

CITY OF MT. PLEASANT

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PURCHASING MANUAL INTRODUCTION

Procurement of supplies, equipment and services is a function important to the City's ability to serve our residents. To obtain the greatest value for every dollar spent, it is necessary to follow a set of procedures when purchases are made. These procedures apply to all purchases, regardless of the funding source for the purchase. It should be noted that some grants may require additional steps in the purchasing process, and those guidelines must be followed. The processes outlined in this manual are the minimum requirements for any City of Mt. Pleasant purchase.

The purpose of this manual is to describe the objectives of the City of Mt. Pleasant, outline the principles governing the purchasing function, and to establish departmental guidelines.

City Charter Article VII Section 17, requires the City Commission to "prescribe by resolution a general framework of necessary procedures governing financial and contractual dealings with the City". This manual serves to meet this purpose.

In addition, State Law proscribes purchasing parameters as well. Public Acts 167 & 168 of 1993 require a city which receives state revenue sharing funds from state income tax revenues to require sealed competitive bidding for most contracts of \$25,000 or more. Failure to do so will jeopardize the distribution from the state. This manual demonstrates compliance with these Public Acts.

Public Act 266 requires the City to have specific procedures in place for the use of credit cards. This manual demonstrates compliance with Public Act 266.

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OBJECTIVES OF THE PURCHASING FUNCTION

1. To conduct business in such an open manner that potential vendors will be impressed by the fairness of the system and thus be encouraged to furnish competition, which will help ensure that the City will secure the best product and/or service at the lowest possible price.
2. To encourage joint purchasing amongst City Departments and along with the State of Michigan.
3. To encourage competitive purchasing.
4. To develop and maintain an adequate inventory of supplies and equipment as required.
5. To give due consideration to ethical and quality standards and also to real value rather than price alone.
6. To establish and build good relations with suppliers.
7. To discourage, as much as possible, any procedure other than that of competitive purchasing.
8. To purchase the most acceptable quality supplies, equipment and contractual services at the lowest price.
9. To provide a mechanism for professional services contracts which are based primarily on quality and then price.

PURCHASING PRINCIPLES

I. GENERAL PRINCIPLES

1. Supplies, equipment and contractual services shall be purchased only when monies for their cost have been appropriated and included in the Annual Operating Budget.
2. The financing for projects greater than \$500,000 must be arranged with the Finance Director prior to soliciting bids.
3. If City issued purchasing cards cannot be used, minor purchases which cost less than \$100 may be obtained by the department directly from the vendor. Payment of these items can be reimbursed by Petty Cash.
4. Purchases of less than \$10,000 may be made by the Department Head.
5. Purchases of \$10,000 or greater but less than \$25,000 must be approved by the Division Head.
6. Purchases of \$25,000 or greater must be approved by the City Commission.
7. To the extent possible, purchases of routine supplies should be coordinated with other City departments.
8. All purchases should be made for the most acceptable quality at the lowest price.
9. Professional services contracts will be based on quality of service and then price.

II. PETTY CASH PURCHASES

Minor purchases where City purchasing cards cannot be used which cost less than \$100 may be obtained by the department directly from the vendor. The cost will be reimbursed from Petty Cash upon presentation of the paid invoice to the respective department. Petty Cash must be reconciled at least once monthly by the appropriate department staff and submitted to Accounts Payable for reimbursement. If the Petty Cash purchase is related to travel expenses, the appropriate travel voucher must also be submitted and a travel advance must not have been obtained for the trip. The travel voucher must be supported with appropriate documentation.

III. CREDIT PURCHASES

The City shall maintain open credit with various vendors that are utilized on a frequent basis. Only employees authorized by the Department Head or supervisory staff may utilize the vendor's credit. Credit purchases may not exceed the amount authorized for Department Head approval. Receipts for open credit purchases must be approved by the Department Head and submitted to Accounts Payable.

IV. CREDIT CARD PURCHASES

The City maintains a purchasing card program for employees to assist with purchases. The Finance Director, or appointed designee, is responsible for the City's purchasing card issuance, accounting, monitoring, retrieval and for general oversight of compliance with purchasing card use.

City purchasing cards may be used only by those authorized by the appropriate Division Head and only for the purchase of goods or services and training or travel expense for the official business of the City. The card users shall submit all credit card receipts detailing the goods or services purchased, the cost of the goods or services, and the date of the purchase to Accounts Payable with the appropriate transaction summary.

Employees issued City purchasing cards shall return the credit card immediately upon termination of employment with the City. Authorized employees issued a credit card are responsible for its protection and custody and shall **immediately** notify the Finance Director if the credit card is lost or stolen.

The Finance Division will follow established Accounts Payable internal control procedures for approval, documentation and payment of credit card charges. All balances due will be paid for within not more than 30 days of the initial statement date.

Unauthorized use of a City purchasing card may result in disciplinary measures.

V. PURCHASES LESS THAN \$10,000

All departments must plan in advance their regular budgeted purchases so that the most competitive price may be obtained. Purchases of supplies, equipment and contractual services of less than \$10,000 are to be made by the Department Head or designated other supervisory staff. Departments should obtain quotes from competing vendors for purchases less than \$5,000 and purchases \$5,000 or greater require quotes. Purchasing standards of conduct must be utilized in the purchasing decision of the department.

VI. PURCHASES \$10,000 OR GREATER BUT LESS THAN \$25,000

Purchases of supplies, equipment and contractual services of greater than \$10,000 but less than \$25,000 are to be approved by the Division Head. It is required that departments obtain written quotations from competing vendors for purchases greater than \$10,000. The Department making the purchase will submit a form to Accounts Payable as detailed in Quotation Procedures part II. Purchasing standards of conduct must be utilized in the purchasing decision of the department.

VII. PURCHASES \$25,000 OR GREATER

Purchases of supplies, equipment and contractual services greater than **\$25,000** will be made from sealed bids/proposals submitted to the City Commission for approval. Any approved contract for construction or reconstruction will have an assumed approved contingency of 10%. This 10% contingency can only be invoked if the department receives a written change order from the contractor and approves said change. The contingency only applies to unforeseen circumstances, not project expansion. If the cumulative amount of change orders would exceed 10% of the original contract, approval of the increased amount must be obtained from the city commission prior to the work being performed.

VIII. SERVICES PROVIDED ON A PER HOUR BASIS

Any services quoted or bid on a per hour basis will include a not to exceed dollar amount in writing and require advance notice from the vendor if it looks as if the not to exceed amount might be exceeded due to unforeseen circumstances. The appropriate approval will be obtained before the extra services are rendered.

IX. SERIAL PURCHASING

Serial Purchasing is intentionally breaking an order to an external vendor into two or more purchases/payments to avoid the required bid process. Serial purchasing is prohibited and may result in disciplinary measures.

X. PROFESSIONAL SERVICES CONTRACTS

Contracts for services often cannot be based only on price but are based primarily on quality of service. In situations where professional services are being purchased the quotation and bidding process need not be followed. The Department Head must utilize professional standards of conduct to obtain a contract specifically outlining the scope of the work and the terms of the services to be provided, and the City Attorney shall approve the form of the contract. If the contract exceeds \$25,000, a memo outlining the terms of the contract must be provided by the Department Head to the City Manager. The City Manager will place the item on the next scheduled City Commission agenda for approval.

XI. SINGLE SOURCE PURCHASES

Purchases of supplies, equipment and contractual services which are supplied by only one source or other extenuating circumstances, and are of a dollar amount requiring sealed bids/proposals, must be explained in a memo to the City Manager. This memo will be forwarded to the City Commission at the next scheduled meeting if the purchase is of an amount requiring City Commission approval.

XII. PURCHASE ORDERS

The City does not require the use of purchase orders.

The Finance Director will issue a blanket purchase order each year for purchases that year. If the vendor requires a purchase order number, this number can be used. If a vendor requires that a purchase order be issued, the department making the purchase must prepare a purchase order and submit it to the Finance Director for approval.

XIII. EMERGENCY PURCHASES

In the event an emergency purchase is required for materials, tools or needed repairs to equipment that must be kept operational, the following procedure needs to be followed:

1. If the emergency event occurs during the normal working hours and the purchase typically requires quotations, sealed bids or City Commission approval, the City Manager and the Finance Director must be notified immediately. The City Manager has the authority to grant exceptions to the quotation and bid process.

2. If the emergency occurs at night, on weekends or on Holidays, the purchase shall be made at the discretion of the Department Head involved. The City Manager and the Finance Director must be notified as soon as possible of the purchase.

If the purchase is \$25,000 or greater, which normally requires City Commission approval, the documentation of the purchase must be provided to the City Manager who will place the item on the next regularly scheduled City Commission agenda so that the Commission may be informed of the purchase.

Emergency purchases should be carefully considered. Emergency purchases often do not result in the most competitive purchases and should be avoided to the greatest extent possible.

XIV. WARRANTIES

The City purchases many items which have a warranty or guarantee for a certain length of time such as tires, batteries, computers and other equipment. Before these items are repaired or replaced, the custodian of the warranty on the project should be consulted to see if the item is covered by such warranty or guarantee.

Each department should maintain an active up-to-date file on such warranties or guarantees.

QUOTATION PROCEDURES

Quotations are recommended for purchases of less than \$5,000 and required for purchases greater than \$5,000.

I. OBTAINING QUOTATIONS

Quotations must be obtained from a minimum of three vendors (if possible). The department making the purchase may select the vendors to contact. The quotations may be obtained in any of the following manners:

1. In person: by going to the vendor, or by the vendor demonstrating the item at the point of usage and providing a written quote
2. By phone: when the item is a staple product and must be followed up with a written quote
3. Written quotation: written quotes must be obtained for purchases over \$5,000 but less than \$25,000.

II. QUOTATION EVALUATION/SELECTION

The quotation selected should be the one that provides the highest acceptable quality at the lowest price. Purchasing standards of conduct must be utilized in the purchasing decision. For purchases of supplies, equipment and contractual services greater than \$10,000, the department making the purchase shall prepare a quotation form and submit it to Accounts Payable with the invoice for payment. The form must include a summary of quotations received, the budgeted amount for the purchase and Division Head approval. Notes on quotations received must be retained for one year by the department making the purchase.

SEALED BIDS/PROPOSALS PROCEDURE

Purchases of supplies, equipment and contractual services of \$25,000 or greater must be from sealed bids/proposals which are subsequently approved by the City Commission. Bids are requested for specific supplies, equipment, and contractual services. Proposals are requested for services for which the desired outcome is specified but the means to achieve it are to be proposed by the vendor. For purposes of the rest of this section, bids and proposals require the same procedures and the term bid is interchangeable with proposals.

I. BID SPECIFICATIONS

Bid specifications shall be prepared by the department making the purchase. Bid specifications should be set up so that maximum competition can be secured. Bid specification must include at least the following:

1. Description of the supplies, equipment or contractual service to be bid. For bids, the description of the item and its characteristics should be so definite and precise as to eliminate the possibility of misunderstanding on the part of the purchaser, the seller, the tester, or the consumer. Specifications which are considered "closed" (drawn on a piece of equipment) must not be prepared. Trade or brand names can be used to establish a generally acceptable standard, and all other brands of the same general quality will be requested to submit bids.
2. Form for submitting pricing.
3. Bid evaluation criteria.
4. Bid security/performance bond requirements, if any.
5. Insurance requirements, if any.
6. Time and location of bid submission.
7. Pre-bid conference requirements, if any.

8. The following ADA compliance language: All interested persons may attend and participate. Persons with disabilities needing assistance to participate may call the Human Resources Office at (989)779-5314). Persons with hearing impairments may call the Michigan Relay System. A 48-hour advance notice is necessary for accommodation.
9. Anticipated award date.
10. Notice that the City of Mt. Pleasant reserves the right to reject any and all bids submitted.
11. If federal funds are to be used for construction projects, that Davis Bacon prevailing wages must be paid.
12. Requirement that the bid specifically indicates the bid name and the date on the outside of the envelope.

Bid specifications must be approved by the Division Head of that Department. A copy of the bid specifications must be submitted to the Finance Division for placement on the City website.

If during the bid process it becomes apparent that the bid specifications need clarification or changes, an addendum to the bid specifications will be prepared.

II. DISTRIBUTION OF BID SPECIFICATIONS/ADVERTISING

1. Bidders List

The department preparing the bid specification prepares the bidders list. The bidders list shall consist of known vendors of the supplies, equipment or contractual services, and any vendor requesting to be placed on the bidders list for this item. The bidders list should be as comprehensive as possible to ensure the most competitive pricing.

2. Bid Specification Distribution

The bid specifications will be sent to all vendors on the bidders list. If the bid specifications or plans are lengthy and costly to produce, the City may charge the vendor for the bid specifications. However, in this case all vendors on the bidders list will be sent notification of the availability of bid specifications. Bid specifications will be available on the City's website.

3. Advertising

The Finance Division will procure advertising upon the receipt from the department of the bid specifications. In some cases, the Department Head and Finance Director may decide not to advertise the bid if the item is of such a specialized nature that it is expected that advertising would not produce any additional bids. The Finance Division will always place a summary of the bid on the City's website. The department making the purchase may choose to advertise in other newspapers or trade journals.

4. Bid Addendum

If addenda to the original bid specifications are made, they will be sent to all vendors receiving the original bid specifications and placed on the City's website.

III. BID OPENING

1. Location of Bid Submission/Opening

All bid openings will be conducted by Finance staff and a representative of the department making the purchase. Bid opening dates must be checked with the Finance Director's office before finalizing bid specifications. Bid openings will be on Tuesdays at 1:30 p.m., unless specifically requested otherwise by the department making the purchase.

Bids will be accepted in the Clerk's office up to the time of the bid opening. Any bids received by the department making the purchase must be submitted to the Clerk's office prior to the time of the bid opening.

Although not preferred, bids will be accepted by fax or e-mail. The vendor bidding by fax or e-mail must notify the Clerk's office of the fax or e-mail prior to submission. The fax or e-mail will be received by an employee of the Clerk's office and placed in an envelope for opening at the bid opening. The employee receiving the fax or e-mail will not make the bid price known to anyone.

2. Bid Opening Procedure

Each department is responsible for preparing a bid tabulation form. A member of the department making the purchase must be present for the bid opening. A minute or so before the bid opening, those in attendance will be asked if all bids have been submitted. At precisely 1:30 p.m., Finance staff shall begin the bid opening. The bid is opened, checked and read aloud by the Finance Director staff. The two bid openers must record their initials on the bid form of the bid submitted. The bid is recorded on the tabulation sheet.

The bid opening is open to the public. The staff present should refrain from answering any questions with regard to award, disqualification, preference on equipment, specifications being met, etc. Further, no comments of any type should be made on any bid or vendor. Those in attendance may be informed as to when the review will take place and when the award will be made.

3. Change/Withdrawal of Bid

A bidder may withdraw or change a bid if notice of the withdrawal or change is received, in writing, by the Finance Director before the latest time specified for submission of bids. After bids have been opened, they will not be allowed to be withdrawn, except as authorized by the Finance Director. Withdrawal of bids after the bid opening will be allowed only in those cases in which it is found from clearly demonstrable evidence that the bidder has made a bona-fide error in preparation of the bid and that such error will result in a substantial loss to the bidder.

4. Late Bids

No bids received after the time specified in the invitation to bid will be considered. The late bids will be retained unopened until after award. They will then be returned to the bidder with a letter detailing why the bid is being returned. The City does not prescribe the method by which bids are to be transmitted; therefore, it cannot be held responsible for any delay, regardless of the reason, in the transmission of bids.

5. Bids Opened in Error

Bid specifications must specifically indicate to bidders to write the bid name and date clearly on the outside of the bid. If any envelope does not indicate a bid is inside or is inadvertently opened prior to the bid opening time, the bid should be resealed and a note attached to it indicating why it was opened and the person's name who opened it and resealed it. The bid should then be processed as usual. If a bid amount is inadvertently seen, the bid price shall not be made known to anyone.

6. Disseminating Bid Information

The bid tabulation shall be left with the staff of the department making the purchase. The staff can mail the bid tabulation if requested.

The actual bid documents submitted are public property and are available to review. During the public review, the bid document must remain in the view of a City employee.

IV. SECURITY DEPOSIT AND PERFORMANCE BONDS

Generally a bid security deposit is to be required at the discretion of the Department Head of the department making the purchase. The amount of the security deposit shall be expressed in terms of percentage of the bid submitted.

The Department Head of the department making the purchase shall fix the amount of the performance bond, and in the case of construction contracts, the amount of labor and material bond to be required of the successful bidders.

In most cases, the requirement of a bid security deposit and/or a performance bond is expensive and needless. They should only be required for construction contracts, purchases involving large sums of money, or purchases in which failure to perform would result in loss to the City.

If the bid specifies the bidder must provide a bid security deposit, the bidder must file a bid bond, a certified check, cashier's check or bank draft in the amount of and in the form specified in the bid specification or the bid will not be considered.

The bid bond presented must be from a surety company authorized to do business in the State of Michigan. The State of Michigan Department of Licensing maintains a list of companies authorized in the State of Michigan (517-373-0240). The bid shall be conditioned on full performance of all obligations imposed on the bidder under this regulation by submission of a bid, including the obligation to keep the price firm for as long a period as specified in the bid and to file a performance bond when required, if awarded a contract. The bid bond shall provide that upon failure to perform any of such obligations, the City of Mt. Pleasant may recover from the bidder and the surety, or either, any and all damages suffered because of such failure.

If a bidder expects to submit bids from time to time and wants to file a continuing bid bond good for all bids made during a certain period of time up to a stated amount, the bidder may do so.

If the bidder elects to deposit a certified check, cashier's check, or bank draft, it shall be security for full performance of all obligations referred to above. The deposit will be held by the City Treasurer. If the bidder fails to perform any one or more of such obligations, the City Treasurer may endorse the check and retain as much of the proceeds as is necessary to compensate the City of Mt. Pleasant for any and all damages suffered because of such failure.

If a bidder is not the successful bidder, the certified check, cashier's check, or bank draft will be returned to that bidder as soon as possible after the award is made. The successful bidder's check will be returned as soon as possible after the contract is awarded or as soon as such bidder has filed a performance bond, if one is required. It is the responsibility of the department making the purchase to notify the Treasurer of the

award.

V. BID EVALUATION

1. General Principle

The award will be made to the bidder whose bid (1) meets the bid specifications and (2) is the most qualified bid with the lowest price, considering quality, reference, responsibility of bidder, price, and all other relevant factors.

Because the purchase of supplies, equipment and contractual services of the City of Mt. Pleasant are funded mainly by property taxes, in order for a bidder to be considered all amounts due to the City from the bidder must be paid. These include personal and current real property taxes, utility bills, and all accounts receivable. Any contract for payment from the bidder to the City must be of current status.

2. Bid Review

Each bid shall be carefully reviewed. As each bid is reviewed, it is important to retain notes and comments and scrutinize accordingly:

- a) Double check bid tabulation sheet.
- b) Check and note if a discount is offered for early payment.
- c) Check if bid is signed.
- d) Thoroughly review what bidder is bidding against bid specifications.
- e) Make note of any specification deviations.
- f) Note any bid qualifications such as:
 1. Escalation clause and amount.
 2. "All or none" clause (in such case, total of "all or none" bid price has to be compared to sum of other low bid prices).
 3. Freight charges, if any.
 4. Combined delivery restrictions, if any.
 5. Change in bid acceptance period.
 6. Any alternate items which may be bid.
 7. Contract period exceptions.
- g) Bid bond - Is it signed from company authorized in State of Michigan?
- h) Addendum (if required) - Does it contain any changes to bid?
- i) Samples (if required) - If samples are not submitted, bid is considered non-responsive and bid is normally rejected.
- j) Reducing bid prices to common units: When bids are received in different units of measure, they must be reduced to a common denominator in order to be properly evaluated.
- k) Certificate of Insurance (if required) - Are dollar amounts correct; is coverage included, check dates, etc.

- l) Obvious mistake - If any obvious mistake is discovered, bring it to the attention of the Finance Director and confirm the mistake with the vendor. The vendor will not be allowed to change the bid amount. Example: Five bidders quote \$10.00 per foot; one bidder quotes 10 cents per foot. In the case of a mistake in the extension of a price, the unit price shall govern.

3. Rejecting Bids

If it appears there are reasonable grounds to believe that there is an agreement among certain of the bidders, or between them and certain prospective bidders, to restrain the competitive bidding by establishing a fixed price or by any other means, the bids of all such bidders will be rejected, and the bidders and prospective bidders will be barred from further bidding for a period of time not less than one year.

If it appears to be in the best interest of the City of Mt. Pleasant, all bids may be rejected and the bid process begun again. Bid specifications may be the same as the original bid or rewritten. In any such case, the department making the purchase will notify the bidders of the reason why all bids were rejected.

4. Bid Evaluation

After reviewing all bids and noting any and all considerations, evaluation of the low bidders should be made until the best qualified bid at the lowest price is found. Items to consider in recommending the awarding of a bid include:

- a) Past performance of the bidder.
- b) Availability of bidder to complete the project on the City's schedule.
- c) References.
- d) Price.
- e) The bidder's use of recycled or recyclable goods when applicable.
- f) Match with specifications. Like kind changes or equivalents can be allowed if they do not affect the results.
- g) Other items deemed applicable by using departments.

5. Department Recommendation/Bid Award

The department making the purchase shall prepare a memo to the City Manager indicating the recommendation for contract award. The memo must also include the number of bid specifications distributed, bidders tabulation, and budgeted amount for the project. The City Manager will place the item on the next scheduled City Commission agenda for approval.

After a bid is awarded, a contract will be executed with the successful bidder. A performance bond and certificate of liability and worker's compensation insurance must be obtained, if required. A copy of the worker's compensation certificate must be forwarded to the Finance Division.

After a bid is awarded, all firms submitting bids shall be notified of the successful bidder. Bids shall be retained in the department making the purchase for six years.

VI. EXCEPTION TO COMPETITIVE BIDDING

In any case where competitive bidding clearly is not practical or it is clearly to the City's advantage to contract without competitive bidding, the City Commission, upon the recommendation of the City Manager, may authorize the execution of a purchase without competitive bidding. In such cases, the proposed contract shall be approved by the City Attorney as to the form and content and submitted to the City Commission.

EXEMPT PURCHASES

It is recognized that some purchases may exceed the \$25,000 amount requiring City Commission approval, but obtaining approval through traditional processes would delay the purchase, to the detriment of the City. These instances are very limited and include only the following:

1. Purchase of fuel for resale at the airport
2. Payment for utility bills for properties owned by the City of Mt. Pleasant

VII. CONTRACT AWARD

Upon approval of the City Commission, a contract shall be executed between the City of Mt. Pleasant and the successful bidder. Once the contract has been executed no changes (such as a substitution or a price adjustment) may be made in its terms and conditions, if such changes would result in an impairment of any of the rights of the City of Mt. Pleasant under the contract.

Any changes to the contract must be provided in writing and approved by both the City and the successful bidder. Any change in project scope and/or changes which exceed the approved contingency must have appropriate City Commission approval prior to the work being done unless an emergency situation exists or in a situation whereby a delay could result in a much larger cost to the City.

Because the responsibility of the individual bidder is an essential element of the contract with the City of Mt. Pleasant, a person to whom such a contract has been awarded may not assign their interest in the contract without the written consent of the City of Mt. Pleasant.

In any of the following cases, the City of Mt. Pleasant shall have the right to cancel any signed contract.

1. In the event the successful bidder fails to furnish a satisfactory performance bond within the time specified.
2. In the event the vendor fails to make delivery within the time specified in the contract or order.
3. In the event any supplies, materials or equipment delivered under the contract are rejected (because they do not meet specifications, do not conform to sample, or are not in good condition when delivered) and are not promptly replaced by the vendor. If there are repeated rejections of the vendor's supplies or equipment, this shall be grounds for cancellation, even though the vendor offers to replace the items promptly.
4. In the event of any other breach of contract by the vendor.
5. Failure to provide appropriate insurance documents.

VIII. BID MONITORING

After the bid is awarded, the using department will set up a monitoring system.

For supplies and equipment, this system shall include:

1. Performance of goods.
2. Timeliness of delivery.
3. Service promptness and courtesy of service personnel.
4. Company's sensitivity to the department's needs and concerns.
5. Use of recycled/recyclable materials when applicable.

For services, this system shall include:

1. Timeliness of work.
2. Sensitivity of contractor as to public needs and concerns.
3. Quality of work - to be checked during work and after completion of project.
4. Use of recycled/recyclable materials when applicable.

These lists are not all-inclusive, and additional checks should be developed by the using department as to specific products or services. Sources of gathering monitoring information are citizen comments, physical inspections, employee comments, and compliments or complaints about goods/services by users.

If any one of these items is deemed insufficient, a memo shall be prepared noting in detail the instance. Based on the evaluation of the vendor, the Division Head may remove a vendor from the bidder's list for a specified period of time. The memos will be filed in the next bidders list.

IX. SUPPLEMENTAL CONTRACT EXTENSIONS

When the City awards a bid for the purchase of particular supplies, equipment, or contractual services after following the competitive bidding procedure, it may at any time thereafter increase the quantity of the supplies or equipment or extend the length of service with the vendor, at the same price and on the same conditions, if the market price of the supplies, materials or services has not gone down since the first purchase.

The department requesting the supplemental contract extension shall request same in writing to the City Manager. The City Manager will place the item on the next City Commission meeting agenda for approval.

PURCHASING STANDARDS OF CONDUCT

It is the City of Mt. Pleasant's policy that the employees involved in the purchase of supplies, equipment and contractual services for the City carry out their duties impartially, so as to assure fair, competitive access to governmental procurement by responsible vendors, contractors, etc. They should conduct themselves in such a manner as to foster public confidence in the integrity of the City's purchasing procedures. Employees responsible for making purchases must meet the standards set forth below:

I. CONFLICT OF INTEREST

1. City Employees

No employee will participate directly or indirectly in a procurement when a conflict of interest exists. A conflict of interest occurs when:

- a) The employee or any member of the employee's immediate family has a financial interest pertaining to the procurement;
- b) A business or organization in which the employee, or any member of the employee's immediate family, has a financial interest pertaining to the procurement; or
- c) Any other person, business or organization with whom the employee or any member of the employee's immediate family is negotiating or has an arrangement concerning prospective employment is involved in the procurement.

Upon discovery of an actual or potential conflict of interest, an employee shall promptly file a written statement of disqualification and shall withdraw from further participation in the transaction involved. The employee may, at the same time, apply to the Finance Director for an advisory opinion as to what further participation, if any, the employee may have in the transaction.

2. City Commissioners

The City of Mt. Pleasant can enter into a contract with a vendor with which a Commissioner has a conflict of interest. Conflict is defined for Commissioners in the same manner as defined above for employees. In entering into a contract with this vendor, the City Commissioner with the conflict must not vote on the contract and must disclose any pecuniary interest. Two-thirds of the full City Commission must approve the contract.

II. GRATUITIES

It shall be a breach of ethical standards for any person or business involved in a City of Mt. Pleasant procurement to offer, give or agree to give any employee any gratuity other than de minimus gratuities. Any employee who fails to report any offer or receipt of such a gratuity to his/her supervisor may be subject to disciplinary action. De minimus gratuities may be accepted.

III. USE OF CONFIDENTIAL INFORMATION

It shall be a breach of ethical standards for any employee or former employee to knowingly use confidential information for actual or anticipated personal gain or for the actual or anticipated personal gain of any other person.

IV. BUDGETED PURCHASES

In accordance with Public Act 621 of 1978, no purchases will be made in excess of the amount appropriated based on the level of control exercised over the adopted budget. Budgets are adopted on a fund basis except for the General Fund, which is adopted at the Division level.

V. LEGAL PURCHASES

All purchases of the City of Mt. Pleasant will be made for a public purpose and in accordance with the State Constitution and Statutes, the City Charter, and the purchasing policy.

SALE/DISPOSAL OF EQUIPMENT

Sale of abandoned property will be made in accordance with state statutes and coordinated by the Police Department. All other equipment shall be sold/disposed of as follows:

I. TRADE-IN VALUE FROM VENDOR

Equipment and vehicles which are no longer needed can be disposed of by the Department Head with the approval of the City Manager in the following manner:

1. Trade-in negotiated with the purchase of replacement equipment.
2. Sale to other interested party at the trade-in value identified above, as long as the cost of the new equipment is not affected by the lack of trade-in.

II. NO TRADE-IN VALUE AVAILABLE

If a trade-in value cannot be obtained, disposal can take place in the following manner:

SEALED BIDS

1. The complete detailed listing will be placed on the City website for review, and a date for bids will be provided. A printed copy of the listing will be available at the City Clerk's office. All items will be sold "as is" with no warranties.
2. An advertisement will be placed in the local newspaper informing the public of the availability of the items on the website and at the City Clerk's office.
3. The bid amounts for purchase of each item will be submitted in a sealed envelope to the City Clerk's office by a specified time and date. Bids will also be accepted via a form submitted on the City's website. The bids will be publicly read and awarded to the highest bidder. The City reserves the right to state the minimum bid amount or to reject all bids not in the best interest of the City. If the highest bidder does not pick up the equipment by the stated date, the next bidders will be contacted for the award.
4. The City may sell equipment to other governmental agencies with approval from the City Manager and Finance Director.

AUCTION

City staff may choose to utilize an on-line auction service to dispose of available items. If this option is chosen, a link will be provided on the City's website and an advertisement will be placed in the local newspaper of said auction. Staff may also choose to place surplus items in Central Michigan University's surplus equipment auction.

Any equipment for which a bid is not received will be donated to charity, scrapped or re-bid at the next auction.

MISCELLANEOUS

I. JOINT PURCHASING

Wherever possible, the City shall encourage joint purchasing amongst departments. Departments with similar needs which may benefit from joint acquisition of materials should do so whenever possible.

II. STATE PURCHASES

The City of Mt. Pleasant participates in the State of Michigan Extended Purchasing Program. This program allows the City to purchase items through the contracts negotiated by the state. Savings are achieved due to the quantities purchased by the state as well as the elimination of the administrative cost for obtaining quotes or bids. The Department Head may choose to review the contracts obtained by the state through the Extended Purchasing Program and recommend purchase of supplies or equipment under the state contract instead of utilizing the quote or bid process. For purchases greater than \$25,000, a memo recommending the purchase through the state contract must be provided to the City Manager. The City Manager will place the item on the next scheduled City Commission agenda for approval.

III. STATE SURPLUS

The City of Mt. Pleasant also participates in the State of Michigan surplus property program. The purchases are coordinated by the Parks and Public Spaces Director. Items purchased at the state outlets must be restricted to local government use, must be accounted for, and may not be disposed of until the expected use of the items has been reasonably achieved by the City. State surplus purchases of greater than \$50.00 that are being disposed of in less than a year from the date of purchase may only be made with the approval of the Parks and Public Spaces Director.

IV. LOCAL PREFERENCE

The City of Mt. Pleasant grants preference to businesses located within the

Mt. Pleasant City Limits for quotations (purchases exceeding \$5,000) and bids (purchases exceeding \$25,000). The preference given is a differential over the low bid if the low bid is not from a City of Mt. Pleasant bidder.

The differential allowed is as follows:

<u>Amount of Low Bid</u>	<u>% Differential Allowed</u>
\$5,000 -\$9,999	3%
\$10,000 and up	2%

But in no instance shall the differential allowed exceed \$2,500 for the purchase.

STATE PREFERENCE

The City of Mt. Pleasant also grants preference to businesses located within the State of Michigan for quotations and bids. The preference given is a differential over the low bid if the low bid is not from a State of Michigan bidder.

The differential allowed is as follows:

<u>Amount of Low Bid</u>	<u>% Differential Allowed</u>
\$5,000 -\$9,999	2%
\$10,000 and up	1%

But in no instance shall the differential allowed exceed \$2,500 for the purchase.