



City of Ewart

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Department of Public Works

Director/Zoning

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April 25, 2019

To: Honorable Mayor and Council Members
From: Sarah Dvoracek, City Manager

Re: Purchasing Policy Update 

The current purchasing policy gives the city manager the authority to purchase supplies, materials, or equipment that is needed in the day to day operation of the city departments exceeding one thousand dollars (\$1,000.00) but under three thousand dollars (\$3,000.00), providing funds are available within the departmental budgets. I am requesting the authorized maximum amount be increased to ten thousand dollars (\$10,000.00).

jd

PURCHASING POLICY

General Subject: FINANCE

Specific Subject: POLICY FOR PURCHASES, SALES AND CREDIT CARDS

Date Issued: 10/11/2011

Effective Date: 10/17/2011

SECTION I: Purpose and Intent of Purchasing Policies

This policy is designed to serve as a guide for all purchases by the City of Evert employees and elected officials for the City of Evert. All purchases are ultimately the responsibility of the City Manager, and may be approved or denied in accordance with the provision of this policy and the limitations of the City budget.

Individual Department Heads shall be responsible for the actual purchasing for their departments. All purchases must be budgeted and properly documented. The procedure and documentation will vary depending upon the nature of the purchases as defined within this policy.

The City shall strive to buy the best quality goods and services at the lowest price. In this endeavor, the City shall be an equal opportunity purchaser, and favor local vendors within reason, as specified herein.

SECTION II: Authority for Municipal Purchasing

The Authority for Municipal Purchasing and purchasing agent is pursuant on Chapter 6 of the Charter.

SECTION III: General Purchasing Policies:

A. Definition and Scope of Procurement

Procurement activity, as herein used, shall mean any action taken by the City acting as a buyer for the purpose of obtaining materials, supplies, services and public improvements (hereafter goods and services) from a Vendor acting as a Seller, whether by purchasing, rent, lease, lease-purchase or other similar methods of acquisition as may be used by the City.

B. Rule Against Subdivision

No purchasing shall be subdivided for the purpose of circumventing the dollar value limitations imposed by this policy or any guidelines established by the City Manager.

C. Purchases or Contracts Under \$1000.00

Department Heads shall have this authority to purchase any supplies, materials, or equipment that are needed in the day to day operation of their departments up to a cost of one thousand dollars (\$1,000.00) , providing that the funds are available within the appropriate department line item/budget. The Department Head is required to sign and/or initial all invoices and submit them to the office of the City Treasurer for payment. **INVOICES NOT SIGNED BY THE DEPARTMENT HEAD WILL NOT BE PAID.**

D. Purchasing or Contracts of more than \$1,000.00 but less than \$3,000.00

The City Manager shall have the authority to purchase supplies, materials, or equipment that are needed in the day to day operation of the City departments exceeding one thousand dollars (\$1,000.00) but under three thousands dollars (\$3,000.00), providing that the funds are available within the departmental budgets.

E. Purchasing or Contracts of more than \$3,000.00 but less than \$10,000.00

Any expenditures for goods and services, the cost of which is more than three thousand dollars (\$3,000.00), but less than ten thousand dollars (\$10,000.00) within one (1) year shall be made by the City Manager with Council approval, based whenever practical or feasible, upon the solicitation of NO less than three (3) written price quotations whenever practical or feasible to do so, and shall be made from the lowest priced vendor unless good cause exists not to do so. Factors including, but not limited to, product quality, serviceability, delivery, emergencies, vendor contracts and other consideration of a similar kind normally relevant to the exercise of good business judgment shall constitute sufficient and good cause on which to base such decisions.

F. Purchases or Contracts of \$10,000.00 or more

Any expenditure for goods and services, the cost of which is ten thousand dollars (\$10,000.00) or more shall be made by the City Manager or his/her designee only after approval of the City Council has first been secured.

Formal bids shall be required subject to the following regulations:

1. **Definition** - A formal bid shall be defined as the submission of a written, sealed price quotation by a vendor to the City pursuant to the issue of public notice thereof by the City and based on written specifications and standard conditions stipulated by the City for the purpose of procuring goods and/or services for the use of the City. Bids received by facsimile and/or electronic mail shall be deemed written, sealed price quotation provided they are forthwith transferred to the City Deputy Clerk and kept confidential until the public bid opening.

2. **Scope** – The ten thousand dollar (\$10,000.00) bid requirement shall apply to all goods and services that can be procured through this process, with the exception of Section VI, State Purchasing Program.
3. **Invitation to Bid** – An Invitation to bid shall be issued and shall include a purchase description and/or specifications and all material contractual terms and conditions applicable to the procurement. The invitation to bid shall be mailed or otherwise distributed by the City Manager or his/her designee to a sufficient number of known reliable vendors to ensure and maintain the integrity and competitiveness of the bid process.
4. **Public Notice and Advertising** – Adequate public notice of the invitation to bid shall be given a reasonable time prior to the date set forth therein for the opening of the bids. A minimum of five (5) days notice must be given prior to the bid opening with the advertisement for bids having been published at least once in a newspaper of general circulation in the City or within appropriate trade publication. Advertisement is required for contracts of twenty thousand dollars (\$20,000.00) or greater.
5. **Bid Addendums/Clarifications** – Bid Addendums and Clarification may be issued by the City Manager or his/her designee.
6. **Bid Openings** – Bids shall be opened publically in the presence of two (2) or more witnesses present at the time and place designated in the invitation to bid. The amount of each bid and other relevant information together with the name of each bidder shall be recorded by the City Clerk or designee. Bid tabulations shall be open to public inspection. The City Manager may postpone a bid opening if fewer than three (3) bids are received.
7. **Bid acceptance and Evaluation** – Bids shall be accepted (with the exception of late bids, which shall not be accepted) without alteration or correction, except as otherwise authorized by the City Manager or the factors stipulated in the Invitation to Bid. Bids shall be evaluated based on the requirement set forth in the Invitation to Bid, which may include criteria to determine acceptability such as quality, references, recommendations by City consultants, workmanship, delivery, inspection, testing and suitability for a particular purpose.
8. **Correction or Withdrawal of Bids** – Correction or withdrawal of inadvertently erroneous bids before award. After bid opening, no changes in bid prices or other provisions of bids prejudicial to the interest of the City or fair competition shall be permitted. Except as otherwise provide by regulation, all decisions to permit the correction or withdrawal of bids, or to cancel awards or contracts based on bid mistakes, shall be supported by a written determination made by the City Manager and approved by the City Council.
9. **Award** – The City Manager, after approval by City Council, shall approve the award of public contracts. The City Council shall retain the right to take any of the following actions:

- a. Award a contract to the lowest responsible and responsive bidder who has submitted a bid most advantageous to the City.

- 1. Definition of a Responsible Bidder:

- A responsible bidder is herein defined as a person or firm which has the capability in all respects to fully perform the contract requirements, and which has the integrity and reliability which will assure good faith performance.

- 2. Definition of a Responsive Bidder:

- A responsive bidder is herein defined as a person or firm who has submitted a bid which conforms in all material respects to the descriptions, specifications, terms, conditions and other factors called for the Invitation to Bid.

- b. Accept or reject in part or in whole any or all bids.
- c. Waive any inconsequential informality or defect in the bids.
- d. Negotiate any viable modifications in price, terms, conditions or specifications with the low bidder that would be advantageous to the City.
- e. Award a contract to other than the low bidder should such action be in the best public interest.
- f. Award a contract by division among two (2) or more vendors if such alternatives are duly indicated in the original Invitation to Bid.

10. Waiver of Bid Requirements - The City Council after review by the City Manager and the City Attorney shall retain the right to waive bid requirements subject to the following conditions:

- a. Such action is found to be to the advantage and in the best interest of the City.
- b. Sole Source Procurement – A contract may be awarded by the City Council for a supply, service, and equipment or construction item without competition when the City Manager has advised the City Council in writing and certified that there is only one (1) source vendor available.
- c. Lower prices can be obtained without soliciting competitive bids.
- d. The City Manager has been engaged in cooperative procurement bids of goods and/or services in conjunction with another governmental agency where joint bids have been taken and are already advantageous to the City.

11. **Change Orders** – Change orders to contracts authorized by City Council, including construction contracts, shall be authorized without further City Council approval if there are funds budgeted to cover said change order, and provided that the change order does not alter the scope of the original contract, and the amount of the change order does not exceed ten percent (10%) of the original contract amount.

G. **Specifications**

1. **Definition** – Specification as herein defined shall mean any description of the physical or functional characteristics, or of the nature of a supply, service equipment, or construction items. It may include a description of any equipment for inspecting, testing, or preparing a supply, service, equipment or construction item for delivery.
2. **Responsibility of City Manager** – The City Manager or his/her designee shall prepare, issue, revise, and monitor the use of specifications for supplies, services, equipment and construction as required by the City, and shall maintain a standard specifications file.
3. **Relationship with Operating Departments** – The City Manager may obtain advice and assistance from operating department personnel in the development of specifications and shall delegate, to a using department, the authority to prepare its own specifications subject to final approval prior to bid solicitation.
4. **Maximum Practicable Competition** – All specifications shall seek to promote overall economy for the purposes intended and encourage competition in satisfying the City's needs and shall not be unduly restrictive.
5. **Specifications Prepared by Architects and Engineers** – The requirements of this Section regarding the purposes and non-restrictiveness of specifications shall apply to all specifications, including, but not limited to, those prepared by architects, engineering and consultants.

H. **Cooperative Procurement**

The City Manager shall endeavor to participate with other governmental agencies in cooperative bids for the procurement of goods or supplies subject to Council approval of contract and waiver of local bids. It shall be the policy of this City to engage in those joint procurement efforts whenever such activity is feasible and economically advantageous to the City.

I. **Procurement of Professional Services**

The procurement of certain services where technical expertise or knowledge of a specialized field are critical to the performance of that service including but not limited to attorneys, engineers, planning consultants, architects, accountants and other similar professionals, shall not require bidding. The following regulations shall apply:

1. The Council shall be empowered to appoint the City Attorney and other professional consultants.
2. While competitive bids shall not be required, Council shall make all professional appointments in excess of three thousand dollars (\$3,000.00).

J. Procurement in Cases of Emergency

Notwithstanding any other provisions of this Policy, the Mayor or City Manager or a designee of either may make or authorize others to make emergency procurements when there exists a threat to public health, welfare, or safety conditions as defined in regulations or procedures promulgated by the City Manager, provided such emergency procurements shall be made with such competition as is practicable under the circumstances. An after-the-fact written determination of the basis for the emergency and for the selection of the particular vendor shall be included in the purchase file.

K. Expenditures Not Requiring Bidding or Council Approval

Contracts or purchases of reasonably necessary for the functioning of the City on a day to day basis, such as, but not limited to, paper for the copy machine, stamps, envelopes, gasoline for vehicles, etc., may be purchased by the respective Department Heads on an "as needed" basis.

The purpose of this portion of the City's policy is to insure the smooth, uninterrupted functioning of the City government and to keep a reasonable amount of supplies and/or inventory to insure the same. Further, as to the "purchase of services", there may be, from time to time, a need to incur the expenses of repairs of City equipment, be it a copier, vehicle, plumbing or heating apparatus, etc. As long as the contract for such services does not exceed the sum of three thousand and 00/100 (\$3000.00) dollars, the City Manager has the authority to enter into such agreement.

SECTION IV: Petty Cash

Petty cash purchases may be used for small items needed at once or reimbursements of incidental City expenditures and the use of a City issued credit card is not appropriate or available. Petty cash will allow the City to procure supplies and services quickly and cost effectively.

1. Creation – Petty cash funds not to exceed three hundred dollars (\$300.00) may be created. The City Treasurer or his/her designee is designated to maintain the petty cash funds and shall have the following responsibilities:
 - a. To provide proper security and storage of cash and receipts.
 - b. To allow only authorized expenditures.
 - c. To obtain itemized receipts for petty cash expenditures.
 - d. To obtain funding for the total petty cash balance as required.
2. Instructions for Use – Petty cash shall be utilized and spent as follows:

- a. Each expenditure or reimbursement shall not exceed fifty dollars (\$50.00) without prior approval of the City Manager. The total of reimbursements for one (1) official or employee in one (1) calendar month shall not exceed one hundred dollars (\$100.00) without prior approval of the City Manager. All other reimbursements shall be submitted to the City Treasurer for approval by the City Council.
- b. No personal checks shall be cashed.
- c. No personal loans.

SECTION V: Procedures for Buying and Selling Through on-line Auction and Professional Disposal Companies

A. Administrative Procedures for Selling

The department disposing of assets will be referred to as "Department" or "Seller".

1. The Department "Seller" will submit a "Request to Sell" form (see Addendum A) to the City Manager's office. Once approved, the seller will be responsible for following and providing correct ad information to the City Manager. An electronic picture will also be supplied to the City Manager's office. All costs incurred for the use of an on-line auction for the disposal of assets is the responsibility of the department seller.
2. A contact phone number of the department will be included in the ad for additional request for information. The auction will not end on a weekend or a holiday. A copy of ad placement verification will be signed by the Department Head and retained by the City Manager's Office acknowledging placement of ad and cost. The department head shall identify that shipping is NOT included.
3. The Department Head will monitor all sales and communication between "Seller" and "bidder".
4. Upon completion of the auction, auction end information will be provided to the City Treasurer's office by the seller. The City Treasurer's office will contact the seller and authorize the release of the item upon receipt and clearance of payment.
5. The seller will be responsible for posting feedback for buyers (positive or negative).

B. Administrative Procedure for Purchasing

The department purchasing an item by use of auction may be referred to as "Department" or "Buyer".

1. The "Buyer" Department will follow the provisions and submit a request to bid, and the line item in the budget that the purchase will be charged to.

The "Buy It Now" option can be utilized for budgeted supplies up to one thousand dollars (\$1000.00). Upon approval, the buyers will place the bid and subsequent follow-up bids, up to the amount authorized. It is the buyer's responsibility to ensure that funds are available in the budget before bidding. Purchase orders must be utilized for purchases over twenty thousand dollars (\$20,000.00). No purchase over twenty thousand dollars (20,000.00) may be made without Council approval first.

2. It is the departments' responsibility to monitor their purchase at the auction.
3. Upon conclusion of the auction, the Department Head will submit the final purchase price to the City Treasurer's Office with documentation and approval to pay.
4. It is the buyer's responsibility to ensure that auction services are being utilized to obtain items at a better price than by any other means.
5. The buyer will be responsible for posting feedback for sellers (positive or negative).

C. Sale of Property

1. Personal Property

- a. The City Manager is authorized to enter into agreements for property disposition that are the most advantageous to the City, such as the use of PropertyRoom.com or similar services.
- b. If the City Manager determines that an item should be sold locally, the following procedure will be followed:

1. Public Notice – Adequate public notice of the request for bids shall be given a reasonable time, not less than ten (10) calendar days prior to the date set forth therein for the opening of bid. Such public notice shall be published or broadcast as a Public Notice at least once. Such public notice shall be titled, "FOR SALE TO HIGHEST BIDDER," and shall include the place, date, and time of the bid opening; a short description of the items offered for sale; where the bid forms may be obtained; a note to bidders to mark their sealed bid envelope as follows: "SEALED BID – NAME OF ITEMS(S) – DATE OF BID OPENING"; and the following statements:

The City reserves the right to reject any and all bids and to waive irregularities in bids and to accept any bids which in the opinion of the City Manager may be most advantageous to the City of Evert. The successful bidder will be notified by the City's office. You will have ten (10) business days from notification to complete the

purchase. After ten (10) days, item will be offered to next highest bidder.

and:

Such public notice shall also be posted.

All Public Notices (For Sale to Highest Bidder) shall be approved and signed by the City Manager or City Clerk prior to being posted or published.

- c. **No Bids or Quotations** – If no bids or quotes are received; the City Manager is authorized to sell the item(s) to the first person offering a reasonable price. Nothing in this paragraph shall prevent the City Manager from deciding to completely re-bid the sale or sell through other businesses.
2. **Real Property**
 - a. All sales of real property shall conform to the provisions of the City Charter and be approved by the Municipal Council. The Council shall determine whether to accept sealed bids, to negotiate a price, or to accept an offer.
 - b. All purchases of real property shall be authorized and approved by the City Council.

SECTION VI: State Purchasing Program

- A. **Application** – The City shall maintain its membership in the State of Michigan’s Extended Purchasing Program and will comply with all of the program’s rules and regulations.
- B. **Conditions for Use** – All purchases made through the State Purchasing Program shall be considered to have fully complied with this policy. The City Manager shall approve all state purchases except for those capital outlay purchases not identified in the City Budget.

SECTION VII: Credit Card

RULES OVER THE USE OF (CREDIT CARDS BY CITY OF EVART EMPLOYEES FOR APPROPRIATE CITY EXPENSES

(To receive your assigned or temporary-use credit (purchasing) card, please read this Credit Card Policy and return the Credit Cardholder Agreement (Attachment B) to the City Clerk’s Office. Retain the Policy, a copy of the signed agreement and any future revisions for your reference.)

Cardholder Responsibility:

- a. Ensure that the credit card is used in compliance with the City's Purchasing Policies.
- b. Only authorized employees of the City of Ewart may use the municipal credit card.
- c. A municipal credit card may be used for the purchase of goods or services for only official business of the City of Ewart.
- d. The employee using the credit card must submit receipts, documentation detailing the goods or services purchased, cost, date of the purchase and the official business explanation thereof.
- e. Above said receipts and documentation must be submitted to the City Treasurer's Office in a timely manner to reconcile against the monthly credit card statement.
- f. The employee issued the card is responsible for its protection and custody and shall immediately notify the City Clerk's Office if the card is lost or stolen.
- g. Municipal credit card users must notify vendors or merchants that the credit card transaction should be tax-exempt from Michigan Sales and Use Taxes (IRS Identification #38-6004553) if it is used for the purchase of goods or services in the State of Michigan.
- h. The credit card may not be used for cash advances, personal use or any other type of purchase not permitted by the City's Purchasing Policy.
- i. Employees must immediately surrender the card upon termination of employment. The City reserves the right to withhold final payroll checks and payout of accrued leave until the card is surrendered.

Internal Control Procedures:

The City Manager shall be responsible for the issuance, accounting, monitoring, and retrieval and generally for overseeing compliance with the City credit card policy.

The Finance Director shall be responsible for:

- a. Assisting and maintaining record of issuance and retrieval of municipal credit cards and overseeing compliance with this policy.
- b. Accounting and payment of expenses. All documentation must accompany invoices before payment is made.
- c. Ensuring accuracy of the statement and that activity and account information is noted on the credit card statement for each line of entry.
- d. The balance including interest due on an extension of credit under the credit card arrangement shall be paid for within 30 days of the initial statement date.

- A. All vendors, current and prospective, shall be treated equitably. Procurement decisions shall be based upon price, quality, delivery, reference, and recommendation by City consultants, written standards, previous service and other relevant factors promoting the best interest of the City.
- B. Employees shall be prohibited from furnishing to any prospective bidder information that would give any vendor an unfair advantage over other prospective vendors.
- C. Procurement records shall be retained by the City Manager and the procuring department for public review for a period specified in the City records retention policy.
- D. Any official or employee of the City of Ewart who violates the provisions of this policy shall be liable for any City Funds paid contrary to this policy and may be subject to civil and/or criminal action. Employees responsible for violating this policy shall also be subject to disciplinary actions provided for by the City of Ewart policies and applicable laws, up to including dismissal or discharge.

SECTION X: Amendments to Purchasing Policy

Any amendments to this Purchasing Policy shall be submitted to the City Council by the City Manager and require Council approval by Resolution. The City Council shall review the monetary limitations governing the purchasing policies and procedures contained in this policy as needed.

ADOPTED by the City Council of the City of Ewart, Osceola County Michigan at a Regular Council Meeting on October 17, 2011, to take effect on the date of the adoption.



City Clerk