

## City of Chelsea

### Purchasing and Contracting Policy

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This purchasing and contracting policy is provided as a tool relative to the City of Chelsea Ordinance Section 2-177 Purchasing Responsibilities. The purchasing authority is the responsibility of the City Manager's Office.

The following purchasing and contracting policy shall be in effect regarding the purchasing of and contracting for materials, supplies, capital outlay, or services necessary for maintenance, repair, and operation of city facilities within the City of Chelsea.

#### Procedure

#### *Authority*

Authority granted the City Manager without further council action:

- The City Manager is hereby granted the authority to purchase and contract for materials, supplies, capital outlay, or services necessary for the maintenance, repair, and operation of city facilities under the following conditions:
  1. The amount per order does not exceed \$15,000.00. Repetitive orders of less than \$15,000.00 shall not be used to circumvent this limitation.
  2. Budgeted funds are available for this purchase.
- The City Manager is hereby granted the authority to approve contract changes that do not exceed \$15,000.00, provided that budgeted funds are available to cover said change order.
- The City Manager may delegate some or all the duties as purchasing agent to another officer or employee. Department heads or their designees are authorized to purchase goods, products, contract labor, or services (i.e. transactions) which are budgeted for, directly from vendors for any transaction of \$5,000.00 or less. All such transactions shall be paid via the Accounts Payable process in BS&A. Every effort to obtain the best price will be made.

#### *Council Approval Required*

The approval of the City Council is required under the following conditions notwithstanding the authority granted to the City Manager as stated above:

1. The approval of any item over \$15,000.00, which is not the low responsive Quote. All purchases over \$15,000.00 but under \$25,000.00 require that three (3) quotes be obtained by the qualified department head.
2. The purchase of any item as a single source if over \$15,000.00.
3. Purchases which continue for a term longer than the current annual budget if the multi-year total is over \$15,000.00.
4. Any other situation wherein the City Treasurer, City Manager, City Attorney, or other internal auditor deems it appropriate to have formal action by the City Council.

5. The City Manager has the authority to engage in future power purchase commitments without Council approval when time is of the essence. All commitments will be brought to Council at the next available meeting.
6. The City Manager has the authority to purchase essential operating equipment and services for the Electric Department up to \$50,000 without Council approval when time is of the essence. All purchases of essential operating equipment and services will be brought to Council at the next available meeting.

Spending Limit	Pricing Requirement	Approval Level
\$1 - \$5,000	Best effort for lowest price	Department Head
\$5,001 - \$15,000	Low responsive quote	City Manager
\$15,000 - \$25,000	Any item that is NOT low responsive quote	City Council
\$25,000 +	Request for Proposal – Sealed Bids	City Council

### *Requirements*

Except for professional services, the following are requirements for competitive bidding, requests for proposals, or substantiation to the City Manager as “sole source” procurement. Purchases in one budget year should not be broken into smaller parts to avoid the following procedures:

1. Sealed Bids. Sealed bids are required in all transactions involving expenditures of more than \$25,000, including cumulative purchases across all City Departments. “Sealed bid” means a written response to a solicitation that requires a public bid opening. Sealed bids shall strictly comply with submission criteria to protect the integrity of the bid process. It is the bidder’s responsibility to ensure compliance with submission requirements. The City Manager may disqualify a sealed bid that does not conform to the submission requirements. Electronically submitted bids shall only be submitted to the City Clerk or other appropriate City staff member opening the bid. When such bids are submitted, the bidder shall be instructed to indicate, in the subject line of the email, “Sealed Bid” and indicate the project description. The City Clerk or any City staff member shall not open the email or attachments until the bid opening described in this policy. If a City staff member other than the City Clerk or City staff member opening the bid receives such an email, they shall inquire of the City Clerk or other City staff member opening the bid as to the time of the bid opening and not open or forward such an email until that time. Bids submitted by email are required to be emailed to [clerk@city-chelsea.org](mailto:clerk@city-chelsea.org)
2. Initiation of Competitive Bidding Procedure. The Department Head or designee shall initiate this procedure by submitting a written request to the City Manager, along with a vendors list and specifications. The Department Head or designee may request the assistance of the City Manager in preparing specifications.
3. Specifications. The City Manager shall review and approve all specifications prior to bidding. Whenever possible, specifications shall include a proposed contract, insurance requirements, and bond requirements, if any.
4. Publication. The City Clerk shall publish an advertisement for bid on the City website and other locations to increase interest, such as a local newspaper or professional publication, for at least two days. The final publication day shall not be later than one week prior to the bid opening date.

5. Bid Opening. The City Manager shall select the time and place of the bid opening. The City Clerk and/or the requesting Department Head or designee shall attend the bid opening and record the bids received. Bid openings shall be public. At the bid opening, the Department Head or designee or the City Manager may request clarification of a bid from any vendor attending the bid opening. No bids shall be accepted after the deadline indicated.
6. Bid Award. The Department Head or designee shall submit to the City Manager a written request and recommendation of the bid award, along with a requisition (if appropriate). If the bid is more than \$25,000.00, the City Manager shall submit his or her recommendation to the City Council for approval. After approval by the City Council, the City Manager shall complete the purchase order and agreement/contract. The Department Head or designee shall notify the successful contractor of the award of the bid.
7. Delegation of Bidding Procedure. The City Manager as the Purchasing Agent may delegate authority to handle a department's competitive process to a department. A department may adopt additional bidding requirements, not in conflict with these policies and procedures or any federal, state, or local laws.
8. Exception to Competitive Bidding. Competitive bidding shall not be required when the City Council determines by an affirmative vote of four members that the public interest will be best served by purchase from or jointly with another unit of government (including through a county, state, or federal cooperative procurement program), when an emergency exists, or when the public interest will be best served without obtaining bids, such as in the employment of professional services.
9. Sole Bidders. In the event only one bid is received, the department head may recommend the award of the sole bid if the following conditions have been met:
  - (a) Due diligence has been performed in soliciting bids according to these policies and procedures, and
  - (b) The bid has been evaluated and determined to be reasonable based on past purchases and evaluation of the market.
10. Disqualification. The bid documents shall include a form requiring certification by the vendor that none of the following circumstances have occurred with respect to the vendor, an officer of the vendor, or an owner of a 25% or more share in the vendor's business, within three years prior to the bid:
  - (a) conviction of a criminal offense incident to the application for or performance of a contract;
  - (b) conviction of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, or any other offense which currently, seriously and directly reflects on the vendor's business integrity;
  - (c) conviction under state or federal antitrust statutes;
  - (d) attempting to influence a public employee to breach ethical conduct standards; or
  - (e) conviction of a criminal offense or other violation of another state, local, or federal law, as determined by a court of competent jurisdiction or an administrative proceeding, which in the opinion of the City indicates that the bidder is unable to perform responsibly or which reflects a lack of integrity that could negatively impact or reflect upon the City of Chelsea, including but not limited to, any of the following offenses or violations of:
    - i. The Natural Resources and Environmental Protection Act.
    - ii. A persistent and knowing violation of the Michigan Consumer Protection Act.

- iii. Willful or persistent violations of the Michigan Occupational Health and Safety Act.
  - iv. A violation of federal, local, or state civil rights, equal rights, or non-discrimination laws, rules, or regulations.
  - v. Repeated or flagrant violations of laws related to the payment of wages and fringe benefits.
- (f) the loss of a license or the right to do business or practice a profession, the loss or suspension of which indicates dishonesty, a lack of integrity, or a failure or refusal to perform in accordance with the ethical standards of the business or profession in question.

If the vendor is unable to certify, the vendor may be disqualified. A disqualified vendor may appeal the disqualification to the City Council by written letter to the City Manager or City Clerk received by either of them within seven (7) calendar days after notice to the vendor of the disqualification. Upon filing such an appeal, the contracting and bidding process shall be stopped or extended as the situation requires, to hear the appeal.

#### *Local Vendor*

The City wants to award the “best bid” which is not necessarily the lowest bid. For this reason, local vendors, recycled resources, and local professional services may be allowed a small price advantage for small, routine purchases. Obtaining goods and services locally may be better in terms of efficiency, flexibility of returning goods, speed of delivery on change orders, better communications, and service, etc. Council established a local vendor policy in March 2002 and reads as follows:

*“Local businesses and their success are one of the important elements to a dynamic and vibrant community. They provide services and goods all our citizens and businesses in Chelsea use. It is the intent of the City of Chelsea government to support our local businesses. The City of Chelsea administration and its departments will consider utilizing those services and goods that are appropriate and fall within guidelines for the best use of the taxpayers’ dollars.”*

Local tradesmen should also be provided with relevant bid notices or requests for proposals. However, they must have a good record of employment of appropriate levels of personnel and equipment which can fulfill the requirements with good workmanship, without any undue amount of subcontracting, to be judged responsible. In order to be judge responsible, they must commit to meeting all of the requirements in a timely manner. Their price must be closely competitive.

The chosen vendor will be the one judged to most benefit the City, with all criteria taken into consideration.

#### *Insurance*

All contractors are required to provide the City of Chelsea with proof of insurance upon acceptance of services in accordance with the City Attorney’s recommendation.

#### *Emergency Procedures*

The City Manager may, if requested by the department head, and/or deemed appropriate due to emergency situations that may affect the health, safety, or welfare of the City, approve the purchase of necessary materials and supplies without the above requirements. However, such purchase action must be reported at the City Council at its next regular meeting, where that purchase exceeds \$15,000.00.

## Contracts

1. The City Attorney shall review all contracts for approval as to form.
2. Purchases less than \$2,500.00 do not require a contract. If a vendor requests a contract for \$2,500.00 or less, the Department Head may sign after the City Attorney has reviewed all contracts as to form.
3. Contracts equal to or less than \$15,000.00 must be signed by the City Manager after the City Attorney has reviewed all contracts as to form.
4. City Council Approval Required. All contracts over \$15,000.00 with the City of Chelsea must be authorized by the City Council and signed by the Mayor and City Clerk and approved as to substance by the City Manager and as to form by the City Attorney. The City Council may delegate authority to the City Manager to enter into a contract.
5. All signed contracts or agreements related to a purchase of goods or services shall be entered into BS&A (AP or PO modules), including an attachment of the City Council approval.

## *Payment Processing*

1. Payment from invoices only. The City Treasurer will make payment only upon receipt of an "invoice." No payment shall be made from a "statement."
2. Payment. Upon receipt of the appropriate documents, Accounts Payable shall verify the availability of funds and electronically route the invoice for approval in BS&A. Once approved by the City Manager, Accounts Payable will make the payment.
3. Special Check Handling. Special check handling presents a risk and should be rare. Checks should be mailed directly to the payee by Accounts Payable. Electronic payments may be made after verification with the vendor. Special check handling requires approval by the City Manager.
4. Sales Tax. The City is exempt from Michigan sales tax and federal excise taxes, but individual employees are not. Therefore, any employee who purchases on behalf of the City utilizing their private funds will not be reimburse for any sales/excise tax. If the City does not have an existing tax -exempt credit account with a particular vendor, Department Heads should contact the City Treasurer's office, who will attempt to establish one. The City Treasurer's office can provide the necessary exemption documents to any vendor upon request.

## *BS&A Software Administration*

The City utilizes BS&A software for the purpose of operating accounting and payroll capabilities. BS&A software requires individual employees to possess system administrator rights. The employees designated as system administrators have the ability to assign sign-in credentials to other City employees, designate approval paths and overrides, as well as to set process and policy specifications for purposes of using the BS&S software. The City Charter requires that all financial disbursements be first approved by the City Treasurer. This Charter-imposed requirement that each expenditure of the City be approved by the City Treasurer is a necessary and important check and balance on the financial controls of the City. To maintain the check and balance, the following processes shall be followed:

1. BS&A System Administrators shall be the City Treasurer and Deputy Treasurer.
2. Standards for BS&A access privileges shall be made by the City Manager.
3. The BS&A approval process shall be designed so that all approvals of expenditures shall be authorized by the City Manager.

4. A current listing of all employees' access credentials, security settings, and program setup options is stored in BS&A and available upon request of the City Manager or City Attorney.
5. An audit log for all transactions, security settings, and program setup options is stored in BS&A and available upon request of the City Manager or City Attorney.
6. In the event an expenditure is made without the approval of the City Manager, as required by this policy, the City Attorney shall be notified immediately.
7. This policy shall be provided to all employees who have access to the BS&A system.

#### *Green Purchasing Policy*

Green Purchasing is the practice of procuring goods and services that cause less harm to the environment and the living beings that depend upon it for survival. Green Products are manufactured with more environmentally friendly materials or produced with minimal impact on the environment.

The City will strive to purchase materials that are:

1. Local, with a 5% advantage
2. Durable, as opposed to single-use or disposable
3. Non-toxic or minimally toxic, preferably compostable
4. Highly energy-efficient
5. Recyclable or safely disposable
6. Made from raw materials obtained in an environmentally sound, sustainable manner
7. Manufacture in an environmentally sound manner
8. The cause of minimal or no environmental damage during normal use or maintenance
9. Shipped with minimal packaging (consistent with the care of the product), preferably made of recycled and/or recyclable materials

Products that meet the above criteria will be considered Green Products.

Additionally, when purchasing goods, including larger capital expenses, city staff shall pursue and investigate options that have superior environmental friendliness and shall provide an overview of options considered and provide a rationale for their recommendation.

#### *Green Purchasing Procedure*

The City is committed to minimizing the impact on the environment and reducing the dependence on non-renewable energy. When appropriate, the City will include a clause in its bidding specifications that reads: "The City Of Chelsea is committed to buying products with recycled content or environmentally sustainable alternatives that are of equal or better quality. Please offer any alternatives that you feel are available for this product and supply all relevant specific information about the product."

Any existing limitation within the City's Policies and Procedures prohibiting or restricting the purchase or use of the recycled product shall be amended to encourage the purchase and use of recycled products to conform to this policy.