

Updated October 18, 2010

# City of Salisbury

## Purchasing Manual



*“Better Stewards of Tax Dollars”*

**CITY OF SALISBURY  
PURCHASING POLICIES AND PROCEDURES**

**INTRODUCTION**

**This manual has been prepared to serve as a guideline to all departments and divisions of the City in obtaining apparatus, supplies, materials, equipment and services.**

**A special attempt has been made to design policies and procedures that will serve the City's needs and provide for a more effective and efficient buying process. Like any policies or procedures, they can be effective only if the individuals involved are aware of what they are, how they apply, and the problems to be encountered when they are not followed. For this reason we have tried to explain each directive in detail giving the purpose, the policy, and the procedure for carrying it out. We have also included the North Carolina General Statute reference for policies where applicable.**

- 1. To get the most value from this manual the following suggestions are offered:**
- 2. All Department Heads and Division Managers should be familiar with this manual.**
- 3. The manual should be reviewed by all personnel involved in the purchasing process.**
- 4. All new personnel who may be involved in purchasing items for the City should review this manual before participating in any purchasing.**
- 5. The manual should be accessible to everyone concerned with purchasing items for the City.**

**The Purchasing Division hopes this manual will be a worthwhile working tool for your department. Any comments or suggestions for improving any of the contents of the manual are most welcomed.**

**Dewey D. Peck  
Purchasing Manager**

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**Minority Business Participation Goals and Guidelines**

In March of 1994, the City of Salisbury adopted a resolution establishing a “verifiable percentage goal of 5% for participation by minority business in the awarding of building construction contracts which are awarded under the formal bid procedures [\$200,000 –up] pursuant to N.C.G.S. 143-128”.

Effective January 1, 2002, Senate Bill 914 was adopted by the State which modified N.C.G.S. 143-128 substantially by; increasing the formal bid threshold to \$300,000, providing more flexible methods of bidding construction contracts, clarifying certain laws involving employees “dealing with self”, and qualifying certain additional groups, “socially and economically disadvantaged individuals” as minorities.

Senate Bill 914 establishes new reporting requirements designed to promote the use of minority contractors and to document “good faith efforts” towards that end.

Also required by this new Bill was the establishment of a “minority outreach plan” and a dispute resolution process” for use when bidding construction or repair projects that qualify under the formal bid guidelines.

*Copies of the “Minority Outreach Plan” and the “Rules For Implementing Mediated Settlements” are available from the Purchasing Manager’s Office.*

Note: The City of Salisbury has elected to use \$200,000 as the “formal bid” threshold to be used when bidding construction or repair projects.

For construction or repair projects in the “informal category” \$5,000 -199,999.99 Senate Bill 914 requires the agency to solicit minority participation and to document “it’s good faith efforts in minority participation”.

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**OUTREACH PLAN AND GUIDELINES FOR RECRUITMENT AND SELECTION OF MINORITY BUSINESSES FOR PARTICIPATION IN THE CITY OF SALISBURY BUILDING CONSTRUCTION CONTRACTS**

In accordance with N.C.G.S. 143-128.2 (effective January 1, 2002) these guidelines establish goals for minority participation in single-prime bidding, separate-prime bidding, Construction Manager-at-Risk, and alternative contracting methods on The City of Salisbury building construction projects in the amount of \$200,000 or more. The Outreach Plan shall also be applicable to the selection process of architectural, engineering and Construction Manager-at-Risk services.

The City of Salisbury's current goal for minority participation for public building construction is five percent (5%). The overall goal will be reviewed annually or as soon as relevant data is available.

**INTENT**

The intent of these guidelines is that The City of Salisbury, as awarding authority for construction projects, and the contractors and subcontractors performing the construction contracts awarded, shall cooperate and in good faith do all things, legal, proper and reasonable to achieve the statutory goal of five percent (5%) for participation by minority businesses in each construction project as mandated by N.C.GS 143-128.2. Nothing in these guidelines shall be construed to require contractors or awarding authorities to award contracts or subcontracts to or to make purchases of materials or equipment from minority-business contractors or minority-business subcontractors who do not submit the lowest responsible responsive bid or bids.

**DEFINITION**

1. Minority – a person who is a citizen or lawful permanent resident of the United States and who is:
  - a. Black, that is, a person having origins in any of the black racial groups in Africa;
  - b. Hispanic, that is, a person of Spanish or Portuguese culture with origins in Mexico, South or Central American, or the Caribbean Islands, regardless of race;
  - c. Asian American, that is, a person having origins in any of the original peoples of the Far East, Southeast Asia and Asia, the Indian subcontinent, or the Pacific Islands;
  - d. American Indian, that is, a person having origins in any of the original peoples of North America; or
  - e. Female
2. Minority Business – means a business
  - a. In which at least fifty-one percent (51%) is owned by one or more minority persons, or in the case of a corporation, in which at least fifty-one percent (51%) of the stock is owned by one or more minority persons or socially and economically disadvantaged individuals; and
  - b. Of which the management and daily business operations are controlled by one or more of the minority persons or socially and economically disadvantaged individuals who own it.
3. Socially and economically disadvantaged individual – means the same as defined in 15 U.S.C. 637. “Socially disadvantaged individuals are those who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual qualities”. “Economically disadvantaged individuals are those socially disadvantaged individuals whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities as compared to others in the same business area who are not socially disadvantaged”.
4. Public Entity – means State and all public subdivisions and local government units.
5. Owner – The City of Salisbury.
6. Designer – Any person, firm, partnership, or corporation, which has contracted with The City of Salisbury to perform architectural or engineering work.
7. Bidder – Any person, firm, partnership, corporation, association, or joint venture seeking to be awarded a public contract or subcontract.

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8. Contract – A mutually binding legal relationship, or any modification thereof, obligating the seller to furnish equipment, materials or services, including construction, and obligating the buyer to pay for them.
9. Contractor – Any person, firm, partnership, corporation, association, or joint venture which has contracted with The City of Salisbury to perform construction work or repair.
10. Subcontractor – A firm under contract with the prime contractor or Construction Manager-at-Risk for supplying materials or labor and materials and/or installation. The subcontractor may or may not provide materials in the subcontract.

**Minority and Small Business Participation Outreach Plan**

1. Work with minority-focused and small business groups that support MBE and small business inclusion in the solicitation of bids.
2. Place more emphasis on the importance of soliciting certified MBE firms and small businesses for subcontracting opportunities at pre-bid conferences and in the bid documents. Examine specifications to identify special subcontracting opportunities and strongly encourage prime contractors to solicit bids for subcontracts from MBE firms.
3. Provide detailed information to majority contractors concerning the Guidelines for Recruitment and Selection of Minority Business and Outreach Plan and provide information on N.C.G.S. 143-129 by holding meetings with the contractors.
4. Assess the effectiveness of the MBE Program, and identify opportunities to enhance it, by evaluating MBE participation and compliance and reviewing the “good faith efforts” provided in bid packages.
5. Identify subcontracting opportunities unique to each construction contract and project and concentrate heavily on targeting certified MBE firms and small businesses that have expressed an interest in The City of Salisbury projects. Identify these opportunities and contact interested businesses no later than 10 days prior to the bid opening and provide a list of prime contractors plan to participate in the project.
6. Build new business relationships through networking and continue networking with other North Carolina cities and counties to find out how their Outreach Program and MBE program is working and sharing “best practices” and ideas to improve the program.
7. Participate in education opportunities throughout the community as they become available and offer training sessions to share the City’s Outreach Plan with interested businesses and organizations.
8. Be visible through participation in trade shows and business organizations of interest to MBE firms, majority contractors and small businesses, and provide information to the general public about the MBE Program, and continue outreach efforts to the business community.
9. Enhance the City’s web page by including the Outreach Plan and Guidelines, listing good faith efforts, and creating links to MBE resources, and creating awareness of specific subcontracting opportunities.
10. Make available to minority-focused agencies, a list of subcontracting opportunities when they are identified, no later than 10 days prior to the bid opening, and a list of prime bidders that subcontractors may wish to contact for subcontracting consideration.
11. Continue to maintain a database specifically for MBE firms and majority contractors to ensure those firms wishing to do business with The City of Salisbury have access to up to date information.
12. Advertise upcoming bid opportunities in minority-focused media.

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13. Work with architects and engineers to make subcontracting opportunities more noticeable and more easily understood by potential contractors and subcontractors.

**DESIGNER**

Under the single-prime bidding, separate prime bidding, dual bidding, Construction Manager-at-Risk, or alternative contracting method, the designer must do all of the following:

- a. Attend the scheduled prebid conference to explain minority business requirements to the prospective bidders.
- b. Assist the owner to identify and notify prospective minority business prime and subcontractors of potential contracting opportunities.
- c. Maintain documentation of any contacts, correspondence, or conversations with minority business firms made in an attempt to meet the goals.
- d. Review jointly with the owner, all requirements of N.C.G.S. 143-128.2(c) and N.C.G.S. 143-128.2(f) – (i.e. bidders’ proposal for identification of the minority businesses that will be utilized with corresponding dollar value of the bid and affidavit listing Good Faith Efforts or affidavit of self-performance of work, if the contractor will perform work under contract by its own workforce) – prior to recommendation of an award.
- e. During the construction phase of the project, review “MBE Documentation for Contract Payment” form with monthly pay applications to the owner and forward copies to the City of Salisbury.

**PRIME CONTRACTOR(S) CONSTRUCTION MANAGER-AT RISK, AND ITS FIRST-TIER SUBCONTRACTORS**

Under the single-prime bidding, the separate-prime bidding, dual bidding, Construction Manager-at-Risk and alternative contracting methods, contractor(s) must do all of the following:

- a. Attend the scheduled pre-bid conference.
- b. Identify or determine those work areas of a subcontract where minority businesses may have an interest in performing subcontract work.
- c. At least ten (10) days prior to the scheduled day of bid opening, notify minority businesses of potential subcontracting opportunities listed in the proposal. The notification must include all of the following:
  - (1) A description of the work for which the sub-bid is being solicited.
  - (2) The date, time and location where sub-bids are to be submitted.
  - (3) The name of the individual within the company who will be available to answer questions about the project.
  - (4) Where bid documents may be reviewed.
  - (5) Any special requirements that may exist, such as insurance, licenses, bonds and financial arrangements.
- d. During the bidding process, comply with the contractor(s) requirements listed in the proposal for minority participation.
- e. Identify on the bid the minority businesses that will be utilized on the project with corresponding total dollar value of the bid and affidavit listing good faith efforts as required by N.C.G.S. 143-128.2(c) and G.S. 143-128.2(f) or Intent to Perform Contract With Own Workforce affidavit.
- f. Make documentation showing evidence of implementation of Prime Contractor, Construction Manager-at-Risk and First Tier Subcontractor responsibilities available for review by The City of Salisbury upon request.
- g. Provide one of the following upon being named the apparent low bidder: (1) an affidavit that includes a description of the portion of work to be executed by minority businesses, expressed as a percentage of the total contract price, which is equal to or more than the applicable goal. This affidavit shall give rise to a presumption that the bidder has made the required good faith effort; or (2) if the percentage is not equal to the applicable goal, then documentation of all good faith efforts taken to meet the goal. The documentation must include evidence of all good faith efforts that were implemented, including any advertisements, solicitations, and evidence of other specific actions demonstrating recruitment and selection of minority businesses for participation in the contract. Failure to comply with these requirements is grounds for rejection of the bid and award to the next lowest responsible and responsive bidder.
- h. Identify the name(s) of minority business subcontractor(s) and corresponding dollar amount of work on the schedule of values.
- i. Submit with each monthly pay requests(s) and final payment(s), “MBE Documentation for Contract Payment” for designer’s review.
- j. If at any time during the construction of a project, it becomes necessary to replace a minority business subcontractor, immediately advise the owner in writing of the circumstances involved. The prime contractor shall make a good faith effort to replace a minority business subcontractor with another minority business subcontractor.

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- k. Make a good faith effort to solicit sub-bids from minority businesses during the construction of a project if additional subcontracting opportunities become available.

### **MINORITY BUSINESS RESPONSIBILITIES**

The City of Salisbury does not certify minority, disadvantaged or woman-owned businesses. Any business which desires to participate as an MBE will be required to complete and submit for certification, documents required by the agencies listed below. Only those firms holding current certification through at least one of the following agencies will be considered eligible for inclusion in meeting the MBE participation percentage goals:

North Carolina Administration Department Historically Underutilized Business (HUB) certification.  
North Carolina Department of Transportation Minority/Disadvantage/Woman-owned Business certification.  
Small Business Administration 8(a) certification.  
Other governmental agencies on a case-by-case basis.

A copy of these guidelines will be issued with each bid package for The City of Salisbury building construction projects. These guidelines shall apply to all contractors regardless of ownership.

### **MINIMUM COMPLIANCE REQUIREMENTS**

All written statements, affidavits or intentions made by the Bidder shall become a part of the agreement between the Contractor and The City of Salisbury for the performance of the contract. Failure to comply with any of these statements, affidavits or intentions, or with the minority business guidelines shall constitute a breach of contract. A finding by the City that any information, submitted either prior to award of the contract or during the performance of the contract, is inaccurate, false or incomplete, shall constitute a breach of the contract. Any such breach may result in termination of the contract in accordance with the termination provisions contained in the contract. It shall be solely at the option of the City of Salisbury whether to terminate the contract for breach.

In determining whether a contractor has made Good Faith Efforts, the City of Salisbury will evaluate all efforts made by the Contractor and will determine compliance in regard to quantity, intensity, and results of these efforts. At least five of the following ten good faith efforts must be made in order to meet the Good Faith Efforts requirement:

- (1) Contacting minority businesses that reasonably could have been expected to submit a quote and that were known to the contractor or available on State or local government maintained lists at least 10 days before the bid or proposal date and notifying them of the nature and scope of the work to be performed.
- (2) Making the construction plans, specifications and requirements available for review by prospective minority businesses, or providing these documents to them at least 10 days before the bid or proposals are due.
- (3) Breaking down or combining elements of work in economically feasible units to facilitate minority participation.
- (4) Working with minority trade, community, or contractor organizations identified by the Office for Historically Underutilized Businesses and those included in the bid documents to provide assistance in recruitment of minority businesses.
- (5) Attending any pre-bid meetings scheduled by the public owner.
- (6) Providing assistance in getting required bonding or insurance or providing alternatives to bonding or insurance for subcontractors.
- (7) Negotiating in good faith with interested minority businesses and not rejecting them as unqualified without sound reasons based on their capabilities. Any rejection of a minority business based on lack of qualification should have the reasons documented in writing.
- (8) Providing assistance to an otherwise qualified minority business in need of equipment, loan capital, lines of credit, or joint pay agreements to secure loans, supplies, or letters of credit, including waiving credit that is ordinarily required. Assisting minority businesses in obtaining the same unit pricing with the bidder's suppliers in order to help minority businesses in establishing credit.

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- (9) Negotiating joint venture and partnership arrangements with minority businesses in order to increase opportunities for minority business participation on a public building construction or repair project when possible.
- (10) Providing quick pay agreements and policies to enable minority contractors and suppliers to meet cash-flow demands.

**Contractual Insurance Requirements - Construction Contracts**

These guidelines are not all inclusive and scopes and limits could change due to the nature of the service provided. However, minimum standards are illustrated below.

A vendor shall procure and maintain for the duration of the contract insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work by the contractor, his agents, representatives, employees or subcontractors, if applicable.

**Minimum Scope of Insurance:**

- General Liability
- Auto Liability, if applicable
- Worker's Compensation Insurance
- Professional Liability, when applicable

**Minimum Limits of Insurance:**

**General Liability** - No less than \$1,000,000, with \$2,000,000 being the preferred limit per occurrence for bodily injury, personal injury and property damage. General aggregate limit shall apply separately to each project/location and limit shall not be less than the required occurrence limit.

**Auto Liability:**

No less than \$1,000,000, with \$2,000,000 being the preferred limit per occurrence combined single limit per accident per for bodily injury and property damage.

**Workers Compensation and Employers Liability:**

Workers Compensation as required by the State of North Carolina and Employers Liability limits of no less than \$1,000,000 for bodily injury per accident.

**Deductibles and Self-Insured Retention:**

Any deductible or self-insured retention must be declared to and approved by the city.

**OTHER INSURANCE PROVISIONS**

The policy or policies are to contain, or be endorsed to contain, the following provisions:

1. Contractor insurance to be considered primary for losses that occur as a direct result of the contractor's actions. The policy should cover the city for any liability arising out of the activities performed by or on behalf of the contractor, including products and completed operations of the contractor; or automobiles owned, leased, hired or borrowed by the contractor. The coverage shall contain no special limitations on the scope of the protection afforded to the city, its officers, officials, employees or volunteers.
2. Any insurance maintained by the city shall be in excess of the contractor's insurance.
3. Coverage shall state that the contractor's insurance shall not be suspended, voided, canceled, reduced in coverage or in limits except after 30 days written notice.

**VERIFICATION OF COVERAGE**

The contractor shall furnish the city with certificates of insurance and with original endorsements. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. The certificates and/or endorsements are to be provided to the city on standard form before a contract is valid.

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**THE BIDDING PROCESS**

**THE FOLLOWING PAGES ARE TO INTRODUCE YOU TO THE BIDDING PROCESS  
WHICH INCLUDES THE FOLLOWING:**

- **Competitive Bids**
- **Informal Bids**
- **Formal Bids**
- **Used Equipment Purchase**
- **Advertising for Bids**
- **Award of Bids**
- **Bids Requiring City Council Action**
- **Vendor Relationship**
- **Gifts and Favors**

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**SUBJECT:     COMPETITIVE BIDDING**

**N. C. GENERAL STATUTE REFERENCE: G.S. 143-129**

**PURPOSE:**     The purpose of this policy shall be to define the City's position on competitive bidding.

**POLICY:**       Competitive Bidding

It is the policy of the City to write product specifications in such a way as to encourage competitive bidding whenever possible. In such cases where the specifications recommended by a department head or others have the result of discouraging or precluding competitive bidding, the burden of the proof shall rest with that department head or others to justify the need for such restrictive specifications. The City Council shall always be advised of situations where competitive bidding was not possible and the reasons. Those insisting on specifications which discourage or preclude competitive bidding shall be expected to defend those specifications before the City Manager.

It is also the policy of the City to offer local vendors the opportunity to submit bid proposals on any items or projects that are within that vendor's normal scope of work.

This policy should not be interpreted as restricting requests for bid proposals to local vendors only. The purpose of this policy is to assure that local vendors have an opportunity to participate in City contracts

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**SUBJECT:      **INFORMAL BID - For the purchase of “Apparatus, Supplies, materials, and Equipment”****

**N.C. GENERAL STATUTE REFERENCE: G.S. 143-131**

**PURPOSE:**    The purpose of this policy is to provide a uniform procedure for the purchase of “apparatus, supplies, materials, or equipment” involving the expenditure of more than \$5,000 but less than \$90,000.

**POLICY:**      Written specifications shall be prepared by the requesting department and reviewed the Purchasing Division for all purchases that exceed \$5,000.

Contracts issued by the North Carolina Division of Purchasing and Contracts shall be used whenever possible in the acquisition of all “apparatus, supplies, materials, or equipment”.

Local vendors registered with the State of North Carolina as “**Historically Underutilized Businesses**” shall be given every opportunity to offer bid proposals on purchases of “apparatus, supplies, materials, or equipment” for the City of Salisbury.

All proposals, quotes, or bids, received for purchases of \$5,000 or more shall be in written form.

The Purchasing Division is responsible for maintaining files containing original copies of all bid documents for purchases that exceed \$5,000.

Proposals for purchases under \$5,000 may be obtained in writing or verbally from a supplier. The requesting department is responsible for maintaining records of all written or verbal proposals received for purchases under \$5,000.

**PURCHASE APPROVAL:**

Approval of informal purchases involving the expenditure of more than \$5,000 but less than \$50,000 are made by the Purchasing Manager.

Approval of informal purchases involving the expenditure of more than \$50,000 but less than \$90,000 are made by the City Manager.

Purchases involving the expenditure of more than \$90,000 are considered formal purchases and must follow the formal purchasing policy and procedure.

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**SUBJECT:    INFORMAL BIDS - BUILDING CONSTRUCTION OR REPAIR CONTRACTS**

**N.C. GENERAL STATUTE REFERENCE: 143-131**

**PURPOSE:**    The purpose of this policy is to provide a uniform procedure for soliciting bid proposals for **BUILDING CONSTRUCTION OR REPAIR** contracts with an estimated expenditure of more than \$5,000 but less than \$200,000.

**POLICY:**       Written specifications shall be prepared by the requesting department and reviewed by the Purchasing Division for all **Building Construction or Repair** contracts with an estimated expenditure of more than \$5,000 but less than \$200,000.

Plans and specifications for public **Building Construction or Repair Projects** must be prepared by a **registered architect** or a **registered engineer** depending upon the requirements of the project when the expenditure exceeds:

1. **\$135,000** for projects that include “**major structural change in framing or foundation support system**”,
2. **\$100,000** for the repair of public buildings “**effecting life safety systems**”,
3. **\$135,000** “**for the construction of, or addition to, public buildings.**”

**Building Construction or Repair** contracts with an estimated expenditure of **\$5,000** or more are subject to constraints mandated by Senate Bill 914, which requires minority notification and solicitation in all **Building Construction or Repair** contracts.

As accurate and detailed documentation is critical to meet the reporting requirements of Senate Bill 914, the Purchasing Division **shall** be involved in all phases of **Building Construction or Repair** contracts involving City owned buildings.

The Purchasing Division is responsible for maintaining files containing original copies of all **Building Construction or Repair** contract documents.

**PURCHASE APPROVAL:**

Approval of **Building Construction or Repair** contracts involving the expenditure of more than \$5,000 but less than \$50,000 are made by the **Purchasing Manager**.

Approval of **Building Construction or Repair** contracts involving the expenditure of more than \$50,000 but less than \$200,000 are made by the **City Manager**.

Note: As a matter of practice, **Building Construction or Repair** contracts that exceed \$100,000 are presented to the City Council for their information and approval.

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**SUBJECT: FORMAL BID - For the purchase of “Apparatus, Supplies, Materials, and Equipment”**

**N.C. GENERAL STATUTE REFERENCE: G.S. 143-129**

**PURPOSE:** The purpose of this policy is to provide a uniform procedure for the purchase of “apparatus, supplies, materials, or equipment” involving the expenditure of \$90,000 or more.

**POLICY:** Detailed written specifications are prepared by the requesting department with the assistance of the Purchasing Division for all purchases involving the expenditure of \$90,000 or more.

Contracts issued by the North Carolina Division of Purchasing and Contracts shall be used whenever possible in the acquisition of all “apparatus, supplies, materials, or equipment”.

Local vendors registered with the State of North Carolina as “**Historically Underutilized Businesses**” shall be given every opportunity to offer bid proposals on purchases of “apparatus, supplies, materials, or equipment” for the City of Salisbury.

All bid proposals received for purchases of \$90,000 or more shall be in written form.

The Purchasing Division is responsible for maintaining files containing original copies of all Formal Bid documents.

**PURCHASE APPROVAL:**

Approval of formally bid purchases involving the expenditure of \$90,000 or more must be approved by the City Council

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**SUBJECT: FORMAL BIDS - Building Construction or Repair Contracts**

**N.C. GENERAL STATUTE REFERENCE : G.S. 143-128**

**PURPOSE:** The purpose of this policy is to provide a uniform procedure for soliciting bid proposals for **BUILDING CONSTRUCTION OR REPAIR** contracts with an estimated expenditure of \$200,000 or more.

**POLICY:** Formal bid documents are prepared by the Purchasing Division including the specifications and blueprints prepared by an Architect or Engineer for all **Building Construction or Repair** contracts with an estimated expenditure of \$200,000 or more.

**Building Construction or Repair** contracts with an estimated expenditure of \$200,000 or more are subject to constraints mandated by **Senate Bill 914**, which requires minority notification and solicitation in all **Building Construction or Repair** contracts.

Local vendors registered with the State of North Carolina as “**Historically Underutilized Businesses**” shall be given every opportunity to offer bid proposals on **Building Construction or Repair** contracts with the City of Salisbury.

As accurate and detailed documentation is critical in meeting the reporting requirements of Senate Bill 914, the Purchasing Division shall be involved in all phases of Formal **Building Construction or Repair** contracts involving buildings owned by the City of Salisbury.

The Purchasing Division is responsible for maintaining files containing original copies of all **Building Construction or Repair** contract documents.

**PURCHASE APPROVAL:**

Approval of **Building Construction or Repair** contracts involving the expenditure of \$200,000 or more is the responsibility of the City Council.

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**SUBJECT: USED EQUIPMENT PURCHASES**

**N. C. GENERAL STATUTE REFERENCE: G.S. 143-129(E)(10)**

**PURPOSE:** The purpose of this policy is to provide a uniform procedure for the purchase of “used apparatus, supplies, materials, or equipment.”

**POLICY:** Local governments may purchase used apparatus, supplies, materials, or equipment without complying with the competitive bidding requirements. This exception recognizes the situation that usually exists with used equipment, which is that each item is unique in terms of age and condition, making bidding impractical.

This exception does not apply, however, to **remanufactured, refabricated, or “demo”** items.

For the purposes of this exception, the statute defines a “demo” item as one that is used for demonstration and is sold by the manufacturer or retailer at a discount.

For the purpose of licensed or titled vehicles, a “used” vehicle is one that has been “titled” to a previous owner.

Although the City rarely buys “used” apparatus, supplies, materials, or equipment, on occasion it may be determined by the Fleet Manager in consultation with the Purchasing Manager, that the savings realized by purchasing a “used” piece of equipment would be in the best interest of the City.

**PURCHASE APPROVAL:**

Approval of “used” purchases involving the expenditure of more than \$5,000 but less than \$50,000 are made by the Purchasing Manager.

Approval of “used” purchases involving the expenditure of more than \$50,000 are made by the City Manager.

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**SUBJECT:           ADVERTISING FOR BIDS**

**PURPOSE:**    The purpose of this policy is to establish who shall advertise for bids and when.

**N.C. GENERAL STATUE REFERENCE G.S. 143-129(b)**

**POLICY:**       North Carolina G.S. 143-129(b) require that at least seven full days must lapse between the date the advertisement appears and the date of the opening of formal bids.

Examples of Formal bids that require advertising include the following:

1. Apparatus, Supplies, Materials, & Equipment \$90,000.00 or more \*
2. Construction or Repair \$200,000.00 or more \*
3. Public Works Construction Contracts \$200,000.00 or more \*\*
4. Certain Specific Projects Authorized by City Council \$50,000.00 or more \*\*

\*Advertised by Purchasing Agent

\*\* Advertised by Consultant or City Clerk

**PROCEDURE:**

1. All Legal Notices are published in the Salisbury Post.
2. Legal Notices are normally due to the newspaper office 2 days prior to publication unless a weekend is involved.
3. Each Legal Notice must contain the following:
  - a. Time and location where plans and specifications may be obtained
  - b. Time and location of bid opening
  - c. The City shall reserve the right to reject any and all bids
  - d. On certain construction contracts, a notice that bidders must be properly licensed under Chapter 87, General Statutes of NC (GS 87- 15) is required

**CITY OF SALISBURY  
PURCHASING POLICIES AND PROCEDURES**

**SUBJECT: AWARD OF BIDS**

**PURPOSE:** The purpose of this procedure is to make known how bids are awarded.

**N.C. GENERAL STATUTE REFERENCE: G.S.143-129(b)**

**POLICY:** It shall be the City's policy to award all bids in accordance with N.C. General Statutes 143-129 (b).

**PROCEDURE:**

1. Bids shall be awarded to the *lowest responsible bidder* taking into consideration:
  - a. Quality
  - b. Performance
  - c. Time specified in proposal for performance of the contract
2. Informal bids under \$50,000.00 are awarded by the Purchasing Manager.
3. Informal bids for apparatus materials, supplies, and equipment under \$90,000 are awarded by the City Manager.
4. Formal bids of \$90,000 or more for apparatus, materials, supplies, and equipment are awarded by the City Council
5. Informal bids for **Building Construction or Repair** contracts involving the expenditure of more than \$50,000 but less than \$200,000 are made by the **City Manager**.

Note: As a matter of practice, informal bids for **Building Construction or Repair** contracts that exceed \$100,000 are presented to the City Council for their information and approval.

6. Formal bids of \$200,000.00 or more are awarded by the City Council based on recommendation by staff.

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**SUBJECT: BIDS REQUIRING CITY COUNCIL ACTION**

**N.C. GENERAL STATUTE REFERENCE: G.S. 143-129**

**PURPOSE:** The purpose of this policy is to define those items which require City Council Approval.

**POLICY:**

It is the City's policy to obtain approval of the City Council on the following:

1. Bid of \$90,000.00 or more for the purchase of apparatus, supplies, materials, and equipment.
2. Bids of \$200,000.00 or more for construction or repair work.  
(see previous note on page 19 concerning actual practice)
3. Bids for services costing \$200,000.00 or more per contract period.

**CITY OF SALISBURY  
PURCHASING POLICIES AND PROCEDURES**

**SUBJECT:    VENDOR RELATIONSHIP**

**PURPOSE:**    The purpose of this procedure is to make known the City's policy in developing relationships with vendors.

**POLICY:**       It is the City's policy to continue improving vendor relationships whereby the City can benefit from competitive bidding.

**PROCEDURE:**

**VENDOR RELATIONS**

It is the desire of the City of Salisbury to maintain good vendor relations at all times. This shall be accomplished by providing vendors with an equal opportunity to submit prices on a competitive basis. **No one supplier is to be played against another.** Care shall always be taken to avoid imposing on a supplier's time when it is known that bids will be requested and open to all bidders. Unless, the supplier is aware of the bidding requirements, the City may be obligating itself to that supplier. If detailed work is required of a supplier in the preparation of specifications, then that supplier should be compensated for their services.

**INTERVIEWING SUPPLIERS**

All vendors desiring to do business with the City of Salisbury should first contact the Purchasing Division providing a list of the products or services they wish to provide. The Purchasing Division will maintain a vendor file for future reference. When a need arises, the Department Manager should contact the Purchasing Division for a vendor source or reference.

**NO DEPARTMENT OR DIVISION OF THE CITY OF SALISBURY SHOULD EVER PLACE A VERBAL ORDER WITH A VENDOR OR OBLIGATE THE CITY OF SALISBURY PRIOR TO THE ISSUANCE OF A PURCHASE ORDER.**

\*\*Verbal orders have resulted in double shipments and restocking charges of as much as 25% to that department.

**SELECTION OF VENDORS**

Suppliers are selected based on results of interviews and based on their ability to furnish and service a quality product. The Purchasing Division maintains a list of suppliers of various products. New suppliers are added to the vendor list as they become available. It is the City's policy to award orders to the lowest responsible bidders.

**PREFERENCE TO VENDORS**

Preference will be given to bidders only when tie bids are involved and one of the bidders is a local supplier and the other is from out-of-town or out-of-state. In this case, the local supplier would be awarded the business, if it is deemed in the best interest of the City of Salisbury.

**CITY OF SALISBURY  
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**SUBJECT: GIFTS AND FAVORS**

**N.C. GENERAL STATUTE REFERENCE: G.S.133-32**

**PURPOSE”** The purpose of this policy is to provide a uniform procedure for handling gifts and favors involving municipal employees.

**POLICY:** It is the City of Salisbury’s policy to not accept gifts or favors from existing or potential vendors of the City.

**PROCEDURE:** North Carolina General Statute 133-32 makes it a Class 1 misdemeanor to give or receive gifts and favors in the context of contracting. The statute applies to current contractors, those who have performed under a contract (purchase order) within the past year, or those who “anticipate bidding on such a contract in the future”. The prohibition on receiving gifts and favors applies to any officer or employee who prepares plans, specifications, or estimates; awards or administers contracts; or inspects or supervises such construction. The statute uses the word “construction’ but the courts have interpreted this to apply to any type of local government contract. This statute does not define what constitutes a gift or favor but does establish some exceptions. It is prudent to interpret the statute as prohibiting the giving or receiving of anything of value that is not covered by one of the following exceptions.

The statute allows the gift and receipt of:

1. honoraria for participating in meetings
2. advertising items or souvenirs of *nominal* value
3. meals furnished at banquets
4. contractor donations to professional organizations to which local government officials or employees may belong, including participation in all scheduled functions of such organizations, and
5. customary gifts from friends and family members, as long as the family or friendship relationship, not the desire to do business with the local government, is the motivating factor for the gift.

A provision in the statute that requires such gifts to be reported to the head of the agency. It is not clear whether this requirement applies to all gifts or only to gifts received under the exception allowance. The safest practice would be to report all gifts or favors received under any of the categories of exceptions.

Note: The statute prohibits a gift to an individual but does not prohibit a gift to an organization or department. The act of sharing gifts of food or other items makes the gift a gift to the organization, and the amount received by any one individual becomes *nominal*.

**CITY OF SALISBURY  
PURCHASING POLICIES AND PROCEDURES**

**PURCHASING POLICIES & PROCEDURES**

THE FOLLOWING PAGES ARE TO INTRODUCE YOU TO THE USE OF PURCHASING POLICIES & PROCEDURES WHICH INCLUDE THE FOLLOWING:

- Electronic Requisitions
- Procurement Card
- Purchase Orders
- Open Purchase Orders
- Orders: How, When, and Why
- Emergency Purchase Orders
- Receiving of Goods

**CITY OF SALISBURY  
PURCHASING POLICIES AND PROCEDURES**

**SUBJECT:**    **ELECTRONIC PURCHASE REQUISITION**

**PURPOSE:**    The electronic purchase requisition is used to order apparatus, supplies, materials, and equipment.

**POLICY:**      To expedite the acquisition of apparatus, supplies, materials, and equipment, the City uses an electronic purchase requisition form.

**PROCEDURE:**

Requisitions are filed electronically by the end user. These requisitions are reviewed by the Department Manager or approved personnel and are then reviewed by the Purchasing Manager.

When approved by the Purchasing Manager a purchase order is issued.

New personnel who are assigned purchasing responsibilities should contact the Purchasing Division to arrange for training in the use of the electronic purchase requisition.

**CITY OF SALISBURY  
PURCHASING POLICIES AND PROCEDURES**

**SUBJECT:    PROCUREMENT CARD POLICY**

**POLICY:**    The purpose of this policy is to provide a procedure in the purchasing process for the use of procurement cards for small value purchases (**less than \$500.00 per item**).

**OVERVIEW:** The use of procurement cards has been proven to be a cost effective method of obtaining low cost supply and service items for the City.  
Some travel and training costs may also be handled best through the procurement card process.

**SCOPE:**    The procurement card will be used only when:

1. The items and/or services to be purchased are for the official use of the City of Salisbury.
2. The types of items and/or services to be purchased are those established by the Department Director/ Division Manager and approved by Finance.
3. The cost of the proposed purchase does not exceed the small value purchase transaction limit (\$500.00) established by the Department Director/Division Manager and approved by Finance.

**PROCEDURE:**

For the procurement card process to operate efficiently, a timely response to each of the elements of the procedures is required from those concerned. Failure to do so will result in past due transactions appearing on the statements and cards being rejected because of limits being exceeded. Employee absence should be anticipated and arrangements put in place so that the process flow will not be delayed.

**For the protection of all, the Purchasing Manager is to be notified immediately when a card is lost or stolen.**

**Issuance of procurement card**

1. The employee must sign documentation verifying agreement to conditions of use.
2. The Department Director/Division Manager will determine the purchase authority of their employee and sign the enrollment form indicating approval. (A memo requesting issuance of a card may be used in lieu of a signed enrollment form)
3. Finance/Purchasing will review the enrollment form and process for issuance of a procurement card to the employee.
4. New procurement cards are ordered as needed.

**CITY OF SALISBURY  
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**Use of procurement card**

The cardholder will retain vendor's receipts, records of telephone orders and/or copies of mail orders and file for future reconciliation of the purchase card statement.

**Payment of procurement card charges**

1. The Department Director/Division Manager will ensure that sufficient funds are available to pay for every purchase.
2. The cardholder will receive a printed statement on a weekly basis. It is the cardholder's responsibility to assign the correct account number to each item on the weekly statement and to return the **original** printed statement to the Purchasing Division on a timely basis (within 3 working days).
3. The Purchasing Division will forward all completed printed statements to accounting for posting to the General Ledger on a weekly basis.
4. The cardholder will reconcile the monthly statement received from Purchasing with the receipts and sign as correct.
5. Undocumented transactions (telephone orders) may be approved by noting beside the item on the statement "No receipt – O.K. to pay" and signed by the Department Director/ Division Manager.
6. The Department Director/ Division Manager will review the reconciled statement, mark the statement as "Approved for payment", sign and return to the Purchasing Division with receipts on a timely basis (within 10 working days).
7. The Purchasing Division is responsible for auditing all purchases and will investigate any purchase that appears to be in violation of City policy and will recommend any remedial action that appears to be necessary to correct said violation. Random purchases will also be selected by the Purchasing Manager for closer scrutiny and all documentation for that purchase will be reviewed.
8. Any disputed transactions are to be referred to the Purchasing Division for handling.

**CITY OF SALISBURY  
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**SUBJECT: PURCHASE ORDER**

**PURPOSE:** The Purchase Order serves as authorization to the supplier to furnish a product or service to the City. It is used to encumber funds and assures the suppliers' that funds are available for the purchase.

**POLICY:** No Purchase Order can be processed until the Purchasing Division receives a "Reviewed" electronic requisition from the ordering department.

**Confirming orders will not be issued to suppliers once an order has been placed by a department without authorization.**

The Purchasing Division must authorize and issue all Purchase Orders.

**CITY OF SALISBURY  
PURCHASING POLICIES AND PROCEDURES**

**SUBJECT: OPEN PURCHASE ORDERS**

**PURPOSE:** Open purchase orders are to be entered into the MAIS purchasing system by the requesting department. Open purchase orders are for those few merchants from whom many repetitive purchases are made as supplies are required. Rather than issue a purchase order for each purchase, one purchase order is issued annually to cover all purchases. **In no instance are individual items with a cost of \$5,000 or more to be purchased using an Open Purchase Order. Acquisition of items costing \$5,000 or more as to be handled using the informal bidding procedure as described earlier in this manual. Also, as \$5,000 is the threshold for Fixed Asset accountability, purchases of this type should be not be made on an open purchase order.**

**POLICY:** The Purchasing Manager and Department Director or Division Manager shall work together to use this procedure where it appears to be in the City's best interest.

**PROCEDURE:**

1. The Department Head or Division Manager must make a request to the Purchasing Division (by electronic requisition) giving the following information:
  - a. Name of vendor
  - b. Maximum amount anticipated to be purchased
  - c. Names of individuals who shall be permitted to place or pick-up orders
2. The Purchasing Division will review all requests in the electronic purchasing system, and if in order, will issue the purchase order.
3. Maximum expenditures will be provided on the Open Purchase Order. Such maximum will be worked out with the individual department. Because of bid requirements, no single purchase may be made to exceed \$5,000. Bids are required for all purchases of \$5,000 and more. **(it should be emphasized that this does not mean the total monthly order cannot exceed \$5,000.)**
4. This procedure may be used for in and out-of-town suppliers once authorized by the Purchasing Division.
5. The Open Purchase Order to the vendor will contain such information as:
  - a. Maximum amount that can be ordered
  - b. Department/Division authorized to order
  - c. Persons authorized to place orders
  - d. Billing instructions
  - e. All other information that is normally inserted on purchase orders.
6. The maximum dollar amount on the order will be encumbered as each order is processed.

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7. Persons who use this procedure will always refer to the purchase order number when placing orders.
8. For all orders received on an open purchase order, a signed counter ticket, packing slip, etc., must be forwarded to Accounts Payable with any receiving report requesting payments against this order.
9. Examples of items which might come under this procedure are:
  - a. Concrete
  - b. Gravel
  - c. Parts
  - d. Electrical Supplies

**CITY OF SALISBURY  
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**SUBJECT: ORDERS: HOW TO PLACE, RECEIVE, SIGN FOR, LATE, RETURN, PARTIAL, CHANGING, CANCELLATION**

**PURPOSE:** The purpose of this procedure is to describe how, when, and where to place orders; what to do upon receiving orders; how to change orders, handle return orders, back orders, and how to cancel orders.

**POLICY:** It is the City's policy that all orders placed by purchase order be done so by the Purchasing Division. The same shall apply to changing or cancellation of orders.

Normally, once orders are placed, no further follow-up is done unless the Purchasing Division is advised that the order was not delivered on time.

**PROCEDURE:**

**HOW TO PLACE AN ORDER**

To place an order that does not require bidding, prepare an electronic requisition. Describe the item in complete detail giving the quantity, size, color, the required features and the estimated time the item will require for delivery. Delivery instructions should be included on the requisition.

**WHEN TO PLACE AN ORDER**

The Purchasing Division should receive all purchase requests in sufficient time to allow the proper procedure to be followed in obtaining the required item.

Example:

1. Routine purchase orders are normally processed within 2 days of receipt of electronic requisition.
2. Items with an estimated cost of \$5,000 to \$89,999.99 require informal bids and may require a **60 day lead time**.
3. Items with an estimated cost of \$90,000.00 or more requires use of the formal bid procedure, advertisement, receiving bids and approval of the City Council. These require a **90 day lead time**.

**WHERE TO PLACE ORDERS**

All orders authorized by a Department Head or Division Manager are to be sent to the Purchasing Division for processing.

**RECEIVING AN ORDER**

When an order is received it must be checked carefully to insure it agrees with the delivery ticket, and that it is in good condition.

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If the item is correct, an E-mail is sent to the Purchasing Division stating that the order has been received and is approved for payment. Should part of an order be back ordered, it should be noted on the E-mail which item or items are missing and if a partial payment is approved.

**SIGNING FOR ORDERS**

Delivery tickets should only be signed by the person in charge of an office or one who has been authorized to do so by his supervisor. Before signing a delivery ticket, the quantity and condition of the delivered item should be checked carefully. If the item is boxed or crated where it cannot be checked, indicate on the delivery ticket "Item Not Checked". If damage is apparent, indicate "Damaged" on the delivery ticket and contact the vendor immediately. The Purchasing Division should also be advised of this action.

**LATE ORDERS**

When a purchase order is issued, an "expected delivery date" is established for tracking purposes. When this delivery date passes, the Purchasing Division checks with the receiving department to determine if the item has been received. If it has been received and no receiving report has been forwarded to the Purchasing Division, the department is requested to complete a receiving report and send to the Purchasing Division. If an item is not received by the expected delivery date, the department responsible for receiving the goods will contact the vendor to determine the order status and expedite the order if possible.

**RETURN ORDERS**

Most firms require that they be contacted for permission and instructions before an order can be returned. There may be a restocking fee for returned goods. All returns should be brought to the Purchasing Divisions attention.

**PARTIAL SHIPMENTS**

Partial shipments are those when only a part of an order is delivered. These orders may be paid for upon delivery. It should be noted on the receiving report which item(s) are on back order. **ONLY INVOICES FOR WHICH ITEMS HAVE BEEN RECEIVED WILL BE PAID. IN NO INSTANCE WILL THE CITY PAY IN ADVANCE FOR ANY ITEM ON ORDER.**

**CHANGE ORDERS**

Orders must be changed in writing and by the Purchasing Division.

**CANCELLATION OF ORDERS**

All orders must be canceled in writing by the Purchasing Division.

**CITY OF SALISBURY  
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**SUBJECT: EMERGENCY PURCHASE ORDERS**

**POLICY:** The purpose of this policy is to define an emergency order and how such should be handled.

**DEFINITIONS:**

**“An emergency is an unforeseen combination of circumstances or the resulting state that calls for immediate action”.**

**PROCEDURE:**

During regular office hours (8:30 AM - 5:00 PM)

The appropriate Department Director / Division Manager will make the decision that an emergency exist.

1. The Requesting User will enter requests into the electronic purchasing system.
2. Purchasing will then be contacted by phone. The request will be reviewed and the purchase order number will be generated by the electronic purchasing system.
3. The Purchasing Division will then provide an emergency purchase order number for the department to use when verbally placing the order.
4. A “confirmation” purchase order will not be mailed to the vendor unless the vendor requires this for their “system”.
5. Any counter ticket or invoices associated with this transaction must be forwarded to Purchasing.

**PROCEDURE:**

If the need for an emergency order arises after normal office hours (5:00 PM - 8:30 AM) the following procedure will apply:

1. The City Procurement Card is the preferred means of dealing with this situation. Please refer to the Procurement Card procedure policy.
2. In the event a vendor with whom the City normally does business can not take the Procurement Card for the purchase of the items needed to satisfy the emergency, a verbal authorization of purchase approval is to be given and an emergency order will be issued on the next working day of the governmental unit.
3. In this instance a purchase order will be mailed the vendor to confirm the order.

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**SPECIAL PROCEDURES**

THE FOLLOWING ITEMS COVER OTHER SPECIAL PROCEDURES RELATED TO THE PURCHASING FUNCTION:

- Checking of Funds
- Fixed Assets
- Sale of Surplus Personal Property
- Services

**CITY OF SALISBURY  
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**SUBJECT: CHECKING OF FUNDS**

**PURPOSE:** The purpose of this procedure is to establish the responsibility for insuring funds are available before making or requesting a purchase.

**PROCEDURE:**

1. Before placing an order, first be familiar with what funds were authorized in the current fiscal year budget.
2. Review the accounts in the City's accounting software to determine what line item to use and to determine the fund balance of that account.
3. When ordering capital equipment (equipment costing \$5000 or more and with a life expectancy of one year or more) the item must be specifically budgeted for and previously approved in the department's capital budget.
4. For orders where there is a lack of sufficient funds, a request for approval must be submitted in writing to the Finance Officer and City Manager.

**CITY OF SALISBURY  
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**SUBJECT:     FIXED ASSETS**

**Overview of Fixed Assets Accounting and Control**

Fixed assets are specific items of property that: (1) are tangible in nature; (2) have a life longer than one year; and (3) have a significant value. The significant value test is important because the City of Salisbury (City) has individual assets that are tangible and long-lived, but whose value is so small that the time and expense incurred in maintaining detailed accounting and inventory records for them are not justified.

The value of fixed assets for the City, including the very smallest ones, is substantial. Maintaining a complete and accurate accounting for fixed assets with significant value is important for several reasons. Adequate accounting procedures and records for fixed assets is essential to effective property management and control. The stewardship responsibility involved in safeguarding such a large public investment is of the utmost importance to sound financial administration.

**BENEFITS OF A GOOD FIXED ASSETS ACCOUNTING SYSTEM**

A good system of fixed assets accounting facilitates overall control and custody of the City's property; permits the assignment of direct responsibility for custody and proper use of specific fixed assets to individual public officials; and provides data essential to the proper management of fixed assets, including repairs/maintenance management and acquisition of adequate insurance coverage. An accounting of fixed assets is required for preparation of a satisfactory, and complete financial report. To meet the test of full disclosure, an annual financial report of the City must include complete fixed assets information.

**RECORDING FIXED ASSETS**

The City may acquire fixed assets by several methods: purchase, lease-purchase, construction, eminent domain, tax foreclosures, and gifts. Once fixed assets have been acquired and properly recorded on the books of account, subsidiary records on each recorded asset should be set up with the following information: (1) class code; (2) sequence or payment voucher number; (3) date of acquisition; (4) name and address of vendor; (5) abbreviated description; (6) department, division, and unit charged with custody; (7) location; (8) cost; (9) fund and account from which purchased; (10) method of acquisition; (11) estimated life; (12) Purchase Order Number (if applicable) and (13) date, method, and authorization of disposition.

**CONTROLLING FIXED ASSETS**

All equipment fixed assets should be appropriately marked and numbered by a permanent method of identification. Periodic inventories should be taken by authorized personnel.

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**DEPRECIATION**

Depreciation should be recorded in the accounts of proprietary funds (Enterprise Funds and Internal Service Funds) and in those Trust Funds in which expenses, net income, and/or capital maintenance are measured. Depreciation expense is not recorded in the accounts of governmental funds (the General Fund, Special Revenue Funds, Capital Project Funds, and Debt Service Funds.)

**PURPOSE - Classification, Valuation, and Recording of Fixed Assets**

This procedure defines the classifications of fixed assets, discusses fixed assets valuation considerations and elements, and lists steps to follow.

**DISCUSSION - Classification of Fixed Assets**

Fixed assets are tangible items of significant value having useful lives of more than one year. Fixed assets owned by the City should be controlled and recorded in the accounting records. Accounting classifications of fixed assets are:

**Land** - A fixed asset account that reflects the acquisition cost of land and the rights to land owned by the City of Salisbury. It includes all lands held in fee simple and all rights to land that have no termination date.

**Buildings** - A fixed asset account that reflects the acquisition cost of permanent structures owned by the City used to house persons and property. Permanently installed fixtures to or within these structures are considered parts of the structures. The costs of major improvements to structures are included in this account.

**Improvements Other Than Buildings/Distribution and Collection Systems (improvements)** - A fixed asset account that reflects the acquisition cost of permanent improvements, other than buildings, which add value to the land or improve the use of the land.

Examples of such improvements are: fences, retaining walls, drainage systems, sidewalks, driveways, water lines, and sewer lines. Note that when used in connection with fixed assets, the terms "Improvement" and "Betterment" have different meanings. "Improvements" are fixed assets permanently attached to land. "Betterment's" are additions to or changes in existing depreciable assets intended to increase their efficiency or prolong their useful lives.

The City will record public domain or "infrastructure" type fixed assets in the accounting records. This category of fixed assets includes roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and similar assets that are immovable and are of value to the City. Appropriate physical and administrative controls will be maintained over these assets.

**Construction In Progress** - A fixed asset account that reflects the cumulative total of construction projects that will be capitalized upon completion of the project, but is not yet completed. Examples would include water and sewer lines and buildings under construction at year end that will be capitalized upon completion.

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**Equipment** - A fixed asset account that reflects the value of tangible property, not permanently affixed to real property, which is useful in carrying out operations of the City. Examples of equipment are machinery, furniture, and vehicles.

**VALUATION OF FIXED ASSETS**

Fixed assets should be accounted for at cost or, if the cost is not practicably determinable, at estimated cost. Donated fixed assets should be recorded at their estimated fair value when received.

**Cost** - The cost of a fixed asset includes purchase price or construction cost and ancillary charges necessary to acquire the asset or to place it in the intended location and condition for use. Ancillary charges include costs such as transportation charges, site preparation, professional fees, legal claims directly attributable to asset acquisition, and certain interest costs during construction.

**Valuation Illustrations** - Valuation considerations by category of fixed assets include:

**Land** - If purchased, valuation of land includes such costs as purchase price, legal fees, filling and excavation, and other costs related directly to acquisition and preparation for use. Right of ways and easements are recorded at purchase cost plus legal costs. If land is acquired by gift, valuation recorded should be the appraised value at the time of acquisition.

**Buildings** - If purchased, valuation of buildings includes such costs as purchase price, acquisition legal fees, and other professional fees (related to design or construction). If acquired by gift, valuation recorded should be the appraised value at the time of acquisition. Preliminary design and engineering are not included in this valuation and are expensed as incurred.

**Improvements** - The basis of valuation is the same as for buildings.

**Equipment** - The basis of valuation of purchased equipment includes the net contract price, transportation charges, and the cost of installing special devices or other preparations required to place the asset in its intended use. The basis of valuation of donated equipment is the appraised value at the date acquired.

**RECORDING FIXED ASSETS**

The City is required by N.C. General Statutes (G.S. 159-26) to record and control fixed assets. Fixed assets require both physical and fiscal controls. Physically, it is necessary that all assets be identified and clearly marked, and that responsibility be assigned for their custody. Fiscal controls, consisting of records listing the assets owned, location of the assets, custodial responsibilities, and asset values, are intended to facilitate physical controls.

All fixed assets of significant value owned by the City should be recorded in its fixed assets accounting and inventory records. The following significant values are to be utilized:

**Land** - All land and permanent rights to land (e.g. easements) should be recorded without regard to any significant value.

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**Buildings** - All buildings should be recorded at acquisition cost without regard to significant value. Additions to buildings of less than \$10,000 cost should not be recorded.

**Improvements** - All improvements other than buildings should be recorded at acquisition without regard to significant value. Additions to these improvements of less than \$5000 should not be recorded.

**Equipment** - Equipment costing \$5000 and more should be recorded as fixed assets. Additions to equipment costing \$5000 or more should be recorded as fixed assets. Equipment costing less than the above should not be recorded except:

1. Assets costing less than \$5000 for which property records are required to be maintained by the terms of a grant or other agreement should be capitalized at \$1.00 for each separate asset record.
2. Equipment costing less than \$5000 that the City desires to control may be capitalized at \$1.00 for each separate asset record.

In the examples listed above, the purpose for recording the asset record at a \$1.00 value is to maintain a dollar amount control over all assets.

### **Procedures**

Fixed assets are recorded in the fixed asset records in accordance with the acquisition method of the asset. Methods as discussed previously are purchase, donation, and construction of fixed assets. Once an asset has been recorded any change in its status, whether it is moved, sold, or junked, must be recorded within that fixed asset's record.

#### **PURCHASE:**

Fixed assets to be purchased are acquired and recorded as follows:

1. The fixed asset need is identified and estimated cost established.
2. The fixed asset is budgeted for in a capital outlay account. No fixed assets may be acquired in an operating account nor may an operating expenditure be charged to a capital outlay account.
3. An electronic requisition is completed and sent to the Purchasing Division.
4. Bid Proposals are obtained and reviewed.
5. A Purchase Order for fixed assets is issued.
6. Upon receipt of fixed asset, a Receiving Report is prepared which includes the serial number and packing list (if any) and sent to the Purchasing Division.
7. The Purchasing Division assigns a Fixed Asset number to the item. The Fixed Asset is not to be placed into service until the serial number is verified and the Fixed Asset tag is affixed to it.
8. The Fixed Asset number is entered into the Fixed Asset Master File together with all appropriate information obtained. A tickler file is created so that Fixed Assets that lack information can be easily identified and *appropriate action* taken to gather that information.
9. Finance Department pays the invoice for the Fixed Asset.

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10. Each weekly payment to vendors is reviewed to insure that all purchases meeting the Fixed Asset criteria are accounted for.
11. Fixed asset records are updated with missing information and removed from tickler file.

**DONATION**

Fixed assets that the City receives through donation are recorded as follows:

1. The Fixed Asset is identified and a fair market value established.
2. The Purchasing Division assigns a Fixed Asset number to the Fixed Asset. This *number* is then affixed to the Fixed Asset. The Fixed Asset is not to be placed into service until the Fixed Asset Number is affixed to it.
3. The Fixed Asset Number is entered into the Fixed Asset Master File together with all appropriate information.

**CONSTRUCTION**

Fixed assets to be created through the construction of a new asset such as buildings, utility lines, or renovation of existing Buildings or Improvements other than Buildings, *is* built and recorded as follows: These additions to Fixed Assets are designated as capital projects and accounted for in a different fashion than non-capital project additions (those acquired via purchase or donation).

1. The capital project is identified and estimated costs determined.
2. Preliminary design prepared.
3. A capital project budget to fund the development of the project's plans and specifications.
4. A project number is assigned to the capital project to track costs.
5. Bid Proposals are obtained and reviewed.
6. Capital Project Ordinance is amended to include construction cost.
7. Contracts are awarded to contractor(s) and signed.
8. After all Construction has been completed, the Purchasing Division assigns fixed asset number to constructed asset.
9. Asset is added to Fixed Asset Masterfile together with all appropriate information.

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All costs associated with a construction project are expensed until a Capital Project Ordinance is approved by the City Council. If a Capital Project is uncompleted at year-end, the costs accumulated during the year are capitalized as construction-in-process. When the capital project is completed, the total cost of the capital project is reclassified from construction-in-process to the appropriate fixed asset classification.

**TRANSFERS**

Fixed assets moved from one location to another location are considered to be transferred. This can be either interdepartmental or intradepartmental transfers. These assets are to be accounted for as follows:

1. The department which is transferring the asset is to complete a Fixed Asset Change Request. This request is to be signed by the Department Head(s) involved in the move.
2. The Fixed Asset Change Request is forwarded to the Purchasing Division.
3. The Purchasing Division will update the Fixed Asset Masterfile with the appropriate information.

The Fixed Asset Change Request contains the following information:

1. Department making the transfer.
2. Department receiving the transfer.
3. The location at which the asset is placed.
4. The signature of the department head of the receiving department.

**DISPOSALS**

Fixed assets that are sold, scrapped, junked, or lost are considered to be disposed of. **No fixed asset is to be sold, scrapped or junked prior to receiving approval from the Purchasing Division.** Fixed assets which are lost will be reported to the City Manager for disposition. These fixed assets are recorded as follows:

1. The department disposing of the fixed asset will complete a Fixed Asset Change Request. This request is to be signed by the Department Head.
2. The Fixed Asset Change Request is forwarded to the Purchasing Division.
3. The Purchasing Division will update the Fixed Asset Masterfile with the appropriate information.

**Account Code Numbers**

Capital Projects are to be segregated from normal operating departments with line items established for the various costs that will be incurred during the duration of the project. Such line items could include design, construction, administration, inspection, purchase of land and right-of-way, and coordination. The Accounting Division is responsible for providing any unique account number as necessary.

The following is a list of various types of equipment and suggested locations for affixing asset control tags or otherwise tagging the equipment.

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**TAGGING LOCATIONS**

<b>Illustrative Items of Equipment</b>	<b>Suggested Location of Asset Control Tag</b>
Adding machines, typewriters, calculators, and similar office equipment	Back of machine, near manufacturer's ID tag
Air compressors, welders, generators	Near Manufacturer's ID tag
Air conditioners, freezers, refrigerators, water coolers, vending machines that are owned, and similar type equipment	Right side of upper cover
Chairs	Middle or top of seat back
Copy machines, mail metering and sealing equipment, offset machines, and similar type equipment	Near manufacturer's ID tag (back of most models)
Desks, tables, etc.	Top of right front leg
Files, safes, and other storage equipment	Top right front corner
Floor machines, vacuum cleaners, etc.	Top front
Automobiles, ambulances, trucks, tractors, and other mobile road equipment	On the left front door (drivers side)
Portable power hand tools	Near manufacturer's tag
Radio receivers, transmitters, TV sets, etc.	Back, near manufacturer's ID tag
Other miscellaneous <u>equipment</u>	Near manufacturer's <u>ID tag</u>

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**SUBJECT: SALE OF SURPLUS PERSONAL PROPERTY**

**PURPOSE:** The purpose of this procedure is to establish certain guidelines for the disposal of any obsolete, surplus, or other equipment the City may offer for sale to the public.

**N.C. GENERAL STATUTE REFERENCE: G.S. 160A-270**

**POLICY:**

1. The Purchasing Manager will process all personal property sales for the City of Salisbury. This will be accomplished by requesting the City Council to declare certain items surplus and advertising the sale or; by the Council designating the authority to the Purchasing Manager to sell individual items values at less than \$5,000 by informal procedures designed to obtain a fair market value.
2. No City employee or Department Head may at any time dispose of City owned property of any kind without first approval of the Purchasing Manager.
3. All sales are made in compliance with the NC Statutes governing such.

**HOW ITEMS ARE SOLD:**

Surplus equipment such as automobiles, trucks, furniture, and other equipment are sold by electronically means as need dictates..

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**SUBJECT: SERVICES**

**PURPOSE:** The purpose of this procedure is to provide a uniform method of obtaining services for the City.

**POLICY:**

1. The following are considered to be professional services and do not normally require bidding unless competitive bidding would be in the City's best interest:
  - a. Aerial Map Service, Architectural Services, Engineering Services, Special Consultants, Auditing Services, and Secretarial Services
2. It is the policy to submit services of \$100,000.00 or more to the City Council for approval and to require a written contract.
3. The City Council has adopted a resolution authorizing the City Manager to “negotiate and execute contracts” with Architects and Engineers where the total professional fee would be less than \$30,000.00.

**PROCEDURE:**

Professional Services required under this Policy may be obtained by making direct contact with the specific agency. If it is necessary; however, that a purchase order be used for the service, it is suggested that contracts pertaining to the service be coordinated with the City Attorney's Office.

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**RULES FOR IMPLEMENTING MEDIATED  
SETTLEMENT CONFERENCES IN  
THE CITY OF SALISBURY CONSTRUCTION PROJECTS**

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**RULE 1. INITIATING MEDIATED SETTLEMENT CONFERENCES**

- A. Purpose of Mandatory Settlement Conferences. Pursuant to N.C.G.S. 143-128.1{g}, these Rules are promulgated to implement a system of settlement events, which are designated to focus the parties' attention on settlement rather than on claim preparation and to provide a structured opportunity for settlement negotiations to take place. Nothing herein is intended to limit or prevent the parties from engaging in settlement procedures voluntarily at any time prior to or during commencement of the dispute resolution process.
- B. Initiating the Dispute Resolution Process
1. Any party to a City of Salisbury contract governed by N.C.G.S. 143-128.1{g} and who is a party to a dispute arising out of the construction process in which the amount in controversy is at least \$15,000 may submit a written request to The City of Salisbury for mediation of the dispute.
  2. Prior to submission of a written request for mediation to The City of Salisbury, the parties requesting mediation,
    - a. If a prime contractor, must have first submitted its claim to the Project Designer for review. If the dispute is not resolved through the Project Designer's instructions, then the dispute is eligible for mediation in the Formal Dispute Resolution Process, and the party may submit their written request for mediation to The City of Salisbury.
    - b. If the party requesting mediation is a subcontractor, it must first have submitted its claim for mediation to the prime contractor with whom it has a contract. If the dispute is not resolved through the Prime Contractor's involvement, then the dispute is eligible for mediation in the Formal Dispute Resolution Process, and the party may submit its written request for mediation to The City of Salisbury.
    - c. If the party requesting mediation is the Project Designer, then it must first submit its claim to The City of Salisbury to resolve. If the dispute is not resolved with The City of Salisbury's involvement, then the Project Designer's dispute is eligible for mediation in the Formal Dispute Resolution Process, and the Project Designer may submit its written request to The City of Salisbury for mediation.

**RULE 2. SELECTION OF MEDIATOR**

- A. Selection of Certified Mediator by Agreement of the Parties. The parties may select a certified mediator pursuant to the Rules by agreement within 21 days of requesting mediation. The requesting party shall file with The City of Salisbury a Notice of Selection of Mediator by Agreement within 10 days of the request; however, any party may file the notice. Such notice shall state the name, address and telephone number of the mediator selected; state the rate of compensation of the mediator; state that the mediator and opposing counsel have agreed upon the

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selection and rate of compensation; and state that the mediator is certified pursuant to these Rules.

- B. Nomination and The City of Salisbury Approval of a Non-Certified Mediator. The parties may select a mediator who does not meet the certification requirements of these Rules but who, in the opinion of the parties and The City of Salisbury is otherwise qualified by training or experience to mediate the action.

If the parties select a non-certified mediator, the requesting party shall file with The City of Salisbury a Nomination of Non-Certified Mediator within 10 days of the request. Such nomination shall state the name, address and telephone number of the mediator; state the training, experience or other qualifications of the mediator; state the rate of compensation of the mediator; and state that the mediator and opposing counsel have agreed upon the selection and rate of compensation.

The City of Salisbury shall rule on said nomination, shall approve or disapprove of the parties' nomination and shall notify the parties of its decision.

- C. Appointment of Mediator by The City of Salisbury. If the parties cannot agree upon the selection of a mediator, the party or party's attorney shall notify The City of Salisbury and request, on behalf of the parties, that The City of Salisbury appoint a mediator. The request for appointment must be filed within 10 days after request to mediate and shall state that the parties have had a full and frank discussion concerning the selection of a mediator and have been unable to agree. The request shall state whether any party prefers a certified attorney mediator, and if so, The City of Salisbury shall appoint a certified attorney mediator. If no preference is expressed, The City of Salisbury may appoint a certified attorney mediator or a certified non-attorney mediator.
- D. Mediator Information Directory. To assist the parties in the selection of a mediator by agreement, the parties are free to utilize the list of certified mediators maintained in any county participating in the Superior Court Mediation Settlement Conference Program .
- E. Disqualification of Mediator. Any party may request replacement of the mediator by The City of Salisbury for good cause. Nothing in this provision shall preclude mediators from disqualifying themselves.

**RULE 3. THE MEDIATED SETTLEMENT CONFERENCE**

- A. Where Conference is to be Held. Unless all parties and the mediator otherwise agree, the mediated settlement conference shall be held in The City of Salisbury. The mediator shall be responsible for reserving a place and making arrangements for the conference and for giving timely notice of the time and location of the conference to all attorneys, unrepresented parties and other persons and entities required to attend.
- B. When Conference is to be Held. The deadline for completion of the mediation shall be not less than 30 days nor more than 60 days after the naming of the mediator.

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- C. Request to Extend Deadline for Completion. A party, or the mediator, may request The City of Salisbury extend the deadline for completion of the conference. Such request shall state the reasons the extension is sought and shall be served by the moving party upon the other parties and the mediator. If any party does not consent to the request, said party shall promptly communicate its objection to The City of Salisbury.

The City of Salisbury may grant the request by setting a new deadline for completion of the conference.

- D. Recesses. The mediator may recess the conference at any time and may set times for reconvening. If the time for reconvening is set before the conference is recessed, no further notification is required for persons present at the conference.

- E. **The mediated settlement conference shall not be cause for the delay of the construction project which is the focus of the dispute.**

**RULE 4. DUTIES OF PARTIES AND OTHER PARTICIPANTS IN FORMAL DISPUTE RESOLUTION PROCESS**

- A. Attendance.

1. All parties to the dispute originally presented to the Designer or Prime Contractor for initial resolution must attend the mediation. Failure of a party to a construction contract to attend the mediation will result in The City of Salisbury's withholding of monthly payment to that party until such party attends the mediation.
2. Attendance shall constitute physical attendance, not by telephone or other electronic means. Any attendee on behalf of a party must have authority from that party to bind it to any agreement reached as a result of the mediation.
3. Attorneys on behalf of parties may attend the mediation but are not required to do so.
4. Sureties or insurance company representatives are not required to attend the mediation unless any monies paid or to be paid as a result of any agreement reached as a result of mediation require their presence or acquiescence. If such agreement or presence is required, then authorized representatives of the surety or insurance company must attend the mediation.

- B. Finalizing Agreement. If an agreement is reached in the conference, parties to the agreement shall reduce the terms to writing and sign it along with their counsel.

- C. Mediation Fee. The mediation fee shall be paid in accordance with N.C.G.S. 143-128.1(g).

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- D. Failure to compensate mediator. Any party's failure to compensate the mediators in accordance with N.C.G.S. 143-128.1(g) shall subject that party to a withholding of said amount of money from the party's monthly payment by The City of Salisbury.

**RULE 5. AUTHORITY AND DUTIES OF MEDIATORS**

A. Authority of Mediator.

1. Control of Conference. The mediator shall at all times be in control of the conference and the procedures to be followed.
2. Private Consultation. The mediator may communicate privately with any participant or counsel prior to and during the conference. The fact that private communications have occurred with a participant shall be disclosed to all other participants at the beginning of the conference.
3. Scheduling the Conference. The mediator shall make a good faith effort to schedule the conference at a time that is convenient with the participants, attorneys and mediator. In the absence of agreement, the mediator shall select the date for the conference.

B. Duties of Mediator

1. The mediator shall define and describe the following at the beginning of the conference:
  - a. The process of mediation;
  - b. The difference between mediation and other forms of conflict resolution;
  - c. The costs of the mediated settlement conference;
  - d. That the mediated settlement conference is not a trial, the mediator is not a judge, and the parties retain their legal rights if they do not reach settlement;
  - e. The circumstances under which the mediator may meet and communicate privately with any of the parties or with any other person;
  - f. Whether and under what conditions communications with the mediator will be held in confidence during the conference;
  - g. The inadmissibility of conduct and statements as provided by N.C.G.S. 7A-38.1;
  - h. The duties and responsibilities of the mediator and the participants; and
  - i. That any agreement reached will be reached by mutual consent.

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2. **Disclosure.** The mediator has a duty to be impartial and to advise all participants of any circumstance bearing on possible bias, prejudice or partiality.
3. **Declaring Impasse.** It is the duty of the mediator to timely determine that an impasse exists and that the conference should end.
4. **Reporting Results of Conference.** The mediator shall report to The City of Salisbury within 10 days of the conference whether or not an agreement was reached by the parties. If an agreement was reached, the report shall state the nature of said agreement. The mediator's report shall inform The City of Salisbury of the absence of any party known to the mediator to have been absent from the mediated settlement conference without permission. The City of Salisbury may require the mediator to provide statistical data for evaluation of the mediated settlement conference program.
5. **Scheduling and Holding the Conference.** It is the duty of the mediator to schedule the conference and conduct it prior to the deadline of completion set by the Rules. Deadlines for completion of the conference shall be strictly observed by the mediator unless said time limit is changed by a written order from The City of Salisbury.

**RULE 6. COMPENSATION OF THE MEDIATOR**

- A. **By Agreement.** When the mediator is stipulated by the parties, compensation shall be as agreed upon between the parties and the mediator provided that the provision of N.C.G.S. 143-128.1(g) are observed.
- B. **By Appointment.** When the mediator is appointed by The City of Salisbury, the parties shall compensate the mediator for mediation services at the rate in accordance with the rate charged for Superior Court mediation. The parties shall also pay to the mediator a one-time per case administrative rate in accordance with the rate charged for Superior Court mediation, which is due upon appointment.

**RULE 7. MEDIATOR CERTIFICATION.**

All mediators certified in the Formal Dispute Resolution Program shall be properly certified in accordance with the rules certifying mediators in Superior Court in North Carolina. (Except when otherwise allowed by The City of Salisbury upon the request of the parties to the mediation.)

When selecting mediators, the parties may designate a preference for mediators with a background in construction law or public construction contracting. Such requirements, while preferred, are not mandatory under these Rules.

All mediators chosen must either demonstrate they are certified in accordance with the Rules Implementing Scheduled Mediated Settlement Conference in Superior Court or must gain the consent of The City of Salisbury to mediate any dispute in accordance with these Rules.

**RULE 8. RULE MAKING.**

These Rules are subject to amendment by The City of Salisbury at any time the City deems it appropriate.

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**RULE 9. TIME LIMITS.**

Any time limit provided for by these Rules may be waived or extended by the mediator it appoints for good cause shown. If the mediator has not yet been appointed, the Designer of Record shall decide all waivers or extensions of time for good cause shown.

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**CODE OF CONDUCT**

**PURPOSE**

ARRA funding requires a written code of standards of conduct and conflict of interest policy.

**CODE**

All procurement activities must be conducted according to applicable laws, rules, regulations, and policies of ARRA funding, City of Salisbury and the State of North Carolina, specifically General Statute 14-234 and 133.32.

All procurement activities must maintain integrity at all times, keep free from any personal obligations to vendors or contractors and respect their confidence.

No employee or officer of the City of Salisbury shall participate in the award or administration of an ARRA-funded project or purchase if that person, that person's spouse, any member of that person's immediate family, or an organization which employs or is about to employ the person, the person's spouse, or a member of the person's immediate family has a financial or other interest in the company selected for award.

Any City employee having knowledge of or a reason to know of a potential personal interest or upon the discovery of a potential personal conflict of interest has an affirmative duty to disclose such personal interest to the Purchasing Manager. Any attempts by any person, firm or corporation to influence the decision of a City employee with regard to City business must be reported to the City Manager.

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**BID PROTEST PROCEDURE**

**PURPOSE**

Establishment of a formal bid protest policy and procedure.

**PROCEDURE**

Any party which is a prospective bidder, offeror, or contractor that may be aggrieved by the solicitation must submit a written protest within five (5) calendar days prior to the opening of the Request for Bid, Request for Proposal.

Any party who is an actual bidder, offeror, or contractor that may be aggrieved by the award of a contract, must submit a written protest within five (5) days of City transmitting via fax or email the announcement of intent to award.

The protest must be addressed to the Purchasing Manager, City of Salisbury, 132 North Main Street, Salisbury, NC 28144 and must include all the following information:

1. Name, address, telephone number, facsimile number and e-mail of the protester.
2. Signature of the protester or authorized agent.
3. The bid name and number.
4. A detailed statement of the legal and factual grounds of protest including copies of relevant documents.
5. Any supporting exhibits, evidence, or documents to substantiate any claims.
6. All information establishing that the protester is an interested party for the purpose of filing a protest.
7. The form of relief requested

After careful consideration of all relevant information, and consultation with the City Attorney, the Purchasing Manager shall make a written decision.

A decision of the Purchasing Manager may be appealed to the City Manager or the City Council, depending on the type of bid. An appeal must be in writing and be delivered to the City Manager, 217 South Main Street, Salisbury, N.C. 28144, within seven (7) calendar days of the date of the Purchasing Manager faxed or emailed his/her decision.

Any and all costs incurred by a protesting party in connection with a protest shall be the sole responsibility of the protesting party.

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**Federally and State Funded Projects and Programs**

- 1) In accordance with the provisions of the U. S. Office of Management and Budget (OMB) Circular A-102, entitled "Grants and Cooperative Agreements with State and Local Governments," and all related provisions and laws, all City of Salisbury departments, agencies and offices under the aegis of the Salisbury City Council shall comply with all federal and state procurement regulations when procuring goods and services funded in whole or in part with any federal or state grant. Further, such regulations shall supersede all local purchasing resolution provisions to the extent of any conflict.
- 2) All sub-recipient agencies receiving federal or state funds through the City of Salisbury shall also comply with the federal or state granting agency procurement regulations, which supersede all local purchasing resolution provisions.