

CITY OF LOWELL

FISCAL POLICY



**ADOPTED
NOVEMBER 14, 2016**

Table of Contents

Article	Page
I. Introduction	1
II. Objectives	1
III. Operating Budget	1
A. Expenditures	1
B. Reserve Funds	2
C. Budget Preparation	3
IV. Accounting/Financial Reporting	4
V. Cash Management	4
A. Collected Funds	4
B. Receipts	6
C. Cash Disbursements	6
D. Banking Relations	6
E. Investments	6
VI. Long-Term Debt Management	8
VII. Purchases for General Operations	10
A. General Rules and Procedures for Purchasing	11
B. Purchase Specifications	13
C. Purchase Requisitions	14
D. Purchase Orders	16
E. Blanket Purchase Orders	17
F. Small Purchases (Petty Cash)	18
G. Emergency Purchases	19
H. Miscellaneous Purchasing Provisions	20
VIII. Purchase of Vehicles	17
IX. Credit Card Purchases	17
X. Contracts	18
A. Competitive Bidding	19
B. Bidding Procedures	20
XI. Surplus Property	23
XII. Forms, Tables and Other Information	25

**ARTICLE I
INTRODUCTION**

The Fiscal Procedures Policy is the foundation for fiscal management of the City of Lowell’s resources guiding the City Council, hereinafter (“Council”), and Staff in making sound financial decisions and in maintaining the fiscal stability of the City.

**ARTICLE II
OBJECTIVES**

The objectives in development and maintenance of this Fiscal Procedures Policy are as follows:

- (A) To maintain good internal controls in the financial management of the City,
- (B) To link long-term financial planning with short-term daily operations.
- (C) Enable the City to obtain needed materials, equipment, supplies and services efficiently and economically.
- (D) To ensure that all legal requirements are followed by strict adherence to the policy.

**ARTICLE III
OPERATING BUDGET**

The City’s annual budget shall be prepared in accordance with North Carolina General Statutes, the operating budget shall cover a fiscal year beginning July 1 and ending June 30 and shall be consistent with the N.C. Local Government Budget and Fiscal Control Act. The City Council shall approve the budget before July 1 of the applicable fiscal year.

A. EXPENDITURES

Section 1. Budget Management

Expenditures are monitored continually throughout the fiscal year. Budgeted funds by department will only be spent for departmental purposes for which they were intended. The annual operating budget ordinance defines staff authorization for operating budget adjustments.

Section 2. Monthly Reporting

In accordance with G.S. § 159-25(a)(3) as often as may be requested financial statements will be provided to the City Manager and Council. These reports shall include, but are not limited to, an analysis of fiscal year to date budgeted and actual revenues and expenditures.

Section 3. Fund Transfers

The Finance Officer shall transfer funds to enable the timely completion of the position’s mandated responsibilities consistent with adopted budget authorization and as may be amended from time to time.

City of Lowell Fiscal Policy

Transfers between operating departments and from general fund to capital projects shall be accomplished only by Council authorization. Copies of budget amendments as approved by the Council shall be documented within minutes maintained by the City Clerk.

Section 4. Payroll

Payroll preparation shall be the responsibility of the Finance Officer and administered by City personnel to provide separation of duties required by prudent internal control procedures. Payroll will be administered in accordance with the Personnel Policy of the City of Lowell.

B. RESERVE FUNDS

Section 1. Fund Balance

Funds not appropriated for expenditures in a fiscal year are part of the fund balance. Such funds will be invested in accordance with the City's Investment Policy found in Section V (E) of this policy. In the governmental fund financial statements fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent and are as follows:

- (A) **Non-spendable Fund Balance:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- (B) **Restricted Fund Balance:** This classification includes amounts constrained for a specific purpose by external parties such as creditors, constitutional provision or enabling legislation. Restrictions are to be listed by purpose.
- (C) **Committed Fund Balance:** This classification includes amounts that can only be used for specific purposes approved by a majority vote of the Council. Any changes or removal of specific purpose requires majority action by the Council. Action to constrain financial resources must occur prior to year-end, however, the amount can be determined in the subsequent period.
- (D) **Assigned Fund Balance:** For the General Fund, a portion of fund balance that the Council intends to use for specific purposes. Any amount to be appropriated for subsequent year's expenditures shall be approved during the annual budget adoption process.
- (E) **Unassigned Fund Balance:** For the General Fund, amounts not classified as non-spendable, restricted, committed or assigned.

Section 2. Minimum Fund Balance Policy

For the General Fund, management shall conduct the business of the City in such a manner that available fund balance is at least equal to or greater than 16% of budgeted expenditures for the succeeding fiscal year.

The Council may appropriate fund balances that will reduce available fund balance below the percentage established above for the purposes of a declared fiscal emergency or other such global purpose as to protect the long-term fiscal security of the City. In such circumstances the Council will adopt a plan to

City of Lowell Fiscal Policy

restore the available fund balances to the policy level within 36 months from the date of appropriation. If restoration cannot be accomplished within such time without severe hardship to the City, then the Council will establish a different but appropriate time period.

Section 3. Capital Reserve Fund

The Council may establish a Capital Reserve Fund for the purpose of providing capital for substantial improvements in City infrastructure and/or significant planned asset acquisitions. Monies from this fund shall be expended only for the purpose and to the extent designated by Council authorization.

C. BUDGET PREPARATION

Section 1. Annual Budget

The Budget Officer or his designee shall prepare annually a budget schedule for submission to the Council setting forth components of the budget process and deadlines for each leading to budget adoption.

Section 2. Budget Schedule

Deadlines in the budget schedule are to include but are not limited to distribution of the budget calendar, departmental budget requests, budget retreat, submission of the draft budget, submission of draft budget with message, public hearing on the budget and adoption of the budget ordinance. The Budget Officer shall formally present the City's budgets, including budget message at a regular Council meeting. Public hearings and Council adoption shall be accomplished in accordance with the North Carolina General Statutes.

ARTICLE IV ACCOUNTING/FINANCIAL REPORTING

Section 1. Accounting System

The City will establish and maintain its accounting systems per the North Carolina Local Budget and Fiscal Control Act. Financial systems will be maintained to monitor revenues and expenses monthly.

The City will place emphasis on maintenance of an accounting system which provides strong budgetary and accounting controls. The system will be designed to provide reasonable assurance regarding both the safeguarding of assets against loss from unauthorized use or disposition, reliability of financial records for preparing financial statements and reports, and maintenance of accountability of assets.

Section 2. Basis of Accounting

All records and reporting will be in accordance with Generally Accepted Accounting Principles and as follows for:

- (A) **Governmental Funds:** Governmental funds are reported using the modified accrual basis of accounting. Revenue is recognized when it becomes available and measurable. Expenditures are typically recognized in the period in which the liability is incurred except for: (1) significant

City of Lowell Fiscal Policy

inventories of materials and supplies that may be considered expenditures either when bought or used; (2) interest on general and special assessment long-term debt that is recognized on the date due; and (3) use of encumbrances.

(B) **Enterprise Funds:** Enterprise Funds are reported using the full accrual basis of accounting.

Section 3. Annual Audit

An independent public accounting firm will perform an annual audit and issue an opinion on the annual financial statements and, if required, a management letter detailing areas within the financial process that need improvement. Auditing services and the auditor relationship will be evaluated annually.

Section 4. Fixed Asset Capitalization Policy

The City will establish and maintain an inventory of fixed assets to account for the City's property. A fixed asset shall be any item with a useful life of at least two years and an acquisition cost equal to or greater than \$5,000. Reporting of these assets and depreciation of all fixed assets will be made in accordance with current governmental accounting standards.

Any items not meeting the criteria of a fixed asset shall be considered as non-capital equipment and consumable. Consumables are budgeted as departmental expenditures and will be purchased, managed and used by the respective City departments until their useful life expires. The Council shall be informed during the annual budget process of significant intended expenditures for non-capital equipment.

ARTICLE V CASH MANAGEMENT

The City's Cash Management procedures provide guidelines to maximize the use of public funds in the best interest of the public.

A. COLLECTED FUNDS

Section 1. Cash Collections

Cash received will be processed daily as received to provide an expedient and as reasonably possible secure handling of incoming cash. Copies of checks are available from our banking institution.

Section 2. Cash Deposits

Funds shall be deposited in designated financial institution account(s) daily in accordance with G.S. § 159-32.

Section 3. Cash Drawer-City Hall

A cash drawer shall be maintained in the Finance Department to assist in the collection of funds. The cash drawer will be reconciled at the time each deposit is made. The cash drawer shall maintain a balance of \$100 in change and currency. The cash drawer will be secured overnight in the safe.

City of Lowell Fiscal Policy

Section 4. Cash Drawers-Recreation Complex

A separate cash fund of \$100 shall be maintained by the Parks and Recreation Department for use with collection of program fees and concession activities. Collected funds will remain intact and deposited in accordance with cash deposit procedures. All vendor payments and program refunds must be processed through the established accounts payable process.

Section 5. Returned Checks

A service fee of \$25 or, if greater, as allowed by State statute, will be assessed whenever a check issued to the City is returned for insufficient funds. The issuer will be asked to make the check good with cash and may be required to use cash with any future financial transactions with the City.

B. RECEIPTS

Section 1. Cash Receipts

Receipts generated and recorded by the accounting system, pre-numbered duplicate forms or cash register tape documentation will be provided for all funds received by any representative of the City.

C. CASH DISBURSEMENTS

The City's objective is to retain funds for investment for the longest appropriate period while maintaining an efficient policy for procurement and payment of goods and services required by City operations.

Section 1. Purchase Orders

Purchase Order forms will be required to purchase goods or services as detailed in subsequent paragraphs. Purchase orders shall be signed by the Finance Officer.

Section 2. Credit Card Purchase Requests

Credit Card Purchase Requests are subject to purchase authorization as detailed in Article IX and shall be signed by the Finance Director or City Manager.

Section 3. Check Disbursements

Accounts Payable disbursements will be made in advance of invoice due dates to take advantage of payment discounts, if any, but more importantly to avoid unnecessary late payment fees. Invoices processed through close of business on Wednesday will be included in a weekly check processing typically on Thursday. Invoices requiring expedited payment will be handled on an individual basis.

Section 4. Check Signatures

City checks shall be signed by two of three different individuals to include the City Manager, Finance Director, and City Clerk.

City of Lowell Fiscal Policy

Section 5. Pre-Audit Certification

City checks will bear the following pre-audit certification: “This disbursement has been approved as required by the Local Government Budget and Fiscal Control Act”.

Section 6. General Petty Cash Fund

Petty cash shall be maintained for non-recurring expenditures requiring a prompter payment than can be efficiently effected by issuance of a single check. For this purpose, a petty cash fund of \$100 will be maintained. At all times the combination of receipts and cash should balance to \$100. The City Clerk shall be the custodian of petty cash and is responsible for replenishing these funds when the reconciled cash balance falls below \$20. Petty cash transactions shall be recorded as funds are replenished during the fiscal year and specifically at June 30th if the fund is not fully funded by cash. Periodic audits of petty cash shall be conducted by the Finance Director.

D. BANKING RELATIONS

Section 1. Bank Selection

Banking service providers will be evaluated and selected by the Council through a competitive proposal process.

Section 2. Review of Banking Relationship

The Council will review the banking relationship(s) at their discretion, but at least every five years.

Section 3. Bank Accounts

The City will maintain a minimum number of bank accounts to facilitate the movement and investment of funds and for efficient operations.

Section 4. Account Security

Collateralization for deposits will be in accordance with Title 20, Chapter 7 of the North Carolina Administrative Code.

E. INVESTMENTS

Section 1. Responsible Party

G.S. § 159-30 places responsibility for the City’s investment program with the Finance Director at the direction of the City Council. The daily operation of the cash management and investment functions will be the responsibility of the Finance Director who is authorized to purchase, sell and exchange securities on behalf of the City and may make transfers between City bank accounts as deemed appropriate in the management of City funds.

City of Lowell Fiscal Policy

Section 2. Investment Objective

The City will preserve capital and invest public funds in a manner which provides the highest investment return with the maximum security while meeting the daily cash flow demands of the City while doing so in compliance with all State statutes and other applicable laws governing the investment of public funds. The City's investment portfolio will be designed with the objective of attaining a market rate of return while minimizing risk and retaining liquidity.

Section 3. Investment Risk

The standard of prudence to be used in managing the overall investment portfolio shall be the “prudent investor” rule which states “Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived”. The Finance Director, acting in accordance with North Carolina General Statutes, this policy, and exercising due diligence in the scope of his or her duties, shall be relieved of personal responsibility for an investment credit risk or market price changes, provided that these deviations are reported immediately upon knowledge and that appropriate action is taken to control adverse developments.

Section 4. Permitted Investments

The City shall conform to the listed types of investments permitted by local governments in G.S. § 159-30 (b), and (c). See Article XII for detail of authorized investments.

Section 5. Investment Deposits

Certificates of deposit and demand deposit arrangements shall be limited to institutions participating in the pooling method of collateralizing local unit funds established by the NC State Treasurer. No certificates of deposit or demand deposit shall be placed with an institution unless it is a member of the FDIC or FSLIC.

Section 6. Investment Earnings

All monies earned and collected from investments will be allocated monthly to the General Fund, or any additional permanent fund that may be established.

Section 7. Investment Report

The Finance Director is charged with the responsibility of preparing a monthly cash report for the City Manager and Council which shall include investment account balances.

**ARTICLE VI
LONG-TERM DEBT MANAGEMENT**

Section 1. General Debt Policy

The City will confine long-term borrowing, other than for vehicles and capital equipment acquisitions/leases, to capital improvements or projects that cannot be financed from current revenues except where approved justification is provided. A balanced approach to capital funding that uses a combination of debt financing, draws on capital reserves and/or fund balances in excess of fund balance policy targets, and current-year (pay-as-you-go) appropriations will be undertaken.

Section 2. Authorization for Debt

All long-term borrowing shall be authorized by the Council. Any two of three individuals including the City Manager, Mayor and Finance Director may execute properly authorized debt instruments on behalf of the City. While the City may have access to other types of debt instruments, it is contemplated that the need for long-term funding can be satisfied by use of either capital lease arrangements or installment financing.

Section 3. Debt Term Limits

The City will not finance capital improvements, vehicles, capital equipment acquisition/leases, or other projects for terms exceeding the expected useful life of the improvement, vehicle or project.

Section 4. Financial Restrictions on Outstanding Debt

- (A) Direct net debt, defined by G.S. § 159-55 as any and all debt that is tax supported, is statutorily limited to 8% of the assessed valuation of the taxable property within the City. Total General Fund debt service will not exceed any limits imposed by the NC Local Government Commission. (LGC). As a matter of prudent debt management direct net debt of the City should not exceed 5% of total assessed value of taxable property.
- (B) Annual debt service expenditures will be targeted to remain at or below 10% of total general fund expenditures but in any case should not exceed 12% with an aggregate direct debt ten-year principal payout not to exceed 50%.

**ARTICLE VII
PURCHASES FOR GENERAL OPERATIONS**

This section of the Fiscal Policy is intended to serve as a guide for all departments in obtaining supplies, materials, equipment, apparatus, construction, and repair work. The City's purchasing program is based on the principal of competitive bidding. Where it is not sought, or obtained, the reason must be valid or permitted by NC General Statute. In public purchasing and contracting, utmost fairness is required in expending public funds. The practice of favoritism, whether to the user, department, or to the seller, is not permissible. The primary purchasing obligation in a governmental environment is commitment and adherence to fair and open competition.

City of Lowell Fiscal Policy

The City's purchasing operations are governed by North Carolina General Statutes and, therefore, must seek competitive offers from qualified sources of supply unless the items can be obtained through existing contracts established by the NC Department of Administration Division of Purchase and Contract or are covered by other statutory exceptions. The City will participate in the State contract program whenever possible. Items required by City Departments should be substituted for "acceptable" equivalents that are included in these contracts. Where items cannot be substituted, they will be obtained through standard purchase procedures.

Local Government purchasing is recommended by the North Carolina Department of State Treasurer to be a centralized function to ensure legal compliance and to obtain the most competitive pricing. As a general rule, the Department Heads are responsible for purchasing all supplies, services, materials, and equipment for their respective departments. The City does not employ a full-time purchasing agent, and must rely on departmental staff to identify their needs, obtain competitive pricing, and follow sound and legal purchasing practices. The Finance Director and the City Manager will provide assistance to Departments Heads. Purchasing is a shared authority with the final legal responsibility resting with the City Finance Director.

It is recommended that the following steps be taken:

- (A) All Department Heads should read and understand purchasing policies of the City,
- (B) All employees involved in the purchasing process should become thoroughly familiar with the purchase and contracting procedures outlined in this policy,
- (C) This policy should be kept where it is easily accessible for reference,
- (D) Comments concerning this policy or clarification of its contents should be directed to the Finance Director and City Manager.

A. GENERAL RULES AND PROCEDURES FOR PURCHASING

Section 1. Purchases Under \$500

Purchases of small, single items where the total cost is less than \$500 may be authorized by the Department Head without use of a purchase order. However, employees must obtain either a copy of the invoice or other type receipt and submit for processing to the department head. The responsible department head must indicate approval, vendor number and account number to be charged and thereafter submit the invoice or sales receipt, to the Finance Director within five (5) calendar days following the purchase, or may face disciplinary action per the City of Lowell Personnel Policy.

Section 2. Purchases of \$500 to \$1,000

All purchases of \$500 to less than \$1,000 (individually or in total) must be made with the use of a purchase order issued by the Finance Director from a purchase requisition. The department wishing to make the purchase will prepare a purchase requisition and present it to the Finance Director. Department Heads should seek competitive pricing for items to be purchased where there are multiple available vendors.

City of Lowell Fiscal Policy

Section 3. Purchases of \$1,000 to \$5,000

Purchases of \$1,000 to less than \$5,000 are to be handled in accordance with Section 2, however, the City Manager must approve all expenditures in this cost category.

Section 4. Purchases of \$5,000 to \$30,000

In accordance with N.C. G.S. 143-131, purchases of less than \$30,000 will be made in the open market with or without necessary resort to formal invitation for bids or request for quotations. However, every effort should be given to obtain at least three written quotes. The method used to receive quotes is at the discretion of the requesting Department Director, but all quote documentation should be included and attached to electronic purchase requisition. Justification for not soliciting quotes should also be included in requisition. Purchases made using state contract or other cooperative purchase agreement should include the cooperative contract document.

If deemed to be in the public interest, the City Council may not follow competitive bidding in cases of emergency and other statutory exceptions, which are listed below:

Exceptions that apply to purchase contracts:

- (A) Purchase from other government agencies,
- (B) Competitive group purchasing,
- (C) Gasoline, diesel fuel, alcohol fuel, motor oil, fuel oil, or natural gas,
- (D) Sole sources (specified criteria must be met and council approval required),
- (E) Information technology goods or services purchased through the NC State Office of Information Technology or under request for proposals procedures authorized under G.S. § 143-129.8,
- (F) State contract purchases,
- (G) Used apparatus, supplies, materials, or equipment (does not include remanufactured, re-fabricated, or demo items),
- (H) Previously bid or “piggybacking” contracts (requires governing Council approval at a regular meeting upon ten days public notice) and,
- (I) Purchase of goods and services from nonprofit work centers for the blind and severely disabled.

Exceptions that apply to construction or repair contracts only:

- (A) Change order work,
- (B) Construction management at risk projects (per NC General Statutes),
- (C) Force account work; note dollar limitations and bidding requirements for materials purchased for these projects,
- (D) Projects using unemployment-relief labor paid for in whole or in part with state or federal funds,
- (E) Contracts with NC Department of Transportation for street construction and repair and,
- (F) All other NC State contracts allowed by NC General Statutes.

Exceptions that apply to both construction and purchase contracts:

- (A) Special emergency involving the health and safety of the people or their property,
- (B) Guaranteed energy savings contracts (as per NC General Statutes) and,
- (C) Solid waste management facilities.

City of Lowell Fiscal Policy

Exceptions to competitive bidding are permitted where provided by NC General Statutes. The above exceptions shall be amended automatically in accord with any changes to the State Statutes. In cases where the exception to competitive bidding is anticipated, all reasons for taking such action must be documented and the City Manager must approve the exception requested.

Section 5. Capital Asset Inventory Record

All department heads are responsible for notifying the Finance Director of capital purchases over \$5,000. This procedure is in place to keep a running inventory of capital assets per department for the annual audit and for insurance purposes.

Section 6. No Purchase Order Required

The following purchases do not require a purchase order:

- (A) Advertising for required Public Notices, Employment and City Promotion,
- (B) Recurring Dues and Subscriptions as budgeted,
- (C) Recurring Utilities,
- (D) General Insurance and Workers Compensation Premiums,
- (E) Postage and postage meter rental,
- (F) Recurring Service Contracts (copier, computer support, landscaping, waste disposal),
- (G) Uniform Rentals and related cleaning services,
- (H) Motor Fuels obtained by use of fleet purchase cards,
- (I) Salaries and payments for withholdings or contributions from salaries and,
- (J) Professional Services (accounting, physicals, drug testing).

A purchase order should be used for the above items only if the department has a need for tracking historical data. If a purchase order is requested for an item or service that requires a contract, a copy of the completed contract must be attached to the purchase requisition.

B. PURCHASE SPECIFICATIONS

Section 1. Preparation of Specifications

When goods or services are procured under the formal or informal bidding process, specifications must be prepared. All specifications should do at least four things:

1. Identify minimum requirements.
2. Encourage competitive bids.
3. Be capable of objective review.
4. Provide for an equitable award at the lowest possible cost.

Specifications should be as simple as possible while maintaining the degree of exactness required to assure that bidders are offering the quality of goods and services required. Such exactness also prevents bidders from taking advantage of their competitors by not offering the quality of goods and level of service required by the City.

City of Lowell Fiscal Policy

All specifications utilizing a name brand must include the term “or approved equal” to avoid being restrictive and eliminating fair competition from the bidding process.

Different methods of structuring specifications include:

- a. Qualified products on an acceptable vendor list.
- b. Specification by blueprint or dimension sheet.
- c. Specification by chemical analysis or physical properties.
- d. Specification by performance, purpose, or use.
- e. Specification by identification with industry standards.
- f. Specification by samples.

C. PURCHASE REQUISITIONS

Section 1. Requisitions

Any supplies, equipment, etc., to be purchased by City Departments are to be requisitioned, if required, through the Finance Director. The Department Head must sign all requisitions and provide the necessary information on this document in order for the Finance Director to consider approval and prepare a purchase order. The Finance Director can approve requisitions up to \$1,000. All requisitions over \$1,000 must be approved by the City Manager.

Section 5. Preparation of a Purchase Requisition

The requisition should be sent to the Finance Director when completed. All requisitions must contain the following information or the Finance Director or City Manager will return them to the sending department:

- (A) Account Code – the General Ledger account to be charged with the expenditure,
- (B) Date of Request,
- (C) Requesting Employee Signature,
- (D) Department Head Signature,
- (E) Complete item description including quantity – stock or item number, correct name of item if known, color, any specifications and the quantity and unit of the item requested
- (F) Vendor Number – the department’s choice should be listed under “Vendor A”. A new vendor’s complete mailing address must be included on the form,
- (G) Date item or service is needed and,
- (H) Provide the vendor quote documents if available or otherwise when required.

D. PURCHASE ORDERS

Section 1. Purpose of Purchase Orders

The purchase order serves as authorization to a vendor to furnish a service or product to the City at the prices shown thereon. It also serves as the basis for encumbering departmental funds and assures the supplier that funds are available for the purchase. As a medium for encumbering funds, it represents a

City of Lowell Fiscal Policy

means for providing management with a more accurate and complete statement of financial position and is instrumental in preventing departments from over-spending their budgets. If there are not sufficient funds remaining in the requisitioned expense line item the order cannot be placed until a budget amendment or departmental fund transfer has been prepared and approved to provide necessary funds.

Section 2. Purchase Order Preparation

All purchase orders are to be prepared by the Finance Director. Confirming orders will not be issued to suppliers by any department once an order has been placed, unless prior authorization is obtained from the City Manager or unless it falls under the category of an emergency purchase. Any purchase made which is not in accordance with the procedures as explained in this manual will require approval by the City Manager. Any such purchases otherwise made or committed for will not be paid until a written explanation, with the approval of the City Manager, is available. If approval is not obtained, the employee may face disciplinary action per the City of Lowell Personnel Policy.

Section 3. Changes to Purchase Orders

If the vendor and/or the Department Head fail to notify the Finance Director of any changes or additions to the purchase order, only the original cost of the purchase order will be paid. Any increase in the price of the merchandise or service must be fully justified by the Department Head and approved by the City Manager.

Section 4. Purchase Order Distribution

The Finance Director will forward system generated original purchase orders to the requesting Department Head. Completed Purchase Orders should be transmitted to the vendor as deemed appropriate by the requesting Department Head and in accordance with procedures established for the vendor. Use of fax and/or e-mail is encouraged.

A copy of each purchase order along with the approved requisition request and supporting documentation will be maintained by the Office Technician for subsequent matching to the resultant invoice.

E. BLANKET PURCHASE ORDERS

Section 1. Blanket Purchase Order Preparation

This procedure is to provide an additional purchasing tool for obtaining items when the amount of paper work involved or the nature of the purchase makes it impractical or impossible to use regular purchasing channels. The Finance Director and departments shall work together to use this procedure when it appears to be in the City's best interest. The City Manager must approve blanket purchase orders. The procedure for use of a blanket purchase order is as follows:

- (A) The department must make a request to the Finance Director (by requisition) giving the following information:
 - (1) Account Code – the General Ledger account to be charged with the expenditure,
 - (2) Date,
 - (3) Requesting Employee Signature,
 - (4) Department Head Signature,

- (5) Complete item description including quantity – stock or item number, correct name of item if known, color, any specifications and the quantity and unit of the item requested
 - (6) Period of the request (dates)
 - (7) Maximum amount anticipated to be purchased in a month and,
 - (8) Suggested vendors – the department’s choice should be listed under “Vendor”. The requesting department should make every effort to provide two (2) or three (3) vendors for the requested item(s). The vendor’s complete mailing address will be included on the form,
- (B) The Finance Director will review all requests.
- (C) Maximum monthly expenditures will be provided on the blanket purchase order. Such maximums will be worked out with the individual department.
- (D) Blanket purchase orders are usually issued twice a year and are good for six (6) months.
- (E) The maximum amount of the blanket purchase order will be encumbered until the encumbrance is liquidated. Departments are not to exceed the total amount in funds encumbered for the period of the order. It will be the responsibility of each department to ensure that purchases made against all blanket purchase orders do not exceed the total dollar amount of the purchase order. Each department will monitor purchases against purchase orders for their department to insure compliance.
- (F) The vendor will invoice the City at the end of each month.
- (G) The total amount specified on the purchase order shall not be exceeded.
- (H) Blanket purchase orders are intended for items that the vendor has in stock only. Items that the vendor must order should be handled through regular purchasing procedures. This eliminates paying shipping costs or special order costs from the vendor.
- (I) No blanket purchase orders will be issued for items that can be purchased more effectively and economically through normal purchasing procedures.
- (J) In cases where a department has verified repetitive use of the same items, blanket purchase orders can be established with vendors to supply these items for a predetermined time period at a set cost. The advantage to this is that it provides the vendor with expected usage; thus, they can keep certain amounts available for immediate shipment, which in turn greatly aids the using department. Using departments should review their needs to identify such items.

F. SMALL PURCHASES (PETTY CASH)

Section 1. Purpose

Sufficient controls must be established to insure proper protection of funds, provide an adequate audit trail, and insure that small purchase authorizations are not used to circumvent normal purchasing

City of Lowell Fiscal Policy

practices. Small purchase procedures may be utilized to procure supplies and services within the dollar limitations and other constraints prescribed by policy. They can be appropriately used to obtain small quantities not available under existing contracts, and/or to buy very limited quantities where the value of goods is immaterial. Persons other than Department Heads authorized to make purchases shall be designated in writing and be held personally liable for unauthorized purchases or improper practices.

Section 2. Small Purchase Procedures

There are two basic methods authorized for handling small purchases, petty cash and blanket purchase orders, as described in Article VII. Blanket purchase orders are the preferred method; the use of petty cash should be kept to a minimum. Examples include the following:

- (A) Office supplies,
- (B) Postage and other post office expenditures,
- (C) Reimbursements under \$20 for meals, gas, etc. and,
- (D) Purchases for City functions (ice, water, drinks, food).

G. EMERGENCY PURCHASES

Section 1. Emergency Defined

Per the North Carolina General Statutes, an emergency is defined as an immediate and present condition involving the health and safety of people or their property and not one, which may or may not arise in the future or one that is apt to arise or may be expected to arise. This article applies only to the City of Lowell's purchase order policies. The Mayor has the authority to declare a state of emergency and approve purchases without bidding per the North Carolina General Statutes.

Section 2. Emergency Purchase Procedures

When an emergency does arise, and can be rectified only by immediate purchase or rental of equipment, supplies, materials or services, the following procedures must be followed:

- (A) Secure a purchase order from the Finance Director or the City Manager by telephone. If the emergency occurs when offices are closed, the department should proceed to acquire only the materials or services necessary to meet the emergency.
- (B) On the next working day, the Department Head must submit a requisition to the Finance Director with the following information:
 - (1) Nature of the Emergency,
 - (2) Itemized list of the purchases made,
 - (3) Cost per item,
 - (4) Vendor's name and address,
 - (5) Account number,
 - (6) Authorizing signature of the Department Head and,
 - (7) Purchase Order Number – if one was given.

- (C) The Finance Director will prepare a confirming purchase order for distribution in accordance with Article VII (D) Section 4 above.

No emergency purchase orders will be given unless it is an emergency as described above. North Carolina General Statutes govern this procedure.

Section 3. Telephone Purchase Order Procedures

In certain emergency or special situations, the Finance Director will issue a purchase order number over the telephone to the requesting department. In such cases, the requesting department will be required to submit a supporting requisition to the Finance Director within two (2) business days. The requisition is to include the vendor, complete item description, quantity, price, and the purchase order number that was issued.

H. MISCELLANEOUS PURCHASING PROVISIONS

Section 1. Cancellation of Purchase Orders

All purchase order cancellations are to be handled by the Finance Director. If a department desires to cancel a purchase order, the request should be made directly to the Finance Director. The request should contain the reason for cancellation and carry appropriate authorization signature. Cancellations can be conducted over the phone provided that the Department Head is the person who requests the cancellation. The Finance Director will notify the vendor of the cancellation and the reason. Outstanding purchase orders will be reviewed periodically and those over three months old will be cancelled.

Section 2. Purchase Returns

To insure proper credit is obtained for items being returned to vendors, it is important that the proper procedures be followed.

- (A) In all cases the user department should send written notice to the Finance Director indicating which items are being returned, the date the return was affected and the signature of the appropriate employee. Acknowledgement of the returned items should be obtained from the vendor with appropriated documentation provided to the Finance Director.

Section 3. Partial Payment Procedures

The purpose of this procedure is to provide a method for making partial payments on a purchase order when, for reasons beyond the control of the supplier, all items requested cannot be delivered at the same time. It shall be a policy to make partial payments whenever partial shipments are made providing the goods are received in proper condition.

Section 4. Federal and State Funds

When purchases of equipment, supplies and materials are to be made with funds obtained from federal and state government, the exact source of funding must be noted on the requisition form. This is necessary because there are often inconsistencies between federal regulations and state statutes with respect to purchasing. If a purchase is made with federal or state government funds, and upon auditing it is determined that the purchase was not in compliance with federal regulations, the City may have to

repay the granting government for the amount of the purchase. For that reason North Carolina General Statutes and federal regulations need to be compared to insure purchase is made in compliance with state and federal regulations.

Section 5. Charge Accounts

Charge accounts may not be established without the approval of the Finance Director. The Finance Director must sign all applications for credit. Vendors should mail invoices addressed to the City of Lowell. All vendor open charge account payments will be made only by reference to invoices.

**ARTICLE VIII
PURCHASE OF VEHICLES**

Section 1. Purchase from Local Distributors

Department Heads shall be responsible for the preparation of vehicle specifications and preliminary negotiations with vendors. The purchase of vehicles, as with all equipment, shall be handled by the Finance Director and City Manager. They will conduct informal bidding as provided in G.S. § 143-131 for vehicles between \$30,000 and \$90,000 and the City Council will approve a formal bid for vehicles over \$90,000 unless a statutory exception applies.

All vehicles purchased must be approved by the City Manager in writing before the Finance Director takes any action.

**ARTICLE IX
CREDIT CARD PURCHASES**

Section 1. Purpose

To implement procedures to encourage and promote responsible, efficient, ethical and legal utilization of City Authorized Credit Cards.

Section 2. Procedures

Steps for using City Authorized Credit Cards:

- (A) Purchase requisition procedures apply to all credit card purchases \$500 and over, and must be completed before purchase is made.
- (B) Department Heads shall authorize use of assigned or general use cards. General use cards are to be signed out for use and signed back in when use is completed. A credit card log is to be maintained in the Finance Office for this purpose.
 - (1) Department Head will be responsible for credit card use in their department including sufficient information as to the account coding for expense accounts to be charged.

- (C) Department Heads shall have the responsibility of immediately reporting to the Finance Director any lost or stolen credit card or any fraudulent use of credit cards coming to their attention.
- (D) Receipts must be placed on file immediately after use for all credit card purchases. Receipts should be coded for expense accounts to be charged. Employee may face disciplinary action per the City of Lowell Personnel Policy for failure to submit receipts for credit card purchases. Department Heads are responsible for securing any missing receipts.
- (E) Receipts placed on file will be reconciled to the associated monthly statement. Department heads that do not have receipts placed on file in time for payment may face disciplinary action per the City of Lowell Personnel Policy.
- (F) Failure to comply with these procedures will result in losing your Department's use of credit cards and possible disciplinary action.

**ARTICLE X
CONTRACTS**

Section 1. Establishment of Contracts

Contracts may be established for, but not limited to, maintenance contracts, employment contracts, janitorial/beautification service contracts, landscaping, etc. The need for such contracts is based upon the requirements of the department and must have the approval of the Department Head and ultimately must be approved by the City Manager.

Section 2. State Contracts (General)

When possible, the City will purchase items from North Carolina State Contract vendors. Department Heads should check with the Finance Director or City Manager for State contract vendors in the area.

Section 3. Authorizing Authority

The City Manager is authorized to sign contracts committing City funds when authorized or delegated to do so by the majority vote of the City Council or as otherwise allowed by State Statute. Any contract that pledges the faith and credit of the City, in any form is neither acceptable nor permissible unless signed by the City Manager. The original copy of the executed contract must be filed with the Finance Director. No funds may be expended for a contract until the Finance Director pre-audits the contract for availability of sufficient appropriated funds and certifies the same.

Section 4. Real Property

All leases and/or contracts for real property, purchase, lease or rental shall be negotiated through the City Manager in conjunction with the City Attorney and approved by the City Council.

City of Lowell Fiscal Policy

Section 5. Form and Approval of Contract Content

The City will consider use of vendor contract documentation for purchase, construction and service contracts if prepared for the intended contract and having terms acceptable to the City. Vendor documentation shall be reviewed initially by the responsible Department Head, Finance Director or City Manager. Absent a vendor contract document, the City will use the approved City Contractor Agreement, or if deemed acceptable and agreeable by both parties, a City Purchase Order as the basis for contracted services. All significant contracts will be reviewed by the City Attorney prior to execution by the City Manager.

Section 6. Statutory Compliance

All contracts will be pre-audited in accordance with the NC Local Government Budget and Fiscal Control Act and will comply with immigration verification/certification and E-Verify provisions contained in State Statutes.

A. COMPETITIVE BIDDING

Section 1. Soliciting Bids

The purpose of soliciting bids is both to seek and to obtain competition; the responsibility is dual. Where only a single bid or single acceptable bid is received, or otherwise where reasonable and available competition is not obtained, the reason shall be ascertained and made a matter of record.

Section 2. Bid Format

In preparing and issuing solicitations for proposals or bids, and in issuing contract and purchase orders, the Finance Director is authorized to employ such terms and conditions as deemed advantageous and which are not inconsistent with statutory provisions and these rules and regulations. All applicable North Carolina General Statutes on informal and formal bidding will be followed.

Section 3. Prospective Bidders

The City will maintain a file of prospective bidders for soliciting bids on various categories of equipment, supplies and construction services. Prospective bidders may be included on or removed from this list after taking into consideration financial standing and responsibility; facilities for production, distribution and services, historical relationship with the City, length of time successfully in business; responsiveness as a bidder; performance as a supplier; and other factors deemed pertinent and reasonable. Bid packages will be circulated by U.S. Postal Service, e-mail, or made available for pick up at a designated location. Bids will be accepted in the form of response dictated by the bid specifications.

Section 4. Bid Error Clarifications

Where a bid appears to contain an obvious error or where an error is suspected, the circumstances may be investigated, and then may be considered and acted upon under the procedure for canvassing bids and awarding contracts. Any action taken shall not prejudice the rights of the public or the bidders. Where bids are submitted substantially in accordance with the invitation but are not entirely clear as to the intent or to some fact or other ambiguities, clarification may be sought and accepted; provided that in doing so, changes, which would improve the competitive position of a bid, shall not be permitted.

Section 5. Bid Awards

In determining the award of contracts, bona fide proposals will be considered and evaluated as provided by North Carolina General Statute and by these rules and regulations. Non-acceptance of the proposal is not to be construed as outright rejection or that it lacks merit, but that another is deemed more advantageous.

Section 6. Bid Public Information

Recognizing the lack of personnel and time, requests for preparation of detailed or written tabulations and abstracts of bids cannot be honored but will be produced as public records if they are already prepared in writing. However, the name of the low or successful bidder and price and similar basic information will be supplied to the general public and other interested parties upon request after contract has been awarded.

Section 7. Employee Private Gain Prohibited

Purchases from or through employees of the City or purchases from or through companies in which City employees have financial interest, either directly or indirectly is not permitted. The purchasing power of the City shall not be used for private advantage or gain.

B. BIDDING PROCEDURES

Section 1. Informal Bid Procedures For Equipment and Supplies

Informal proposals involve the solicitation of informal bids, either verbal or written, from qualified sources of supply. Informal proposal procedures must be utilized for purchases of apparatus, supplies, materials, or equipment expected to require an expenditure **equal to or greater than \$30,000 but less than \$90,000**. Requests for informal proposals do not have to be advertised. Informal bids do not have to be publicly opened. Whenever possible, the Finance Director will solicit three or more proposals from representative suppliers based on previous experience and knowledge of the market. It is not permissible to divide a proposal in order to avoid formal bid requirements in favor of informal bids.

Where bids are unsatisfactory or under conditions where effective competition is not available, purchases or leases may be made by direct negotiation with responsible suppliers.

Section 2. Formal Bid Procedures for Equipment and Supplies

Formal bid procedures involve solicitation of sealed bids from qualified sources of supply. Formal bid procedures must be utilized for purchases of apparatus, supplies, materials, or equipment expected to require an expenditure **equal to or greater than \$90,000**. Requests for formal bids must be legally advertised. Formal bid procedures may be used for purchases totaling less than \$90,000 where advantages as to price or conditions of the purchase may be obtained. It is the responsibility of the Finance Director or the City's designee to open and read bids publicly prior to the award of the contract. The Finance Director or the City's designee will also make known to any interested person the names of the bidders, the manufacturers and catalog numbers of the items the bidders have offered, and the prices, delivery schedules and terms specified in the bids. After the bids have been opened, they are analyzed

City of Lowell Fiscal Policy

and compared with respect to compliance with specifications, quality and suitability of the products, time of delivery and any other pertinent factors.

During the period of evaluation and prior to the award, possession of the bids and accompanying information is limited to City personnel or the City's designee directly involved in the project and to those in user agencies who are responsible for participating in the evaluation. Vendor participation, or furnishing information to vendors on the status of bid evaluation, is not permitted.

After award of the contract, the complete bid file with the exception of trade secrets, test information or similar proprietary information as provided by North Carolina General Statutes and procedures will be available to any interested person(s).

Section 3. Bids for Construction, Renovation, or Repairs

If a proposal involves construction, renovation, or repairs, the following guidelines apply:

- (A) \$30,000 - \$500,000,
 - (1) Informal Bids (G.S. § 143-131),
 - (2) Written proposals or quotes.
- (B) \$500,000 +,
 - (1) Formal Bids (G.S. § 143-129),
 - (2) Separate Specifications (G.S. § 143-128),
 - (3) HVAC, Plumbing, Electrical, General – if the cost of subdivision is less than \$25,000, then it may be incorporated into one of the other subdivisions.
- (C) G.S. § 143-135 – Exempts the competitive bidding requirements on construction and labor that involves less than \$125,000, or if the total cost of labor on the project does not exceed \$50,000, when the work is to be done by employees and officers of a government agency,
- (D) G.S. § 133-1.1 – Requires that repairs exceeding \$300,000 for the repair of any building not including major structural change, or \$100,000 for the repair of public building affecting life safety systems, or \$135,000 for the repair of public buildings where such repairs includes major structural change in framing or foundation support systems, or \$135,000 for the construction of, or additions to, public buildings or State-owned and operated utilities; be designed by an architect or engineer and,
- (E) In certain cases, when the City employs the services of an architect, engineer, firm, corporation or individual to provide design and/or specifications services on certain projects that involve the construction, additions or renovations of/to buildings, G.S. § 133-1; 133-1.1; 133-2; 133-3; dictate certain procedures to be followed. To ensure fair competition, it will be the position of the City not to allow any architect, engineer, firm, corporation or individual providing design and/or specifications services for any project, to submit a proposal to provide materials, supplies, equipment, etc., on that project to

City of Lowell Fiscal Policy

which said design and/or specification services were rendered unless the project has been designated by the Council as a design build project as permitted by State statute.

Section 4. Procedure for Letting Public Contracts

G.S. § 143-129 states that “No construction or repair work requiring the estimated expenditure of public money in an amount equal to or more than \$500,000 or purchase of apparatus, supplies, materials or equipment requiring an estimated expenditure of public money in an amount equal to or more than \$90,000 may be performed, nor shall any contract be awarded therefore by any Council or governing body of the State or of any political subdivision of the State, unless the provisions of this section are complied with”.

“Where the contract is to be let by a political subdivision of the State, proposal shall be invited by advertisement in newspapers having general circulation in the political subdivision or by electronic means or both”.

Section 5. Minimum Number of Bids for Public Contracts

G.S. § 143-132 states that “No contract to which G.S. § 143-129 applies for construction or repairs shall be awarded by any Council or governing body of the State, or any subdivision thereof, unless at least three (3) competitive bids have been received from reputable and qualified contractors regularly engaged in their respective lines of endeavor”.

G.S. § 143-132(a) provides procedures if not as many as three competitive bids are received. These procedures require a second advertisement for bids and thereafter if three (3) bids are not received, then award of the contract to the lowest responsible bidder even though only one bid may have been received.

Section 6. Contracts for Informal Bids

G.S. § 143-131 states that “All contracts for construction or repair work or for the purchase of apparatus, supplies, materials or equipment, involving the expenditure of public money in the amount of \$30,000 or more, but less than the limits prescribed in G.S. § 143-129, made by any officer, department, Council, local school administrative unit, or commission of any county, city, City or other subdivision of this State shall be made after informal bids have been secured”.

Section 7. Rejection of Bids

In requesting proposals all offers received may be rejected in whole or in part. Consistent with G.S. § 143-129 governing such purchases, the City of Lowell will accept and make award to the lowest, responsible bidder. Basis for rejection shall include, but not be limited to:

- (A) The proposal being deemed unsatisfactory as to quantity, quality, delivery, price or service offered,
- (B) The proposal not complying with the conditions of the invitation or with the intent of the proposed contract,
- (C) Lack of competitiveness, by reason of collusion or otherwise, or knowledge that reasonably available competition was not received,

- (D) Errors in specifications or indication that revision would be to the City's advantage,
- (E) Cancellation of or changes in the intended project or other determination that the proposed requirement is no longer needed,
- (F) Limitation or lack of available funds,
- (G) Circumstances, which prevent determination of the lowest responsible or most advantageous bid and,
- (H) A determination that rejection would be for the best interest of the City.

**ARTICLE XI
SURPLUS PROPERTY**

Section 1. Finance Director Notified

Department Heads are to notify the Finance Director of surplus property that needs to be disposed. Departments may transfer property to other departments if the Finance Director and the City Manager have been notified and the City Manager has approved the transfer. The Council (except as delegated otherwise to the City Manager) shall declare any identified property as surplus.

Section 2. Sale of Personal Property (Less than \$30,000)

The City Manager is authorized by the Council, pursuant to G.S. § 160A-266 (c), to dispose of any surplus personal property owned by the City whenever he determines, in his discretion, that:

- (A) The item or group has a fair market value of less than \$30,000,
- (B) The personal property is no longer necessary for the conduct of public business, and,
- (C) Sound property management principles and financial consideration indicate that the interests of the City would best be served by disposing of the personal property.

The City Manager may dispose of any such surplus personal property by any means, which are judged responsibly calculated to yield the highest attainable sale price in money or other consideration, including but not limited to the methods of sale provided in Article 12 of G.S. § 160A-267, 160A-268, and 160A-270. Such sale may be public or private, and with or without notice and minimum waiting period.

The surplus property shall be sold to the party who tenders the highest offer, or exchanged for any property or services useful to the City if greater value may be obtained in that manner, and the City Manager is hereby authorized to execute and deliver any applicable title documents. If no offers are received within a reasonable time, the City Manager may retain the property, obtain any reasonable salvage value, or cause it to be disposed of as waste material. No surplus may be donated to any individual or organization except by resolution of the City Council.

City of Lowell Fiscal Policy

The City Manager shall, on or before the first day of February, report in writing to the City Council on any property disposed of under these provisions from January 1 through December 31 of the previous year. The written report shall generally describe the property sold or exchanged, to whom it was sold, or with whom exchanged, and the amount of money or other consideration received for sale or exchange since the last such report was submitted.

Section 3. Sale of Real Property or Personal Property (Greater than \$30,000)

The City Manager, with the authorization of the City Council, may dispose of any surplus real property or surplus personal property valued at greater than \$30,000 owned by the City. Private negotiation and sale may be used only with regards to personal property valued at less than \$30,000 for any one item or group of similar items. Real property, of any value, and personal property valued at \$30,000 or more for any one item or group of similar items may be sold as permitted by any method in the disposal statutes other than private negotiation and sale or exchanged as provided in G.S. § 160A-271. Procedures for sale of land to volunteer fire departments, volunteer rescue squads or other entities carrying out a public purpose are specified in G.S. § 160A-277 and G.S. § 160A-279 respectively.

The sale of property by advertisement for sealed bids shall be conducted in the manner prescribed for the purchase of property except that real property bids must be advertised thirty (30) days in advance. See G.S. § 160A-268 for further details. Other methods for disposition of personal property are through private negotiation and sale as directed in G.S. § 160A-267 and public auction as directed in G.S. § 160A-270.

Section 4. Property Declared Surplus

Property subject to disposal under the procedures mentioned above must be recommended by the Finance Director and declared surplus by the City Council or City Manager (personal property under \$30,000). Officials selling such property must obtain their market value in exchange for the property and must provide to the City Manager in writing, a report that generally describes the property sold or exchanged and to whom it was sold or exchanged.

Section 5. Employee Purchases/Sales

The City will not purchase items and or services from its governing Council members or employees. Likewise, when the City has surplus property to be sold, the practice of selling such property to employees by private negotiation is prohibited. Employees can participate in sale of surplus property where the manner of sale is through the use of public auction or sealed bids.

Section 6. Donation of Property

In accordance with G.S. § 160-280 the City may donate to another governmental unit within the United States or a nonprofit organization, incorporated within any of the United States, any personal property, including supplies, materials and equipment that the Council deems to be surplus, obsolete or unused. The Council shall post a public notice at least (5) five days prior to the adoption of a resolution approving the donation. The resolution shall be adopted prior to making any donation of surplus, obsolete, or unused personal property.

**ARTICLE XII
FORMS, TABLES AND OTHER INFORMATION**

Table One – Dollar Threshold Table

<u>Requirement</u>	<u>Threshold</u>
Formal Bids	
Construction or repair contracts (G.S. §. 143-129)	\$500,000 and above (estimated cost of contract)
Purchase of apparatus, supplies, materials, and equipment (G.S. §. 143-129)	\$90,000 and above (estimated cost of contract)
Exception: Previously bid or “piggybacking” contracts Requires governing Council approval at a regular meeting Upon 10 days public notice (G.S. §. 143-129(g))	
Informal Bids	
Construction or repair contracts (G.S. § 143-131)	\$30,000 to formal limit
Purchase of apparatus, supplies, materials, and equipment (G.S. § 143-131)	\$30,000 to formal limit
Historically Underutilized Business (HUB) requirements	
Building projects with state funding (verifiable 10% goal required)	\$100,000 or more
Locally funded projects (formal HUB requirements)	\$300,000 or more
Projects in informal bidding range (informal HUB requirements) (G.S. §. 143-128.2(a), (j) and G.S. §. 143-131(b))	\$30,000 to \$500,000 (estimated cost of project)
Limit on use of own forces	
Construction or repair projects (G.S. §. 143-135)	Not to exceed \$125,000 (total project) or \$50,000.00 (labor only)
Bid bond or deposit	
Construction or repair contracts (at least 5% of bid amount)	Formal bids (\$500,000 and above)
Purchase contracts (G.S. § 143-129(b))	Not required
Performance/payment bonds	
Construction or repair contracts (G.S. § 143-129(c); G.S. § 44A-26)	Projects over \$300,000. for each contract over \$50,000
Purchase contracts	Not required
General contractor’s license	
(G.S. §. 87-1)	\$30,000 and above
Use of licensed architect or engineer required	
Nonstructural work	\$300,000 and above
Structural repair, additions or new construction	\$135,000 and above
Repair work affecting life safety systems (G.S. § 133-1.1 (a))	\$100,000 and above
Selection of architect, engineer, or surveyor, construction manager, or design-build contractor	
“Qualification-Based Selection procedure (QSB) (G.S. § 143-64.31)	All contracts unless exempted
Exemption authorized (G.S. § 143-64.32)	Projects where estimated fee is less than \$50,000

**North Carolina General Statute 159-30
Permitted Investments**

- (a) A local government or public authority may deposit at interest or invest all or part of the cash balance of any fund. The finance officer shall manage investments subject to whatever restrictions and directions the governing Council may impose. The finance officer shall have the power to purchase, sell, and exchange securities on behalf of the governing Council. The investment program shall be so managed that investments and deposits can be converted into cash when needed.
- (b) Moneys may be deposited at interest in any bank, savings and loan association, or trust company in this State in the form of certificates of deposit or such other forms of time deposit as the Commission may approve. Investment deposits, including investment deposits of the mutual fund for local government investment created by G.S. § 159-30(c)(6a), shall be secured as provided in G.S. § 159-30(c)(6a).
- (c) Moneys may be invested in the following classes of securities, and no others:
 - (1) Obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States.
 - (2) Obligations of the Federal Financing Bank, the Federal Farm Credit Bank, the Bank for Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, Farmers Home Administration, the United States Postal Service.
 - (3) Obligations of the State of North Carolina.
 - (4) Bonds and notes of any North Carolina local government or public authority, subject to such restrictions as the secretary may impose.
 - (5) Savings certificates issued by any savings and loan association organized under the laws of the State of North Carolina or by any federal savings and loan association having its principal office in North Carolina; provided that any principal amount of such certificate in excess of the amount insured by the federal government or any agency thereof, or by a mutual deposit guaranty association authorized by the Administrator of the Savings Institutions Division of the Department of Economic and Community Development of the State of North Carolina, be fully collateralized.
 - (6) Prime quality commercial paper bearing the highest rating of at least one nationally recognized rating service and not bearing a rating below the highest by any nationally recognized rating service which rates the particular obligation.
 - (7) Bills of exchange or time drafts drawn on and accepted by a commercial bank and eligible for use as collateral by member banks in borrowing from a federal reserve

- bank, provided that the accepting bank or its holding company is either (i) incorporated in the State of North Carolina or (ii) has outstanding publicly held obligations bearing the highest rating of at least one nationally recognized rating service and not bearing a rating below the highest by any nationally recognized rating service which rates the particular obligations.
- (8) Participating shares in a mutual fund for local government investment; provided that the investments of the fund are limited to those qualifying for investment under this subsection (c) and that said fund is certified by the Local Government Commission. The Local Government Commission shall have the authority to issue rules and regulations concerning the establishment and qualifications of any mutual fund for local government investment.
- (9) A commingled investment pool established and administered by the State Treasurer pursuant to G.S. § 147-69.3.
- (10) A commingled investment pool established by interlocal agreement by two or more units of local government pursuant G.S. § 160A-460 through G.S. § 160A-464, if the investments of the pool are limited to those qualifying for investment under this subsection (c).
- (11) Evidences of ownership of, or fractional undivided interests in, future interest and principal payments on either direct obligations of the United States government or obligations the principal of and the interest on which are guaranteed by the United States, which obligations are held by a bank or trust company organized and existing under the laws of the United States or any state in the capacity of custodian.
- (12) Repurchase agreements with respect to either direct obligations of the United States or obligations the principal of and the interest on which are guaranteed by the United States if entered into with a broker or dealer, as defined by the Securities Exchange Act of 1934, which is a dealer recognized as a primary dealer by a Federal Reserve Bank, or any commercial bank, trust company or national banking association, the deposits of which are insured by the Federal Deposit Insurance Corporation or any successor thereof if:
- a. Such obligations that are subject to such repurchase agreement are delivered (in physical or in book entry form) to the local government or public authority, or any financial institution serving either as trustee for the local government or public authority or as fiscal agent for the local government or public authority or are supported by a safekeeping receipt issued by a depository satisfactory to the local government or public authority, provided that such repurchase agreement must provide that the value of the underlying obligations shall be maintained at a current market value, calculated at least daily, of not less than one hundred percent (100%) of the repurchase price, and, provided further, that the financial institution serving either as trustee or as fiscal agent for the local government or public authority holding the

obligations subject to the repurchase agreement hereunder or the depository issuing the safekeeping receipt shall not be the provider of the repurchase agreement;

- b. A valid and perfected first security interest in the obligations which are the subject of such repurchase agreement has been granted to the local government or public authority or its assignee or book entry procedures, conforming, to the extent practicable, with federal regulations and satisfactory to the local government or public authority have been established for the benefit of the local government or public authority or its assignee;
- c. Such securities are free and clear of any adverse third party claims; and
- d. Such repurchase agreement is in a form satisfactory to the local government or public authority.

(13) In connection with funds held by or on behalf of a local government or public authority, which funds are subject to the arbitrage and rebate provisions of the Internal Revenue Code of 1986, as amended, participating shares in tax-exempt mutual funds, to the extent such participation, in whole or in part, is not subject to such rebate provisions, and taxable mutual funds, to the extent such fund provides services in connection with the calculation of arbitrage rebate requirements under federal income tax law; provided, the investments of any such fund are limited to those bearing one of the two highest ratings of at least one nationally recognized rating service and not bearing a rating below one of the two highest ratings by any nationally recognized rating service which rates the particular fund.

- (d) Investment securities may be bought, sold, and traded by private negotiation, and local governments and public authorities may pay all incidental costs thereof and all reasonable costs of administering the investment and deposit program. Securities and deposit certificates shall be in the custody of the finance officer who shall be responsible for their safekeeping and for keeping accurate investment accounts and records.
- (e) Interest earned on deposits and investments shall be credited to the fund whose cash is deposited or invested. Cash of several funds may be combined for deposit or investment if not otherwise prohibited by law; and when such joint deposits or investments are made, interest earned shall be prorated and credited to the various funds on the basis of the amounts thereof invested, figured according to an average periodic balance or some other sound accounting principle. Interest earned on the deposit or investment of bond funds shall be deemed a part of the bond proceeds.
- (f) Registered securities acquired for investment may be released from registration and transferred by signature of the finance officer. (1957, c. 864, s.1; 1967, c. 798, ss. 1, 2; 1969, c. 862; 1971, c 780,s.1;1973, c. 474, ss. 24, 25; 1975, c. 481; 1977, C. 575; 1979, c. 717, s.2; 1981, c 445, ss 1-3; 1983, c. 158, ss. 1, 2; 1987, c. 672, s.1;1989, c. 76, 5. 31; c. 751, 5. 7(46).)