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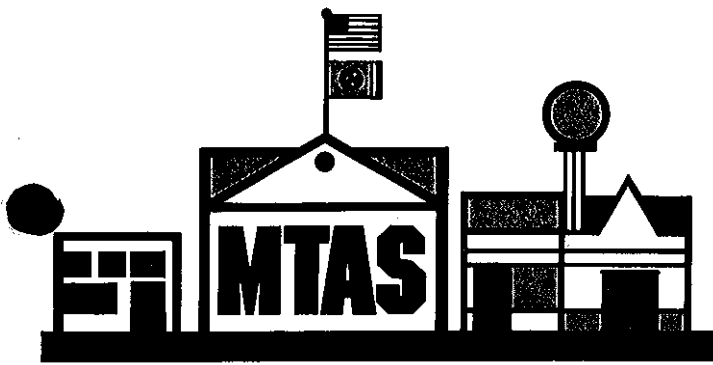
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TECHNICAL BULLETIN

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THE UNIVERSITY OF TENNESSEE
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MUNICIPAL PURCHASING LAW OF 1983: AN EXPLANATION
By James Leuty, MTAS Finance Consultant

During the 1983 legislative session, Public Acts Chapter 451 was enacted to amend Title 6, Chapter 56, Tennessee Code Annotated, to establish the "Municipal Purchasing Law of 1983." Prior to this legislation, some cities were operating without formal purchasing constraints. All cities now are bound by this or their own purchasing laws.

With two exceptions, this act applies to all purchases by authorized officials in all cities using or encumbering city funds. One exception is purchases by authorized officials in cities having charter provisions or private act requirements governing competitive bidding and purchasing. The other exception concerns purchasing through state contracts and the State Department of General Services, Section 12-3-1001, Tennessee Code Annotated.

All purchases made under the authority of this act shall be within the limits of the approved budget and the appropriations for each department, office, or agency.

This legislation provides that all purchases and leases or lease-purchase agreements shall be made or entered into only after public advertisement and competitive bids, with these exceptions:

- (a) "Purchases costing less than two thousand five hundred dollars (\$2,500.00)." However, if individual items costing less than \$2,500 are customarily purchased in lots of two or more that would exceed \$2,500 within any fiscal year, then the exception does not apply.
- (b) "Any goods or services which may not be procured by competitive means because of the existence of a single source of supply or because of a proprietary product." The person or body authorizing such purchases shall report to the governing body and the chief executive officer of the city, as soon as possible, the amount paid, the items purchased, and from whom the purchase was made.
- (c) "Purchases or leases of any supplies, materials or equipment for immediate delivery in actual emergencies arising from unforeseen causes, including delays by contractors, delays in transportation, and unanticipated volume of work." The person or body

authorizing such purchases shall report the amount paid, the items purchased, from whom the purchase was made and the nature of the emergency to the governing body and the chief executive officer of the city as soon as possible.

- (d) "Leases or lease-purchase agreements requiring total payments of two thousand five hundred dollars (\$2,500.00) or less in each fiscal year the agreement is in effect." However, if like or related items that may be individually leased or lease-purchased for less than \$2,500 are customarily leased or lease-purchased in numbers of two or more that would exceed \$2,500 within any fiscal year, then the exception does not apply.
- (e) "Governing bodies may exempt fuel and fuel products and perishable commodities from the requirements of public advertisements and competitive bidding when such items are purchased in the open market." The person or body authorizing such purchases shall report the amount paid, the items purchased and from whom the purchase was made to the governing body and the chief executive officer of the city at least monthly.

All purchases, leases, or lease-purchase arrangements costing less than \$2,500 in any fiscal year may be made in the open market without newspaper notice. However, these transactions shall be based upon at least three competitive bids wherever possible.

City governing bodies may lower the dollar amounts required for public advertisements and competitive bidding if they so desire. In addition, city governing bodies are authorized to set rules and regulations for implementing this act.

The Municipal Purchasing Law of 1983 will be codified as a new Part 3 of Title 6, Chapter 56, Tennessee Code Annotated.

Source: Chapter 451, Public Acts of 1983
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