made 22 purchases in 2016 for \$46,825 and 21 purchases in 2017 for \$41,414 (to date). The procurement of these chemicals should be formally bid.

We recommend the City ensure all purchases of \$15,000 or more are procured according to state law.

Federal Audit:

Procurement Policy

Uniform Guidance for federal grants requires governments to maintain written procurement policies and procedures to ensure the City is using the most restrictive policies. Further, Uniform Guidance also requires the City to have written standards of conduct that specifically covers conflict of interest and governing actions of its employees engaged in the selection, award and administration of contracts.

During our procurement requirement review for the Highway Planning and Construction grant, we noted the City does have procurement policies and written standards of conduct. However, we noted it has not updated its policies and procedures over federal procurements to comply with new Uniform Guidance, specifically:

- Outline the methods and thresholds for when federal guidelines must be used over state and/or local thresholds.
- State that an officer, employee, or agent may not participate in the selection, award, or administration of a contract by a federal award if they have a real or apparent conflict of interest.
- Restrict officers, employees, or agents from accepting gratuities, favors, or anything else with monetary value from contractors or parties from subcontractors.

We recommend the City review and update its procurement policies to ensure procurement policies are in agreement with Uniform Guidance requirements.



MONROE CITY COUNCIL
Finance & Human Resources Committee Meeting
Tuesday, March 13, 2018, 6:00 P.M.
Agenda Bill

2018 Committee
 Councilmembers
 Jason Gamble
 Kevin Hanford
 Kirk Scarboro

SUBJECT:	Pay Dates: Two Times a Month
-----------------	-------------------------------------

DATE:	DEPT:	CONTACT:	PRESENTER:	ITEM:
03/13/2018	Finance/HR	Becky Hasart	Becky Hasart	New Business B.

Discussion: 03/13/2018
Attachments: 1. none

REQUESTED ACTION: None - information only. No action is required for this change.

DESCRIPTION/BACKGROUND

The City Council is responsible for establishing wages, hours, and working conditions for City employees. One issue associated with wages is the frequency of pay dates.

The City currently pays all its employees once per month, on the seventh of each month. (If the pay date falls on a weekend or a holiday, the City pays its employees on the first working day immediately preceding the seventh.)

On an intermittent basis, the City does allow employees to make a mid-month “draw” limited to one-half of the employee’s expected pay. This “draw” is required to be processed as supplemental wages per the IRS, and would be subject to the supplemental wage federal withholding rate of twenty-two (22) percent. Most employee’s actual federal tax withholding rates come in lower than the supplemental wage rate.

In addition, Human Resources has observed that when hiring new employees, most seem surprised that we pay only once per month. Many organizations pay more frequently, either bi-weekly or twice per month.

Going to twice per month for payroll would provide benefit to those employees that find they need a draw to cover bills or other needs that come up during the month. This benefit is realized in that by allowing an employee to have their compensation processed at the W4 withholding rate that matches their individual situation, they do not have to have their federal withhold tax rate be twenty-two (22) percent on a draw. Paying twice per month would also provide another recruitment tool when advertising to fill openings. Making this change would not create any undue burden to either the Finance or Human Resources departments.

All the City’s collective bargaining agreements (CBAs) contain the following language, which allows us to change the frequency of pay dates with a minimum of ninety (90) days’ notice:

Pay Date – Employees will receive their paycheck on the seventh of each month. If the seventh of the month falls on a weekend or a Monday holiday, the employee will be paid on the preceding Friday. The Employer may in the future move to a system of more frequent payroll cycles, such as a biweekly payroll cycle. In the event the Employer does move to a more frequent payroll cycle, the Employer agrees to give the Union and the employees at least ninety (90) days’ notice in writing. {Emphasis added.}

Finance and Human Resources has worked together to change our payroll processing standards and procedures to begin paying employees twice per month effective with July 2018’s compensation. Pay dates would be the **twenty-second** and the **seventh** of each month. The twenty-second pay date would cover the period of the first through the fifteenth of the

respective month and the seventh of the following month would cover the period of the sixteenth through the end of the prior month. As with once per month, if the pay date falls on a weekend or a holiday, the actual pay date would be the first working day preceding either the twenty-second or the seventh.

All employees will now be paid twice per month. Employees hired prior to July 1, 2018, will be allowed to be grandfathered in on a once per month pay cycle should they choose to do so. However, mid-month draws will no longer be allowed. Elected officials and appointed board and commission members will continue to receive their compensation once per month. This change would not create any new costs to the City and would not require the need to renegotiate any CBAs.

In addition to the written notice to the unions and the employees, there are two sections in the Employee Handbook which would need to be updated:

Page 25 Payday Schedule (amended as follows)

The payroll department ("payroll") is responsible for publishing a schedule of specific payroll dates, including paydays and deadlines for submittal of timesheets. The frequency of paydays is ~~[ONCE]~~**twice** per month. **Employees hired prior to July 1, 2018 may continue to be paid once per month.**

Page 26 "Draw" – removed in its entirety

~~[THE CITY MAY, AT ITS DISCRETION, ALLOW AN EMPLOYEE TO TAKE A "DRAW" ON HIS OR HER PAYCHECK. THE DRAW MAY BE UP TO HALF OF THE EMPLOYEE'S NET PAY. REQUESTS SHOULD BE MADE DIRECTLY TO PAYROLL BY THE 15TH OF THE MONTH AND WILL BE AVAILABLE ON THE 20TH OF THE MONTH IN WHICH REQUESTED.]~~

Human Resources will send the appropriate written notice out no later than April 1, 2018. Finance (payroll) has already begun processing twice a month payroll on a test group to insure our systems are set up and calculating correctly. Finance will begin City wide twice per month processing with the July 22, 2018, pay date (covering the period of July 1 through July 15, 2018).



MONROE CITY COUNCIL
Finance & Human Resources Committee Meeting
Tuesday, March 13, 2018, 6:00 P.M.
Agenda Bill

2018 Committee
 Councilmembers
 Jason Gamble
 Kevin Hanford
 Kirk Scarboro

SUBJECT:	<i>Debt Policy Introduction</i>
-----------------	--

DATE:	DEPT:	CONTACT:	PRESENTER:	ITEM:
03/13/2018	Finance	Becky Hasart	Becky Hasart	New Business C.

Discussion: 03/13/2018

- Attachments:**
1. Draft Schedule of Liabilities – Debt only effective 12/31/2017
 2. Debt Capacity Schedule
 3. GFOA Best Practice – Debt Management Policy
 4. City of Poulsbo Debt Policy
 5. Exert from City of North Bend Policies - Debt

REQUESTED ACTION: None - information only. Further discussion and review of staff recommendation will occur at a subsequent committee meeting.

DESCRIPTION/BACKGROUND

{The terms debt and bond(s) are used interchangeably and mean the same thing – a long term outstanding liability of the City.}

The City Council is responsible for all fiscal policies. While the City has used debt to support its capital and operational needs, the City does not have an adopted formal debt policy.

Establishing a debt policy will help insure that any bonds issued/debt incurred by the City is done in a systematic manner that is prudent and cost effective. Having a formally adopted policy is also considered a financial best practice that is viewed favorably by debt rating services. Attached to this packet is the Government Finance Officers Association’s (GFOA) best practice recommendations. GFOA’s recommendations include addressing the following five topics:

- Debt limits
- Debt structuring practices
- Debt issuance practices
- Debt management practices
- Use of derivatives.

It is a goal of this administration to work with the Council toward adoption of an appropriate debt policy no later than October 2018.

Total debt outstanding for the City, inclusive of both GO and revenue bonds, is \$28,058,799. The following breaks down the types and amount of debt that makes up this total:

As of the end of fiscal year 2017, the City currently has \$5,972,600 in non-voted general obligation (GO) debt outstanding. Although the City may dedicate specific funding sources to pay GO debt, the underlying security for all non-voted GO debt is the City’s existing property tax revenues. The City currently does not have any voted GO debt. If we did, this debt would be paid by an incremental increase in property taxes as approved by the voters (payment would not be the responsibility of the existing property tax revenue stream).

As of the end of fiscal year 2017, the City currently has \$22,086,199 in revenue debt outstanding. Revenue debt is paid from the rate revenue generated by our utilities. Revenue debt is not an

obligation of the City's property taxes. Revenue bonds typically pay a higher interest rate than GO bonds because they are not secured by property taxes.

Attached is a draft schedule of liabilities for debt only that is prepared each year as part of our annual reporting requirements. This schedule lists out the individual debt owing as of the end of each year. Also attached is a debt capacity schedule for the City. This capacity schedule shows the statutory limitations of general obligation debt the City may incur based on our assessed valuation. Revenue debt is not subject to statutory limitations as the utility can raise rates as needed to satisfy its debt requirements.

Finally, attached are two examples of debt policies from other jurisdictions, specifically City of Poulso and City of North Bend. Staff feels that these two examples will serve well as our template as we move forward in developing a debt policy for Monroe that will meet our specific needs.

City of Monroe
Schedule of Liabilities
For Year Ended December 31, 2017

MCAG 0685

Schedule 09

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance 01/01/2017	Additions	Reductions	BARS Code for Redemption of Debt Only	Ending Balance 12/31/2017
General Obligations								
	251.11	2015 GO Refunding Bonds - N. Kelsey	9/1/2020	\$ 4,140,000	\$ -		59173	\$ 4,140,000
	251.11	2016 Revenue Bonds - PW Shop	12/1/2036	\$ 1,900,600		\$ 68,000	59173	\$ 1,832,600
		Total General Obligations:		\$ 6,040,600	\$ -	\$ 68,000		\$ 5,972,600
Revenue & Other Obligations								
	263.82	Public Works Trust Fund Loan	6/1/2017	\$ 62,797		\$ 62,794	59134	\$ 3
	263.82	Public Works Trust Fund Loan	6/1/2022	\$ 810,868		\$ 135,144	59134	\$ 675,724
	263.82	Department of Ecology Loan	9/5/2022	\$ 2,123,003		\$ 340,747	59135	\$ 1,782,256
	263.82	Department of Ecology Loan	7/30/2022	\$ 414,075		\$ 36,259	59135	\$ 377,816
	252.11	2005 W&S Refunding Bonds	12/1/2021	\$ 2,640,000		\$ 487,000	59138	\$ 2,153,000
	252.11	2009 W&S Refunding Bonds	8/1/2024	\$ 1,765,000		\$ 1,360,000	59138	\$ 405,000
	252.11	2011 W/S/Storm Revenue Bonds	12/1/2031	\$ 12,545,000		\$ 8,295,000	59138	\$ 4,250,000
	252.11	2016 Revenue Bonds - PW Shop	12/1/2036	\$ 3,689,400		\$ 132,000	59138	\$ 3,557,400
	252.11	2017 Revenue Bonds - Partial refunding 2009 & 2011 Bonds	12/1/2031	\$ -	\$ 9,000,000	\$ 115,000	59138	\$ 8,885,000
		Total Revenue & Other Obligations:		24,050,143	9,000,000	10,963,944		\$ 22,086,199
		Total Liabilities:		30,090,743	9,000,000	11,031,944		\$ 28,058,799

City of Monroe

**Statutory Limitation of Indebtedness
As of 01/01/2018**

	Total Taxable Property Value	\$2,257,107,261	
			Remaining Debt Capacity
1.	2.5% General purpose limit is allocated between:	\$56,427,681.53	
	A. Up to 1.5% debt without a vote	\$33,856,608.92	
	Less: Outstanding Debt	\$	\$5,972,600.00 ← This amount will decrease by \$1,300,000 after 09/01/2018 No. Kelsey pyt
	Contracts Payable	\$	Bulk of remaining is the \$2,840,000 No. Kelsey pyt due 09/01/2020
	Excess of Debt with a vote	\$	
	Add: Available assets	\$	
	Equals remaining debt capacity without a vote		\$27,884,008.92 G.O. Councilmanic
	B. 1.0% General purpose debt with a vote	\$22,571,072.61	
	Less: Outstanding Debt	\$	
	Contracts Payable	\$	
	Add: Available assets	\$	
	Equals remaining debt capacity with a vote		\$22,571,072.61 G.O. Voted
2.	2.5% Utility purpose limit, voted	\$56,427,681.53	
	Less: Outstanding Debt	\$	\$0.00
	Contracts Payable	\$	\$0.00
	Add: Available Assets	\$	
	Equals remaining debt capacity- Utility purpose, voted		\$56,427,681.53 Revenue Debt
3.	2.5% Open Space, park & capital facilities, voted	\$56,427,681.53	
	Less: Outstanding Debt	\$	\$0.00
	Contracts Payable	\$	\$0.00
	Add: Available Assets	\$	
	Equals remaining debt capacity - Open space, park & capital facilities voted		\$56,427,681.53



Government Finance Officers Association

BEST PRACTICE

Debt Management Policy

BACKGROUND:

Debt management policies are written guidelines, allowances, and restrictions that guide the debt issuance practices of state or local governments, including the issuance process, management of a debt portfolio, and adherence to various laws and regulations. A debt management policy should improve the quality of decisions, articulate policy goals, provide guidelines for the structure of debt issuance, and demonstrate a commitment to long-term capital and financial planning. Adherence to a debt management policy signals to rating agencies and the capital markets that a government is well managed and therefore is likely to meet its debt obligations in a timely manner. Debt management policies should be written with attention to the issuer's specific needs and available financing options and are typically implemented through more specific operating procedures. Finally, debt management policies should be approved by the issuer's governing body to provide credibility, transparency and to ensure that there is a common understanding among elected officials and staff regarding the issuer's approach to debt financing.

RECOMMENDATION:

GFOA recommends that state and local governments adopt comprehensive written debt management policies. These policies should reflect local, state, and federal laws and regulations. To assist with the development of these policies GFOA recommends that a government's Debt Management Policy (Policy) should be reviewed periodically (and updated if necessary) and should address at least the following:

1. Debt Limits. The Policy should consider setting specific limits or acceptable ranges for each type of debt. Limits generally are set for legal, public policy, and financial reasons.

a. *Legal restrictions* may be determined by:

- State constitution or law,
- Local charter, by-laws, resolution or ordinance, or covenant, and
- Bond referenda approved by voters.

b. *Public Policies* will address the internal standards and considerations within a government and can include:

- Purposes for which debt proceeds may be used or prohibited,
- Types of debt that may be issued or prohibited,
- Relationship to and integration with the Capital Improvement Program, and
- Policy goals related to economic development, including use of tax increment financing and public-private partnerships.

c. *Financial restrictions or planning considerations* generally reflect public policy or other financial resources constraints, such as reduced use of a particular type of debt due to changing financial conditions. Appropriate debt limits can have a positive impact on bond ratings, particularly if the government demonstrates adherence to such policies over time. Financial limits often are expressed as ratios customarily used by credit analysts. Different financial limits are used for different types of debt. Examples include:

- *Direct Debt, including general obligation bonds*, are subject to legal requirements and may be able to be measured or limited by the following ratios:
 - Debt per capita,
 - Debt to personal income,
 - Debt to taxable property value, and
 - Debt service payments as a percentage of general fund revenues or expenditures.
- *Revenue Debt* levels often are limited by debt service coverage ratios (e.g., annual net pledged revenues to annual debt service), additional bond provisions contained in bond covenants, and potential credit rating impacts.
- *Conduit Debt* limitations may reflect the right of the issuing government to approve the borrower's creditworthiness, including a minimum credit rating, and the purpose of the borrowing issue. Such limitations reflect sound public policy, particularly if there is a contingent impact on the general revenues of the government or marketability of the government's own direct debt.
- *Short-Term Debt Issuance* should describe the specific purposes and circumstances under which it can be used, as well as limitations in term or size of borrowing.
- *Variable Rate Debt* should include information about when using non-fixed rate debt is acceptable to the entity either due to the term of the project, market conditions, or debt portfolio structuring purposes.

2. Debt Structuring Practices. The Policy should include specific guidelines regarding the debt structuring practices for each type of bond, including:

- Maximum term (often stated in absolute terms or based on the useful life of the asset(s)),
- Average maturity,
- Debt service pattern such as equal payments or equal principal amortization,
- Use of optional redemption features that reflect market conditions and/or needs of the government,
- Use of variable or fixed-rate debt, credit enhancements, derivatives, short-term debt, and limitations as to when, and to what extent, each can be used, and
- Other structuring practices should be considered, such as capitalizing interest during the construction of the project and deferral of principal, and/or other internal credit support, including general obligation pledges.

3. Debt Issuance Practices. The Policy should provide guidance regarding the issuance process, which may differ for each type of debt. These practices include:

- Selection and use of professional service providers, including an independent financial advisor, to assist with determining the method of sale and the selection of other financing team members,
- Criteria for determining the sale method (competitive, negotiated, private placement) and investment of proceeds,
- Use of comparative bond pricing services or market indices as a benchmark in negotiated transactions, as well as to evaluate final bond pricing results,

- Criteria for issuance of advance refunding and current refunding bonds, and
- Use of credit ratings, minimum bond ratings, determination of the number of ratings, and selection of rating services.

4. Debt Management Practices. The Policy should provide guidance for ongoing administrative activities including:

- Investment of bond proceeds,
- Primary and secondary market disclosure practices, including annual certifications as required,
- Arbitrage rebate monitoring and filing,
- Federal and state law compliance practices, and
- Ongoing market and investor relations efforts.

5. Use of Derivatives. The Debt Management Policy should clearly state whether or not the entity can or should use derivatives. If the policy allows for the use of derivatives, a separate and comprehensive derivatives policy should be developed (see GFOA's Advisory, Developing a Derivatives Policy and Derivatives Checklist).

Notes:

- Post Issuance Compliance Checklist
- Debt Issuance Checklist: Considerations When Issuing Bonds

References:

- GFOA Advisory: Using Variable Rate Debt Instruments, 2010.
- GFOA Advisory: Use of Debt-Related Derivatives Products, 2010.
- GFOA Derivatives Checklist, 2010.
- GFOA Best Practice: Selecting Bond Counsel, 2008.
- GFOA Best Practice: Selecting and Managing Municipal Advisors, 2014.
- GFOA Best Practice: Selecting Underwriters for a Negotiated Bond Sale, 2008.
- GFOA Best Practice: Post-Issuance Policies and Procedures, 2017.
- GFOA Best Practice: Primary Market Disclosure, 2017.
- GFOA/NABL Post Issuance Compliance Checklist, 2003.
- *Benchmarking and Measuring Debt Capacity*, Rowan Miranda and Ron Picur, GFOA, 2000.
- *A Guide for Preparing a Debt Policy*, Patricia Tighe, GFOA, 1998.

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City of Poulsbo Debt Policy

SECTION I – INTRODUCTION & GUIDING PRINCIPLES

Purpose and Overview

The Debt Policy for the City of Poulsbo is established to help ensure that all debt is issued both prudently and cost effectively. The Debt Policy sets forth comprehensive guidelines for the issuance and management of all financings of the City Council. Adherence to the policy is essential to ensure that the Council maintains a sound debt position and protects the credit quality of its obligations.

Capital Planning:

The City shall integrate its debt issuance with its Capital Improvement Program (CIP) spending to ensure that planned financing conforms to policy targets regarding the level and composition of outstanding debt. This planning considers the long-term horizon, paying particular attention to financing priorities, capital outlays and competing projects. Long term borrowing shall be confined to the acquisition and/or construction of capital improvements and shall not be used to fund operating or maintenance costs. For all capital projects under consideration, the City shall set aside sufficient revenue from operations to fund ongoing normal maintenance needs and to provide reserves for periodic replacement and renewal. The issuance of debt to fund operating deficits is not permitted.

Legal Governing Principles

In the issuance and management of debt, the City shall comply with the state constitution and with all other legal requirements imposed by federal, state, and local rules and regulations, as applicable.

- State Statutes – The City may contract indebtedness as provided for by [RCW 35A.40.090](#). General Obligation indebtedness is subject to the limitations on indebtedness provided for in [RCW 39.36.020\(2\)\(b\)](#) and [Article VIII of the Washington State Constitution](#). Bonds evidencing such indebtedness shall be issued and sold in accordance with chapter 39.46.
- Federal Rules and Regulations – The City shall issue and manage debt in accordance with the limitations and constraints imposed by federal rules and regulations including the [Internal Revenue Code of 1986](#), as amended; the Treasury Department regulations there under; and the [Securities Acts of 1933 and 1934](#).
- Local Rules and Regulations – The City shall issue and manage debt in accordance with the limitations and constraints imposed by local rules and regulations.

Roles & Responsibilities

The City Council shall:

- Approve indebtedness;
- Approve appointment of independent financial advisor and bond counsel;
- Approve the Debt Policy;
- Approve budgets sufficient to provide for the timely payment of principal and interest on all debt; and

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- In consultation with the City's General Counsel, financial advisor, and bond counsel, shall determine the most appropriate instrument for a proposed bond sale.

The Finance Director in consultation with the Finance Committee, the Mayor and full Council shall:

- Assume primary responsibility for debt management
- Provide for the issuance of debt at the lowest possible cost and risk;
- Determine the available debt capacity;
- Provide for the issuance of debt at appropriate intervals and in reasonable amounts as required to fund approved capital expenditures;
- Recommend to the City Council the manner of sale of debt;
- Monitor opportunities to refund debt and recommend such refunding as appropriate.
- Comply with all Internal Revenue Service ([IRS](#)), [Securities and Exchange \(SEC\)](#), and [Municipal Securities Rulemaking Board \(MSRB\)](#) rules and regulations governing the issuance of debt.
- Provide for the timely payment of principal and interest on all debt and ensure that the fiscal agent receives funds for payment of debt service on or before the payment date;
- Provide for and participate in the preparation and review of offering documents;
- Comply with all terms, conditions and disclosure required by the legal documents governing the debt issued;
- Submit to the City Council all recommendations to issue debt;
- Distribute to appropriate repositories information regarding financial condition and affairs at such times and in the form required by law, regulation and general practice, including [Rule 15c2-12](#) regarding continuing disclosure;
- Provide for the distribution of pertinent information to rating agencies; and
- Apply and promote prudent fiscal practices.

Ethical Standards Governing Conduct

The members of the City staff, the Mayor and the City Council will adhere to the standards of conduct as stipulated by the Public Disclosure Act, [RCW 42.17](#) and Ethics in Public Service, [RCW 42.52](#).

SECTION II – PROFESSIONAL SERVICES

Professional Services

The City's Finance Department shall be responsible for the solicitation and selection of professional services that are required to administer the City's debt.

- Bond Counsel – With the exception of debt issued by the State, all debt issued by the City will include a written opinion by bond counsel affirming that the City is authorized to issue the proposed debt. The opinion shall include confirmation that the City has met all city and state constitutional and statutory requirements necessary for issuance, a determination of the proposed debt's federal income tax status and any other components necessary for the proposed debt.
- Financial Advisor – A Financial Advisor may be used to assist in the issuance of the City's debt. The Financial Advisor will provide the City with the objective advice

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- and analysis on debt issuance. This includes, but is not limited to, monitoring of market opportunities, structuring and pricing of debt, and preparing official statements of disclosure.
- Underwriters – An Underwriter will be used for all debt issued in a negotiated sale method. The Underwriter is responsible for purchasing negotiated debt and reselling the debt to investors.
 - Fiscal Agent – A fiscal agent will be used to provide accurate and timely securities processing and timely payment to bondholders. As provided under RCW 43.80, the City will use the Fiscal Agent that is determined by the State.
 - Professional Service providers may be selected through a competitive selection process conducted by the Finance Director in consultation with the Finance Committee and Legal Counsel; the City Council shall approve the most qualified financial advisor/underwriter and bond counsel.
 - These services shall be regularly monitored by the Finance Director.

SECTION III – DEBT STRUCTURE

Types of Debt Instruments:

The City may utilize several types of municipal debt obligations to finance long-term capital projects. Subject to the approval of City Council, the City is authorized to sell:

- **Unlimited Tax General Obligation Bonds** – The City shall use Unlimited Tax General Obligation Bonds, also known as “Voted General Obligation Bonds” as permitted under [RCW 35A.40.090](#) for the purpose of general purpose, open space and parks, and utility infrastructure. Voted issues are limited to capital purposes only. Every project proposed for financing through general obligation debt should be accompanied by a full analysis of the future operating and maintenance costs associated with the project. UTGO Bonds are payable from excess tax levies and are subject to the assent of 60% of the voters at an election to be held for that purpose.
- **Limited Tax General Obligation Bonds** – A Limited-Tax General Obligation debt (LTGO), also known as “Non-Voted General Obligation Debt”, requires the City to levy a property tax sufficient to meet its debt service obligations but only up to a statutory limit. The City shall use Limited Tax General Obligation (LTGO) Bonds as permitted under [RCW 35A.40.090](#) for general capital purposes only. General Obligation debt is backed by the full faith and credit of the City and is payable from General Fund reserves and taxes collected by the City. LTGO Bonds will only be issued if:
 - A project requires funding not available from alternative sources;
 - Matching fund monies are available which may be lost if not applied for in a timely manner; or,
 - Emergency conditions exist.
- **Revenue Bonds** – The City shall use Revenue Bonds as permitted under [RCW 35A.40.090](#) for the purpose of financing construction or improvements to facilities of enterprise systems operated by the City in accordance with the Capital Improvement Plan. No taxing power or general fund pledge is provided as security.
- **Special Assessment/Local Improvement District Bonds** – The City shall use Special Assessment Bonds as permitted under [RCW 35A.40.090](#) for the purpose of

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- assuring the greatest degree of public equity in place of general obligation bond where possible. Local Improvement District (LID) Bonds represent debt that is repaid by the property owners who specifically benefit from the capital improvements through annual assessments paid to the City. LID's are formed by the City Council after a majority of property owners agree to the assessment. No taxing power or general fund pledge is provided as security, and LID Bonds are not subject to statutory debt limitations. The debt is backed by the value of the property within the district and an LID Guaranty Fund, as required by State Law.
- **Short Term Debt** – The City shall use short term debt as permitted under [RCW 39.50](#), for the purpose of meeting any lawful purpose of the municipal corporation, including the immediate financing needs of a project for which long term funding has been secured but not yet received. The City may use inter-fund loans rather than outside debt instruments to meet short-term cash flow needs for the project. Inter-fund loans will be permitted only if an analysis of the affected fund indicates excess funds are available and the use of the funds will not impact the fund's current operations. All inter-fund loans will be subject to Council approval and will bear interest at prevailing rates.
 - **Leases** – The City is authorized to enter into capital leases under [35A.40.090 RCW](#), subject to the approval of City Council.
 - **Public Works Trust Fund Loans** – The City shall use Public Works Trust Fund Loans as provided under [RCW 43.155](#) for the purpose of repairing, replacing or creating domestic water systems, sanitary sewer systems, storm sewer systems, roads, streets, solid waste/recycling facilities and bridges.
 - **Local Option Capital Asset Lending (LOCAL) Program Debt** – The City is authorized to enter into a financing contract with the Office of the State Treasurer under [RCW 39.94](#), for the purpose of financing equipment and capital needs through the State Treasurer's Office subject to existing debt limitations and financing considerations. The LOCAL Program is an expanded version of the state agency lease/purchase program that allows the pooling of funding into larger offerings of securities.

SECTION IV – TRANSACTION SPECIFIC POLICIES

Method of Sale - The City shall evaluate the best method of sale for each proposed bond issue.

1. **Competitive Bid Method** – Any competitive sale of the City's debt will require the approval of City Council. City debt issued on a competitive bid basis will be sold to the bidder proposing the lowest true interest cost to the City.
2. **Negotiated Bid Method** – When a negotiated sale is deemed advisable (in consultation with the Mayor and City Council) the Finance Director shall negotiate the most competitive pricing on debt issues and broker commissions in order to ensure the best value to the City.
 - If debt is sold on a negotiated basis, the negotiations of terms and conditions shall include, but not be limited to, prices, interest rates, underwriting or remarketing fees and commissions.
 - The City, with the assistance of its Financial Advisor, shall evaluate the terms offered by the underwriting team. Evaluations of prices, interest rates, fees and commissions

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- shall include prevailing terms and conditions in the marketplace for comparable issuers.
- No debt issue will be sold on a negotiated basis without an independent financial advisor.
3. The City shall use refunding bonds in accordance with the Refunding Bond Act, [RCW 39.53](#). Unless otherwise justified, the City will refinance debt to achieve true savings as market opportunities arise. Refunding debt shall never be used for the purpose of avoiding debt service obligations. A target 5% cost savings (discounted to its present value) over the remainder of the debt must be demonstrated for any “advance refunding”, unless otherwise justified. The City, in consultation with its Financial Advisor, may approve a “current refunding” transaction of an existing debt issue if the refunding demonstrates a positive present value savings over the remaining life of the debt.
 4. With Council approval, interim financing of capital projects may be secured from the debt financing marketplace or from other funds through an inter-fund loan as appropriate in the circumstances.
 5. When issuing debt, the City shall strive to use special assessment, revenue or other self supporting bonds in lieu of general obligation bonds.

Limitations on Debt Issuance

1. The City shall remain in compliance with all debt limitations. As part of the annual budgeting process, a current summary of outstanding debt and compliance targets is prepared. The City shall observe the following limitations on debt issuance:
 - **General Obligation** – 2.5% of Assessed Value ([RCW 39.36.020\(2\)\(b\)](#))
 - **Non-Voted: 1.5%**
 - **Voted: 2.5%**
 - **Open Space and Park Facilities** – 2.5% of Assessed Value ([RCW 39.36.020\(4\)](#))
2. Debt payments shall not extend beyond the estimated useful life of the project being financed. The City shall keep the average maturity of general obligations bonds at or below 20 years, unless special circumstances arise warranting the need to extend the debt schedule.
3. Debt Limit Target: The City shall not exceed 90% of the legal debt limits from above.

Debt Structuring Practices

The following terms shall be applied to the City’s debt transactions, as appropriate. Individual terms may change as dictated by the marketplace or the unique qualities of the transaction.

- **Maturity** –The City shall issue debt with an average life less than or equal to the average life of the assets being financed. Unless otherwise stated in law, the final maturity of the debt shall be no longer than 40 years ([RCW 39.46.110](#)).
- **Debt Service Structure** – Unless otherwise justified, debt service should be structured on a level basis. Refunding bonds should be structured to produce equal savings by fiscal year. Unless otherwise justified, debt shall not have capitalized interest. If appropriate, debt service reserve funds may be used for revenue bonds.
- **Price Structure** – The City’s long-term debt may include par, discount, and premium bonds. Discount and premium bonds must be demonstrated to be advantageous relative to par bond structures, given market conditions.

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- **Call Provisions** – For each transaction, the City shall evaluate the costs and benefits of call provisions. In general, the City shall opt for the shortest possible optional call consistent with optimal pricing.
- **Bond Insurance** – For each transaction, the City shall evaluate the costs and benefits of bond insurance or other credit enhancements. Any credit enhancement purchases by the City shall be competitively priced.
- **Tax-exemption** – Unless otherwise justified and deemed necessary, the City shall issue its debt on a tax-exempt basis.
- **Reimbursement resolution** – Must be adopted by City Council if the project hard costs are advanced prior to the bond sale.

SECTION V – COMMUNICATION

It is the policy of the City to remain as transparent as possible. The City shall manage relationships with the rating analysts assigned to the City’s credit, using both informal and formal methods to disseminate information.

- The City’s Comprehensive Financial Report (CAFR) shall be the primary vehicle for compliance with continuing disclosure requirements. The CAFR may be supplemented with additional documentation as required. Each year included in the CAFR, the City will report its compliance with debt targets and the goals of this Debt Management Policy.
- The City will issue a material event notice in accordance with provisions of [SEC Rule 15c2-12](#). Prior to issuance of any material event, the Finance Director will discuss the materiality of any event with the Mayor, City Attorney and designated Council members, to ensure equal, timely and appropriate disclosure to the marketplace.
- The City shall seek to maintain and improve its current bond rating.

SECTION VI - COMPLIANCE

Investment of Proceeds

The City shall comply with all applicable Federal, State and contractual restrictions regarding the investment of bond proceeds. This includes compliance with restrictions on the types of investment securities allowed, restrictions on the allowable yield of invested funds as well as restrictions on the time period over which some of the proceeds may be invested.

Arbitrage Liability Management

Due to the complexity of arbitrage rebate regulations and the severity of non-compliance penalties, the City shall solicit the advice of bond counsel and other qualified experts about arbitrage rebate calculations. The City shall, when deemed necessary or required, contract with a third party for preparation of the arbitrage rebate calculation.

The City shall maintain an internal system for tracking expenditure of bond proceeds and investment earnings by opening a separate account in the state pool. The expenditure of bond proceeds shall be tracked in the financial system by issue. Investments may be pooled for

Approved 9/1/2010

financial accounting purposes and for investment purposes. When investment of bond proceeds are co-mingled with other investments, the City shall adhere to IRS rules on accounting allocations.

Bond Users Clearinghouse

The City shall ensure that the Bond Users Clearinghouse receives municipal bond information for all debt sold as provided by [RCW 39.44.200 – 39.44.240](#) and [WAC 365-130](#).

Legal Covenants

The City shall comply with all covenants and conditions contained in governing law and any legal documents entered into at the time of a bond offering.

Periodic Policy Review

At a minimum, the debt policy will be reviewed and updated every five years.

RESOLUTION 20106

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF POULSBO, WASHINGTON, ADOPTING A DEBT POLICY GOVERNING THE [ISSUANCE AND ADMINISTRATION OF ALL DEBT ISSUED BY THE CITY.

WHEREAS, the City Council of the City of Poulsbo deems to have its debt issued and administered in compliance with all applicable Federal and RCW requirements, and

WHEREAS, the City Council of the City of Poulsbo desires to maintain a debt policy to guide the issuance and administration of its debt, and

WHEREAS, the City's Finance Director has conducted a thorough review of its current debt practices in effort to develop this policy for the issuance and administration of City debt, and

WHEREAS, the City of Poulsbo's debt policy has been written in accordance with the Washington Municipal Treasurer's Association Model Debt Policy,

THE CITY COUNCIL OF THE CITY OF POULSBO, WASHINGTON RESOLVES AS FOLLOWS:

Section 1. Debt Policy Adopted. The policy for investment of City funds set forth in document entitled "City of Poulsbo Debt Policy" dated August 1, 2010 which is attached hereto as Exhibit "A" and incorporated herein by reference as if set forth in full is hereby adopted as official policy for issuance and administration of City debt.

RESOLVED this 1st day of September, 2010.

APPROVED:

Q)g
MAYOR; ECCA ER CKSON

ATTEST/AUTHENTICATED

CITY CLERK
JILLOA BOLTZ

FILED WITH THE CITY CLERK: 08/25/2010
PASSED BY THE CITY COUNCIL: 09/01/2010
RESOLUTION NO. 20106

Debt Management Policies

The amount of debt issued by the City is an important factor in measuring its financial performance and condition. Proper use and management of borrowing can yield significant advantages. From a policy perspective, the City of North Bend uses debt in two ways: (1) as a mechanism to equalize the costs of needed improvements to both present and future citizens; and (2) as a mechanism to reduce the costs of substantial public improvements.

- City Council approval is required prior to the issuance of debt.
- An analytical review shall be conducted prior to the issuance of debt.
- The City will use the services of a legally certified and credible bond counsel in the preparation of all bond representations.
- The City of North Bend will not use long-term debt to support current operations.
- Long-term borrowing will only be used for capital improvements that cannot be financed from current revenues.
- Short-term borrowing will only be used to meet the immediate financing needs of a project for which long-term financing has been secured but not yet received.
- The issuance of bonds shall be financed for a period not to exceed a conservative estimate of the asset's useful life.
- Non-capital furnishings, supplies, and personnel will not be financed from bond proceeds.
- The City will use refunding bonds where appropriate, when restructuring its current outstanding debt.
- Reserves, interest costs, operating costs, and/or maintenance expenses will be capitalized only for enterprise activities; capitalized operating expenses will be strictly limited to those expenses incurred prior to actual operation of the facilities.
- The City will maintain a good credit rating at all times.
- Assessment bonds will be issued in place of general obligation bonds, where possible, to assure the greatest degree of public equity.
- Under most circumstances, the maturity of all assessment bonds shall not exceed 12 years.
- General Obligation bonds will be issued with maturities of 20 years or less.
- The voter approved general obligation debt of North Bend will not exceed an aggregated total of 7.5% of the assessed valuation of the taxable property within the City.
- The following individual percentages shall not be exceeded in any specific debt category:
 - General Debt – 2.5% of assessed valuation
 - Utility Debt – 2.5% of assessed valuation
 - Open Space and Park Facilities – 2.5% of assessed valuation
- Limited-tax general obligation bonds will not exceed one and 1.5% of the City's current assessed property valuation.

- Limited-tax general obligation bonds will be issued only if:
 - A project requires funding not available from alternative sources;
 - Matching fund monies are available which may be lost if not applied for in a timely manner;
or
 - Emergency conditions exist.