



City of Lucas

Purchasing Policy and Procedures

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I. PURPOSE

The purpose of the purchasing procedures is to provide the City staff with a guideline for the procurement of material, services and equipment. The City of Lucas is committed to insuring that all purchases are in compliance with State and Federal law and City ordinances and policies when procuring the highest quality material and services at the best value for the citizens of Lucas. Any City of Lucas Departments conducting a formal bid should notify the Finance Department and City Secretary to insure compliance with State law (e.g. newspaper advertisements, written specifications, etc.). For the purpose of this policy, the term employee also includes volunteers with purchasing authority.

II. PURCHASING ETHICS

All City staff engaged in procurement for the City of Lucas shall comply with the following ethical standards:

- A. It shall be a breach of ethics to attempt to realize unauthorized personal gain through employment with the City of Lucas or by any conduct inconsistent with the proper discharge of the employee's duties.
- B. It shall be a breach of ethics to attempt to influence any public employee of the City of Lucas to violate the standards of conduct set forth by the City.
- C. It shall be a breach of ethics for any employee of the City of Lucas to participate directly or indirectly in a procurement for the City of Lucas when the employee knows that:
 1. The employee or any member of the employee's immediate family has a financial interest pertaining to the procurement.
 2. A business or organization in which the employee or any member of the employee's immediate family, has a financial interest pertaining to the procurement.
 3. Any other person, business or organization with which the employee or any member of the employee's immediate family is negotiating or has an arrangement concerning prospective employment is involved in the procurement.
 4. City employees shall spend City funds in an ethical way that avoids any appearance of impropriety. If an employee has a family relationship with a vendor, the employee should not make the choice to use the vendor without contacting the City Manager.

III. DELEGATION OF PURCHASING AUTHORITY

Department Directors have authorized certain City employees to be the purchasing representative for the department. All purchasing request should be sent through the authorized department representative who will work with the Finance Department on certain purchases.

IV. PURCHASING PROCESS

A. PURCHASES UP TO \$1,000

Purchases costing up to \$1,000 can be approved by the Department Director. These purchases do not require a purchase order number, but do require prior approval from the Department Director before purchasing an item or service.

B. PURCHASES OVER \$1,000 BUT LESS THAN \$5,000

1. The department representative must complete a requisition to be approved by the Department Director and the Finance Department.
2. Expenditures that are \$1,000 or more require three (3) quotes including pricing and contact information and must be noted on a form or attached to the purchase order.
3. For expenditures over \$3,000 but less than \$50,000, the City must contact at least two (2) Historically Underutilized Business (HUB) vendor so on a rotating basis, based on information provided by the comptroller pursuant to Chapter 2161, Government Code. If the list fails to identify a historically underutilized business in the county in which the municipality is situation, the municipality is exempt from this section.

C. PURCHASES \$5,000 BUT LESS THAN \$10,000

1. Any requisition over \$5,000 must be approved by the City Manager or the Finance Director (in absence of the City Manager) prior to being processed by the AP department.
2. All requisitions over \$5,000 require three (3) bids from participating vendors.
3. For expenditures over \$3,000 but less than \$50,000, the City must contact at least two (2) Historically Underutilized Business (HUB) vendor so on a rotating basis, based on information provided by the comptroller pursuant to Chapter 2161, Government Code. If the list fails to identify a historically underutilized business in the county in which the municipality is situation, the municipality is exempt from this section.
4. Departments Directors cannot split the purchase of like items totaling \$5,000 or more.

D. PURCHASES \$10,000 BUT LESS THAN \$50,000

1. The department representative must complete a purchase order with the three (3) bids attached and obtain the Department Directors approval.
2. The purchase order must also be approved by the Finance Department and the City Manager.

3. For expenditures over \$3,000 but less than \$50,000, the City must contact at least two (2) Historically Underutilized Business (HUB) vendor so on a rotating basis, based on information provided by the comptroller pursuant to Chapter 2161, Government Code. If the list fails to identify a historically underutilized business in the county in which the municipality is situation, the municipality is exempt from this section.

E. PURCHASES OF \$50,000 AND GREATER

1. Purchases must be accomplished through the formal request for bid or the request for proposal process with detailed written specifications. The development of the written specifications will be prepared by the requesting Department.
2. All purchases over \$50,000 must be submitted to City Council for approval. This includes any purchases exempt from the bidding procedure. The Finance Department and the requesting Department will make a consensus award recommendation to the City Council. It is the responsibility of the requesting Department to present the request to City Council.
3. No purchase orders will be issued prior to City Council approval. City Council approval date and item number must be noted on purchase order.
4. A copy of all professional service contracts shall be attached to the original purchase order or in bid packet.

APPROVAL REQUIREMENT FOR PURCHASES

Dollar Figure	Supervisor/ Manager or Director Designee	Department Directors	Finance Department	City Manager	City Council
Up to \$1,000 NO purchase order required	X OR	X			
Over \$1,000 to less than \$5,000 Purchase Order Required Three Quotes Required	X	X			
\$5,000 to less than \$10,000 Purchase Order Required Three Quotes Required After \$1,000		X	X		
\$10,000 to less than \$50,000 Purchase Order and Three Quotes Required		X	X	X	
\$50,000 Formal Bids Required		X	X	X	X

F. TECHNOLOGY RELATED PURCHASES

1. All computer equipment, software, printers, wireless cards, monitors, cell phones, GIS related products or any items that will be used on the City network, or items related to the telephone system or require access to the City network must be approved through the Information Technology Staff Representative designated.
2. The requesting Department will place the request of purchase with the IT Staff Representative. The IT Staff Representative will coordinate the item to be purchased with the IT Consultant to ensure the City is receiving the lowest and best price. Then the IT Staff Representative working with the IT Consultant will approve the purchase and create a requisition, if required.

3. It will be the responsibility of the Information Technology Consultant to have the appropriate approvals on the requisition/ Purchase Order and then place the order.

G. STATE PURCHASING DEBARRED AND VENDOR LIST

Vendors who have failed to comply with their state contracts and have been debarred from doing business with the state of Texas for a specific period may be found at:

<https://www.epls.gov>

The City of Lucas prohibits conducting city business with vendors who are placed on this list for the time specified.

H. REQUISITION TO PURCHASE ORDER PROCESS

1. Departments will create a requisition in Incode and the approval requirements will automatically attach to the requisition.
2. Automatic notification of the requisition will be sent to the required approving officials who will review the requisition and approve/deny.
3. After approval of the requisition the Finance Department will create a Purchase Order and notify the requestor of the Purchase Order number.
4. If a signed printed copy of the Purchase Order is needed a request should be sent to the Finance Department who will print the signed Purchase Order.
5. The Purchase Order can be viewed or printed from Incode at any time by the requesting department.

I. FORMAL BID PROCEDURE FOR CITY DEPARTMENTS

In order to assist the City departments in complying with all purchasing laws, policies and procedures, Finance requests that each department soliciting formal bids abide by the following procedures.

1. Every formal bid, Request For Qualifications (RFQ) or Request For Proposal (RFP) should be assigned a bid number. Bid numbers can be obtained from the City Secretary. The department will need to provide the bid name, opening dates and time and the location of the bid opening. For RFQ's and RFP's, the bid name, due date and time will be required. This enables the City Secretary to easily identify each bid and also provides the information to advertise the bid on the City's website.
2. The Finance Department maintains a vendor list registering all vendors requesting to receive bid solicitations from the City of Lucas. The Finance Department will be able to provide vendor information when you secure a bid number.

3. A Finance Department representative will attend all bid openings. This is to protect the using departments against any claims of impropriety.
4. If only one bid is received, the Finance Department may choose to call all other vendors receiving a bid package and confirm that they did not submit a bid. This is to protect the City and its departments from accusations of favoritism or soliciting bids that are proprietary.

The Finance Department is available to assist with soliciting bids. It is the intent of the Finance Department to support and protect the departments without increasing their work load.

J. ADVERTISING AND ADVERTISING TIME REQUIREMENTS

Section 252.041 of Chapter 252 of the Local Government Code requires that the sealed bid be advertised publicly with notice of the time and place at which the bids will be publicly opened and read aloud. The public notice must be published at least once a week for two (2) consecutive weeks in a newspaper published in the municipality. The date of the first publications must be before the 14th day before the date set to publicly open the bids. All bid notices will be posted through the City Secretary, to ensure they are posted with the correct newspaper and for the correct period of time.

K. COMPETITIVE BIDDING AND PROPOSALS

Invitations for Bid, Request for Proposals (RFP) and Request for Qualifications (RFQ) are means for notifying the vendors that the government has specific requirements for goods and/or services and that they are being offered an opportunity to fulfill those requirements.

1. Competitive bidding provides a means for the available vendors to compete with each other to provide goods and/or services.
 - a. The purpose of the competitive bidding is to ensure that public monies are spent properly, legally and that the best possible value is received for the money. It is also to give qualified and responsible vendors a fair and equitable opportunity to do business with the City.

L. BID SPECIFICATIONS

1. The creation and submission of specifications is the responsibility of the user department.
2. Vendors can be used as a source for specifications as long as they are advised that a sealed bid procedure will be used and the vendor cannot be treated with any type favoritism.

3. In order to assure fair and competitive bids, brand names should not be used in specifications unless it is made clear to each bidder that the brand name is being used for reference only, by adding a “or equal”.

N. SEALED BID ADMINISTRATION

All sealed bids and proposals will be administered by the City Secretary. A bid number will be assigned and advertising dates, pre-bid meeting dates and the bid opening date set. The City Secretary or designee will be responsible for the bid opening and reading of the bids received. Once opened, a bid tabulation will be created and all bids will be reviewed. When all bids have been reviewed, the user department will be responsible for submitting a written recommendation of bid award to the City Council.

M. SEALED BID OPENING AND PRE-BID MEETING PROCEDURES

In order to establish a standardized format of bid openings and pre-bid meetings the following procedures should be followed:

1. The City Secretary of the City of Lucas or designee shall conduct all bid openings and pre-bid meetings.
2. In addition to the City Secretary or the City Secretary’s representative there will be at least one representative from the Finance Department and a City employee from the department who submitted the purchase request at all bid openings and pre-bid meetings. This employee should be knowledgeable of the bid specifications and at pre-bid meetings should be prepared to answer all questions that pertain to the specifications. At bid openings the City Secretary’s representative will act as the recorder of all information that is read at the bid opening and will publicly confirm that all information was read completely and truthfully.

N. COMPETITIVE PROPOSALS

Competitive proposals are similar to competitive bids, but are limited by Texas statutes. They can only be used for procurements of high-technology products or services and in some cases for procuring insurance. Proposals are also used to procure professional or personal services. The Professional Services Procurement Act prohibits using competitive bids to procure professional or personal services.

1. Specifications are written using performance standards rather than the description of the good or service.
2. Vendors submit proposals of their own design for a system to satisfy the requirement set forth in the proposal. Proposals may incorporate entirely different hardware or services to accomplish the same performance.
3. The City will not hold proposal openings, unless requested by the Department Director, City Manager or City Council.

P. COOPERATIVE PURCHASING

Cooperative Purchasing is one of the ways that local governments can save time and money in their purchasing programs. It occurs when two or more entities (state, federal or local governments) coordinate some or all of their purchasing needs so that they can join in purchases to the mutual benefit of all the entities concerned (e.g. fuel, radio equipment, vehicles). A local government cooperative purchasing agreement must be developed and approved by the City Council.

1. The benefits are:
 1. Lower costs through increased volume.
 2. Lower (shared) administrative costs.
 3. Improved response from vendors.
 4. Shared experience leading to better product specifications.
 5. Better compliance with state statutes on purchasing.
2. There are several ways cooperative purchasing can be done:
 - a. Entering into a cooperative agreement with another government entity for a bid.
 - b. Two or more governments may join to purchase one or more goods/services jointly.
 - c. Buying from state contracts.
3. Purchasing through a third party
4. Legal Constraints – There are different statutes for different types of government. When purchasing cooperatively, the strictest statute should apply.

Q. SOLE SOURCE PURCHASES

Competitive bids cannot be obtained on items that are only available from one source.

1. The following are available from only one source and are exempt from bidding:
 - a. Items that are available from only one source because of patents, copyrights, secret processes or natural monopolies;
 - b. Films, manuscripts, or books;
 - c. Electricity, gas, water, or other utility services;

- d. Captive replacement parts or components for equipment;
 - e. Books, papers and other library materials for a public library that are available only from the person holding exclusive distribution rights to the material.
2. Any items not listed that are considered sole source will need to be supported by the following:
 - a. Statement on how the determination was made that the item(s) requested is/are only available from one source. The statement must include why a functional equivalent is not available from any other source.
 - b. Statement on company letterhead from vendor attesting to the fact that the item(s) being requested is/are only available from that vendor.
 - c. Information concerning previous attempts to obtain competitive bids on the items(s) requested.
 - d. Names of those contacted in an effort to find other sources.
 3. Sole Source determination will need to be approved by the Finance Department **BEFORE** purchase is made.

R. EMERGENCY PURCHASES

These purchases are exempt from competitive bidding.

1. Items purchased in case of public calamity to relieve the needs of the citizens or to preserve City property.
2. Items to preserve or protect the public health or safety of the residents of the City.
3. Items necessary because of unforeseen damage to public property. This includes damage which would stop the productivity of the department or which would cause a safety issue for the City or its citizens.

S. OTHER EXEMPTIONS FROM COMPETITIVE BIDDING

These items are exempt from competitive bidding. However, any use of City funds over \$50,000 must be approved by City Council.

1. Personal or professional services
 - a. Accounting
 - b. Architecture

- c. Professional Engineering
 - d. Land Surveying
 - e. Professional Auditor
2. Work paid for on a daily basis (day labor)
 3. Land or right of way
 4. State of Texas Catalog Purchases
 5. Interlocal Contracts (HGAC, TASB/Buyboard)

T. STATE LAW REGARDING BONDING

By State Statute, any person, persons, firm, or corporation (prime contractor) entering into a contract in excess of \$100,000 with the City for the constructions, alteration or repair of any public building or prosecution of completion of any public work, shall be required before commencing such work, to provide the following two (2) bonds, issued by a corporate Surety duly authorized and admitted to do business in the State of Texas.

Public Work: Although the term public work is not defined by statute, it is generally understood to mean construction, repair, or renovation of a structure, road, highway, or other improvement or addition to real property. Contracting for demolition of real property would also fall under this definition.

1. Performance Bond

A performance bond in the total amount of the contract conditioned upon the faithful performance of the work in accordance with the plans, specifications, and contract documents. The bond shall be solely for the protection of the City.

The City must not require a performance or payment bond if the contract does not exceed \$100,000.

2. Payment Bond

A payment bond in the total amount of the contract, solely for the protection of all claimants supplying labor and material in the prosecution of the work provided for in the contract, for the use of each claimant.

If the City fails to obtain from the prime contractor a payment bond covering contracts in excess of \$100,000, the City is subject to the same liability as that of a Surety who had issued a valid bond. The claimant is entitled to a lien on funds due the contractor.

3. Bonds for Non-Public Works Projects

There are no State requirements for bonds to cover contracts for goods and services that are not defined as public works projects; it is the City's option. Good business practice would dictate that whenever the City enters into a contract for the purchase of a product system or service in which the system or service will be a little value to the City until it is complete and progress payments are made, then performance and payment bonds should be required.

4. The following legislation has been passed by the State of Texas and must be provided with the bid if the amount of the bid award exceeds \$100,000.00.
 - a. If the amount of the bid exceeds \$100,000, the Surety must:
 1. Hold a certificate of authority from the United States Secretary of the Treasury to qualify as a Surety on obligations permitted or required under federal law; or
 2. Have obtained re-insurance for any liability in excess of \$100,000 from a Re-Insurer that is authorized and admitted as a Re-Insurer in this state and is the holder of a certificate of authority from the United States Secretary of the Treasury to qualify as a Surety or Re-Insurer on obligations permitted or required under federal law.

U. BLANKET PURCHASE ORDER

1. A blanket purchase order will be issued for the contracts full amount when the contract is signed.
2. If the contract will have several different invoices, the department will reference the purchase order number on all the invoices and NOT complete a different purchase order for each invoice.
3. A blanket purchase order may also be used for a department to set a side funding for the year to purchase a specific item with one vendor, for example asphalt or uniforms. This allows the department to set aside funds to purchase the one item over the year without having to issue a new purchase order every time a purchase is made.
4. A blanket purchase order may not be used for purchases such as office supplies or miscellaneous equipment from one vendor.

V. TAX EXEMPT STATUS

The City of Lucas is exempt from Federal, State, and Local taxes except in certain prescribed cases. An exemption certificate is available from the Finance Department and will be furnished to any of the City's suppliers upon request.

The Finance Department will also be responsible for the issuance of the necessary documentation to employees with purchasing authority to support the City's tax exempt

status. However, it is the responsibility of each employee with purchasing authority to ensure that the purchase price does not include exempt taxes. An employee MUST make every effort to avoid paying exempt taxes.

W. VENDOR CREDIT APPLICATIONS

The City of Lucas Finance Department has developed credit information which may be submitted to any vendor requiring credit information. The information will supply the necessary information for the City to be considered for credit and should be coordinated with the Finance Department. Any accounts that are created with a vendor should be reported to Accounts Payable with the credit limit amount. Must be pre-approved by the Department Director and the Finance Director.

X. IMPORTANT INFORMATION FOR THE USING DEPARTMENTS

1. The using departments should plan their work so that “rush order” and emergencies will be held to a minimum. The using department shall avoid additional expenses for rush orders that are due to poor planning.
2. Department Directors may not “split” desired purchases in order to circumvent formal bidding requirements. Such action may subject the employee to disciplinary action.
3. The using department should suggest the names of vendors that may be able to provide particular items or services being requested, especially items of a technical nature.
4. Department Directors should not request or write specifications which are considered “closed bids” (written around one specific brand). Brand name, catalogue number, etc. may be submitted as a guide to the vendor as to the type and quality of merchandise desired. However, the wording “or approved equal” will always be added as we do not want to discriminate against any vendor’s merchandise. Competition must be kept in mind throughout the writing of specifications. Without competition, specifications are not needed. Vendors must be given an equal opportunity to submit a quotation on their merchandise.

Y. SELECTION PROCEDURES ON PURCHASES

The City will use the following criteria or combination of criteria when choosing between vendors. Criteria are attributes that a buying organization values in its arrangements with suppliers. There are eight common supplier selection criteria, in no formal order:

1. Cost
2. Quality & Safety
3. Delivery

4. Service
5. Social Responsibility
6. Convenience/Simplicity
7. Risk
8. Agility

Depending on the situation, you may use them as-is, use more or fewer, or use a different combination of eight.

Often, sourcing team members will want some criteria to be treated as constraints - unbreakable rules in the supplier selection process. Examples of constraints include: there can only be one supplier, we must select the low bidder, delivery must be within six weeks, etc.

Your job as leader of the sourcing team is to determine whether the proposed constraint is a truly warranted constraint or simply an important criterion. You can do so by asking questions like "If we had to choose between (a) having the best quality for all items by using two suppliers and (b) having the best quality for only half the items by using one supplier, would we still insist on using one supplier?" or "If we could save 34% by accepting a seven week lead time instead, would we choose to save the money or would we still need to insist on the six week lead time?" The fewer constraints, the more flexibility the team has in its decision-making.

After agreeing on the constraints and criteria, the sourcing team must agree on a hierarchy - an order of these attributes from most important to least important, with constraints preceding criteria. In most cases, supplier offerings will differ and there will be tradeoffs involving the criteria: you may get a better price from one supplier (cost) but that supplier insists on contract terms less favorable to you (risk). It is important for the sourcing team remain focused on what's most important to make a balanced decision.

V. PURCHASING CREDIT CARD POLICY

This policy establishes the basis for the City's credit card program. The credit card program is designed to improve efficiency in processing purchases from any authorized vendor that accepts the credit cards.

This program will allow the cardholder to purchase approved supplies and services directly from vendors; but cannot be used to circumvent the Purchasing Policy and all credit card purchases must be less than \$1,000. Each credit card is issued in the name of the employee who is responsible for its use, and/or the "City of Lucas" is clearly shown on the card as the governmental buyer of the supplies/services.

The card may be used to purchase non-restricted commodities in person at the vendor site, over the telephone, via fax, by mail and over the Internet.

If a card is lost or stolen, immediately contact the Finance Department.

It is the responsibility of the cardholder to obtain transaction receipts for all purchases. Sales receipts and/or packing slips must be obtained whether a purchase is made in person or via telephone, fax, mail, or over the Internet. It is the employee's responsibility to assure that the description on the sales receipt or packing slip is legible and clearly describes the purchase. These receipts will be used by the Finance Department to balance the monthly reconciliation and be part of the documentation kept on file to substantiate the payment process. Documentation maintained must be accurate, accessible and complete, as it not only records the transaction, but also supports the legitimate business purpose of the purchase. In addition to sales receipts and packing slips, the following are additional examples of supporting documentation:

- Copies of internal order forms
- Subscription or dues forms
- Conference registration forms
- Statement of service report from vendor performing on-site repairs
- Cash register receipts

In the event all efforts to obtain documentation of a transaction have failed, the cardholder must attach a written description of the purchase along with a signed certification that the purchase was made in accordance with City policy. Failure to provide certification may result in disciplinary action and the employee may be required to pay the City for the undocumented expense and cancellation of the employee's authority to utilize the City's credit card. City staff is responsible for submitting all documentation to the Finance Department in a timely manner.

VI. CITY CONTRACT ADMINISTERING POLICY

A. OVERVIEW: The Purchasing Policies and Procedures sets forth the guidelines for procurement of material, services and equipment but is silent with respect to signing authority of contracts that legally bind the City into contractual obligations relating to expenditures of city resources.

Due to the increasing number of contracts and leases generated by the various City departments, it is necessary to establish a policy to provide effective procedures to more efficiently monitor and administer certain contracts and leases. This policy provides for the creation and maintenance of a system to assist the City in meeting its objectives, and that contracts are timely reviewed and renewed as appropriate.

“Contract” as used herein means any lease or agreement wherein the City is to receive or expend funds for goods or services. This policy shall apply to all contracts except those specifically exempted.

B. STATEMENT OF PURPOSE:

The purpose of this policy is to

1. Provide a uniform system to monitor and administer certain City contracts and leases to ensure that all contracts undergo authorized review and approval prior to execution.
2. Provide clarity of roles and responsibilities so Department Directors and others can manage their respective areas of responsibilities in an effective, efficient and transparent manner.
3. To ensure that the City complies with all reasonable requirements from external agencies such as granting agencies.
4. To ensure sound stewardship of all resources and assets and that processes are in place to provide for consistent accountability and reporting throughout the City.

C. POLICY:

The Mayor and City Manager is hereby designated as the sole signors for all City contracts: Those contracts that specifically require the Mayor’s signature include, but are not exclusively limited to, banking contracts, interlocal agreements, and in accordance with Section 3.12 (3) of the Home Rule Charter, the Mayor is the signor of all Capital Improvements Contracts. Effective October 1, 2014 the City Manager is authorized to sign contracts up to \$50,000 providing funds are budgeted to cover the contract.

- D. Department Directors are responsible to ensure that the the contract is to be routed first through the City Attorney for approval with a copy to Finance to ensure that funds are available for the contract, then to the Mayor by placing the contract on the agenda or City Manager for approval whichever approval is required by the purchasing policy .

E. Specific procedures are as follows:

1. If a contract is to be prepared, the Department Director will notify the City Attorney, who will coordinate and assist the Department Director in preparing the contract.

- a. After a final draft contract has been approved by the City Attorney's office, the Department Director will discuss and review the terms and conditions with the contracting party. The Department Director will, thereafter, notify the City Attorney of any changes to the previously approved contract document.
 - b. The Department Director will send it to Finance for verification that funding is available.
 - c. The City Attorney's Office or the Department, as appropriate, will finalize the contract.
 - d. The Department Director will forward the contract to the contracting party for signature prior to Council's action or execution by City Manager.
 - e. The Department Director will prepare the agenda item coversheet, if applicable.
 - f. Upon approval of the contract by City Council, the City Secretary will forward the contract to the Mayor or City Manager for execution.
 - g. An original signed copy of each contract will be filed with the City Secretary with a copy provided to the Finance Department.
2. The Department Directors are responsible for ensuring that certain events specified in contracts are timely met, such as release of maintenance/performance bonds, release of lien on certain properties, release of temporary easements, contract performance dates and contract renewals or extensions as necessary.
 3. Whenever possible, contracts will be for a timeframe that coincides with the City's fiscal year.