



**City of Ferndale  
Financial Management Policies  
*Element #11***

**PURCHASING POLICY AND PROCEDURES**

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## **1. General**

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### **A. Purpose**

This document is intended to guide and assist staff on basic procurement and contracting requirements as set forth in the Ferndale Municipal Code and Washington State statutes. This policy establishes guidelines and clarifies the procedures for purchasing supplies and materials, public works construction, and contracting services for the City of Ferndale. The procedures in subsequent sections of this policy are designed to assure citizens, the City Council, and staff, that the City of Ferndale is receiving maximum value for each tax and utility dollar spent and ensure fiscal responsibility in the procurement process. It is the expectation of each Department Head to ensure that appropriations are sufficient to acquire goods and services. If expenditures exceed appropriations at a fund level, a budget amendment approved by the City Council is required.

In cases where these policies conflict with any city ordinance, state or federal law or regulation, the terms of the applicable law or regulation prevail. In other cases, these policies apply.

### **B. Objectives**

The objectives of the City's purchasing policy are as follows:

- To provide uniform systems to obtain supplies, materials, equipment, and services in an efficient and timely manner.
- To facilitate responsibility and accountability with the use of City resources.
- To ensure equal opportunity and competition among suppliers and contractors where possible.
- To promote effective relationships and clear communication between the City and its suppliers and contractors.
- To comply with the comprehensive State procurement statutes which govern expenditures of public funds.

### **C. Scope**

These guidelines apply to, but are not limited to, purchases and/or entering contracts relating to/of:

- Public works projects
- Professional services (including architectural and engineering design)
- Non-professional services
- Supplies, materials, goods, and equipment

The guidelines do not apply to the acquisition, sale, or lease of real property. If grant funding is involved in the proposed procurement, applicable requirements should be obtained from the funding agency. Such requirements may be more restrictive than any city policy. Please see Section 9 of this policy for guidance related to grant funding.

### **D. Controlling Laws**

All purchases shall comply with appropriate and relevant federal, state, and city laws and policies. If the appropriate and relevant federal or state laws, regulations, grants, or requirements are more restrictive than these guidelines, such laws, regulations, grants, or requirements should be followed.

The City Attorney shall be consulted when questions regarding potential conflicts arise.

Applicable laws and regulations will be cited throughout this document and may be subject to change prior to this document being updated; those laws in place at the time of the purchases and acquisitions shall take precedent above those that may be cited in this document.

## **2. Ethics of Procurement**

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The City is committed to providing a fair, transparent and equitable purchasing process. All staff participating in a solicitation and/or award process should be thoughtful of any perceived or actual conflicts of interest. Many of the situations defined as prohibited conduct in the City's Personnel Policies could arise in the procurement context.

### **A. Conflicts of Interest**

No City staff or council members may undertake consulting, professional practice or other assignments which would result in a conflict of interest. Any employee of the City who recommends or approves a purchase and who has any financial or familial interest in the company or with the vendor involved in the purchase shall disclose their interest prior to recommending or approving the purchase.

### **B. Personal Gifts to be Declined**

Personal gifts or gratuities that might influence or give the appearance of influencing the requisition or purchase of material(s) must be declined. Please see the City of Ferndale Donation policy for guidance.

## **3. Compliance**

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Each Department Head, or their designated purchasing representative, shall be responsible for implementing, monitoring, and enforcing the provisions of these policies. In the event of any conflict in procurement requirements, or questions regarding appropriate procedures or other obligations, the matter shall be referred to the City Administrator or the Administrator's designee for resolution and further action. Willful or intentional violations of public procurement laws may be subject to disciplinary action in accordance with the City of Ferndale's Personnel Policy.

In addition to enforcing these procurement policies, each Department Head should ensure that reasonable measures are in place to safeguard protected Personally Identifiable Information (PII), as well as any other information identified as sensitive by the federal awarding agency, pass-through entity, or the City. Such safeguards shall be maintained in accordance with applicable federal, state, and local privacy laws, as well as the City's confidentiality obligations.

## **4. Types of Projects**

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Local government purchases and projects generally fall into one of five categories:

- **Public works.** All work, construction, alteration, repairs, or improvements to physical property, other than ordinary maintenance, that are paid for by a municipality.
- **Professional architecture and engineering services.** Professional services provided by a consultant that fall under architecture, engineering, land surveying, or landscape architecture.
- **Personal services.** Technical expertise provided by a consultant to accomplish a specific study, project, task, or other work statement, not including professional architecture and engineering services.
- **Purchased services.** Services provided by vendors for the routine, necessary, and continuing functions of a local agency, mostly related to physical work.

- **Materials, Supplies, Equipment.** Purchases of goods, equipment, supplies, or materials that are not connected with a public works project.

## 5. Authority and Thresholds- Signature Approval Matrix

Per RCW 35A.11.010, the City's authority to contract, and be contracted with, is vested in the City Council.

PURCHASES		
Type of Purchase	Purchasing Limit	Approval Authority
Large Purchases for Materials and Supplies (including installation)	Up to \$15,000	Department Head or Designee
	\$15,000 - \$74,999	Mayor or City Administrator
	\$75,000 and above	City Council
Purchases of Professional Services	Up to \$15,000	Department Head or Designee
	\$15,000 - \$74,999	Mayor or City Administrator
	\$75,000 and above	City Council
Purchases of Architectural and Engineering*	Up to \$15,000	Department Head or Designee
	\$15,000 - \$74,999	Mayor or City Administrator
	\$75,000 and above	City Council
Purchases of General Services	Up to \$15,000	Department Head or Designee
	\$15,000 - \$74,999	Mayor or City Administrator
	\$75,000 and above	City Council
Vehicles**	Up to \$500,000 when included on State contract or by previously approved vendor	Budget Process
	Over \$500,000 or if not included on State contract	City Council

\*Purchasing Limit for A&E is for the total life of the contract, not per invoice.

\*\*For the purpose of this policy, vehicle leases will be considered the same as vehicle purchases.

Options for New Procurements	Standard Process	Who to contact?
Credit Card (P-Card)	US Bank Reconciliation	Accounts Payable
Personal Reimbursement	Claim Reimbursement Form	Payroll/Accounts Payable
Materials, Supplies & Equipment < \$15,000	Claims Process	Department Head
Materials, Supplies & Equipment > \$15,000	Purchase Agreement by Competitive Bid	Department Head
Public Works	Invitation to Bid Contracts	Project Manager
A&E/Professional Services	Request for Qualifications Contract	Project Manager

General Services – Quote Requisition	Up to \$49,999	Department Head
	\$50,000 and above	Mayor or City Administrator
General Services – RFP Contract	Up to \$49,999	Department Head
	\$50,000 and above	Mayor or City Administrator

## **6. Bid Splitting**

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The dividing of any project into units, or accomplishing any projects by phases, is prohibited if it is done for the purpose of avoiding compliance with bidding statutes (RCW 35.23.352).

The Washington Supreme Court has held that a city cannot divide public work projects into phases for the purpose of estimating the cost of a public works project, even though those phases are performed at different intervals of time. Instead, a city, while completing the actual project in phases, must total the cost of all phases of the public work project or purchase. If the aggregate cost exceeds the applicable bid limit, the City must bid each phase of the project even though a single phase may cost less than the bid limit.

The cost of purchasing materials, supplies, and equipment not related to a public works project should be pre-estimated or budgeted per calendar year. If the total yearly cost is over the bid limit for vendor purchases the City must bid the items, even though a single purchase may cost less than the bid limits.

### **A. Small Works Roster**

When the estimated cost of a public works project falls below the Small Works Roster (SWR) limit specified in state statute the City may follow the Small Works Roster process for construction of public works or improvements as an alternative to the general competitive bidding requirements in accordance with state statute. The City of Ferndale utilizes the Municipal Research and Services Center of Washington (MRSC) for the City use of a statewide electronic database for small public works roster and consulting services developed and maintained by MRSC. Please see the City of Ferndale Small Works Roster policy for guidance.

### **B. Publication**

At least once a year, on behalf of the City, MRSC shall publish in a newspaper of general circulation within the jurisdiction a notice of the existence of the roster or rosters and solicit the names of contractors for such roster or rosters. Responsible contractors shall be added to the appropriate MRSC roster or rosters at any time that they submit a written request and necessary records. The City may require master contracts to be signed that become effective when a specific award is made using a small works roster.

## **7. Determining Contract Value**

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Contract value refers to the total aggregate value of the contract including all base periods, plus potential renewal periods.

## **8. Compost Procurement Local Preference Requirements**

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The City has developed a procurement policy and plan for the purchase and use of compost material in the following categories:

- Landscaping projects.
- Construction and post-construction soil amendments.
- Applications to prevent erosion, filter storm water runoff, promote vegetation growth, or improve the stability and longevity of roadways; and
- Low-impact development and green infrastructure to filter pollutants and keep water on-site, or both.

Please see the City of Ferndale Compost Procurement policy for guidance.

## **9. Grants and Federal Funding**

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### **A. Purpose**

Establish and maintain internal controls that provide reasonable assurance that federal awards are being managed in compliance with all federal regulations and with the terms and conditions of the award. The City of Ferndale will follow the Uniform Guidance and the Local Agency Guidelines (LAG) distributed by The Washington State Department of Transportation (WSDOT).

### **B. Internal Controls**

The City of Ferndale will maintain effective internal controls over the federal award providing reasonable assurance that the City of Ferndale is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award and:

- Take prompt action when instances of noncompliance are identified, including noncompliance identified in the audit findings.
- Take reasonable measures to safeguard protected PII and other information the Federal awarding agency or pass-through entity designates as sensitive.

### **C. Certification**

To assure that expenditures are proper and in accordance with the terms and conditions of the federal award and approved project budgets, the annual and final fiscal reports or vouchers requesting payment under the agreements must include a certification, signed by an official who is authorized to legally bind the non-federal entity, which reads as follows: "By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise."

### **D. Reimbursements**

Payment methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the City of Ferndale.

- The City of Ferndale shall minimize the time elapsed between receipt of federal aid funds and subsequent payment of incurred costs.

## **E. Cost Sharing or Matching**

For all federal awards, any shared costs or matching funds and all contributions, including cash and third-party in-kind contributions, must be accepted as part of the City's cost sharing or matching when such contributions meet all the criteria outlined in 2 CFR § 200.306 (b). If the purpose of the federal award is to assist the non-federal entity in the acquisition of equipment, buildings or land, the aggregate value of the donated property may be claimed as cost sharing or matching.

## **D. Allowable Costs**

Federal awards will meet all the following general criteria to be allowable except where otherwise authorized by statute.

- Be necessary and reasonable for the performance of the federal award.
- Conform to any limitations or exclusions set forth in these policies or in the federal award as to types or amount of cost items.
- Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the City of Ferndale.
- Be given consistent treatment. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the federal award as an indirect cost.
- Be determined in accordance with generally accepted accounting principles (GAAP).
- Will not be included as cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period.
- Be adequately documented.

## **E. Procurement**

When procuring property and services under a federal award, the City of Ferndale will follow 2 CFR §200.318 General procurement standards through §200.326 Contract provisions or City of Ferndale purchasing procedures whichever is more restrictive.

Contracts for more than the simplified acquisition threshold currently set at \$250,000 must address administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms and provide for such sanctions and penalties as appropriate.

Contracts and sub-grants of amounts more than \$250,000 require that the City of Ferndale will comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act and the Federal Water Pollution Control Act.

The City of Ferndale will monitor procurements to avoid duplicative purchases. The City will also continue to enter into inter-entity agreements to realize cost savings for shared goods and services when possible.

The City of Ferndale will verify and document that vendors are not suspended or debarred from doing business with the federal government.

## **F. Single Federal Audit**

The City of Ferndale, as a recipient of federal funds, shall adhere to the federal regulations outlined within 2 CFR §200.501 as well as all applicable federal and state statutes and regulations.

## **G. Closure**

A project agreement end date will be established in accordance with 2 CFR §200.309. Any costs incurred after the project agreement end date are not eligible for federal reimbursement.

## **10. Code of Conduct for Federal Funding**

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### **A. Purpose**

The purpose of the Code of Conduct is to ensure the efficient, fair and professional administration of federal grant funds in compliance with 2 CFR §200.112, 2 CFR §200.318 and other applicable federal and state standards, regulations, and laws.

### **B. Application**

This Code of Conduct applies to all elected officials, employees or agents of the City of Ferndale engaged in the award or administration of contracts supported by federal grant funds.

### **C. Requirements**

No elected official, employee or agent of the City of Ferndale shall participate in the selection, award or administration of a contract supported by federal grant funds if a conflict of interest, real or apparent, would be involved. Such a conflict arises when any of the following has a financial or other interest in the firm selected for award:

- The City employee, elected official, or agent; or
- Any member of their immediate family; or
- Their partner; or
- An organization which employs or is about to employ any of the above.

The City of Ferndale's elected officials, employees or agents shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, potential contractors or subcontractors.

### **D. Remedies**

To the extent permitted by federal, state or local laws or regulations, violation of these standards may cause penalties, sanctions or other disciplinary actions to be taken against the City of Ferndale's elected officials, employees or agents, or the contractors, potential contractors, subcontractors or their agents. Any potential conflict of interest will be disclosed in writing to the federal awarding agency or pass-through entity in accordance with applicable federal awarding agency policy.

## 11. Thresholds for Public Works

PUBLIC WORKS			
FORMAL BID PROCESS			
Single/Multi Trade or Craft	\$0 - \$74,999	Optional	Mayor or City Administrator
	Over \$75,000	Required	City Council
QUOTES			
Using MRSC Small Works Roster*	\$0 - \$24,999	No quotes required	Department Head
	\$25,000 - \$74,999	Min. 3 quotes	Mayor or City Administrator
	\$75,000 - \$249,999	Min. 5 quotes	City Council
	\$250,000 - \$350,000	Min. 5 quotes and must notify all Contractors on roster	City Council
Unit-Priced On-Call Contracts	All unit-priced on-call contracts must be procured through either the Small Works Roster or a formal bid process		\$0 - \$74,999 Mayor or City Administrator
			\$75,000 Council

\* Please see the City of Ferndale Small Works Roster policy for guidance.

In the event the threshold limits in the Revised Code of Washington (RCW) are different from the values above, the RCW limits shall control.

“Craft” or “Trade” means a recognized construction trade or occupation for which minimum wage categories are established by the Department of Labor and Industries of the State of Washington (L&I) in the locality of the City's projects or purchases.

## 12. Day Labor

The City may use its own employees to perform public works projects in accordance with [RCW 35.23.352](#).

## 13. Determining the Cost of a Public Work

The total construction cost of each project must be estimated to correctly apply bid limit dollar amounts to determine if a public works project must be competitively bid. The estimate shall include all phases and anticipated contracts for the entirety of the project, and include materials, supplies, equipment, and labor on the construction of that project AND applicable sales and use taxes.

However, the value of volunteer labor, material, or equipment need not be included in the cost estimate for a public works project, as these are not a cost to the agency. If the total project amount is over the bid thresholds then all contracts, no matter the individual dollar amount, must be procured through the bid process. The estimate may be prepared by an outside third party, however the final cost estimate must be validated by the City. The estimate needs to be prepared before any work begins and should be sent to the Project Manager.

## **14. Procuring Through Quotes**

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Projects for single craft or multiple crafts with a reasonably anticipated price equal to or less than the dollar thresholds do not require the use of competitive quotes or bids. However, it is recommended the Project Manager make every effort to obtain more than one quote.

## **15. Small Works Roster (SWR)**

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Please see the City of Ferndale Small Works Roster policy for guidance.

## **16. Formal Bid Process – Public Works**

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Competitive bidding is designed to prevent favoritism in awarding public work contracts and to enable local governments to obtain the best work or supplies at the most reasonable prices. It is also designed to provide a fair forum for bidders and to protect the public interest. The steps for the formal bid process shall be as follows:

- The Project Manager submits the project information to the appropriate Department Head, including technical specifications, bid and contract timeframes, pre-bid conference dates/times, if applicable.
- The Project Manager completes the bid package.
- The notice to bid is to be published in a newspaper of general circulation most likely to bring responsive bids, at least 13 days prior to the submittal deadline. The notice shall state the nature of the work for which plans and specs will then be available free of charge online and on file. Notice may also be published in regional publications related to the type of work being contracted.
- Bids must be sealed and filed with the City Clerk within the specified time.
- Each bid requires a deposit of five percent (5%) or more in the form of a cashier's check or bond depending on the size of the contract.
- Public bid opening is required.
- The Project Manager verifies that the bids meet the requirements of the Invitation to Bid and notifies of the lowest responsive bid.
- The Project Manager verifies the contractor is a responsible bidder.
- The Project Manager verifies the contract award approval requirements and, if required, schedules and prepares the City Council documents.
- The Project Manager administers the contract process.
- Any changes to state or federal law, which take effect after an initial competitive bid announcement, shall not constitute cause to reissue the bid announcement or be considered as a valid basis for a protest.

## **17. Requests for Bid Documents**

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The City of Ferndale requires that the City maintain the integrity of official bid document sets, provide swift response when incorporating addenda changes, and communicate in a singular, fair, and equitable manner to registered bidders. Documents will be hosted either on the City of Ferndale's website or a link to a third-party host will be provided.

### **A. Unit-Priced Contracts – On-Call and Systemwide Maintenance**

While traditional public works contracts are awarded for specific projects/scopes with a specific total dollar value, unit-priced contracts are not associated with a particular project, do not guarantee any amount of work, and do not establish a total dollar value (although the contract may cap the dollar value at a certain level over the life of the contract). Instead, the agency agrees to pay a defined “unit price” for certain types of anticipated (but unplanned) work or trades over a certain period. The prices for different tasks may be based upon different units. Commonly used units include:

- Weight, such as tons
- Surface area, such as square feet or acres
- Volume, such as gallons or cubic yards
- Length/depth, such as linear feet or vertical linear feet
- Time, such as hours
- Quantity of items
- Lump sum per task

When a specific project is identified, individual work orders are authorized based upon either a “not-to-exceed” time and materials basis or a negotiated lump sum amount using the previously established unit prices.

### **B. City of Ferndale Unit-Priced On-Call Contract Requirements**

City of Ferndale Unit-Priced On-Call Contract must meet the following requirements:

- The contract can only be used for activities that are not specifically planned and have no project-specific budget.
- The contract shall have a specified total aggregate not-to-exceed value.
- The initial term of the contract may not exceed three years, with the option to extend or renew the contract for one additional year.
- Modifications: During a contract there may be occasions when the original unit prices do not address work items that are needed. In those situations, new line items may be added by contract modification.

### **C. Bidding a Unit-Priced On-Call Contract**

Formal Bid or Small Work Roster procedures applicable to the estimated total aggregate not-to-exceed value of the contract must be used. The Invitation to Bid must:

- Specify that the contract will expire when the work orders total the estimated total aggregate not-to-exceed value including Washington State sales tax, or the contract term expiration date, whichever occurs first.
- Specify how work orders will be issued and include a sample work order.
- State that there is no minimum volume of work guaranteed.

- Specify that Prevailing Wages for all work performed pursuant to each work order must be the prevailing wage rates in effect at the beginning date for each contract year.
- Specify that on an annual basis (12-month contract period) the Prevailing Wage rates must be updated and submit a Statement of Intent to Pay Prevailing Wages (Intent), and an Affidavit of Wages Paid (Affidavit) to L&I.

#### **D. Unit Priced Systemwide Maintenance and Repair Contracts**

There are also some systemwide maintenance and repair contracts that are sometimes referred to as “on-call contracts” but fall under traditional public works contracting if the scope is clearly and properly defined.

To qualify as a traditional public works contract instead of an on-call contract, a systemwide maintenance or repair contract must cover specific activities planned and budgeted (as opposed to on-call contracts which cover activities that are not specifically planned and have no set budget).

Examples include:

- Sewer or storm drain “jetting” (cleaning) up to a certain budget amount, but not an exact number of linear feet.
- Sidewalk/trail construction or reconstruction in relation to the City’s 6 Year Transportation Improvement Plan (not necessarily a fixed quantity), up to a certain budget amount.
- Storm pond maintenance.
- Annual contracts for pavement crack sealing, chip seals, overlays, etc.

These contracts can be structured so that they qualify as public works projects with readily determinable quantities and costs related to a fixed scope. Systemwide maintenance and repair contracts should not cover unanticipated projects or emergency repairs, which would fall under on-call contracting.

#### **18. Withdrawal of Bids – Cancellation of Awards**

Bids may be modified, or the bid may be withdrawn by written notice received prior to the time set for opening in the office designated in the invitation for bids. After bid opening, withdrawal of bids shall be permitted only to the extent that the bidder can show by clear and convincing evidence presented in an affidavit or declaration submitted no later than 5:00 p.m. on the first business day after bid opening, that a clerical mistake was made and not a mistake in judgment, and the bid price intended. All decisions to permit the withdrawal of bids after bid opening, or to cancel awards or contracts based on bid mistakes, shall be made by the Mayor or City Administrator after consulting with legal counsel.

#### **19. Cancellation of Invitations for Quotations or Bids**

An invitation for quotations or bids may be canceled at the discretion of the Department Head. The reasons shall be made part of the contract file. Each invitation for quotations or bids issued by the City shall state that the invitation may be canceled. Notice of cancellation shall be sent to all parties that have been provided with a copy of the invitation. The notice shall identify the invitation for quotations or bids and state briefly the reasons for cancellation.

## **20. Responsive Bid**

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Responsive bids are bids that are submitted on time with all the information requested by the City. Bids submitted after the submittal deadline or at the wrong location shall be rejected as non-responsive – in other words, the City shall neither accept nor open late bids. If a contractor claims extenuating circumstances, they shall be referred to the City Attorney.

Typically, bidders must provide the following information at the time of bidding:

- Sealed bids, with the name of the project and the time and date of the bid opening clearly stated on the outside of the bid packet.
- Bid guarantee in the form of a bid bond or check.
- Lump sums, unit prices, and total prices in the spaces provided on all the bid forms, including all appropriate sales taxes.
- Receipt of addenda acknowledged.
- Acknowledgment of attendance at mandatory pre-bid meeting (to be verified).
- Non-collusion affidavit certificate.
- Mandatory bidder responsibility questionnaire with all items completed.
- Certification of compliance with wage payment statutes.

While it is possible to do a brief check when the bids are first opened, the City reserves the right to ascertain full compliance with the bid proposal's requirements after a more detailed review, generally within a maximum of 30-45 days. The City retains the ability to waive minor inconsistencies or informality within bids.

## **21. Responsible Bidder**

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Bid awards are required to go to the lowest responsive and responsible bidder. This applies to informal bidding, such as a small works roster, as well as formal competitive bids.

Responsible bidders must meet several mandatory criteria. The bidder must:

- At the time of bidding have a certificate of registration in compliance with chapter [18.27 RCW](#), a plumbing contractor license in compliance with chapter [18.106 RCW](#), an elevator contractor license in compliance with chapter [70.87 RCW](#), or an electrical contractor license in compliance with chapter [19.28 RCW](#), as required under the provisions of those chapters.
- Have a current Washington State Unified Business Identifier (UBI) number.
- If applicable, have industrial insurance/workers' comp coverage required in [Title 51 RCW](#).
- Have a Washington State Employment Security Department (ESD) account as required in [Title 50 RCW](#).
- Have a state excise tax registration number as required in [Title 82 RCW](#).
- Not be disqualified from bidding under RCW [39.06.010](#) or [39.12.065\(3\)](#).
- If bidding on a public works project subject to the apprenticeship utilization requirements in [RCW 39.04.320](#) cannot have been found out of compliance by the Washington State Apprenticeship and Training Council for working apprentices out of ratio, without appropriate supervision, or outside their approved work processes as outlined in their standards of apprenticeship under chapter [49.04 RCW](#) for the one-year period immediately preceding the date of the bid solicitation. Certify through a sworn statement that they are not a willful violator of labor laws in reference to [RCW 49.48.082](#).

- Have received training on the requirements related to public works and prevailing wage under chapter [39.04 RCW](#) and chapter [39.12 RCW](#), or received exemption from this requirement by completing three or more public works projects and have had a valid business license in Washington for three or more years.
- Not currently be debarred or suspended by the Federal Government on the U.S. Government’s “System of Award Management” database ([sam.gov](#)).

Additional items may be required shortly after bid opening:

- If supplemental bidder responsibility criteria are required (see below), a separate questionnaire must be filled out and submitted within 72 hours after bid opening. However, this questionnaire should only be required of the apparent low bidder and the next two lowest bidders.
- For projects that cost an estimated \$1 million or more, a list of all subcontractors for HVAC, plumbing, or electrical work must be submitted. The bidder may also submit itself for any of these categories. This list may either be submitted within one hour after the bid opening (the preferred method) or at the time the bid is submitted.

In addition, [RCW 39.04.350\(2\)](#) allows agencies to adopt additional relevant responsible bidder criteria for individual projects, which the City may require at its discretion. Supplemental criteria may be on two levels:

- A basic level that may prohibit such things as no delinquent state taxes, no federal debarment, minimal prevailing wages violations, no excessive claims against retainage and bonds, no public bidding violations, no termination for cause or default, and unwarranted lawsuits with respect to public contracting.
- A secondary level which criteria relate to the nature of a specific project. For example, the City may require that a contractor has completed three projects of a similar scope and dollar volume within the past five years.

These supplemental criteria and associated evaluation methods must be provided in the Invitation to Bid or bidding documents.

## **22. Apprenticeship Utilization Requirements**

Effective July 1, 2024: Public works contracts estimated to cost more than \$2 million required no less than fifteen percent (15%) of total labor hours being performed by apprentices.

Effective July 1, 2026, and until July 1, 2028: Public works contracts estimated to cost more than \$1.5 million must require no less than fifteen percent (15%) of total labor hours to be performed by apprentices.

Effective July 1, 2028: Public works contracts estimated to cost more than \$1 million must require no less than fifteen percent (15%) of total labor hours be performed by apprentices.

## **23. Deposit, Performance Bond, & Payment Bond for Public Works Improvement Projects**

Whenever competitive quotes or bids are required, a bidder may be required to make a deposit in the form of a cashier’s check, postal money order, or surety bond in an amount equal to not less than

five percent (5%) of the total bid, which percentage shall be specified in the call for bids. As part of any bid submitted, the bidder shall be required to warrant that the bid is a genuine bid, and that they have not entered collusion with any other bidder or any other person. All public works contractors shall furnish a performance bond and a payment bond in an amount equal to the total amount of the contract on a form approved by the City Attorney. In lieu of a performance bond on contracts of \$150,000 or less, a contractor may request to have ten percent (10%) of the contract retained for a period of 30 days after the date of final acceptance. The request will be evaluated and accepted or rejected by the Public Works Director in consultation with the City Attorney.

## **24. Retainage**

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State law requires the City to withhold up to five percent (5%) of the contract price earned by the City's contractor during performance of public works and construction contracts. The withheld amount, known as "retainage," is for the benefit of laborers and material suppliers in the event the contractor fails to pay them. Retainage may also be used to satisfy tax claims by the Department of Revenue, prevailing wage-related claims by L&I, unemployment compensation-related claims by the Employment Security Department, and contract performance claims by the City itself. Retainage is not paid ("released") to the contractor until appropriate releases are received from the involved state agencies and City departments/divisions.

A contractor has several options in how retainage will be held:

- The most common practice is to have the City withhold and retain five percent (5%) from each payment made during performance of the contract in a non-interest-bearing fund.
- A bond in-lieu-of retainage (aka "retainage bond") may be submitted by the contractor on the City's standard form or one that is acceptable to the City for all or any portion of the contract retainage amount.
- The amount(s) retained may be deposited by the City in an interest-bearing account. Interest on such monies shall be paid to the contractor and is not subject to withdrawal until after final acceptance of the work.
- An escrow account may be jointly established by the contractor and the City with a bank. This escrow option must utilize the City's standard forms. The monies placed in escrow must be converted into bonds and securities approved by the City and any interest is paid to the contractor as it accrues.

Retainage requirements are not mandatory for non-public works supplies or services but may be used at the discretion of the department/division. At the conclusion of contract performance, any retainage reserved by the City will be released or otherwise disbursed according to the City's standardized contract close out process.

## **25. Prevailing Wages**

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State law requires prevailing wages to be paid by the contractor on all public works projects and all public building service maintenance contracts. Prevailing wage questions may be directed to the L&I, Prevailing Wage Section.

- Public works contracts require that every employer on the project file a Statement, and Affidavit, regardless of the size of the contract. The forms are filed with L&I and, once they are approved, are submitted by the employer to the City's Program Specialist.

- Owner/Operators that do not have any employees do not need to pay themselves prevailing wages, however, they do still need to file Intents and Affidavits with L&I and list that they are Owner/Operator.
- For all public works contracts, the applicable prevailing wage rates shall be those in effect on the submittal due date. These rates shall remain in effect throughout the duration of the contract. If a contract is not awarded within six months of the submittal due date, the applicable prevailing wage rates shall be those in effect on the date the contract is awarded and shall remain in effect for the duration of the contract.
- For janitorial, building service maintenance contracts, and unit-priced contracts, the prevailing wage rates in effect on the submittal due date are the minimum rates that must be paid for the first year of such contract and thereafter. Any unit priced contract of more than one year in duration must include wage increase language specifying that wages will be altered annually to follow the most recent publication of prevailing wage rate.
- Specification documents must state that workers shall receive the prevailing rate of wage. The specifications must either list all the applicable prevailing wage rates, or else provide the URL address for L&I's Prevailing Wage Rates for Public Works Contracts with the exact wage publication date and county. Prevailing wage rates are adjusted twice annually – usually in the spring and fall.
- Payments by the City are not allowed when contractors have not submitted an Intent form that has been approved by the L&I industrial statistician. The City may not release retainage until all contractors and subcontractors have submitted an Affidavit form that has been certified by L&I. The requirement to submit these forms should also be stated in the contract.
- There is no minimum amount for public works or prevailing wage. Prevailing wages must be paid for any work, construction, alteration, repair or improvement, other than ordinary maintenance, that the City causes to be performed by a private party through a contract.
- Should the City fail to comply, the City can be held responsible for any unpaid prevailing wages.

## **26. Federal Prevailing Wage Requirements**

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The federal government has its own public works prevailing wage requirements, or wage decisions, established by the Davis-Bacon Act (DBA). For any public works project receiving federal funding, contractors must pay the higher of the state or federal wage rates. This should also be stated in the bid specifications and contracts. To look up current federal wage decisions by trade and county, see wage determinations online at [Wage Determinations | SAM.gov](#)

## **27. Services**

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Distinguishing between services and public works is also important, as services may have different bidding requirements.

### **A. Architectural and Engineering Services (A&E Services)**

Professional Architecture and Engineering (A&E) services are services provided by any person, other than an employee of the agency, that fall under the general statutory definitions of:

- Architecture (Chapter [18.08 RCW](#))
- Engineering (Chapter [18.43 RCW](#))
- Land surveying (Chapter [18.43 RCW](#))
- Landscape architecture (Chapter [18.96 RCW](#))

## **B. Purchases of A & E Services**

Architectural and Engineering consultants are initially selected based on their qualifications, rather than price. The defining characteristic of chapter [39.80 RCW](#) is its strict insistence on Qualification-Based Selection (QBS) of A&E professionals. In contrast to public works contracts, purchases (equipment, materials, and supplies), and purchased service contracts, an agency cannot consider price in the selection process for professional A&E services: it must select the most qualified firm and then negotiate a price for the work contemplated. There are two ways to select an A&E firm based on their qualifications:

- Procure using a Request For Proposals (RFP) process. This process requires the City representative to develop a written scope of the project and any criteria used to select the service provider and then select a qualified consultant from the City's MRSC architectural, landscape architectural, and engineering service roster, following the procedures of [39.80 RCW](#).
- If the Project Manager does not choose to use the appropriate roster, then a formal Request for Qualification (RFQ) process must be followed, following the procedures of [39.80 RCW](#). Contact the Program Specialist for assistance.

The City will negotiate a contract with the most qualified firm at a price which the City determines is fair and reasonable. In making its determination the City shall consider the estimated value of the services to be rendered as well as the scope, complexity, and professional nature. If the City is unable to negotiate a satisfactory contract with the firm selected at a price the City determines to be fair and reasonable, negotiations shall be terminated, and the City shall begin negotiations with the next highest qualified firm. All documentation must be forwarded to the Program Specialist for archiving.

Once a firm has been selected, the Project Manager shall develop a draft contract to begin the contract process.

## **C. Professional Services**

Professional Services are provided by independent consultants and require specialized knowledge, advanced education, professional licensing or certification and the primary service provided is mental or intellectual, involving the consistent exercise of judgment and discretion.

- Examples of Professional Services include but are not limited to: accountants, attorneys, consultants, graphic artists, strategic planning, studies/analysis, training, certification services, materials testing and special inspections.

## **D. Purchased Services**

Purchased services are those provided by vendors for routine, necessary, and continuing functions of a local government agency, mostly relating to physical activities. These services are usually repetitive, routine, or mechanical in nature, support the agency's day-to-day operations, involve the completion of specific tasks or projects, and involve minimal decision-making. For most purchased services, the main determinant of award is price and there are no bid limits or requirements for advertising, bonds and/or retainage, or (depending on the specific facts) prevailing wages.

Contractors whose work includes only observing, directing, verifying, and reporting would not have

a prevailing wage requirement. There are several purchased services, however, that hover over that thin gray line between purchased services and public works contracting. Purchased service contracts require, overall, much less paperwork than public works contracts. If a particular contract is very near the gray line, the conservative approach is to consider it a public works contract.

The Program Specialist should be contacted if there is any doubt as to whether a project is a purchased service or public work.

Examples of Purchased Services include but are not limited to: janitorial services, elevator or equipment inspection (but not repair or maintenance), grounds keeping, pest control, moving services, fire extinguisher inspection, vehicle towing. (L&I considers some service contracts, such as HVAC maintenance or road striping, to be public works and subject to public works bidding requirements.)

## **E. Purchases of Purchased Services**

The City shall follow the following process for purchases of purchased services:

- Determine if the City will procure through obtaining quotes, a formal bid, or RFP. Typically, the Program Specialist will be involved in the formal bid or RFP process.
- If obtaining quotes, request quotes from 1 or more qualified firms or individuals describing the desired services and request prices (including prevailing wage if applicable), schedules, and qualifications.
- Evaluate the proposals and determine the lowest responsible bidder.

Once a firm has been selected, the Project Manager shall develop a draft contract to begin the contract process and maintain proposals and all evaluation documents.

## **F. Publication**

RCW 39.80.030 requires that the City should publish in advance the City's requirements for professional services. The City may comply with this section by (1) publishing an announcement on each occasion when professional services provided by a consultant are provided by the City; or (2) announcing generally to the public its projected requirements for any category or type of professional service to create a Consultant Roster. Advertising for the Consultant Roster must be done at least once a year by MRSC on the City's behalf. The MRSC Consultant Roster will distinguish between professional architectural and engineering services as defined in RCW 39.80.020 and other consulting services. Firms or people providing consulting services should be added to the appropriate roster at any time they submit a written request and necessary records. The City reserves the right to publish an announcement on each occasion when professional services or other consulting services are required.

## **28. Exceptions to the Competitive Bidding Process**

The Washington State statutes contain exceptions to the previously discussed competitive bidding requirements. Exceptions, when exercised, should make good business sense and be in the best interest of the City.

It is important to note that ONLY the requirement for competitive bidding or advertising is waived. It does not waive any contractual requirements, approvals, insurance requirements, or other standard

City requirements.

**A resolution waiving competitive bidding due to any exception is required and must be presented to City Council for review and approval on a project-by-project basis.** Items that had previously been purchased through a sole source resolution may no longer require such a resolution, especially in instances where technological improvements have expanded availability, when copyright restrictions expire or are lifted, or for some other reason. The resolution will be prepared by the Program Specialist and should include estimated project/purchase costs.

Exemptions to the competitive bidding requirements include:

- Purchases that are clearly and legitimately limited to a single source of supply subject to a Sole Source resolution passed by the City Council, including:
  - Licensed or patented goods or services.
  - Items that are uniquely compatible with existing equipment, inventory, systems, programs or services.
  - Products that uniquely meet City standards (e.g.. water meters).
  - Factory-authorized warranty services.
- Purchases involving special facilities or market conditions, including:
  - Items of special design, shape or manufacture that match or fit with existing equipment, inventory, and systems (used and auction items).
  - Emergency purchases.
  - Inter-Governmental Cooperative Purchases.
  - Purchases of insurance or bonds.
  - Pollution control facilities and some neighborhood “self-help” projects that are exempt from bidding requirements.
  - Cities may hire the state or county to do road projects without going out for bids.

## **29. Brand Name and Sole Source Purchases**

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### **A. Brand Name Bidding**

Cities may advertise for bids by specifying a particular brand name item if the responsible officials have exercised their judgment and determined that a certain brand name is of higher quality or is better suited to the municipality’s needs. There is no requirement that bid specifications naming a particular brand also include a phrase such as “or an equal brand,” unless subject to federal requirements. Contact the Program Specialist for assistance in determining and documenting the brand name need, and preparation of bidding documents.

### **B. Sole Source Purchases**

A sole source is a unique exception to the City’s purchasing policies. A sole source situation is when it is only feasible to obtain a good or service from one supplier or service provider. Sole source conditions include such things as: (a) products, systems, information, or services that are subject to patent or other proprietary use rights; (b) supplies or services that only one vendor is capable of providing or authorized to provide; (c) items that are available from a single source and such items are required in order to function with existing equipment, systems, programs, or services; (d) situations where the sole source is the only practical way to meet the City’s requirements or delivery deadlines; and/or (e) security requirements or information mandates that limit procurement from

only a single vendor.

- Unless a specific sole source condition exists, the department and project manager shall follow standard competitive solicitation process.
- If there is any doubt, the department should pursue competitive solicitation.
- Specifications must be as expansive as possible to ensure that the greatest pool of bidders compete. There must be a clear and appropriate reason for specifications that narrow the field to a sole source.
- A late start to the project does not justify a sole source.
- Prior contracts with a vendor for work on a project are not necessarily an appropriate reason for a sole source waiver.
- The department making such a waiver request must document sufficient information that objectively establishes there is only a single source or that a patented or proprietary use right restriction exists. To approve such a waiver request, a resolution must be approved by Council.

## **30. Auctions**

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Sometimes the City will find exactly what it needs, at a favorable price, at an auction. As seeking bids would be impossible in an auction setting, [RCW 39.30.045](#) authorizes a city to acquire supplies, materials, and equipment through an auction conducted by the United States or any agency thereof, an agency of the state of Washington, a municipality or other government agency, or any private party, without bids, if the items to be purchased can be obtained at a competitive price. This authority should allow the City to make a purchase on an internet-based auction service, such as eBay, as well as through more traditional, in-person auctions. In such case, the Department Head must pre-approve an upper bidding limit, (which must be within the approved City budget), for the person doing the bidding.

## **31. Emergency Public Works and Purchases**

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For purposes of this section "emergency" will be defined as in FMC 2.07. Emergency work is only for the repair and/or restoration of facility/utilities/infrastructure to pre-damage conditions or current standards. Any betterment is not an emergency and will be planned, designed, and administered through the standard competitive processes. For this document, "betterment" represents a condition that is beyond either pre-damage or current standards.

When an emergency arises and City staff determine that they must make emergency purchases and/or cannot perform the required work, staff must contact the City Administrator or appropriate Department Head. If the Public Works Director determines an emergency exists and a contractor(s) needs to be called in or purchases made, the Director will notify the Mayor, who is authorized by Ferndale Municipal Code 2.07.030 to declare an emergency and enter into emergency contracts.

Upon written declaration of the Mayor that an emergency exists, and upon the Mayor's authorization, required purchases can be made and contractor(s) can be called upon to make the necessary repairs.

### **A. Emergency Purchasing Procedures (not connected with a public works project)**

- When circumstances require immediate purchase of materials, supplies, or equipment to respond to an emergency City staff shall conduct competitive solicitations to the extent practicable given the emergency and in keeping with the dollar value of the acquisition. Any

emergency purchase shall be documented by the appropriate department with a written explanation of the emergency.

- If the emergency purchases are over the City's bid limits staff will notify the Finance Director of the purchases as soon as practicable following the emergency.
- If the emergency purchases are over the City's bid limits the Finance Director will prepare a resolution to affirm the declaration of an emergency and waive competitive bidding requirements. The resolution will be presented to the City Council at the next available Council meeting following the emergency purchases.

## **B. Emergency Public Works Procedures**

- Prior to emergency public work commencing the Project Manager must verify through <https://secure.lni.wa.gov/verify/> (if available) that the proposed contractor(s) and subcontractor(s) meet the following mandatory requirements:
  - At the time of quote submittal, be a registered contractor in compliance with chapter 18.27 RCW, a plumbing contractor license in compliance with chapter 18.106 RCW, an elevator contractor license in compliance with chapter 70.87 RCW, or an electrical contractor license in compliance with chapter 19.28 RCW, as required under the provisions of those chapters.
  - Have a current Washington State Unified Business Identifier (UBI) number.
  - Have a Washington State Employment Security Department (ESD) account as required in Title 50 RCW.
  - If applicable, have industrial insurance/workers' comp coverage required in Title 51 RCW.
  - Have a state excise tax registration number as required in Title 82 RCW.
  - Have received training on requirements related to public works and prevailing wage by L&I or be an approved training provider under RCW 39.04.350, and chapter 39.12 or are exempted by L&I.
  - Not be disqualified from bidding on any public works contract under RCW 39.06.010 or 39.12.065.
  - Not currently be debarred or suspended by the Federal Government on the U.S. Government's "System of Award Management" database ([SAM.gov](https://www.sam.gov)).
  - Meet any supplemental criteria requirements, if applicable.
- The Project Manager will save a copy of the verification check.
- The Project Manager will provide the contractor with the appropriate contract documentation as soon as possible.
- The Project Manager will inform the Program Specialist as soon as possible following notification of the emergency of:
  - The need for emergency work.
  - The name(s) of the contractor(s) called in to perform the work and provide copies of the L&I & SAM verification checks.
  - The type of work being performed by the contractor(s) and any required construction specifications or standards that apply to the work.
  - The estimated cost of the work and payment type.
- The Program Specialist will issue the emergency contracts, and the contractor(s) will be required to execute the contract and provide all required bonds and insurance documents

- within five (5) working days of the work commencing.
- The Program Specialist will prepare a resolution to affirm the declaration of an emergency and waive competitive bidding requirements. The resolution will be presented to the City Council at the next available Council meeting.

## **32. Interlocal Purchases**

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[RCW 39.34.030](#) allows the City to join with other governmental agencies for the purchase of supplies, equipment, or services. This is done by entering into a written interlocal agreement which must be approved by City Council.

Prior to making a purchase under such an agreement, the City must ensure that the host agency complied with its own statutory contracting requirements and posted the solicitation online, and that the vendor agreed to the arrangement through the initial solicitation documents. The originating agency's procurement, advertisement, and contract documents should be saved with the City's contract documents.

The City may also make a bid call with another government entity as a joint purchase that complies with the procurement requirements of both jurisdictions. When practical, the City should include language in its solicitations that allow other public agencies to purchase from the City's contracts, provided that other agencies provide similar rights and reciprocal privileges to the City.

## **33. Additional/Special Considerations**

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When hiring anybody to do anything for the City, there are three main requirements that must be met.

### **A. Certificate of Insurance**

The contractor or consultant must furnish the City with a Certificate of Insurance, naming the City of Ferndale as primary and noncontributory additional insureds with an additional attached endorsement. Insurance requirements are determined by the City Attorney in consultation with the City's insurance pool.

### **B. Washington State Contractors License**

It is unlawful for the City to hire **anyone** to perform public work on City property that does not have a valid State of Washington Contractor's License. If someone is not properly licensed, the City **SHALL NOT HIRE THEM**. The City must look up a contractor to determine if they have a valid Contractor's License at:

- [Department of Labor and Industries](#)
- [Department of Revenue](#)

### **C. City of Ferndale Business License**

Ferndale Municipal Code 5.04 requires that every person engaging in business within the City limits of Ferndale register their business with the state and include a City of Ferndale Endorsement. Businesses outside City limits that meet the minimum threshold of \$4,000 per year are also required to obtain City endorsement. Business licenses and City endorsements can be obtained through the State of Washington Department of Revenue (DOR) Business Licensing Service (BLS). Minimum

threshold amounts are subject to automatic increase by inflation every four years. Thresholds should be verified through the Department of Revenue.

### **34. Disposal of Surplus Property**

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The City has a separate policy for the disposal of surplus property. Refer to the City's Fixed Asset Policies and Procedures for more information.

### **35. Sales and Use Tax**

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#### **A. Sales Tax**

The City is not sales tax-exempt. State law defines which activities are subject to the retail sales tax. Generally, all sales of tangible personal property to consumers for their own use in the City are considered retail sales, as well as a variety of services. To look up tax rates, visit the Washington State Department of Revenue (DOR).

Sales tax is "destination based" for shipped or delivered merchandise and is collected based on the location where the buyer receives or takes possession of the merchandise.

- Destination-based tax does not apply to the sales of motor vehicles, trailers, semi-trailers, aircraft, watercraft, modular homes, manufactured and mobile homes, towing services, and florists. Sales tax is based on the seller's location even if the seller delivers the items to customers.
- Sales tax on services are coded to the location where they are performed. Over the counter (in person) sales are based on the location of the sale.

#### **B. Use Tax**

Use tax is a tax on goods and certain services that are paid to the state when sales tax is owed but was not invoiced by the vendor. For example, if the vendor should have collected sales tax on the sale, or sales tax is owed because the vendor is out of state and does not collect Washington sales tax, the City still owes the tax and pays it to the state in the form of use tax. Use tax is destination based. If sales tax is not invoiced and subsequently paid, the tax amount should be reported to the Department of Revenue through the monthly remittance process. Accounts Payable should submit a copy of the invoice and all payment details to the Deputy Treasurer for proper recording and payment to the State.

### **36. Payments**

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All vendors shall be directed to send invoice(s) to:

City of Ferndale  
Accounts Payable  
PO Box 936  
Ferndale, WA 98248  
or by email to [accountspayable@cityofferndale.org](mailto:accountspayable@cityofferndale.org)

All questions regarding payments should be directed to Accounts Payable.

## **37. Glossary**

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**Affidavit of Wages Paid** – A form filed with L&I certifying that workers on a public works project were paid prevailing wages.

**Bid Splitting** – The unlawful practice of dividing a project to avoid bidding thresholds.

**Certificate of Insurance (COI)** – Proof of contractor insurance coverage naming the City as insured.

**Competitive Bidding** – The legally required process for obtaining quotes or bids from multiple vendors.

**Conflict of Interest** – A situation where personal or financial interests may improperly influence official duties.

**Direct Cost** – A cost that can be directly attributed to a specific project or activity.

**Indirect Cost** – A cost that benefits multiple projects and cannot be directly assigned to one.

**Performance Bond** – A surety bond guaranteeing satisfactory completion of a project.

**Prevailing Wage** – Minimum wage rates set by law for labor on public works projects.

**Project Manager** – The staff member responsible for overseeing the procurement and contract administration of a project.

**Retainage** – A percentage of payment withheld until project completion to ensure performance.

**Small Works Roster (SWR)** – An alternative bidding process for small public works projects.

**Sole Source Procurement** – Acquisition from a single supplier when no reasonable alternatives exist.

**Uniform Guidance** – Federal regulations governing the use of federal awards (2 CFR 200).



## City of Ferndale Financial Management Policies *Element # 12*

### **ELECTRONIC PAYMENT POLICY AND PROCEDURES**

#### **1. Payroll Direct Deposit**

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A Payroll Direct Deposit form must be completed and submitted to the Finance Department upon hire. A new form is required at any time there is a change to banking information.

##### **A. Verification of Direct Deposit Information**

Before entering any new or updated banking information into the payroll system, the Deputy Treasurer must verify the validity of the submitted information using one of the following methods:

- In-Person Submission: If the Payroll Direct Deposit Form is received in person directly from the employee, no additional verification is required. However, if the Deputy Treasurer does not recognize the employee, they may request identification to confirm authenticity.
- Email or Interoffice Submission: If the form is received via email or interoffice mail, the Deputy Treasurer must contact the employee directly (by the current phone number listed in the payroll system) to confirm that the employee submitted the form.

This confirmation is critical, as phishing emails attempting to impersonate employees may appear legitimate. Verbal confirmation helps prevent fraudulent changes to payroll information.

It is the responsibility of employees to maintain current contract information with the City and the Deputy Treasurer. Phone numbers provided in the hiring documents will be the default contact method as not all employees are issued city cell phones.

##### **B. Recordkeeping**

Once the Payroll Direct Deposit information has been updated in the payroll system, the Deputy Treasurer must:

- Mark the form as posted; and
- File the form—either digitally or in paper format—in the employee's payroll file.

Payroll Direct Deposit Forms must not be deleted or discarded, as all payroll records are to be retained indefinitely in accordance with record retention policies.

## **2. Vendor Electronic Funds Transfers (EFT)**

A Vendor Electronic Funds Transfer (EFT) Form must be completed and submitted to the Finance Department before electronic payments can be processed. A new form is also required for any change to a vendor's banking information. All forms must be reviewed by the Finance Director prior to the first EFT payment.

### **A. Verification of EFT Information**

Before entering any new or updated banking information into the system, the Accounting Clerk must complete both of the following verification steps:

- Match Records: Verify that the prior banking and invoice information provided on the form matches the City's existing records.
- Direct Confirmation: Confirm directly with the vendor—in person or via a known phone number—that they submitted the updated form.

Verbal confirmation is essential to protect against fraudulent requests, as phishing attempts can appear legitimate.

### **B. Exceptions**

A Vendor EFT Form is not required when electronic payments are initiated through trusted government or payroll benefit portals where the City does not enter the recipient's banking information. All exceptions should be reviewed by the Finance Director. Examples include:

- Department of Revenue (DOR)
- Department of Retirement Systems (DRS)
- Internal Revenue Service (IRS)

#### **Implementation Note**

The City currently does not have an official Vendor EFT Form. This section is provided for future reference should the City implement vendor EFT processes. The Employee Payroll Direct Deposit Form may serve as a template, with modifications to accommodate vendor-specific needs. Additional recommended fields for a Vendor EFT Form include:

- Most recent invoice number and amount
- For changes to banking information: prior bank name and account number

## **3. Wire Transfers**

All wire transfers shall be reviewed and approved by the Finance Director. Validity of wire transfers shall be verified by phone to a known contact.

## **4. Procedures and Purchasing Limits**

Procedures for approval of electronic payments are in addition to normal purchasing policies and procedures and are not a replacement for the regular approval process.