

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

02-390

AGENDA:

JULY 22, 2002

SUBJECT:

CHANGES TO
PURCHASING
ORDINANCE AND
PAYMENT
PROCEDURES

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

MERRILL R.
STANLEY
FINANCE DIRECTOR

SYNOPSIS -

City staff has identified a need to standardize the payment of bills, streamline the acquisition of goods and services, and pay vendors on a more timely basis. Desired changes include an amendment to the purchasing ordinance, a standardization of purchasing practices, and changes to administrative practices related to the release of checks.

FISCAL IMPACT -

There is no cost to the City as a result of these administrative policy changes. However, it is estimated that purchase discounts resulting from prompt payment will save the City approximately \$10,000 per year.

RECOMMENDATION -

Approval.

BACKGROUND -

A variety of processes currently exist for the payment of bills throughout the City. City staff has been working to improve the various aspects of these bill payment processes. Recommendations for improvement include changing the City's Purchasing Ordinance, directives from the City Manager, and departmental practices.

By directive of the City Manager, a standardized process for the acquisition of goods and services and the payment of bills less than \$500 will be implemented citywide. The current purchasing policy requires three price quotes prior to the purchase of goods and services over \$50. This amount has been in effect for many years and is seen as an inefficient use of employees' time for the acquisition of routine materials and supplies. A recommendation has been made to increase the limit to \$500 and has been included in the proposed ordinance

change.

The last change involves the Finance Department's procedure to release checks to vendors. City Council has, for at least the past five years, been approving payments in advance with a roll call that appears on each regular meeting agenda. In spite of this, the Finance Department holds checks from the Friday they are written until Wednesday of the following week before releasing them. On Council meeting weeks, this allows Council the opportunity to review the check register prior to release of the checks. On non-Council meeting weeks, it does not.

A key item in this recommendation is for the Finance Department to release checks on the Friday they are written, since Council has already approved them. We will begin this practice immediately unless otherwise directed by Council. This change alone will remove five days from the bill payment cycle, making it more likely to take advantage of purchase discounts based on prompt payment.
