

RESOLUTION NO. 2005-261

A RESOLUTION OF THE LODI CITY
COUNCIL RATIFYING PURCHASING
POLICIES AND PROCEDURES

WHEREAS, the Lodi City Council adopted Ordinance No. 1763 amending Lodi Municipal Code, Title 2, Administration and Personnel, by repealing and reenacting Chapter 2.12.060(T) relating to the contract authority of the City Manager and Title 3, Revenue and Finance, by repealing and reenacting Chapter 3.20 relating to the purchasing system; and

WHEREAS, it is necessary for the orderly conduct of business that policies and procedures be ratified to ensure that all purchases and procurement of goods and services be done in a manner that is uniformly followed by all City departments; and

WHEREAS, adoption of this Resolution will formalize the practices to be followed for the procurement of goods and services by all City departments; and

WHEREAS, it will be periodically necessary to make administrative changes to these Purchasing Policies and Procedures that will not constitute major revisions to these Policies and Procedures; and

WHEREAS, the Policy contains a stipulation that the City Manager may make minor changes to the policy without obtaining prior City Council approval, with any changes of a significant nature brought before the City Council for ratification as deemed necessary and appropriate; and

WHEREAS, staff recommends that the City Council ratify the Purchasing Policies and Procedures by adoption of this Resolution, with any substantive changes to the policy being ratified by the City Council as deemed appropriate by the City Manager.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby ratify the Purchasing Policies and Procedures, as shown on Attachment A of this Resolution, with the addition of a quarterly reporting requirement as outlined in Lodi Municipal Code §2.12.060(T), to read as follows:

"For contracts of not less than \$5,000 nor greater than \$20,000, the City Manager shall quarterly prepare for the City Council a report, which includes a list of the contracts into which the City has entered during the previous three months."

BE IT FURTHER RESOLVED that the City Council hereby authorizes the City Manager to make administrative changes, which do not constitute material revisions to the Municipal Code or said Policies and Procedures, as needed and to foster uniform adherence of said policies by City departments.

Dated: December 21, 2005

I hereby certify that Resolution No. 2005-261 was passed and adopted by the Lodi City Council in a regular meeting held December 21, 2005, by the following vote:

AYES: COUNCIL MEMBERS – Beckman, Hansen, Johnson, and Mayor Hitchcock
NOES: COUNCIL MEMBERS – Mounce
ABSENT: COUNCIL MEMBERS – None
ABSTAIN: COUNCIL MEMBERS – None


SUSAN J. BLACKSTON
City Clerk

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Table of Contents

EXHIBIT A

Section I - General Information

Purpose and Goals 2

Administration 2

Ethics 3

Department & Purchasing Responsibilities 4

Purchasing Cycle 5

Purchase of Recycled Products 6

Section II - Purchasing Authorities 7

Section III - Methods of Purchasing 8

Purchasing Guidelines 8

Materials, Supplies, & Equipment Flowchart 10

Petty Cash 11

CAL-Card 12

Purchase Order Process 13

 Departmental Purchase Process 15

 1. Source Identification 15

 2. Obtain Price Quotes 15

 3. Evaluate Quotes 17

 4. Prepare Purchase Order in JDEdwards 19

 5. Issue Purchase Order to successful bidder 20

 6. Distribute Purchase Order copies 20

 7. Receive and Inspect 21

Purchasing Division Process 22

Exhibit A

Exhibit B

Index

Revised		
Approved		
Approved		

Purpose and Goals

Purpose and Goals

Section 3.20 of the Lodi Municipal Code authorizes a purchasing division that is part of the Finance Department. The Code outlines the authorities and responsibilities of the Purchasing Officer or designee to negotiate or contract for purchase of supplies, materials and equipment required by City departments. The guiding principles of those involved in the purchasing function should be:

- To comply with State and Federal laws, the City's Municipal Code, Purchasing Policies, and adopted budget on all purchases and contracts.
- To procure the supplies, services and equipment needed by the departments at the lowest possible cost, taking into consideration quality, service levels, and time constraints.
- To act in a professional and ethical manner.

Administration

Administration of these Policies and Procedures shall be by the City Manager with assistance and cooperation of the Deputy City Manager, City Attorney and Department heads. Major changes to these policies and procedures shall be approved by the City Council; minor changes may be approved by the City Manager as deemed necessary. The City Manager will annually report to the City Council a summary of such changes made during the prior twelve months.

Reporting Requirements for purchases between \$5,000 and \$20,000

In accordance with Section 2.12.60 of the City Purchasing Ordinance, the Purchasing Agent will prepare a quarterly report to the City Council, which shall include a listing of bidders, the firm or individual to whom the purchase has been awarded and the reasons for which the bid was awarded to the firm or individual. A copy of all recommendations for Contract Award shall be sent to the Purchasing Agent by the department responsible for initiating purchases between \$5,000 and \$20,000. For professional service contracts, the listing shall include all firms or individuals that were contacted as part of the competitive bidding process. Multiple firms shall be considered when practicable for professional services and an explanation shall be included on the quarterly reporting as to why multiple firms were not considered if it is deemed impractical to receive more than one competitive proposal or bid for professional services.

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Ethics

The purpose of this section is to provide a general code of conduct for all personnel who may be engaged in the City's purchasing function. It is essential that all personnel involved in the procurement process conduct themselves in a manner that maintains impartiality and complete objectivity, to meet the continuing scrutiny of suppliers and the public. In dealings with the business community, it is necessary to exercise a strict rule of personal conduct to ensure that business relations are not compromised or even have the appearance of being compromised. The City's reputation for fairness and integrity in dealing with suppliers and others must always be maintained.

The following are the City's standards in ethics for purchasing:

- To regard public service as a sacred trust, giving primary consideration to the interest of the City.
- To purchase without prejudice, and to buy on the basis of value, recognizing that value represents a combination of quality, service and price which assures the greatest economy to the City.
- To recognize that permanent business relationships should be established on the basis of honesty and fair dealings.
- To be courteous and considerate in all City dealings.
- To honor our obligations and require that obligations to the City be honored.
- To accord supplier representatives courteous treatment, remembering that these representatives are important sources of information and assistance in solving the City's needs.
- To be prompt in all appointments and to negotiate with reasonable speed.
- To avoid statements that might injure or discredit legitimate suppliers and to avoid disclosure of confidential information that might give an unfair advantage in a competitive business transaction.
- To recognize that character is an important asset in commerce and should be given major consideration in the selection of sources of supply or service.
- To adjust claims and settle disputes on the basis of facts and fairness.
- To be cognizant of the limitations regarding accepting of gratuities or accommodations from vendors or suppliers in accordance with the City policy for conflict of interest disclosures requirements.

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Department & Purchasing Responsibilities

Department Responsibilities

- To anticipate requirements sufficiently in advance to allow adequate time to obtain goods in accordance with the best purchasing practices.
- To not split orders for the purpose of avoiding purchasing requirements.
- To provide detailed, accurate specifications to ensure goods obtained are consistent with requirements and expectations.
- To prepare requisitions in accordance with instructions so as to minimize the processing effort
- To minimize urgent and sole source purchases and to provide written documentation when such purchases may be necessary.
- To consider the use of recycled products when it is practical and economically feasible.
- When purchasing materials, equipment, supplies and services independent of the Purchasing Division and on behalf of the City, to comply with all laws, policies and procedures governing the purchase.
- Send a copy of the purchase order and correlative recommendations for Contract Award for all purchases between \$5,000 and \$20,000 to the Purchasing Agent.

Purchasing Responsibilities

- The Purchasing Division is responsible for the procurement of general supplies, services and equipment, the administration of the purchasing policy, and the management of surplus city property.
- To provide clear, concise and timely instructions to departments and staff with delegated purchasing tasks and responsibilities.
- Ensure full and open competition on all purchases as required by this policy.
- Coordinate vendor relations, locate sources of supply and evaluate vendor performance.
- Recommend revisions to purchasing procedures when necessary and keep informed of current developments in the field of public purchasing.
- Prescribe and maintain all forms and records necessary for the efficient operation of the purchasing function
- Act as the City's agent in the transfer and disposal of surplus equipment and materials.
- Complete a quarterly report to the City Council of purchases made between \$5,000 and \$20,000

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Purchasing Cycle

The purchasing cycle establishes the proper steps for Lodi department staff to follow when requisitioning supplies, materials and equipment; public works projects; and/or professional service contracts.

The Budget

The first step in the purchasing cycle is the approval of the City's budget by City Council. The budget authorizes the City Manager and designees to purchase the materials, supplies, services, and equipment in the line item budget document. Purchases for certain dollar amounts are subject to further rules, such as for department head level approvals, City Manager approvals, Council approvals, and/or bidding requirements.

Method of Purchase

As the second step, the department will choose the method of purchase according to the type and dollar value of purchase. The different methods of purchasing include petty cash, CAL-Card purchase, purchase order, or a contract, which may also require a purchase order.

Receiving and Acceptance

The receiving and acceptance functions represent the final phase in completing the purchasing cycle. At this point, the product or service is either accepted or rejected, based on the quantity, quality, and/or delivery compliance of the item(s). After this phase, payment authorization can proceed.

▲ Table of Contents

Index ▼

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Purchase of Recycled Products

Benefits of Purchasing Recycled Products

Purchasing recycled products benefits the City in a variety of ways. In purchasing recycled materials that would otherwise become trash, we help reduce the amount of waste taken to landfills, conserve the use of raw materials, and encourage the market development of other recycled products. The City's public image is also enhanced by a proactive approach to waste management and environmental concerns. The City of Lodi encourages each department to evaluate opportunities to purchase recycled products whenever it is feasible and fiscally prudent to do so. The City also encourages its vendors and consultants to specify and use recycled products whenever practical to fulfill contractual obligations.

Definitions

Recycled material is waste and by-products that have been recovered or diverted from the solid waste stream and that can be utilized in place of raw material in the manufacturing of a product. Recycled materials may consist of materials derived from post-consumer waste, manufacturing waste, industrial scrap, agricultural wastes and other items, all of which can be used in the manufacture of new products.

Pre-consumer material or by-products are generated after the manufacture of a product is completed, but before the product has reached the end-use consumer. Examples of pre-consumer recovered materials include obsolete inventories of finished goods, rejected unused stock, and paper wastes generated during printing, cutting and other converting operations.

Post-consumer recycled materials are finished products that have served the intended use and would normally be disposed of as solid waste. Examples of post-consumer recovered materials include old newspapers, office paper, yard waste, steel, glass, aluminum cans, plastic bottles, oil, asphalt, concrete and tires.

Criteria for Selecting Recycled Materials for Purchase

If a decision has been made to purchase recycled materials, the recommended products should contain, in order of preference, the highest percentage of recycled content of post-consumer recovered material available in the marketplace, and the highest percentage of pre-consumer recovered material available in the marketplace.

Recycled products should also be expected to perform as well as non-recycled products, to be purchased at a reasonable price and to be available within a reasonable time period. In addition to the recovered material content of a product, important criteria in selecting products should also be the ability of the product and its packaging to be reused, reconditioned for use or recycled through existing recycled collection programs. Preferred products and packaging are those designed to minimize waste and toxic byproducts in their manufacture, use, and disposal.

Whenever printed recycled paper products are purchased, the standard phrase "Printed on Recycled Paper" and/or the standard recycle logo should be included on the printed product, thereby promoting the use of post-consumer content.

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Section II - Purchasing Authorities

Purchasing authority is governed by and granted by the Lodi Municipal Code Sections 2.12.060 and 3.20, and by the *Codes of the State of California*.

Annually, prior to the beginning of the fiscal year, the City Manager will submit to the City Council the recommendations for delegation of certain *purchasing authority to department directors and staff*. Such purchase authority, if granted by Council, will be in effect for the next fiscal year. The Delegation of Purchasing Authority submittal form prepared by City departments for City Manager review and submission to City Council is attached at Exhibit B.

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Section III -Methods of Purchasing

**Table 3-1
Purchasing Guidelines
Materials, Supplies, Equipment, Services, and non-Public Works Projects**

The following table provides an overview regarding the purchasing guidelines for materials, supplies, equipment and services.

Examples of purchases in these categories would be utility inventory items, sand and gravel, auto parts, power and hand tools, electronic hardware and software, janitorial supplies, office supplies, printing, office furniture, vehicles¹, janitorial and landscape services.

<p>\$500 and less</p>	<ul style="list-style-type: none"> • Bidding or competitive quotes at the discretion of the department • Department selects supplier • Department obtains verbal or written quote or proposal • Authorized personnel may use CAL-Card, or • Department may forward <u>requisition</u>³, with product numbers, specifications, or other detailed description, to Purchasing Division for sourcing, or • Department may initiate the <u>purchase order process</u>².
<p>\$500.01 - \$1,000</p>	<ul style="list-style-type: none"> • No advertising is required. • A minimum of three informal bids, proposals or quotes is <u>required</u>⁴. Offers may be written or verbal. Emailed quotes are acceptable. • Department may initiate the <u>purchase order process</u>², or <p>Department may forward <u>requisition</u>³, with product numbers, specifications, or other detailed description, to Purchasing Division for sourcing.</p>

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Table 3-1 (continued)

<p>\$1000.01-\$20,000</p>	<ul style="list-style-type: none"> • No advertising is required. • A minimum of three informal bids, proposals or quotes is <u>required</u>⁴. Offers must be in writing. FAXed or emailed quotes are acceptable. • Department may initiate the <u>purchase order process</u>², or • Department may forward <u>requisition</u>³, with product numbers, specifications, or other detailed description, to Purchasing Division for sourcing.
<p>Over \$20,000</p>	<ul style="list-style-type: none"> • Formal bid <u>process</u>⁵ is required. • Department prepares bid specifications or project plans and specifications. • Department prepares Council Communication requesting Council to approve plans and specifications, and further requesting Council's authorization to proceed with formal bid process.

Notes to Table 3-1:

1. **Vehicles:** See Lodi Municipal Code Section 3.20.130 and the Fleet Policy and Procedures Manual
2. **Purchase Order Process** – Page 13
3. **Requisition** – Page 22
4. **Requirement: 3 quotes.** See Lodi Municipal Code Section 3.20.110(A) for clarification
5. **Formal Bid Process** - See Lodi Municipal Code Section 3.20.100

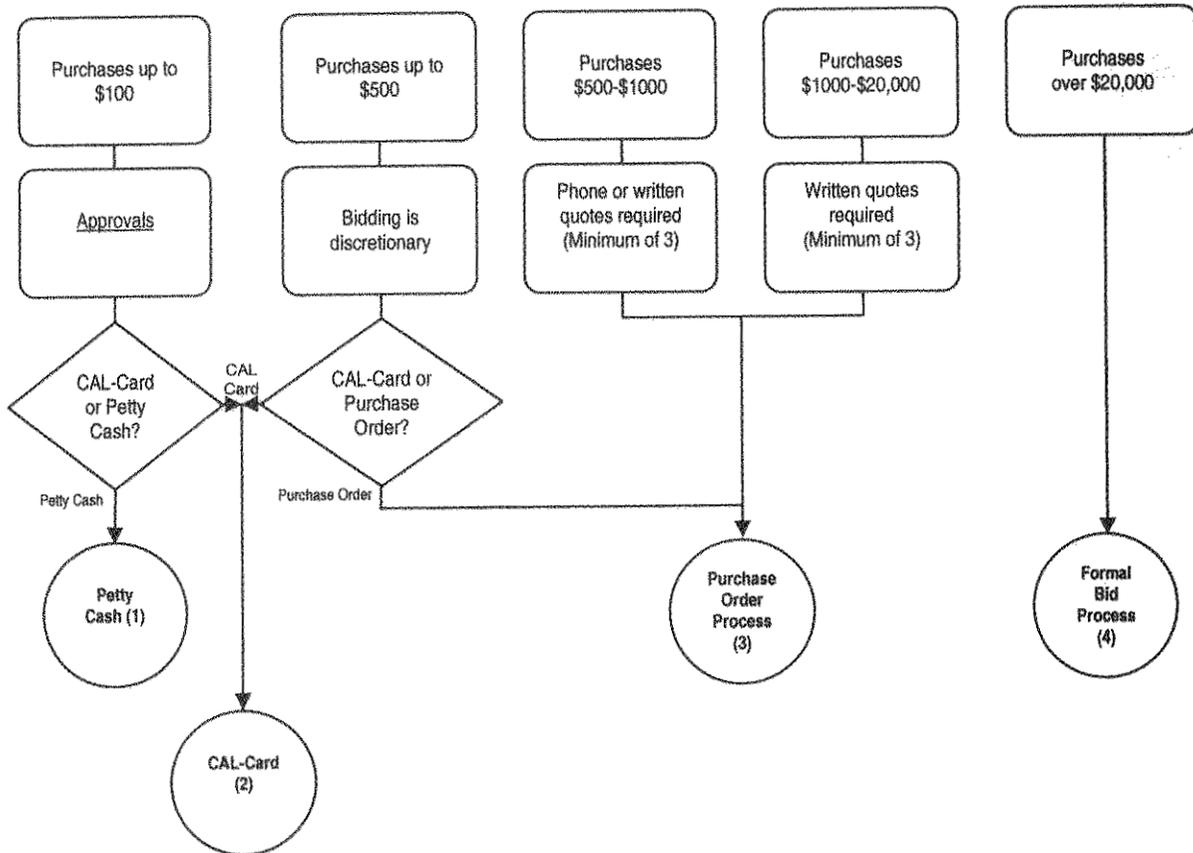
▲ Back to Table 3-1

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Purchase of materials, equipment, supplies and services shall be made by one of the following methods:

- Written Contract
- Written Purchase Order
- Procurement Card (CAL-Card) - under \$500 only
- Petty Cash - under \$100 only

**Table 3-2
Materials, Supplies, & Equipment Flowchart**



Notes to Table 3-2:

- (1) Petty Cash Procedure – See Page 11
- (2) CAL-Card Procedure – See Page 12
- (3) Purchase Order Process – See Page 13
- (4) Formal Bid Process

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Section III – Methods of Purchasing (continued)

Petty Cash

The purchase of materials, supplies, and small tools and equipment costing \$100 or less may be made at a local business through a cash purchase by an authorized employee.

- Purchase item with cash.
- Request a printed receipt from the retailer which indicates a “Cash” purchase.
- Circle the total amount paid in cash.
- Fill out a Petty Cash form (See Appendix A or print a Petty Cash Form from the Intranet), indicating name of employee, date, and amount of purchase(s).
- Forward Petty Cash Form to department approving official¹ for account number assignment and approval.
- Take approved form with receipts to Finance Department cashier for reimbursement.

<p>(From Table 3-2, for Purchases up to \$100)</p> <pre> graph TD A((Petty Cash Process Table 3-2)) --> B[Purchase Items.] B --> C[Submit approved Petty Cash Claim for reimbursement] </pre>	<p>Petty Cash</p> <p>Petty cash is used for small, incidental expenditures that would be impractical to process through the purchase order system. Petty cash may be used when the item/expense is needed immediately and costs less than \$100. In addition, petty cash may be used for travel advances and reimbursements. Departments are expected to request checks for travel advances and reimbursements instead of using petty cash. However, when it is necessary to utilize petty cash, there will be \$300 limitation on the amount that may be requested for such purposes.</p> <p>The City Manager annually approves a list of employees authorized to sign for Petty Cash¹. Only those employees on the authorization list may sign, or may allow another employee to sign on their behalf, for petty cash.</p> <p>The maximum amount of reimbursement that may be requested from Petty Cash is set by Finance.</p> <p>Petty Cash Form (See <u>Appendix A</u> or print a <u>Petty Cash Form</u> from the Intranet).</p>
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Petty Cash Claims

After making a cash purchase, employee must prepare the Petty Cash form by attaching the purchase receipt to the Petty Cash form, fill in employee’s name, the date, the dollar amount requested for reimbursement, and the reason for the request (item purchased). The Petty Cash form and attached receipt are then presented to the employee’s department head or other department approving official¹ for review, assignment of account number, and signature approval. When a department head is requesting a petty cash reimbursement for himself (herself), another department staff person will counter sign the petty cash claim form. The approving official can either present the approved Petty Cash form with receipts at the Cashier’s window in Finance, or can sign a separate form authorizing the employee to present the Petty Cash request to the cashier’s window in Finance and sign for reimbursement.

Note(s): Definition

1) Approving official. Person authorized by City Manager to sign for Petty Cash.

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Section III – Methods of Purchasing (continued)

CAL-Card

The purchase of materials, supplies, and small tools and equipment costing \$500 or less may be made by an authorized employee in person or by phone, using the CAL-Card Procurement Card..

CAL-Card policies and procedures are established and governed by the CAL-Card Administration Manual.

CAL-Card Procurement cards are issued to employees authorized by Resolution of the City Council. Cards shall be safeguarded and used with the same care as one would exercise with a credit card or with cash. There are limitations on their use, both in dollar amounts and in types of transactions. They are not transferable from one employee to another.

<p>(From Table 3-2, for Purchases up to \$500)</p> <div style="text-align: center; margin: 20px 0;"> <pre> graph TD A((CAL-Card Process (Table 3-2))) --- B[Purchase Items.] B --- C[Submit monthly trans log & receipts to Approving Official] </pre> </div>	<p>CAL-Card</p> <p>CAL-Card Procurement Cards are used for low-cost expenditures that would be impractical to process through the purchase order system. CAL-Cards may be used when the single purchase amount equals less than \$500. Purchases may not be split to avoid the \$500 limit.</p> <p>Purchase Process:</p> <p>The CAL-Card is used like a credit card, except it can be used only for specific types of purchases, and transaction and per-month dollar limits are established for each card. The CAL-CARD may be used for phone and internet purchases similarly to credit cards.</p> <p>For each purchase made using a CAL-Card the employee shall obtain a receipt, either in person or by mail, for the transaction. Each month, the Bank will mail a detailed statement to each cardholder listing purchase transactions. Cardholder must match each purchase transaction listed on the invoice with each transaction log entry and merchant receipt to verify accuracy of the statement.</p>
<p>Cardholder will prepare the Monthly CAL-Card Reconciliation, attach transaction log, CAL-Card statement and receipts, and forward to Approving Official for review and signature. Approving Official will forward all documents to Accounts Payable for payment.</p> <p>The CAL-Card program offers rebates for prompt payment of invoices, and invokes penalties for late payments. It is the City's policy to pay invoices as expeditiously as possible.</p>	

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Section III – Methods of Purchasing (continued)

Purchase Order Process

The Purchase Order Process for purchases in amounts between \$500 and \$20,000 may be handled either by the department requesting the goods or services (Requestor), or forwarded to the Purchasing Division of the Finance Department for processing.

Purchases handled by the Requestor:

- 1) Identify sources (see page 15 - 1. "Source Identification")
- 2) Obtain price quotes (see page 15 – 2. "Obtain and Evaluate Price Quotes")
- 3) Evaluate price quotes (see page 17 – 3. "Quote Evaluation")
- 4) Prepare purchase order in JDEdwards (see page 19 – 4. "Prepare Purchase Order in JDEdwards")
- 5) Issue purchase order to successful bidder (see page 20 – 5. "Issue Purchase Order")
- 6) Distribute copies of PO (see page 20 – 6. "Distribute Purchase Order Copies")
- 7) Receive and inspect goods (or evaluate services). (see page 21 – 7. "Receive and Inspect")

Purchases requests forwarded to the Purchasing Division for processing:

- 1) Requestor prepares purchase requisition, obtains approvals, forwards requisition to Purchasing
- 2) Purchasing identifies sources (see page 15 - 1. "Source Identification")
- 3) Purchasing obtains and evaluate price quotes (see page 17 – 3. "Quote Evaluation"); reviews prices with Requestor if asked;
- 4) Purchasing prepares purchase order in JDEdwards (see page 19 – 4. "Prepare Purchase Order in JDEdwards")
- 5) Purchasing issues purchase order to successful bidder
- 6) Purchasing distributes copies of Purchase Order
- 7) Purchasing receives and inspects goods, delivers goods to Requestor; Requestor receives services and advises Purchasing of completion.

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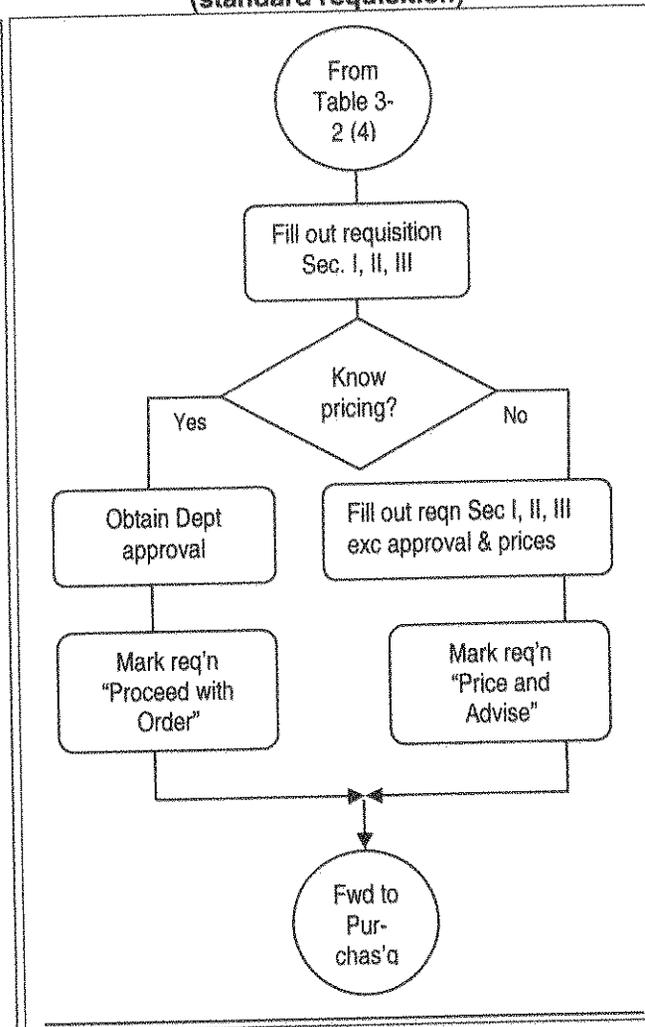
Section III – Methods of Purchasing (continued)

Purchase Order Process (continued)

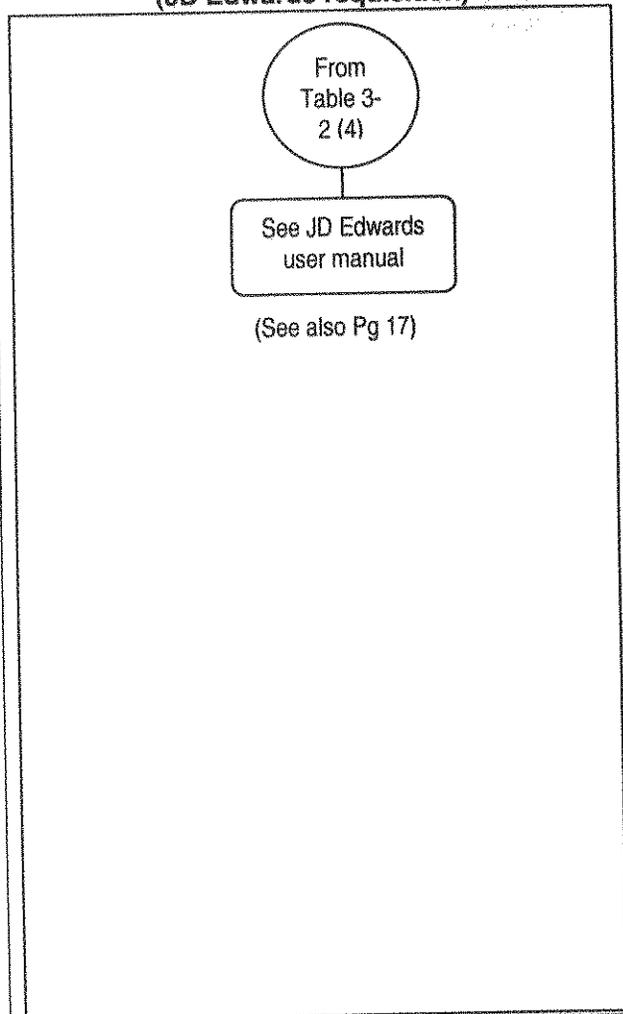
If purchase is to be handled by the Purchasing Division, refer to the Departmental Request Process defined below.

If purchase is to be handled by the Requestor, the Departmental Purchase Process applies.

**Departmental Request Process
 (standard requisition)**



**Departmental Request Process
 (JD Edwards requisition)**



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Section III – Methods of Purchasing (continued)

Purchase Order Process (continued)

If purchase is to be handled by the department requiring the goods or services (Requestor), the Departmental Purchase Process defined below applies.

Departmental Purchase Process

1. Source Identification

Potential sources of supply may be identified using any, or all, of the following methods:

- a. Previous supplier(s)
- b. Suppliers included on Bidder list
- c. Call the manufacturer, or browse manufacturer's website, for a list of authorized dealers or distributors
- d. Internet search (Google, Froogle)
- e. Contact other users, both internal and external (other cities or agencies)

City Code requires obtaining quotes from at least three (3) suppliers, whenever possible.

2. Obtain Price Quotes

City Code requires obtaining at least three (3) independent quotes, whenever possible (Sec. 3.20.110(A))

Quotations for purchases in amounts greater than \$1,000 must be in writing (City Code Sec. 3.20.110(B))

[In instances where goods or services may be obtained from only one supplier ("sole source"), or product has been standardized through action of the City Council, completion of the "Sole Source Justification" form is required. Price quote must be obtained from the one supplier. It is the responsibility of the requestor to determine whether the price quoted is "Fair and Reasonable". Negotiation of prices for goods, services, shipping, handling, and installation is allowed and encouraged. Requestors are also encouraged to compare quoted prices with prices paid by other agencies, if possible. When there is a preference for one brand name; and where two or more suppliers for this same brand are available, there shall not be a determination of sole source. In such cases there shall still be quotes from the suppliers to determine the best value for that product.]

Library Materials and services will be procured in a manner consistent with practices generally associated with obtaining such materials in other venues. This may include developing relationships with suppliers and over the term of fiscal year. The Library Director and staff with authority as delegated by the Library Director will provide to the City Manager a list of the vendors, items to be procured and the annual budget for these materials.

Other items that are subject to practices and procedures that do not easily fit within the parameters as established by the policies as outlined herewith may be purchased with City Manager approval. These exceptions may include but are not limited to such items as bulk oil, gasoline, automobile parts and tools, fasteners and items stocked in bins and provided by vendors as needed. A list of these items will be provided to the City Manager (along with an estimated budget) on an annual basis.

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Section III – Methods of Purchasing (continued)

Purchase Order Process (continued)

Quotes may be obtained using any of the following methods:

- a. Telephone (request written response for amounts greater than \$1,000)
- b. FAX
- c. Email
- d. Mail

Catalog prices (from either a printed copy of a catalog or internet prices) are not considered valid quotes unless the catalog reflects actual contract prices (examples: Office Depot, Office Max)

It is not acceptable to “shop” prices, that is, to use one bidder’s quote as a maximum price and ask other bidders to “meet or beat” it.

[▲ Table of Contents](#)

[Index ▼](#)

[◀ Return to Purchase Order Process, Page 13](#)

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Section III – Methods of Purchasing (continued)

Purchase Order Process (continued)

Departmental Purchase Process (continued)

3. Evaluate Quotes

Evaluation of quotes requires consideration of the following criteria:

- a. Are the quotes based on equal specifications (same product model or product number, or approved equal), as well as equal quantities of the products?
- b. Do all quotes include a cost for shipping (either included in product pricing, or stated separately)? (See discussion about **FOB Point** below)
- c. Do all quotes include sales or use tax? (Even if bidder doesn't quote sales or use tax, if the product is taxable tax must be included in the evaluation). See discussion about **Local Vendors** below.
- d. Do some suppliers offer discounts for prompt payment? (Example: 2% 20 Net 30 – See discussion about **Payment Discounts** on page 18)

Prepare a quote summary including criteria 'a' through 'd' above

FOB Point

FOB ("Free on Board") refers to the transfer of responsibility for the goods purchased by the City.

"FOB Origin" or "FOB Shipping Dock" means the seller's responsibility for the goods ends when the goods are delivered to the transportation company at the seller's facility. If we refuse to take delivery of goods shipped FOB Origin we are legally responsible for any charges the transportation company incurs in further handling or storage, whether or not the goods were damaged, the order was duplicated, or the order was "cancelled". Transportation of goods shipped "FOB Origin" via a company other than the seller is not taxable.

"FOB Delivered" or "FOB Our Dock" means the seller is responsible for the transportation of the goods, and for safe delivery of the goods to our warehouse or dock. Transportation charges are often included in the cost of the goods, and as such are taxable.

Local Vendors

When evaluating quotes or bids, and one or more of the bidders is a "local company" (defined as one that

1. Is located within the City of Lodi;
2. Is licensed by the California State Board of Equalization to collect sales tax at the local place of business;
3. Maintains a valid City of Lodi Business License.

with other bidders being non-local, the evaluation must consider that a portion of the taxable purchase price will be distributed to the city as a District Tax. As of July 1, 2005, the amount was 1%. For example, if a local vendor quotes \$820 for an item or group of items, and a non-local vendor quotes \$815, 1% of the \$820 purchase price if purchased locally, or \$8.20, is returned to the city by the State, yielding a net cost to the city of \$811.80. The evaluation (but not the actual quote or purchase price) would then be adjusted to consider the local distribution of district tax.

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Section III – Methods of Purchasing (continued)

Purchase Order Process (continued)

Departmental Purchase Process (continued)

3. Quote Evaluation (continued)

Payment Discounts

When evaluating quotes or bids, and one or more of the bidders offers a discount for prompt payment, there are several factors to consider.

1. Is the timeline for prompt payment realistic, that is, if the timeline begins on the date of shipment of the goods from the vendor, and the invoice isn't mailed for several days, can the city realistically expect to be able to take advantage of the discount?
2. Is it realistic to expect the goods can be received and adequately inspected prior to the discount due date?
3. Does payment have to reach the seller by the due date, or does mailing date qualify as the "payment date"?

Common payment discounts defined:

2% 10 Net 30 A 2% discount may be taken if payment is made within 10 days of the invoice date or shipment date. If discount is not taken, invoice is due in 30 days. (in this regard, "days" is typically defined as calendar days)

2% 10th Prox Net 15th A 2% discount may be taken if payment is made by the 10th of the month following the invoice date. If discount is not taken, the invoice is due in full by the 15th of the month following the invoice date.

USBank offers prompt payment "performance" rebates on monthly CALCard purchases. The schedule as of July 1, 2005 was as follows:

Payment Performance Rebate Schedule

Receipt of Payment from Invoice Date	Basis Points
1 to 7 days	62 (0.62%)
8 to 12 days	48 (0.48%)
13 to 16 days	41 (0.41%)
17 to 20 days	35 (0.35%)
21 to 24 days	28 (0.28%)
25 to 28 days	22 (0.22%)
29 to 32 days	15 (0.15%)
33 to 36 days	9 (0.09%)
37 to 40 days	2 (0.02%)

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Section III – Methods of Purchasing (continued)

Purchase Order Process (continued)

Departmental Purchase Process (continued)

4. Prepare Purchase Order in JDEdwards

A. Purchase of Goods

Purchases of goods (supplies, materials and equipment) in an amount of \$500 or more require a written purchase order or other form of written contract (City Code Sec. 3.20.080)

The JDEdwards Purchase Order process consists of the following steps after competitive quotes have been obtained. Detailed instructions can be found in the JDEwards Purchasing Guide & User Manual.

The symbol → in the following steps indicates "Navigate to" in the JDEdwards entry screens:

1. Sign on to JD Edwards; Select "Production Environment", and enter "1" Select "Purchasing – Non-stock based"
2. Select "Enter Purchase Orders"
3. → "Supplier" numeric field; Press F1 to enter name, or enter partial name and select from the list. Enter a "4" on the option line next to the correct name; Press <Enter>
4. → "Ship To" numeric field. Enter numeric code for 'ship to' location and press <Tab>, or press F1 to enter 'Lodi, City" and select from the list. Enter a "4" on the option line next to the correct name; and press <Enter>
5. → "Buyer" field and enter your employee number
6. → the "FOB" field and (depending on the supplier's quote) enter "F" for "FOB Delivered", or "G" for "FOB Point of Shipment" (see Page 17 for discussion and meaning of "FOB").
7. → "Payment Terms" . Press F1 for selection. Enter a "4" on the option line next to the payment terms indicated on the Quotation, and press <Enter>
8. → "Tax Expl Code" and enter "S3"
9. → "Tax Rate/Area" and enter "Lodi"
10. → "Account Number" and enter the account number to which the purchase will be charged, or if charged to more than one account number, enter "See Account Dist below"
11. → "Requestor/Dept" and enter your name, or the person for whom you are placing the order
12. Press <Enter> to accept header entries.
13. Press F15 to make changes to Supplier Address and delivery address
14. Press F3 to return to PO header
15. Press F14 to enter text associated with the order. This text will appear below requested items in the body of the PO. (Account Number detail, if more than one account number has been assigned to this order, may be entered here. Note that a single line item may not be split between two or more account numbers). Enter supplementary text information, such as lead time, warranty period, and press F3 to return to header. Press <Enter>
-
16. continue instructions
- nn. Purchase Order Signature authority can be integrated into JDEdwards:
Purchase order amounts <\$1,000: _____
Purchase order amounts \$1,000 - \$ _____ : _____

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Section III – Methods of Purchasing (continued)

Purchase Order Process (continued)

Departmental Purchase Process (continued)

4. Prepare Purchase Order in JDEdwards (continued)

B. Purchase of Services

Orders for services may be entered into JDEdwards in the same way that orders for goods are entered. However, if the service is complex, extends over a long period of time, or involves multiple invoices of varying amounts, it is advisable to prepare a written contract instead of a JDEdwards purchase order.

Also, keep in mind that some services are taxable, while others are not.

Examples of taxable services (See State Board of Equalization Publication 108):

1. Mandatory maintenance contracts (Reg. 1546 (B)(3)(B))
2. Services that involve the sale or transfer of tangible personal property, when the true object of the contract is the property (Reg. 1501)
3. Producing, fabricating, processing, printing, or imprinting of tangible personal property for a consideration for consumers who furnish ...the materials used... (Reg. 1526)
4. Fabrication in place.

State Sales and Use Tax Regulations: <http://www.boe.ca.gov/sutax/staxregs.htm>

5. Issue Purchase Order to successful bidder

Purchases in an amount of \$500 or more require a written purchase order or other form of written contract (City Code Sec. 3.20.080)

Signed purchase order may be issued to successful bidder either by FAX or by Postal Service mail. A scanned copy may also be issued by email. Issuer should be aware that FAXed copies should also include the "Terms and Conditions" printed on the back of the original purchase order to avoid having supplier's Terms and Conditions prevail.

(For additional information on formation of Contracts, and Terms and Conditions, refer to the Uniform Commercial Code online.) <http://straylight.law.cornell.edu/ucc/2/2-201.html>

6. Distribute Purchase Order copies

Copies of the JDEdwards purchase order are distributed as follows:

- | | |
|-------------------------------|---|
| Supplier Copy (Original): | May be mailed to vendor, or FAXed.
If order is FAXed, file the vendor copy in Purchase Order (alpha) file |
| File (White) Copy | Forward to Purchasing |
| Accounting (Green) Copy: | Forward to Accounts Payable |
| Originating Dept (Blue) Copy: | Return to Requestor |
| Additional (Photocopies) | If Supplier Copy is mailed, retain a photocopy in Dept files
If a CMAS contract is used, mail a photocopy to CMAS
If computer hardware or software is purchased, send a copy to ISD |

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Section III – Methods of Purchasing (continued)

Purchase Order Process (continued)

Departmental Purchase Process (continued)

7. Receive and Inspect

Receiving:

Whether taking receipt of supplies, materials or equipment from a carrier such as UPS, FedEx, or other common carrier, or from the Purchasing Division, the following steps must be followed:

Count the number of packages to confirm the quantity delivered matches the quantity on either the delivery ticket or hand-held delivery terminal. If the quantity values don't match, sign only for the number of packages that are actually delivered. Don't take the driver's word for the number of packages.

Check for packaging damage. Depending on the severity of the damage, or a combination of the severity of the damage and the sensitivity or fragility of the product packed therein, note the existence of damage on the delivery ticket, or have delivery driver note the damage on the hand-held terminal, and ask for verification that damage has been electronically noted. Do not refuse shipment unless you know for certain that the package was shipped "FOB Delivered"; otherwise, the City may be liable for storage costs. (See discussion of FOB Point on page 17)

Check package contents immediately upon receipt. If the products do not match your order, or if the products are damaged or do not operate correctly, contact the supplier (or Purchasing) immediately.

Note receipt on the purchase order, attach freight bill and packing list to the purchase order, and receive the delivery into JDEdwards. File the purchase order, freight bill, packing list, and JDE receiver in the alpha purchase order file. Retain files for at least three years.

Inspection:

Promptly inspect delivery for conformance with purchase order and specifications, and check for concealed damage. Report discrepancies to the vendor immediately. Returns or credits for discrepancies or damage are usually not granted if more than 30 days have passed since *date of shipment*. Do not attempt to return any shipments without first discussing a "Return Authorization" (RA, RMA, RGA) with the vendor.

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Section III – Methods of Purchasing (continued)

Purchase Order Process (continued)

Purchasing Division Process

Purchase Requisitions

Materials, Supplies, Equipment and Non-Public Projects Purchases \$500 - \$20,000

The Purchase Requisition serves three purposes:

- 1) It provides the Purchasing Division with a clear and complete description of the department's requirement;
- 2) It provides the Purchasing Division with an account number (or numbers) to be used for the purchase, and
- 3) It requires the requesting department's approval for use.

<p>\$500 to \$20,000</p>	<p>The department requesting the materials, supplies, equipment or services may elect either of the following procedures to initiate a purchase:</p> <ol style="list-style-type: none"> 1) <u>Standard Requisition</u> 2) <u>JDE Requisition</u> <p>Standard Requisition The Standard Requisition may be completed online using the fill-in pdf form, or a blank requisition form may be printed and filled out manually. Complete Sections I, II, and III to the fullest extent possible. If prices are unknown, mark the box "Price and Advise before ordering" in Section I, and e-mail, FAX, or otherwise deliver the partially-completed requisition to the Purchasing office for pricing. Priced requisitions will be returned to the requesting department for required approvals.</p> <p>Request for Quotation Process Telephone or verbal quotes are acceptable for purchases up to \$1,000. Written (mailed, FAXed, or emailed) quotations are required for purchases \$1,000 through \$20,000. The Request for Quotation process is required for materials, supplies and equipment purchases and other non-public works projects when the cost is from \$500 to \$20,000. The department should issue a Request for Quotation or Proposal which lists in detail the product or services required. Although advertising is not required, a proposal or quotation should be obtained from a minimum of three vendors whenever it is possible to do so.</p> <p>The department must complete the Quote Summary form to document the quotation process. Both the Request for Quotation form and the Quote Summary form can be found on the City's Intranet. (For additional information detailing the informal bid process please see Section V, in development.)</p>
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Purchase Requisitions (continued)

	<p><i>On-Line Purchase Requisitions</i> After the informal bidding process is complete, the department can initiate a purchase requisition in the JDEdwards Purchasing System. At a minimum, the requisition requires the vendor's name and address, the department's "ship to" address, contract terms and delivery date, the contract amount, the applicable account number(s), and a detailed description of the product to be ordered. <i>(See the Purchase Requisition Manual in Section IX for additional information.)</i></p> <p><i>Requisition Approval</i> All standard requisitions and all on-line purchase requisitions must be approved by the department head or designee ("Approving official"). After the approving official has approved the requisition, the department will supply the following backup documentation to Purchasing:</p> <ol style="list-style-type: none">1. Bid Recap2. Signed Contracts or Purchase Agreements3. Proposals and/or Quotations
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CITY OF LODI

PETTY CASH AUTHORIZATION

To: Petty Cash

Finance Department

Account Number to be Charged:

Do Not Use 7314, 7315, or 7358

\$ _____
(Amount)

To: _____

For the purpose of: _____

Date: _____ Authorized Signature: _____

Received By: _____
Sign in presence of cashier

***** \$300.00 Maximum *****

Index

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INDEX

A | B | C | D | E | F | G | H | I | J | K | L | M | N | O | P | Q | R | S | T | U | V | W | X | Y | Z

(Press F5 to "Go To" a specific page)

CAL-Card, 7, 19, 22, 27
Ethics, 5

Petty Cash, 1, 19, 22, 24, 26, 101
Petty Cash Administrator, 26