

CITY OF TRAVERSE CITY
PURCHASING AND CONTRACTING
POLICIES AND PROCEDURES

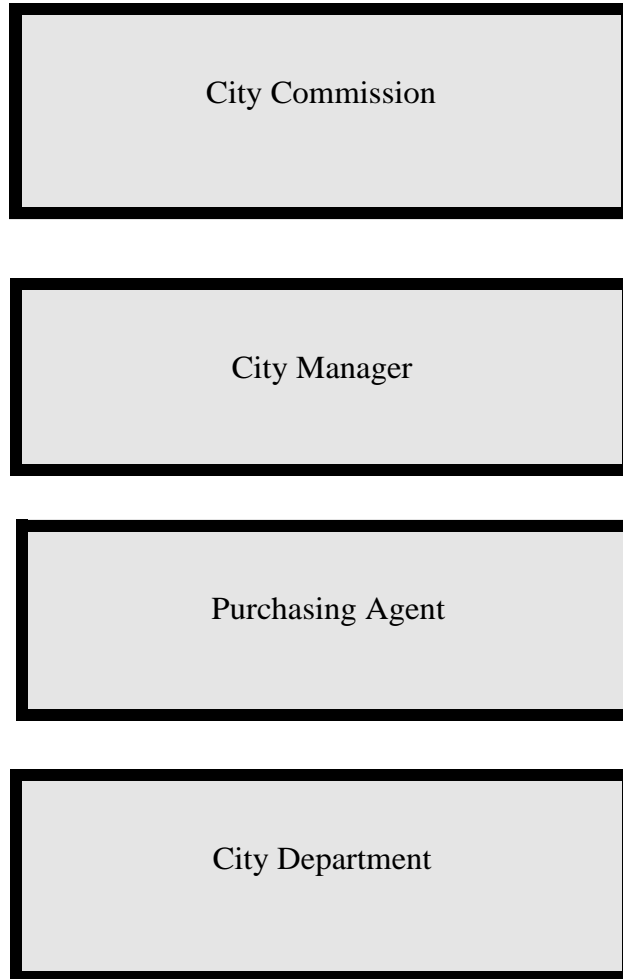
APPROVED BY THE CITY COMMISSION ON 2/7/94; APPROVED AMENDMENT ON 2/6/06;
APPROVED AMENDMENT ON 10/15/07

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**PART 1
ORGANIZATION AND AUTHORITY**

The purchasing department is a function of the City Manager's office delegated by the City Commission to the City Manager by ordinance according to the City Charter.¹ These purchasing and contracting policies shall apply to all City departments.



¹Traverse City Code, Section 230.01; Traverse City Charter, Section 40.

PART 2
PURCHASING AND CONTRACTING POLICIES

1. Process. Purchasing and contracting for the City shall be handled in a manner which promotes the best interests of the City while providing a fair opportunity for businesses to participate in the purchasing and contracting process.
2. Local Vendors. It is the policy of the City of Traverse City to purchase from and contract with responsible Traverse City vendors whenever feasible. To insure local bidding, responsible Traverse City vendors shall be notified of opportunities to bid to supply goods or services.
3. Quantity Purchases. Goods discounted for large quantity purchases shall be planned for and purchased whenever possible.
4. Overdrafts Prohibited. No purchase will be authorized which would overdraw a budgetary account. Department Heads contemplating a purchase that will exceed a budgetary account shall contact the City Treasurer and City Manager to request the necessary budget amendment prior to initiating such a purchase.
5. Quality. Quality of goods and services is as important as price and can be insured by preparing for competitive bidding precise specifications describing quality requirements. All such specifications shall permit competition wherever practicable. Bids shall be evaluated and awarded on the basis of the overall best value to the City.
6. Bribery. Bribery in any form represents malfeasance in office, evidence that public funds are being mismanaged, and the employee may be subject to appropriate disciplinary action.
7. Records Public. All specifications, bid documents (after the specified time for bid opening), purchase orders and supporting documents are public records which shall be made available to the public upon request.
8. Endorsement. No City employee shall endorse or in any way permit the employee's name, position or grant permission for use of the City's name to be used and advertised to support a product or a vendor.
9. Personal Purchases. No City employee shall make a personal purchase under a City account. No City employee shall use the City's name or his or her position to obtain special consideration in a personal purchase.
10. Transaction Defined. A "transaction" as referred to in Traverse City Charter Section 40 is defined as a purchase of any quantity of identical items.
11. Records Retention. The Purchasing Agent shall retain copies of all purchase orders, service orders and requisitions and bid files for a minimum of six years.
12. Non-Discrimination. All contracts shall contain a clause stating that the parties agree not to discriminate against an employee or applicant for employment with respect to hire, tenure, terms, conditions or privileges of employment, or a matter directly or indirectly related to employment because of race, color, religion, national origin, age, sex, height, weight, handicapped status, or marital status.

13. Insurance Quotes. It is the policy of the City to follow the insurance company guidelines on informal quote requirements when a transaction will be fully reimbursed by the insurance company.

14. Quotes or Bids. When the Department Head submits the requisition to the Purchasing Agent, documentation is required for each vendor submitting a quote or bid, stating items, source, quantity, price discounts, shipping, delivery time and contact information.

**PART 3
PURCHASING GOODS OR PRODUCTS
GENERAL PROCEDURES**

1. Transactions of \$2,000 or Less; Petty Cash. Department Heads or their designees are authorized to purchase goods or products directly from vendors for any transaction of \$2,000 or less. All such transactions shall be evidenced by completion of a "Local Purchase Order" form prior to purchase (Attachment "A"). Cash transactions of less than \$90 (i.e. petty cash) may be made by written request to the City Treasurer on forms provided by the City Treasurer. All receipts shall be returned to the City Treasurer. All requests for petty cash must be substantiated with receipts.

2. Transactions Over \$2,000 to \$5,000; Requisitions. Department Heads or their designees seeking to purchase goods or products that will cost over \$2,000 to \$5,000 shall, prior to placing an order with a vendor:

- (a) Obtain informal (written or telephone) quotations from at least three vendors, except three quotations are not required in the event:
 - (i) Of an emergency as defined in Traverse City Code, Section 230.01(e)(2)(ii), or
 - (ii) The vendor is the sole source for an item; or
 - (iii) The vendor is the sole source for an item requiring matching or compatibility with current goods.
- (b) Prepare and submit to the Purchasing Agent a Requisition form (Attachment "B") requesting that the Purchasing Agent issue a Purchase Order (Attachment "C") for the goods or products.

The Department Head may choose the competitive bid procedure for transactions of items which, in his or her opinion, could be advantageously purchased through competition.

Obtaining informal quotes shall not be required when the City Manager determines that the public interest will be best served by purchase from or jointly with another unit of government, when an emergency exists, or when the public interest will be best served without obtaining quotes, such as in the employment of professional services.

3. Transactions Over \$5,000 to \$7,000; Competitive Bidding; Requisitions. Department Heads or their designees seeking to purchase goods or products that will cost over \$5,000 to \$7,000 shall:

- (a) Prepare or have prepared precise specifications describing the item and submit them to the Purchasing Agent for handling through the competitive bid procedure described in Part 6.
- (b) Upon approval by the City Manager, prepare and submit to the Purchasing Agent a Requisition form (Attachment "B") requesting that the Purchasing Agent issue a purchase order for the goods or products.

Competitive bidding shall not be required when the City Manager determines that the public interest will be best served by purchase from or jointly with another unit of government, when an emergency exists, or when the public interest will be best served without obtaining bids, such as in the employment of professional services.

4. Transactions Over \$7,000; Competitive Bidding; Requisitions. Department Heads or their designees seeking to purchase goods or products that will cost over \$7,000 shall:

- (a) Prepare or have prepared precise specifications describing the item and submit them to the Purchasing Agent for handling through the competitive bid procedure described in Part 6.
- (b) Upon approval by the City Commission, prepare and submit to the Purchasing Agent a Requisition form (Attachment "B") requesting that the Purchasing Agent issue a purchase order for the goods or products.

Competitive bidding shall not be required when the City Commission shall determine by an affirmative vote of 5 members that the public interest will be best served by purchase from or jointly with another unit of government, when an emergency exists, or when the public interest will be best served without obtaining bids, such as in the employment of professional services.

5. Receipt of Goods. Goods and products received shall be examined upon receipt to detect any damage or defects and to determine if specifications have been met.

If the item is satisfactory, the receiving report section of the department's copy of the purchase order (Attachment C) shall be completed and returned to the City Treasurer for approval for payment.

If the item is unsatisfactory, the receiving report shall be completed with the reasons for rejection indicated and returned to the City Treasurer to request non-payment.

The Department head or designee shall be solely responsible for rejections, but may request assistance from the Purchasing Agent or the City Manager.

6. Sales Tax. The City is exempt from local and state sales taxes or federal excise taxes. The City Treasurer's office can provide the necessary exemption documents to any vendor upon request.

PART 4
PURCHASING GOODS OR PRODUCTS -
SPECIAL PROCEDURES

1. Blanket Purchase Orders Over \$2,000. Department Heads or their designees may request, by requisition (Attachment B) submitted to the Purchasing Agent, a blanket purchase order (Attachment C). Blanket purchase orders not exceeding \$5,000 cumulative or \$2,000 for any one transaction shall be used when numerous small purchases from the same vendor are anticipated throughout no more than one fiscal year. Blanket purchase orders shall not be used to purchase items that could be more advantageously obtained through competitive bidding. If the amount is over \$5,000, sealed bids are required; if the amount is over \$7,000, it must be submitted to the City Commission for approval.

2. Confirming Purchase Orders; Emergencies Over \$2,000. Department Heads or designees may order goods or products when an emergency exists. Emergency is defined as a purchase made under extraordinary circumstances to protect the immediate health, safety or welfare of individuals, to protect public property against loss or damage, or to prevent or minimize serious disruption of services.² A requisition (Attachment B) for a confirming purchase order (Attachment C) shall then be submitted to the Purchasing Agent and the City Manager for approval by the following business day; if the amount is over \$7,000, it must be submitted to the City Commission for approval at its next regular meeting. Confirming purchase orders shall be used only for emergencies.

3. Cooperative Procurement Programs. Requisitions submitted to the Purchasing Agent for purchase orders for cooperative procurement programs shall describe the program and state that such programs have met the requirements of competitive bidding.

²Traverse City Code, Section 230.01(e)(2)(ii).

PART 5 SERVICES

1. Service Orders. Service orders shall be utilized in the procurement of contract labor, rather than goods, products or materials. If materials are provided in addition to services, a service order shall be used for both. The Purchasing Agent, with the approval of the City Manager or the City Attorney, shall determine if a service may be obtained through a service order or a more individualized contract. The Department Head and City Manager must approve all service orders.

2. Transactions of \$2,000 or Less. Department Heads, with the approval of the City Manager and the Purchasing Agent, shall prepare and submit to the Purchasing Agent a Requisition for Service Order form (Attachment "E"). The Vendor must comply with the requirements of the Service Order form (Attachment "D").

3. Transactions Over \$2,000 to \$5,000; Requisitions. For services costing over \$2,000 to \$5,000, Department Heads, with the approval of the City Manager and the Purchasing Agent, shall:

- (a) Obtain informal (written or telephone) quotations from at least three vendors, except three quotations are not required in the event:
 - (i) Of an emergency as defined in Traverse City Code, Section 230.01(e)(2)(ii), or
 - (ii) The vendor is the sole provider of such a service; or
 - (iii) The vendor is the sole source for a service requiring matching or compatibility with current goods.
- (b) Prepare and submit to the Purchasing Agent a Requisition for Service Order form (Attachment "E").

The Department Head may choose the competitive bid procedure for a service which, in his or her opinion, could be more advantageously obtained through competition.

Obtaining informal quotes shall not be required when the City Manager determines that the public interest will be best served by purchase from or jointly with another unit of government, when an emergency exists, or when the public interest will be best served without obtaining quotes, such as in the employment of professional services.

4. Transactions Over \$5,000 to \$7,000; Competitive Bidding; Requisitions. Department Heads or their designees seeking to obtain services that will cost over \$5,000 to \$7,000 shall:

- (a) Prepare or have prepared precise specifications describing the services and submit them to the Purchasing Agent for handling through the competitive bid procedure described in Part 6.
- (b) Upon approval by the City Manager, prepare and submit to the Purchasing Agent a Requisition form (Attachment "E") requesting approval of the Purchasing Agent and the City Manager.

Competitive bidding shall not be required when the City Manager determines that the public interest will be best served by obtaining service from or jointly with another unit of government, when an emergency exists, or when the public interest will be best served without obtaining bids, such as in the employment of professional services.

5. Transactions Over \$7,000; Competitive Bidding; Requisitions. Department Heads or their designees seeking to obtain services that will cost over \$7,000 shall:

- (a) Prepare or have prepared precise specifications describing the services and submit them to the Purchasing Agent for handling through the competitive bid procedure described in Part 6.
- (b) Upon approval by the City Commission, prepare and submit to the Purchasing Agent a Requisition form (Attachment "E") requesting approval of the Purchasing Agent and the City Manager.

Competitive bidding shall not be required when the City Commission shall determine by an affirmative vote of 5 members that the public interest will be best served by obtaining service from or jointly with another unit of government, when an emergency exists, or when the public interest will be best served without obtaining bids, such as in the employment of professional services.

6. Blanket Service Orders. Department Heads may request, by requisition (Attachment E) submitted to the Purchasing Agent and City Manager, a blanket service order (Attachment D). Blanket service orders not exceeding \$5,000 cumulative or \$2,000 for any one transaction shall be used when numerous small services from the same vendor are anticipated throughout no more than one fiscal year. Blanket service orders shall not be used to obtain services that could be more advantageously obtained through competitive bidding. If the amount is over \$5,000, sealed bids are required; if the amount is over \$7,000, it must be submitted to the City Commission for approval.

7. Confirming Service Orders; Emergencies. A Department head may procure services when an emergency exists. Emergency is defined as a service obtained under extraordinary circumstances to protect the immediate health, safety or welfare of individuals, to protect public property against loss or damage, or to prevent or minimize serious disruption in services.³ Diligent effort shall be made by Department Heads to deliver signed service orders to vendors prior to service. Otherwise, a requisition (Attachment E) for a confirming service order (Attachment D) shall then be submitted to the Purchasing Agent and City Manager by the following business day for approval; if the amount is over \$7,000, it must be submitted to the City Commission for approval at its next regular meeting. Confirming service orders shall only be used for emergencies.

8. Cooperative Procurement Programs. Requisitions submitted to the Purchasing Agent and City Manager for services for cooperative procurement programs shall describe the program and state that such programs have met the requirements of competitive bidding.

9. Insurance. No work shall begin under a service order for services to be provided on City property until proof of worker's compensation insurance and any other insurance required by specifications is provided to the City Manager.

10. Completion of Service; Payment. The Department Head shall determine if the service has been satisfactorily completed and if specifications have been met. If the service is satisfactory, the Department Head shall indicate approval for payment and the service order number on the invoice and return it to the City Treasurer for payment. If the service is unsatisfactory, the Department Head shall notify the City Treasurer and indicate the reasons for rejection. The Department head or designee shall be solely responsible for rejections, but may request assistance from the Purchasing Agent.

³Traverse City Code, Section 230.01(e)(2)(ii).

PART 6
COMPETITIVE BIDDING PROCEDURE

1. Sealed Bids. Sealed bids are required in all transactions involving expenditures of more than \$5,000. "Sealed bid" means a written response to a solicitation which requires a public bid opening. Sealed bids shall strictly comply with submission criteria to protect the integrity of the sealed bid process. It is the bidder's responsibility to ensure compliance with submission requirements. The Purchasing Agent may disqualify a sealed bid that does not conform to the submission requirements. Telefaxed or e-mailed bids are not acceptable.

2. Initiation of Competitive Bidding Procedure. The Department Head or designee shall initiate this procedure by submitting a written request to the Purchasing Agent, along with a vendor's list and specifications. The Department Head or designee may request the assistance of the Purchasing Agent in preparing specifications.

3. Specifications. The Purchasing Agent shall review and approve all specifications prior to bidding. Whenever possible, specifications shall include a proposed contract or service order, insurance requirements, and bond requirements, if any.

4. Publication. The Purchasing Agent shall publish an advertisement for bid in a local newspaper 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 Purchasing Agent shall select the time and place of the bid opening. The Purchasing Agent and 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 Purchasing Agent 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). The City Manager shall submit his or her recommendation to the City Commission for approval. After approval by the City Commission, the Purchasing Agent or City Manager shall complete the purchase order, service order or contract. If a 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 or the Purchasing Agent may delegate authority to handle a department's competitive bidding process to a department in lieu of handling by the Purchasing Agent. A department may adopt additional bidding requirements not in conflict with these policies and procedures or any federal, state or local laws.

8. Exceptions to Competitive Bidding. Competitive bidding shall not be required when the City Commission determines by an affirmative vote of five members that the public interest will be best served by purchase from or jointly with another unit of government, 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 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 history of past purchases and evaluation of the market.

10. Disqualification Option. The City Manager may, at his or her discretion, include in specifications criteria for disqualification of a vendor upon a finding that any of the following circumstances 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 3 years prior:

- (a) conviction of a criminal offense incident to the application for or performance of a state, public or private contract or subcontract;
- (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; or
- (d) attempting to influence a public employee to breach ethical conduct standards.

A disqualified vendor may appeal the disqualification to the City Commission 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 the filing of such an appeal, the contracting and bidding process shall be stopped, or extended as the situation requires, in order to hear the appeal.

**PART 7
CONTRACTS**

1. Contracts Over \$10,000. Contracts for services costing over \$10,000 require review and approval as to form by the City Attorney. Approval of a contract as to form by the City Attorney shall be obtained in writing prior to competitive bidding, unless otherwise indicated by the City Manager or the City Commission.

2. City Commission Approval Required. All contracts over \$7,000 with the City of Traverse City must be authorized by the City Commission and signed by the Mayor and City Clerk. The City Commission may delegate authority to the City Manager to enter into a contract.

**PART 8
PAYMENT PROCESSING**

1. Payment from Invoices Only. In general, the City Treasurer will make payment only upon receipt of an "invoice" rather than a "statement".
2. Invoices for Purchase Orders. Invoices received pursuant to a purchase order shall be submitted to the City Treasurer attached to or subsequent to submission of a receiving report. Each invoice submitted not accompanying a receiving report shall indicate the department making the purchase and the purchase order number.
3. Invoices for Service Orders. Invoices received pursuant to service orders shall be submitted to the Department Head or designee for approval, and then submitted to the City Treasurer. Each invoice submitted not accompanying a copy of the service order shall indicate the department making the purchase and the service order number.
4. Invoices for Contracts. Invoices received pursuant to contracts shall be submitted to the Department head or designee and the City Manager for approval, and then submitted to the City Treasurer with a copy of the City Commission minutes approving the contract, copy of the signed contract or the payment and signatures pages of the signed contract.
5. Payment. Upon receipt of the appropriate documents, the City Treasurer shall verify availability of funds and then prepare a check in duplicate. The check shall then be forwarded to the City Clerk for final approval. Once approved by the City Treasurer and City Clerk, the original copy of the check shall be sent directly by the City Treasurer to the vendor and copies retained by the City Treasurer.