

PURCHASING RULES AND REGULATIONS COMMITTEE MEETING

JUNE 6TH, 2023

Location: Duluth Courthouse, Commissioners Conference Room

Present: Commissioner Harala, Commissioner Nelson, Commissioner Musolf, Donna Viskoe, Nick Campanario, Veronica Knaffla, Brooke Wetmore

Convened: The meeting was convened at approximately 8:17AM

Donna Viskoe began the meeting reviewing old business stating Domestic Steel Requirements has been addressed in previous meetings. The Single Source policy and forms were discussed last meeting. Viskoe made the request that the Single Source form should be brought for Board Action so the form can begin to be used by SLC staff as Viskoe has been preventing staff from using the currently adopted form. Comm. Nelson requested that the form be brought through the entire Board process (including COW) and not pushed through to Board. Comm. Harala and Comm. Nelson agreed this form could be brought to Board to begin allowing the Single Source form to be used ahead of the adoption of the updated Purchasing Rules & Regulations.

Viskoe noted that the updated P-Card policies would be brought before the Board in today's meeting.

Viskoe notes that at the request of Jim Gottschald (HR Director), the DEI Consultant working with HR will review the updated Purchasing Rules & Regulations to ensure there are no items that are unintentionally discriminatory. Viskoe is worried that the quality of the Rules & Regulations could be impacted. Comm. Harala and Comm. Nelson support the review by the DEI consultant and Comm. Nelson requests that any updates suggested by the consultant are presented and reviewed by this committee.

Viskoe reviews that the Emergency Purchasing policy has been addressed through a Board Resolution. Now 3 SLC staff members have P-Cards to be used in emergency situations.

Viskoe notes that Julie Geissler (HR) is assembling a Conflict-of-Interest training and will present to this committee once it is ready.

Comm. Nelson requests a change in language around "kick backs" or "marketing gimmicks" where a purchaser gets benefits (i.e., rebates, "first time purchaser" rewards) to ensure that any and all potential benefits are captured in the policy so that all benefits an individual purchaser (employee) receives are remitted to SLC. Nick Campanario suggests that the following language be used "any benefit of actual or perceived value."

Viskoe explained that MN Statute requires that "Out of State Construction Contractors" require an 8% surety deposit be taken out of each payment and remitted to the MN Department of Revenue. This deposit can be claimed by the contractor once the project is complete. Viskoe noted that they had worked with a Wisconsin-based contractor that was able to file "exempt" and

not be liable to this policy. Comm. Nelson suggested that SLC may increase the initial payment to a contractor liable to this policy from 50% to 55% in order to keep SLC competitive. Comm. Musolf noted that large contractors are able to operate under this policy, but it has impacts on middle and small-sized firms bidding on SLC projects. Viskoe noted that there is a level of staff discretion used to lessen the impacts of this policy by shifting payment terms from “Net 30” to “Immediate” to limit payment delays.

Viskoe notes that there is a statute that says payment terms are “Net 35 days”. Campanario notes that this is a “default” for when no payment term is presented or negotiated. Comm. Harala notes that this is something that should be negotiated with contractors. Comm. Nelson proposed using a “tiered” payment structure that is dependent on the dollar amount of the contract noting that SLC should be as “business friendly as possible to keep the prices down.” Comm. Nelson continues by noting that large contractors are receiving and completing SLC contracts but middle-sized contractors are struggling to compete which may stifle competition and lead to SLC paying a higher price than necessary for large projects.

Viskoe notes that Public Works reviewed the Purchasing Rules and Regulations and requested that the threshold of projects be raised from \$150,000 to \$175,000 which this committee did not approve and requested it remain at \$150,000.

Viskoe requests that Jeremy Craker (IT Director) be invited to next month’s Purchasing Rules & Regulations Committee meeting due to the fact that several policies conflict with each other in terms of IT. Comm. Nelson requests to ensure that the IT Committee remains in place to ensure that departments work in tandem with each other in terms of IT needs.

Comm. Harala requests that PHHS be invited to the Purchasing Rules & Regulations Committee meeting two months from now to review how the Purchasing Rules and Regulations impact PHHS.

Comm. Harala retells a story from PHHS staff regarding an apparent change from year to year in Purchasing Rules / Auditor approval which impacted established work plans. Comm. Harala requests that Administration works to ensure that the Auditor staff members embedded within departments improve communication with department staff or any changes in enforcement that result from an audit, a change in policy, or any other reason.

Comm. Harala notes that Bre Graber (Budget and Business Improvement Manager) requested to speak with this group about the Grant Policy embedded within the Purchasing Rules & Regulations. Viskoe suggested that the Grant Policy be handled separately than Purchasing Rules & Regulations. Comm. Musolf argued that the Grant Policy is an important part of the Purchasing Rules & Regulations because grants are not “just pass through” money, they are purchases made by SLC and still need to follow purchasing rules. Comm. Nelson agreed that these are still expenditures that need to come before the Board and notes as well that “matching dollars” can be a huge issue.

Veronica Knaffla asks if the updates on the working document for the Purchasing Rules & Regulations are ok. Comm. Nelson notes “some are and some aren’t” specifically requesting that construction project cost thresholds remain at \$150,000 rather than increasing to \$175,000.

The next meeting will be at least one month from now the next time a Board Meeting occurs in Duluth at 8:15am prior to the board meeting so long as there is no conflict with the Liquor Licensing Committee.

Adjourned: 9:10 AM