

		Policy 501.04.10 Procurement			
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Special Instructions:					

## I. PURPOSE

The purpose of this policy is to provide guidance and procedures to be followed for procurement of goods and services for all City departments. The controls and procedures set forth are intended to provide reasonable assurance that the lowest cost, highest quality good or service is obtained, while balancing the need for flexibility in department operations.

## II. GUIDELINES

## III. PROCEDURE

### A. Procurements

1. Procurements consist of the following major categories:
  - a. Goods (tangible items); e.g., equipment, supplies, vehicles
  - b. Utility Inventory Items
  - c. General Services; e.g., janitorial services, maintenance agreements
  - d. Professional Services: e.g., legal, engineering, architectural, auditing services
  - e. Construction of public buildings and improvements
2. Department heads have the responsibility for procurement in their individual departments.
3. The City Manager is responsible for supervising the procurement process.
4. The Finance Department is responsible to monitor compliance with City procurement policies and procedures.
5. When an emergency situation will not permit the use of the competitive processes outlined in this policy, the applicable Department Head and City Manager may determine the procurement methodology most appropriate to the situation. Appropriate documentation of the basis for the emergency should be maintained.
6. By law (WI Stat 62.15 (12)), the City Manager and City Clerk sign contracts on behalf of the City. However, the Council hereby delegates the authority to approve and sign contracts to

## Procurement

the applicable Department Head and/or, City Manager in accordance with the thresholds set forth below in the “Purchase of Goods” section. When Council Committee or Council approval is required the City Manager and Clerk shall sign such contracts.

7. The City Attorney’s office should be consulted for a legal review of all contracts.

### B. Change Orders

1. Change orders are required for changes in project scope for construction or similar contracts.
2. Quantity changes are defined as increased quantities of bid items in a unit price contract.
3. Change orders can be approved by the Department Head and the City Manager for an amount up to \$10,000. The Department Head shall notify the Council in writing of such change orders.
4. Change orders in excess of the amount defined above require approval by the Common Council.
5. When project scope changes are necessary to prevent project delays the Department Head is delegated the authority to approve such change orders. The Department Head shall notify the City Manager and Council in writing of such change orders.
6. Quantity changes in unit price contracts can be approved for payment by the Department Head.
7. Any change order must be in compliance with the public bidding statutes and the applicable contract.

### C. Purchase of Goods

1. Guidelines for approval authority of purchases when a specific item and dollar amount is not identified in the adopted budget:
  - a. Under \$5,000 – Department Head or Designee must approve prior to purchase. At least two quotes should be solicited for purchases over \$1,000.
  - b. \$5,000 to \$10,000 – Department Head and City Manager approval is required. At least two quotes should be solicited.
  - c. \$10,001 - \$25,000 – Department Head, City Manager, and Common Council approval is required. At least two quotes should be solicited. Documentation of quotes must be submitted to City Manager and Common Council for approval.
  - d. Over \$25,000 – Common Council approval is required prior to purchase. At least three quotes should be solicited.
  - e. Any purchase of goods for a public construction project must be reviewed in the context of the entire cost of the project to determine if the size of the contract requires public bidding for the purchase of the goods. The purpose of this provision is to make certain that the cost of the goods does not increase the total estimated cost of the public works project to be above the threshold that would require competitive bidding. For example,

## Procurement

under current statutes, if the cost of goods was \$10,000 and it caused the overall estimated cost of the project to be \$27,000, it would cause the project to be subject to competitive bidding because the cost of the project would be greater than the \$25,000 bidding threshold.

2. Guidelines for approval authority of purchases when a specific item and dollar amount (e.g. capital equipment) is identified in the adopted budget:
  - a. Under \$5,000 – Department Head or Designee must approve prior to purchase. At least two quotes should be solicited for purchases over \$1,000.
  - b. \$5,000 to \$10,000 – Department Head and City Manager approval is required. At least two quotes should be solicited.
  - c. Over \$10,000 – Department Head and City Manager approval is required. At least three quotes should be solicited.
  - d. If the quote exceeds the dollar amount identified in the adopted budget the thresholds under “Purchase of Goods (III. C).” apply.
  - e. *The City Clerk will be given a copy of any signed contract(s).*
3. In general, the lowest quote should be considered for procurements. However, price is not the sole consideration.
4. Awards shall be made only to responsible vendors that (a) possess the potential ability to perform successfully under the terms and conditions of the proposed procurement, and (b) sell products that meet the specifications of the City.
5. It is the desire of the City to purchase from local vendors whenever possible.
  - a. This can be accomplished by ensuring that local vendors are included in the competitive shopping process.
  - b. The City has a responsibility to its residents however, to ensure that the maximum value is obtained for each public dollar spent.
  - c. It is assumed that local vendors who wish to do business with the City will offer the lowest possible quote for the item being purchased.
6. Each Department Head is authorized to delegate authority up to \$5,000 to an employee of that department to make and approve purchases, upon the condition that the Department Head file written notice with the Finance Department of the individual to whom this authority has been delegated.
7. Sole source purchases are allowed in the following circumstances:
  - a. The item or service is only available from a single source;
  - b. After competitive procurement solicitations, competition is determined to be inadequate;

## Procurement

- c. An alternate product or manufacturer would not be compatible with current products resulting in additional operating or maintenance costs;
  - d. Standardization of a specific product or manufacturer will result in more efficient and economical operations;
  - e. The purchase is from another governmental body; or
  - f. The item is being purchased through a cooperative purchasing arrangement such as the V.A.L.U.E. group, State bid list, State of Wisconsin VendorNet or WPPI Joint Purchasing.
  - g. Approval of sole source purchases will be made in accordance with the dollar thresholds outlined above in "Purchase of Goods."
8. In circumstances of sole source purchases when the purchase is not via a cooperative arrangement, the department should use alternate means (such as verifying pricing with other customers) to establish that the price quoted is reasonable.
- D. Use of Purchase Orders:
- 1. In general, purchase orders are not required for purchases.
  - 2. If the vendor requests or requires a purchase order one will be issued.
  - 3. Purchase orders are to be issued prior to obtaining the item.
  - 4. Standard purchase orders are issued for one time acquisition of specific items.
  - 5. The receipt of these items might be spread out over a period of time but the purchase order is valid only for the items listed on it.
  - 6. Blanket purchase orders are issued on an annual or other periodic basis to vendors with whom business is conducted continuously. Examples of these types of purchases include repair parts, library books or other materials/supplies for which exact quantities are not known.
- E. Purchase of Utility Inventory
- 1. Inventory purchases are made for approved utility capital and maintenance infrastructure projects, developer capital projects and stock items. Special consideration for these types of purchases is warranted for operational efficiency purposes.
  - 2. Each Utility Operations Manager is responsible for the oversight and coordination of utility inventory purchases.
  - 3. Quotes shall be solicited as outlined above in the "Purchase of Goods" section.
  - 4. The City Manager is delegated the authority to approve all utility inventory purchases over \$5,000.
- F. Purchase of General Services
- 1. General services defined:

## Procurement

- a. Standardized services that are differentiated mainly by price. The results of the services are generally the same each time they are provided regardless of the vendor and experiences gained from one project are directly applicable to another project. See definition below of professional services for distinction from general services.
- b. Agreements for upkeep and maintenance of goods during ownership. Such agreements bind the manufacturer or service provider to maintain the goods for a certain period of time for a fee. Contracts may include the costs of servicing and/or materials. (e.g. software maintenance contracts, copy machine maintenance contracts, etc.)
- c. Where applicable, a competitive process for selection of vendors for contracts for general services should be used under the guidance outlined in the “Purchase of Goods” section above.
- d. Purchase orders are not required for general services.

### G. Purchase of Professional Services

#### 1. Professional services defined:

- a. Professional services are usually highly customized and differentiated on factors other than price, such as knowledge and expertise. The specific form of the services will vary according to the need of the customer. Experiences gained from one project provide insight into other projects, but are not directly applicable. Professional services are often performed by licensed individuals.
- b. A qualifications based selection process shall be used in obtaining professional services. Selection for professional services should take into consideration the overall value of such contracts including:
  - 1) Demonstrated competence, knowledge and qualifications in related services
  - 2) Continuity of the various phases of a project
  - 3) Operational efficiencies
  - 4) Scope of services
  - 5) Reasonableness of proposed fee
- c. The normal purchasing policy thresholds outlined in the “Purchase of Goods” section above shall be used for retaining consultants for specific projects.
- d. Professionals are sometimes retained for their expertise on an as needed basis to serve in an advisory role to the City vs. being retained for a specific project. In the circumstance where the specific scope of service or length of engagement cannot be determined and the purchasing policy thresholds therefore cannot be used to determine level of approval, the approval process is as follows:
  - 1) All legal, planning, and engineering services require Common Council approval prior to retaining the professional.

## Procurement

- 2) The City Attorney, upon approval of the City Manager, may retain outside legal counsel to serve in an advisory role to the City Attorney in an amount not to exceed \$5,000.
  - 3) For all other services identified in the approved budget, the Department Head and/or City Manager is delegated the authority to retain the professional (e.g. title searches, physicals, water testing).
- e. Some professional service industries do not customarily use contracts to formalize the relationship and scope of work between the consultant and their client. In such circumstances, the City encourages the use of scope of service proposals, memorandum of understandings or engagement letters where applicable.
  - f. Purchase orders are not required for professional services.
- H. Construction of Public Buildings and Improvements
1. The provisions of Wisconsin Statutes s. 62.15 apply to procurements involving public construction and take precedence over any portion of this policy that may conflict with that statute. Approvals of construction contracts will be made in accordance with the dollar thresholds outlined above in the "Purchase of Goods" section.
  2. For all public construction, the estimated cost of which exceeds \$5,000 but is not greater than \$25,000, the Director of Public Works shall give a Class 1 notice, under Chapter 985 Wis. Stats., of the intent to enter into a contract for the proposed const

## IV. REPORTING

## V. JOB AIDS