



## CITY of NOVI CITY COUNCIL

Agenda Item 1  
September 10, 2012

**SUBJECT:** Approval of a resolution to amend the purchasing policy to reflect changes and improvements in the City's procurement processes, including an increase in the threshold amount for which a purchase order must be used from \$1,000 to \$5,000; authorization of the use of P-Cards for some purchases; establishment of a formal change order policy; and clarification of certain exceptions to purchases in excess of \$15,000 that do not require City Council approval.

**SUBMITTING DEPARTMENT:** Finance 

**CITY MANAGER APPROVAL:** 

**BACKGROUND INFORMATION:** The Purchasing Policy currently in effect was last amended on January 10, 2005. At that time, Council amended the City's purchasing policy with regard to the amount that required approval by City Council (from \$3,000 to \$15,000) and the amount that required sealed bids (from \$5,000 to \$15,000). It also added to Section 2-201 of the City Code, that future changes in amounts can now be done by resolution.

The purchasing policy has been developed to provide a set of guidelines for an efficient purchasing system. It is within the guidelines set in the City Charter and is intended to clarify the general Charter requirements. The substantive changes proposed to the current policy are summarized below and are a result of requests from user departments which include Public Safety, DPS, IT, Facilities and PR&CS. In addition, language changes to simplify, clarify and update procurement practices currently in place have been added.

In broad terms, the Policy stipulates that:

1. **Purchases under \$4,999 (from \$1,000 to \$5,000):** In total, 674 purchase orders were issued for the period July 1, 2011 thru June 30, 2012. Of this total, 416 or 62% represent purchases under \$5,000. Under the revised policy:
  - Departments are authorized to make the purchase. No purchase orders are required for goods or services.
  - Departments will still be responsible for obtaining competitive pricing for purchases under \$4,999 and for submitting at least three written quotes for purchases between \$5,000 and \$14,999.
2. **Exceptions to Council approval requirement:**
  - Annual contract renewals when no changes in price, terms, or conditions are required.
  - Annual membership renewals budgeted and approved by City Council.
  - Proprietary maintenance agreements.
  - Change orders when the amount is less than \$15,000 **or** is less than 20% of the amended contract price.
3. **Change Order Policy**
  - **Change orders are always required for amounts that exceed the original contract price.** Change orders when the amount is less than \$15,000 **or** is less than 20% of the amended contract price **must** be approved by the Department

Head and Purchasing Manager. All change orders in excess of \$15,000 **and** that increase the contract price by 20% or greater, must be approved by City Council.

**4. Purchasing Cards**

- The City may distribute Purchasing Cards (P-Cards) to staff in order to streamline and simplify the purchasing function for low dollar expenditures. Purchases will be limited by type of goods/services, type of business, and a monthly credit limit.

No changes are recommended to purchasing policy amendment adopted by City Council on January 10, 2005 regarding the definition of capital purchases (see attached certified resolution). Capital purchases with a useful life of more than 1 year and a cost of \$5,000 or more are capitalized. Capital items are classified according to various factors, including dollar amount. Items costing up to the \$25,000 (\$5,000 - \$24,999) threshold are considered "Capital Outlay (CO)" items (not services). Items costing \$25,000 or more are considered "Capital Improvements (CIP)" for purposes of considerations within the CIP budget.

The revised Policy has been reviewed and recommended by the City Attorney as well.

**RECOMMENDED ACTION:** Approval of a resolution to amend the purchasing policy to reflect changes and improvements in the City's procurement processes, including an increase in the threshold amount for which a purchase order must be used, from \$1,000 to \$5,000; authorization of the use of P-Cards for some purchases; establishment of a formal change order policy; and clarification of certain exceptions to purchases in excess of \$15,000 that do not require City Council approval.

	1	2	Y	N
Mayor Gaff				
Mayor Pro Tem Staudt				
Council Member Casey				
Council Member Fischer				

	1	2	Y	N
Council Member Margolis				
Council Member Mutch				
Council Member Wrobel				

# MEMORANDUM



**TO:** CLAY PEARSON, CITY MANAGER  
**FROM:** MARINA NEUMAIER, ACTING FINANCE DIRECTOR  
**CC:** VICTOR CARDENAS, ASSISTANT CITY MANAGER  
**SUBJECT:** PURCHASING POLICY AMENDMENTS  
**DATE:** AUGUST 29, 2012

Follow-up to  
8-27-12 Mtg.

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## Executive Summary

The Purchasing Policy currently in effect was last amended on January 10, 2005. At that time, Council amended the City's purchasing policy with regard to the amount that required approval by City Council (from \$3,000 to \$15,000) and the amount that required sealed bids (from \$5,000 to \$15,000). The proposed amendments presented to City Council on August 27<sup>th</sup> are intended to not only reduce processing costs associated with lower dollar/high volume purchases, but strengthen the procurement process as well by leveraging both technology and business practice improvements as outlined below:

### **Purchases under \$4,999 (from \$1,000 to \$5,000):**

In total, 674 purchase orders were issued for the period July 1, 2011 thru June 30, 2012. Of this total, 416 or 62% represent purchases under \$5,000. Many of the requisitions received from departments within this lower dollar threshold represent **confirming purchase orders** which means departments have already placed the order and in many cases have received the good or service as well as the actual invoice. In addition, the encumbrance is often relieved within the same accounting period.

Under the revised policy:

- Departments are authorized to make these lower dollar purchases without requesting purchase orders often after the fact. However, according to the business policies and procedures currently in place below, individuals with authorized signature authority to approve invoices are still responsible for ensuring competitive pricing for purchases under \$4,999 and for submitting at least three written quotes for purchases between \$5,000 and \$14,999.

The following **Business and Financial Policies and Procedures** were developed to ensure proper accountability regarding the authorization and approval of purchases and have been in place since 2008.

## ***Business and Financial Policies and Procedures***

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<b>Approving Invoices</b>	<b>Signature Authorization</b>
<b>Authorized Individual Responsibilities</b>	<b>Improving Accounts Payable Management</b>

### ***Approving Invoices***

Department heads/directors may delegate authority to sign and approve invoices to other responsible employees under conditions approved by Finance. Such delegation does not relieve the administrative officers of the responsibility for any action taken.

Those employees delegated the authority to approve invoices must log into the Accounts Payable Workflow program using their own individual password to approve invoices. Authorized individuals cannot delegate the use of their password to any individual. Approved paper invoices will not be accepted for payment. Documents with inappropriate approvals will be returned to the department head/directors for follow-up.

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### ***Signature Authorization***

A signature authorization form must be on file with the Finance Department for:

- All directors and administrative officers authorized to review and approve invoices to ensure proper compliance with purchasing policies.
- Dollar limitations and budgetary line-items for invoice approvals as well as ensure compliance with required purchasing procedures.

The delegation of invoice approval authority by department heads/directors to staff within their department must be in writing using the [Signature Authorization Form](#). Individuals will be authorized to certify and approve City of Novi invoice documents only when given that authority through the Signature Authorization Form. This form formally delegates and authorizes signatures (electronic) for certifying and approving individuals. Individuals are authorized to view, enter, update, and disseminate data only as required in the course of conducting City of Novi business. Individuals that are authorized to approve invoices must read and sign the ***Business and Financial Policies and Procedures Manual*** regarding approval of invoices.

The signature authorization form currently contains:

- The name, title, phone number, department name, address and department code of the person being delegated;
- Designation of super-user within department where all invoices are routed for processing within the respective department;

- The kind of invoices for which the person is authorized to sign, including dollar limits. Only Directors and Administrative Managers have authority to approve invoices greater than \$1,000.

## **Approvals**

The signature authorization form is first approved by the department head and then approved by the Finance Director.

The Finance Director:

- Must approve signature authorization forms before the signature or electronic approval can be honored.
  - Must be notified in writing to revoke approval authorization of employees who transfer to new departments or terminate employment.
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## **Authorized Individual Responsibilities**

**Implicit Representations of Signature** - Individuals with authorized signature authority must read and understand the implicit representations of their signatures.

**Revocation of Signature Authorization** - The department head is responsible to notify the Finance Director of any changes or terminations of signature authorizations within his or her department.

**Authorized Individuals** - Authorized individuals cannot delegate the use of their own name (or their electronic authorization) to any individual. Authorized individuals cannot approve their own documents or transactions, or those of their superiors.

The Finance Department must be notified of revocations of signature authorization for persons who leave the employment of the City.

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## **Improving Accounts Payable Management**

August 11, 2008 – the City of Novi deployed the OnBase Enterprise Content Management (ECM) Workflow and Integrated Document Management solution developed by Hyland Software, Inc. This City-wide solution combines the technologies of document imaging, document management and workflow which have enabled our City to streamline business processes and accelerate the completion of critical business tasks within our accounts payable process by automating daily activities.

With our ECM solution, Novi has improved the speed of access to accounts payable documents by providing instant access to invoices, supporting documents, records, and reports throughout our organization. By **automating business processes**, the City of Novi has simplified the accounts payable function from data capture to review and approval. In addition to improving business performance, we have designed our

Especially in environment of having fewer FTE Staff

processes to ensure proper documentation of regulatory compliance with extensive online archival, data retrieval and audit capabilities.

By automating workflows in our accounts payable process we can ensure effective business practices are followed as well as improve access to documents by sharing content and improving transparency.

**Exceptions to Council approval requirement:**

It is requested that City Council consider allowing administrative approval for the following contracts/purchases (subject to the same invoice approval requirements identified above):

- Annual contract renewals when no changes in price, terms, or conditions are required.
- Annual membership renewals budgeted and approved by City Council.
- Maintenance or support agreements which are supplementary to an approved agreement.
- Change orders when the amount is less than \$15,000 **or** is less than 20% of the amended contract price.

**Change Order Policy:**

**Change orders are always required for amounts that exceed the original contract price.** Change orders when the amount is less than \$15,000 **or** is less than 20% of the amended contract price **must** be approved by the Department Head and Purchasing Manager. All change orders in excess of \$15,000 **and** that increase the contract price by 20% or greater, must be approved by City Council.

**Purchasing Cards: \***

The City may distribute Purchasing Cards (P-Cards) to staff in order to streamline and simplify the purchasing function for low dollar expenditures. Purchases will be limited by type of goods/services, type of business, and a monthly credit limit in accordance with the administrative policy below:

**CITY OF NOVI  
PURCHASING CARD POLICY**

The Purchasing Card (P-Card) Program is intended to streamline and simplify the Purchasing and Accounts Payable functions. The P-Card is basically a credit card with

embedded control codes to ensure that the card will be used only for certain types of purchases with specified dollar amounts. It is a tool that reduces transaction costs, facilitates timely acquisition of materials and supplies, automates data flow for accounting purposes and offers flexible controls to help ensure proper usage.

The P-Card Program is designed as an alternative to a variety of processes including petty cash, check requests, and low dollar purchases. The Program is not intended to avoid or bypass the Purchasing Policy or required purchasing procedures (i.e. tax exemption, best price, three quotes, Purchase Order requirement, etc.).

This Purchasing Card Policy provides information about the process, the types of purchases that can and cannot be made, records that must be maintained and reconciled for each cycle, and a variety of other Program information.

### **P-CARD APPLICATION**

To receive a P-Card to be used for official City of Novi purchases:

1. A Purchasing Card Request Form must be completed by the Department Director or designee and returned to the City's P-Card Administrator. This form is available on the City of Novi eWeb website under the "Forms" tab.
  - a. The standard credit limit is \$1,500 for employee, \$2,000 for Department Director or designee. Request for exceptions must include an explanation and/or be approved by the P-Card Administrator or designee.
  - b. Purchasing controls will be placed on accounts that restrict use to City business use as determined by the Finance staff; exceptions can be made these codes when explanation for unusual item is provided to and approved by the P-Card Administrator.
2. Upon receipt of the completed P-Card request, the P-Card Administrator will approve or deny the request.
  - a. If approved, the P-Card Administrator or designee will send the applicant's data to the Bank for processing. The Finance Department should receive the P-Card in approximately 10 days.
  - b. If denied, the P-Card Administrator will notify the Department Director and the individual. Questions regarding a denied request should be directed to the P-Card Administrator.
3. Training will be provided to the applicant by the Finance Department prior to issuance of the card.
4. Prior to training, applicant must:
  - a. Familiarize him/herself with the City's Purchasing Policy and the Purchasing Card policy/procedure.
  - b. Print a Cardholder Agreement and be prepared to sign it upon completion of training. This form can be found on the City of Novi eWeb

website under the "Forms" tab.

5. Once training has been completed, the signed Cardholder Agreement form will be collected and the P-Card will be issued.
6. P-Cards will be issued to regular employees (full-time and part-time) only. Contractors and temporary employees are not eligible.

## **RESPONSIBILITIES**

### **Cardholder**

- Cardholder will be required to sign a Purchasing Card Cardholder Agreement prior to taking possession of their P-Card.
- P-card will be issued in the Employee's (Cardholder's) name. **IMMEDIATELY SIGN** the back of the card. Although the card is issued in the employee's name, it is the property of the City of Novi.
- The Card is not transferable and may not be used by anyone other than the Cardholder.
- Cardholder is responsible for the security of the card and **all** transactions made using the card.
- Cardholder is responsible for using the card for official City of Novi business only and in accordance with the City of Novi Purchasing Policy and the guidelines established in this policy.
- Cardholders are responsible for timely reconciliation of the monthly Expense Report which is accessed and completed online through the Fifth Third bank portal and a copy printed out for submittal to Department Director or designee.
- The Cardholder must obtain an original, detailed receipt for every purchase. All original receipts and packing lists must be submitted with Expense Report. **Any purchase not accompanied by an original, detailed receipt will be the personal responsibility of the Cardholder.**
- Cardholder must ensure that no Michigan sales tax is charged.
- Cardholder is to return for credit any merchandise that is incorrect or no longer needed. Merchandise may not be returned for cash.
- Cardholder is responsible for resolving disputed charges with the Merchant and/or Bank.
- If the Card is lost or stolen, or if cardholder suspects the Card or Account Number has been compromised, Cardholder will immediately notify Cardholder Customer Service (number located on back of card), their Department Director or designee, and the City of Novi P-Card Administrator or designee by calling (248) 347-0465.
- If Cardholder is transferred into a new department/division, they will immediately notify the Purchasing Card Administrator at (248) 347-0465.
- Cardholder must surrender the P-Card upon request, separation or termination of employment from the City of Novi and submit the final reconciled statement to their Department Director or designee.



**Department Director or designee**

- Request P-Card on behalf of employee.
- Ensure that charges made using the P-Card are appropriate.
- Ensure the appropriate General Ledger account # is charged.
- Approval of transactions.
- Notify P-Card Administrator or designee if inappropriate use of card is suspected.

**P-Card Administrator**

- Approve or deny requests for P-Card.
- Approval of exceptions to the standard, monthly credit limits.
- Decision authority related to valid uses of the P-Card.
- Approval to process un-reconciled charges/credits.
- Card revocation and disciplinary action when necessary.

**Finance Department**

- Maintain records of all P-Card holders (current/past), credit limits and purchasing controls for each card.
- Interface with the Merchant and/or Bank as needed.
- Provide Cardholder training and distribute approved cards
- Update the P-Card policy/procedures as needed.
- Work with Cardholders to reconcile errors and billing disputes once Cardholder has exhausted other methods for resolution (Merchant/Bank).
- Notify the P-Card Administrator if unauthorized use of the P-Card is suspected.
- Monitor/follow-up to ensure that no future charges are incurred on an account where the card has been reported lost/stolen.
- Cancel cards upon separation/termination of Cardholder's employment or revocation of card.
- Ensure that accurate documentation is provided to and received from the Merchant/Bank.

**Accounts Payable**

- Verify correct use of General Ledger #'s.
- Import data from reconciled and approved statements into BS & A A/P System
- Scan and process individual Expense Reports and supporting documentation into On-Base system.
- Process payment to the Bank.

**PURCHASING CARD USAGE POLICY****Using the Card**

- Purchases may be made on behalf of the City of Novi only.
- The standard monthly dollar credit limit is \$1,500 or \$2,000 for Department Director or designee, unless exception is approved by the P-Card Administrator. A routine review of transactions will be performed. The P-Card Administrator reserves the right to designate a single transaction dollar limit and/or limit the

number of transactions allowed in one day.

- Purchases are subject to budgets approved by City Council. Purchases for which budgeted funds are not available are prohibited.
- The P-Card will be embossed with the Cardholders name. The Cardholder may process transactions on behalf of others within their department or division, however the Cardholder is responsible for the use of his/her card.
- The P-Card account number is confidential and must not be shared with other employees or individuals.
- The Cardholder should contact the Finance Department if there is any uncertainty as to whether the P-Card is the appropriate method for making a purchase.
- Cardholder must obtain an original, detailed receipt at the time of each purchase. If an order is placed via the Internet, print the on-line confirmation as proof of purchase for reconciliation purposes. This confirmation is the only original documentation. Your name must appear on the packing slip.

**-- KEEP ALL ORIGINAL RECEIPTS & PACKING LISTS FOR ITEMS PURCHASED AS THEY MUST BE SUBMITTED TO THE FINANCE DEPARTMENT WITH YOUR MONTHLY EXPENSE REPORT--**

#### **Restrictions**

- The Purchasing Card **MAY NOT** be used for personal purchases, personal travel, entertainment purposes, cash advances, staff gifts, or dining.
- The Purchasing Card may be used for costs associated with City authorized travel such as conference registration, hotel accommodations, airline tickets, car rental, gasoline, or toll fees.

Important Note: You must have your Conference and Training Request form approved by the Assistant City Manager in OnBase before charging any of these types of expenses on your P-Card. Meals should NOT be charged to the City P-Card.

- **Misuse** (including personal use) **or fraudulent use of the Card may result in revocation of Cardholders use privileges and/or disciplinary actions, up to and including termination of employment.** Employees who are found to have inappropriately used a P-Card will be required to immediately reimburse the City of Novi for all charges, costs, and interest associated with such improper use. Unlawful use of a P-Card by an employee could also result in civil/criminal prosecution.
- Cash back for returns is not allowed. All returns must be for a credit on the account.

#### **Sales Tax**

- The City of Novi is Michigan Sales Tax Exempt. The P-Card will be embossed with the City's tax exempt number.
- Cardholder should always identify him/herself as a City of Novi employee to ensure negotiated pricing is secured and that the exemption on Michigan Sales

- Tax is received.
- The Cardholder should ensure that Michigan sales tax is not charged at the point of sale.
  - It is recommended that the Cardholder carry a copy of the City's Michigan Sales Tax Exemption form. A signed form can be found on the "Everyone" drive in the Forms folder.
  - While the City does not have reciprocal agreements with other states, it is always a good idea to ask for the tax-exempt status. Many times your request will be honored.

### **Reconciliation**

Cardholder is responsible for the verification and reconciliation of all account activity on a monthly basis.

1. Cardholder will complete the following steps in relation to the monthly Expense Report (online):
  - Review the transaction data for accuracy (Merchant name, date of transaction, amount of transaction, no sales tax, credits to be received, etc.)
  - Assign the correct City of Novi GL account number to the transaction.
  - All receipts & packing lists should be submitted with Expense Report reconciliation as proof of purchase.
  - CARDHOLDER MUST SIGN THE RECONCILED MONTHLY EXPENSE REPORT.
  - Cardholder should keep a copy of the Expense Report, receipts, and packing lists for their records.
  - Signed, reconciled Expense Report with receipts & packing lists must be forwarded to Department Director or designee within 2 business days after the end of billing cycle.
2. The Department Director or designee will:
  - Approve the transactions on the submitted Expense Report
  - Approve the transactions in the Fifth Third Bank P-Card website/portal
  - Sign the approved Expense Report
  - Submit the approved Expense Report with receipts & packing lists to the Finance Department by the 4th business day after the end of the billing cycle. This will allow prompt payment to the Bank.

NOTE: Review & reconciliation of transactions on a monthly basis by running the Expense Report at the end of the billing cycle is the responsibility of the Cardholder. Any Expense Reports that are not submitted by the due date will receive interest and penalty charges due to non-payment and the department's budget will be charged these costs.

Purchases not accompanied by a detailed receipt will be the personal responsibility of the Cardholder.

Failure to comply with the reconciliation process may result in immediate cancellation of the Purchasing Card.

### **PROVIDER PAYMENT**

The Finance Department will make one payment monthly to the Bank for the total amount, less any disputed charges/credits.

### **ERRORS OR DISPUTED TRANSACTIONS**

In the case of an error, it is the Cardholders responsibility to contact the Merchant to make the correction.

If you are unable to reach an agreement with the Merchant, or if you have an unrecognized/questioned transaction on your account, you may dispute it.

If a transaction needs to be placed in dispute, the Cardholder should:

1. Complete a Dispute Form which is located on the City of Novi eWeb under the "Forms" Tab.
2. Fax or e-mail the Dispute Form to the Bank as indicated on the form. ALL DISPUTES MUST BE SUBMITTED IN WRITING TO THE BANK WITHIN 10 DAYS OF THE STATEMENT DATE (end of the billing cycle). Fifth Third Bank will flag your account pending an investigation.
3. Note "Disputed" on the applicable line of the monthly Expense Report.
4. Attach copy of Dispute Form to the monthly Expense Report.

The Bank will conduct an investigation regarding the disputed transaction. While the investigation is ongoing, a temporary reversal of the transaction (charge or credit, as appropriate) may be issued on the Cardholder's account. Upon completion of the investigation, the Cardholder will be notified of the resolution. If the dispute is not settled in the Cardholder's favor, the transaction will be re-posted to the Cardholder's account.

**\*\*\* DO NOT HOLD THE EXPENSE REPORT, RECEIPTS AND PACKING LISTS FOR APPROVED PURCHASES WHILE A DISPUTED PURCHASE IS BEING RESOLVED\*\*\***

### **LOST OR STOLEN CARDS**

Your Purchasing Card should be secured, just as you would secure your personal credit cards. If your card is lost or stolen:

1. Cardholder must contact the Bank immediately at Fifth Third P-Card (800) 375-1747. Please inform the Bank that this is a Commercial Card account.
2. Notify the City's P- Card Administrator via email.
3. Notify your Department Director or designee via email.

**REFUSAL OF CARD OR ACCOUNT**

If your purchase is declined at the point of sale, the Merchant will not know why the sale did not go through. Call Customer Service number at the number on the back of the Card. The representative will tell you why the sale was declined.

**PURCHASING CARD AUDIT**

Cardholder Accounts are subject to periodic internal control review and audits designed to protect the interests of the City of Novi.

**CHANGES TO THE PURCHASING CARD PROGRAM/PROCEDURES**

Parameters and procedures related to the P-Card Program may be updated or changed. Cardholders will promptly be notified of these changes when they occur and be required to sign an acknowledgment and agreement to the new parameters and procedures outlined in the amendment. Refusal to sign the amendment may result in revocation of the card.

**SURRENDER & CEASE USE OF CARD**

Cardholder will surrender the Card and cease use of the Card upon request or separation including, but not limited to:

- Retirement
- Termination
- Suspension
- Workers Compensation leave
- Leave of Absence
- FMLA

The City may require Cardholder to surrender the Card at any time deemed necessary by the City. Card will be surrendered to Department Director or designee, the P-Card Administrator or to the Finance Department only.

## MEMORANDUM



**TO:** MARINA NEUMAIER  
ACTING FINANCE DIRECTOR / TREASURER

**FROM:** DAVID E. MOLLOY  
DIRECTOR OF PUBLIC SAFETY / CHIEF OF POLICE

**SUBJECT:** SUPPORT OF PURCHASING POLICY AMENDMENT

**DATE:** AUGUST 28, 2012

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The Public Safety Leadership Team fully supports the Purchasing Policy Amendment as presented to Council on August 27, 2012. The Purchasing Policy was last amended in January 2005 and I applaud the Finance Department's effort in taking the time to review the policy and propose changes, where applicable, to provide for a more efficient purchasing system that is more in line with today's operating environment. Efforts to re-engineer processes where the end result is a more stream-lined process for empowered employees while still maintaining fiduciary controls is welcomed.

**Purchases under \$4,999 (from \$1,000 to \$5,000):**

The recommended changes would require no purchase orders for goods or services under \$5,000. The majority of public safety invoices/purchase fall within this category and a significant amount of time is expended in securing these goods/services. Public Safety staff always does their due diligence in obtaining competitive prices and **would continue to do so**. There are only a select group of staff members making purchases and they are very knowledgeable about the pricing and services of available vendors. There are many instances (vehicle equipment removal/installs) where we have used the same company with the lowest quote for years and it has come to the point where other vendors are refusing to spend the time quoting us. Additionally, the time spent waiting for vendors to come out and provide their own specs has caused the delays in projects moving forward.

In 2005, a \$1,000 threshold for purchase orders was significant. The costs of goods/services have significantly increased since this time and the \$1,000 threshold should be re-evaluated.

The recommended policy **DOES NOT** change the authority levels of purchases. While a Purchase Order may not be required, the purchase would still require internal management authorization for all purchase over \$1,000. All purchases would continue to be coordinated through our Analyst Planner.

This recommended change does not in any way effect the fiduciary responsibility of staff. It empowers our staff to move forward on projects in a much more efficient manner while eliminating non-value added steps (hard copy purchase order).

**Exceptions to Council approval requirement:**



Eliminating Council review on contract renewals when there are no changes in price, terms, or conditions just make good business sense. These items are consent items only on the agenda and the amount of time and work involved in generating motions sheets, supporting documentation and review is significant. Leadership has been given authority for the purchase of goods/services under \$15K, this policy change would align all approval levels whether for goods/services or contracts.

**Change Order Policy:**

Leadership has been given authority for the purchase of goods/services under \$15K; this policy change would align all approval levels whether for goods/services, contracts for change orders.

**Purchasing Cards:**

The distribution of Purchasing Cards (P-Cards) is just good business sense. The amount of time invested in submitting credit card requests, verifying amount balances and in some cases subsequently doing a check request is just non-value added work. We need to empower our staff and trust that they will work within the limits and guidelines provided them.

Please contact me should you need any further information in your efforts to get the Purchasing Policy Amendment approved.

## MEMORANDUM



**TO:** MARINA NEUMAIER, INTERIM FINANCE DIRECTOR  
**FROM:** ROB HAYES, DIRECTOR OF PUBLIC SERVICES/CITY ENGINEER  
**SUBJECT:** AMENDED PURCHASING POLICY  
**DATE:** AUGUST 29, 2012

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I support the proposed changes to the City's purchasing policy as a means of streamlining the purchasing process by eliminating unnecessary/duplicative steps, and to free-up staff time to focus instead on value-added work that truly benefits the City. Implementing the amended policy would not only improve staff efficiency, but it would also keep essential financial controls intact.

Changing the policy so that purchase orders for procurements under \$5,000 would no longer be required would create a huge benefit to the Department of Public Services in terms of time savings alone. We would of course still solicit competitive quotes for these purchases and have our Analyst Planner continue to directly monitor the process, but the steps now required in preparing a purchase requisition, getting it approved, and transmitting the purchase order to the vendor would be eliminated. Estimated DPS staff time under the current policy ranges from 30 minutes to 1 hour for each purchase order processed. Plus, the time it takes for the purchase order to be issued can be lengthy, which sometimes means key procurements or projects get delayed.

Having reasonable exceptions to City Council approval requirements makes sense too. Each year DPS has to prepare a motion sheet for items that are fully substantiated and budgeted, yet are for the exact same services from the same sole source vendors from previous years. Examples include the City's RRRASOC membership dues, as well as dues for membership in the Alliance of Rouge Communities. The time it takes our professional staff to prepare these types of motion packets annually could be better spent on productive, value-added work, such as maintaining City infrastructure or completing capital projects.

Another key exception that would be extremely helpful to DPS's Engineering staff is the proposed provision that change orders priced less than \$15,000 or less than 20% of the amended contract price would no longer require Council approval. Again, the time it takes to process these items for Council approval (most of which are placed on the Consent Agenda) could be better spent doing engineering work instead. It is important to note that all change orders that meet the proposed exception criteria would still need to be fully vetted and approved by me as a department head, as well as by the City's Purchasing Manager.



Finally, the issuance of purchasing cards to key DPS staff would be a godsend. It is currently very difficult to make a purchase on short notice, and no matter how much planning is done in preparation for work at a DPS jobsite, we sometimes need to procure items that could not have been anticipated. In lieu of having an idle crew at the jobsite while needed supplies are requisitioned under the current policy, the Work Leader could instead simply use a purchasing card to buy the needed items directly and return to the job site post-haste. Consistent with all other proposed changes to the purchasing policy, essential controls would be implemented to prevent unauthorized purchases with a purchasing card.

Please let me know if I can be of any further assistance by justifying why the proposed amended purchasing policy makes good business sense for the City of Novi.

cc: Becky Arold, DPS Analyst Planner

	PO threshold amount	Purchasing Policy include P-Cards?	Formal Change order policy?
Rochester Hills	All purchases require PO except petty cash and P-card purchases	No. P-card policy is separate document	<b>No formal change order policy in purchasing ordinance.</b> Departments must take all change orders to Council unless they specified a % contingency in the original award. Change orders that bump the contract price over the limit that requires Council approval must be taken to Council.
Livonia	\$500	No. They do not use P-cards.	<b>No formal change order policy included in their purchasing policy.</b> Their internal policy is that the department head can approve change orders up to 5% of the the contract amount awarded by Council.
Farmington Hills	\$500 (\$999 with P-card purchase)	No. P-card policy is separate document	<b>No formal change order policy included in their purchasing policy.</b> They have an internal policy. All change orders over 10% of original contract must go to council. If change order pushes contract amount over the threshold that requires council approval, they must take it to council.
Troy	\$1,000	No	<b>No.</b> However it is understood go to council if the contract was "not-to-exceed" and it exceeds 10% of the estimated amount. They might include language in the motion sheet that asks for 20-25% over the amount for contingency or they might include language that says that they will not exceed budgetary limitations. This gives them the ability to do change orders without returning to council.
Sterling Heights	Per ordinance, all purchases require PO (except P-card purchases)	Yes	<b>Yes.</b> Do not need to go to Council if funds available and if CO does not exceed 10% of original contract amount. CO that do not meet these requirements or exceed \$10,000 must go to Council.

*Four out of  
Five do not  
have P-cards  
at all, yet on  
do not not  
have into their  
separate policy.*

*Four out of  
Five do not have into  
change order policy into  
a formal purchasing policy,  
as we do*

*CJR 9-6-12*

Resolution  
Adopting Revised  
Purchasing Policy

**CITY OF NOVI**

**COUNTY OF OAKLAND, MICHIGAN**

**RESOLUTION ADOPTING REVISED PURCHASING POLICY**

Minutes of a Meeting of the City Council of the City of Novi, County of Oakland, Michigan, held in the City Hall of said City on August 27, 2012, at 7:00 o'clock P.M. Prevailing Eastern Time.

PRESENT: Councilmembers \_\_\_\_\_

ABSENT: Councilmembers \_\_\_\_\_

The following preamble and Resolution were offered by Councilmember \_\_\_\_\_ and supported by Councilmember \_\_\_\_\_.

**WHEREAS**, Chapter 12 of the City Charter requires that "The Council shall, by ordinance or resolution, establish detailed purchasing, sale, and contract procedures, including procedures for written contracts and purchase orders, not inconsistent with this Charter"; and

**WHEREAS**, the City Council has adopted Section 2-201 of the city code, which provides basic requirements for purchasing, including the authority for the City Manager, or designee/representative, to make purchases; and

**WHEREAS**, the City Council has from time to time also adopted by resolution a detailed purchasing policy, which is updated as necessary to reflect changes in laws or other requirements and to reflect improvements in the City Administration's purchasing procedures; and

**WHEREAS**, the City Administration has proposed certain revisions to the purchasing policy, including changes that allow for an increased dollar threshold for purchases requiring issuance of a purchase order, certain exceptions to Council responsibilities relative to contract awards and change orders, and distribution of Purchasing Cards (P-Cards) to identified staff members.

**NOW THEREFORE, IT IS THEREFORE RESOLVED** that the City Council adopts the attached revised purchasing policy, effective August 27, 2012.

**AYES:**

**NAYS:**

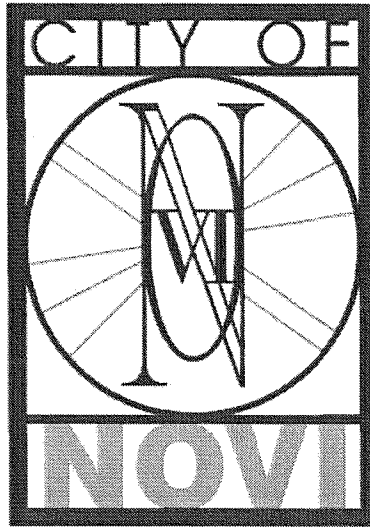
RESOLUTION DECLARED ADOPTED.

\_\_\_\_\_  
Maryanne Cornelius, City Clerk

**CERTIFICATION**

I hereby certify that the foregoing is a true and complete copy of a resolution adopted by the City Council of the City of Novi, County of Oakland, and State of Michigan, at a regular meeting held this 27th day of August 2012, and that public notice of said meeting was given pursuant to and in full compliance with Act No. 267, Public Acts of Michigan, 1976, and that the minutes of said meeting have been kept and made available to the public as required by said Act.

\_\_\_\_\_  
Maryanne Cornelius, City Clerk  
City of Novi



[cityofnovi.org](http://cityofnovi.org)

# **CITY OF NOVI PURCHASING POLICY**

August 2012

# THE CITY OF NOVI PURCHASING POLICY

## SECTION I

### INTRODUCTION

This policy has been developed to provide a set of guidelines for an efficient purchasing system. It is within the guidelines set in the City Charter, and is intended to clarify and implement the general Charter requirements.

### MISSION STATEMENT

The mission of the Purchasing Division of the City of Novi is to provide responsible procurement service to all City departments ensuring that our citizens benefit from the integrity, quality, and efficiency of the departments while maintaining the highest level of professional ethics by:

- Working together to institute creative approaches to the procurement process.
- Offering assistance and guidance on products, services and procurement options.
- Optimizing purchasing leverage in concert with other municipalities and State agencies.
- Providing potential suppliers with equal consideration of their products and services.
- Instilling the confidence of our citizens that all bids are awarded in an equitable manner.

## SECTION II

### OBJECTIVES

The objectives of the City of Novi's purchasing program are as follows:

- A. To operate a purchasing system that meets both the short and long term needs of the City of Novi.
- B. To maintain a fiscally responsible program not only for daily purchases, but also for the procurement of contractual services and capital outlay items.
- C. To utilize the principles of competitive purchasing and assure buying at the lowest cost combined with the best possible quality and service.

## City of Novi Purchasing Policy

- D. To enhance the efficiency of the purchasing system and ensure the timely procurement of materials and services.
- E. To further City-Vendor and inter-departmental relations relative to purchasing.

### SECTION III

#### ORGANIZATION

The Purchasing Division shall be responsible for the administration of the procurement system of the City of Novi. The Purchasing Division shall be managed by the Purchasing Manager, acting on behalf of and at the direction of the Finance Director, who may designate other individuals to undertake specific functions on behalf of the Division. Procurement authority and responsibility shall be delegated as follows:

##### A. CITY COUNCIL

1. Shall approve and adopt the purchasing policy by resolution.
2. Shall set monetary limits for quotations and bids.
3. Shall approve and adopt all revisions to the purchasing policy.
4. Shall award all contracts for goods and services \$15,000 and over in value, except:
  - i. Annual contract renewals when no changes in price, terms, or conditions are required.
  - ii. Annual membership renewals budgeted and approved by Council.
  - iii. Maintenance or support agreements that are supplementary to an approved agreement.
  - iv. Change orders when the amount of the change order is less than \$15,000 **or** when the change order (regardless of amount) increases the contract price by less than 20%:
    - (1) Change orders are always required for amounts that exceed the original contract price.
    - (2) Change orders must be approved by the Department Head and Purchasing Manager.
    - (3) All change orders that are in excess of \$15,000 **and** that increase the contract price by 20% or more must be approved by City Council.

##### B. PURCHASING MANAGER

1. Shall procure or supervise the procurement of all goods and services required to maintain City operations.
2. Shall obtain formal sealed bids for goods or services in excess of \$15,000.



## City of Novi Purchasing Policy

3. Shall assist and/or develop specifications in conjunction with departmental requirements.
4. Shall coordinate purchases among departments and where practicable and possible combine specifications for like items into a single purchase where consolidation is economically advantageous to the City of Novi.
5. Shall develop and provide all purchasing forms, maintain records, and approve all purchase orders.
6. Shall establish a working relationship of mutual confidence and satisfaction between the City of Novi and its suppliers.
7. Shall see all vendors upon their initial visit to the City. The Purchasing Manager will advise the using department of all information presented.
8. Shall review all bid specifications and RFP's BEFORE release.
9. Shall receive all RFP's and formal sealed bids.
10. Shall maintain a relationship with the Michigan Inter-governmental Trade Network (MITN).

Adherence to the above is critical if the purchasing system is to function properly.

### **C. USING DEPARTMENTS**

1. Shall obtain goods and services under \$5,000. It is the responsibility of the individual Department Head to assure that a competitive price is received.
2. Shall obtain a purchase order for all goods and services over \$5,000 prior to the commitment to purchase. All requisitions shall be accompanied by at least three (3) written quotations, unless the Department Head can establish to the satisfaction of the Purchasing Manager that there are not 3 qualified vendors, in which case as many quotations as can be secured are required.
3. Shall provide specifications for such goods and services or shall assist the Purchasing Manager in the development of specifications.
4. Shall assist the Purchasing Manager in establishing standards of quality for goods and services for use by the City of Novi.
5. Shall maintain an adequate supply of materials, and shall request replacements on a timely basis prior to depletion of current inventory.
6. Shall submit requests for goods or services in writing with complete details as to quantity, size, color, delivery time requirement, and any other pertinent special instructions necessary to procurement.

### **D. THE MICHIGAN INTER-GOVERNMENTAL TRADE NETWORK**

1. Shall be the primary mechanism for solicitations of Invitations to Bid (ITBs), Requests for Proposals (RFPs), Requests for Information (RFIs), and Statements of Qualifications (SOQs).
2. Shall maintain a regional e-Procurement system wherein participating

## City of Novi Purchasing Policy

organizations post bids, quotes, and other solicitations.

### **SECTION IV**

#### **GENERAL GUIDELINES**

##### **A. SOURCE OF SUPPLY**

The selection of the source of supply will be a joint effort between the Purchasing Division and the using department.

##### **B. ADDITIONAL QUALIFICATION OF VENDORS**

The City maintains the right to further qualify vendors/bidders when it is in the best interest of the City of Novi. This will be done in an effort to eliminate problems such as receiving sub-standard products or services. When this option is exercised, the City will request additional information such as (but not limited to) the following:

1. Physical location information and/or inspection.
2. Number of years in business.
3. Number of employees.
4. References.
5. Financial statements.

##### **C. VENDOR RELATIONS**

The Purchasing Division will deal with all vendors in a fair and like manner. Procurement decisions shall be based on price, quality, delivery, written standards, previous service history, and other relevant factors promoting the best interests of the City of Novi.

1. Representatives will be seen promptly providing that an appointment has been made. Vendors who "drop in" will be seen as time permits. Referrals from Department Heads will be seen as time permits if there has been prior notice to the Purchasing Division.
2. The Purchasing Division will handle all correspondence with vendors except when it is in a technical area more appropriately handled by the using department.
3. No employee shall furnish any prospective bidder information that would afford that bidder an unfair advantage over other bidders.

##### **D. VENDOR DISQUALIFICATION**

The City maintains the right to disqualify vendors under the following conditions:

1. In addition to any other remedies authorized by law, a vendor may be disqualified from bidding on any City contracts for up to three (3) years if it has

## City of Novi Purchasing Policy

been determined that the vendor, after award of the contract:

- (a) Failed to provide the service or supplies required;
- (b) Provided the service or supplies in an untimely manner causing delays and interference;
- (c) Lacked financial resources and the ability to satisfactorily perform the contract or provide the services or supplies;
- (d) Exhibited poor quality of performance in delivering the service;
- (e) Delivered poor quality of goods;
- (f) Failed to comply with laws and ordinances relating to the contract performance;
- (g) Defaulted on its quotations;
- (h) Such other action what leads the City to believe that the contractor's duties will not comport or comply with the bid requirements.

2. Vendors who are listed on the Excluded Parties List System at [www.epls.gov](http://www.epls.gov).

### **E. SUBDIVISION OF AWARD**

No purchase shall be subdivided for the purpose of circumventing the dollar value limitations as defined in Sec. 12 of the City Charter.

### **F. TAX EXEMPT STATUS**

The City of Novi, a municipality, is exempt from state sales and federal excise tax.

### **G. INTER DEPARTMENT RELATIONS**

The Purchasing Division cannot know all the needs and demands of various departments, nor can it be expected to know the technical aspects of each and every item required by the various departments. Therefore, the system only functions properly with the cooperation of all involved personnel. The Purchasing Division may make suggestions pertaining to supplier, quantity, etc., if it appears to be in the best interest of the City of Novi to do so; however, the final recommendation will be the responsibility of the using department.

### **H. BIDS AND QUOTATIONS**

Splitting purchase requests to avoid quotation or bid requirements is not acceptable. In determining whether quotations or bids are required, the total estimated expenditures for the succeeding twelve months shall be considered.

## **SECTION V**

### **E-PROCUREMENT**

In partnership with other governmental agencies the City is a participant in the Michigan Intergovernmental Trade Network (MITN), an e-Procurement system. The MITN

## City of Novi Purchasing Policy

is a centralized internet-based system that provides broader exposure for competitive bidding and a single point of contact to vendors throughout our region.

### SECTION VI

#### PURCHASING CARDS

- A.** The City may distribute Purchasing Cards (P-Cards) to staff in order to streamline and simplify the purchasing function for low dollar expenditures. Purchases will be limited by type of goods/services, type of business, and monthly credit limit.

### SECTION VII

#### PURCHASING PROCEDURES

**A. PURCHASES OR CONTRACTS UNDER \$5,000**

For expenditures of less than \$5,000, Department Heads are authorized to make the purchase. It is the responsibility of the Department Head to ensure the quality of goods/services and that competitive prices are received.

**B. PURCHASES OR CONTRACTS BETWEEN \$5,000 - \$14,999**

For expenditures over \$5,000, a purchase order is required before a commitment may be made for the material and/or services.

It is the individual Department Head's responsibility to assure that a competitive price is received. At least three written quotations must be obtained, unless the Department Head can establish to the satisfaction of the Purchasing Manager that there are not 3 qualified vendors, in which case as many quotations as can be secured are required. Quotations must be attached to purchase order requisition.

If you do not choose the lowest cost, you must include an explanation. Factors including, but not limited to, product quality, serviceability, delivery, and other considerations of a similar kind normally relevant to the exercise of good business judgment shall constitute sufficient and good cause on which to base such decisions.

**C. PURCHASES OR CONTRACTS OF \$15,000 AND OVER**

Goods and services with a dollar value of **\$15,000** or more shall be procured by the formal sealed bid process.

Engineering services for projects that are awarded using the *Agreement for Professional Engineering Services Public Projects* to the pre-qualified firms on a rotating basis do not require formal sealed bids.

## City of Novi Purchasing Policy

### **D. CAPITAL PURCHASES**

All Capital Purchases require PRIOR approval. CAPITAL is defined as:

ANY ITEM WITH A COST OF \$5,000 OR MORE AND HAS A LIFE OF ONE (1) YEAR OR MORE.

## **SECTION VIII**

### **BIDS**

#### **A. INVITATION FOR BIDS**

An invitation for bids shall be issued and shall include specifications, expected contractual terms, and all conditions applicable to procurement. The invitation for bids shall be posted on the MITN website.

#### **B. BID OPENING**

Bids shall be opened publicly at the time and place designated in the invitation for bids. The amount of the bid, any other relevant information and the bidder's name shall be recorded and shall be open for public inspection.

#### **C. BID ACCEPTANCE AND EVALUATION**

Bids shall be received without alteration or correction at the City Clerk's Office. Bids shall be evaluated based on the criteria contained in the invitation for bids, specifications, and contract documents.

#### **D. CORRECTION OR WITHDRAWAL OF BIDS**

Correction of errors in bids may be made by the bidder before the bid opening. After the bid opening, no change in bid prices or other provisions shall be permitted. Bids may be withdrawn prior to the bid opening. No bidder may withdraw his bid after the bid opening for a period of one hundred twenty (120) days after the stated closing time. All decisions to permit correction or withdrawal shall be documented in writing by the Purchasing Manager.

#### **E. LATE BIDS**

Late bids will not be accepted.

#### **F. BIDS VIA FACSIMILE**

Bids sent via facsimile will not be accepted.

## City of Novi Purchasing Policy

### **G. MULTI-STEP SEALED BIDS**

When it is considered impractical to prepare initially a purchase description to support an award based on price, an invitation for bids may be issued requesting the submission of non-priced offers with separate sealed fee proposals. Offers from bidders determined to be technically acceptable under the criteria set forth in the solicitation will then also be evaluated on their fee proposals.

### **H. BID AWARD**

A motion sheet shall be prepared by the using department for consideration by the City Manager and presentation to City Council.

The Council retains the right to take any of the following actions:

1. Award the bid to the lowest qualified bidder.

**Definition of lowest bidder** - A person or firm who has the capability in all respects to perform the contract in full and the integrity and reliability to assure good faith performance. Further, a person or firm must have submitted a bid which conforms in all aspects to the specifications, terms and conditions required in the invitation for bids.

2. Accept or reject in part or whole any or all bids.
3. Waive any irregularities.
4. Award the bid to other than the low bidder when it is in the best interest of the City.
5. Subdivide the bid if it is indicated in the invitation for bids and is in the best interest of the City.

### **I. WAIVER OF BID REQUIREMENTS**

The City Council further retains the right to waive bid requirements under the following conditions:

1. When it is documented in writing by the using department that the item(s) being requested are available only from a single source which has been approved by the Purchasing Manager.
2. When the Purchasing Manager or the City Council shall determine that no advantage to the City would result from competitive bidding as indicated in Section 12.I of the City Charter.
3. Engineering services for projects awarded to pre-qualified firms using the Agreement for Professional Engineering Services Public Projects.
4. Professional services (i.e. engineers, consultants, accountants, appraisers, and other similar professions) which may be appointed by City Council upon recommendation of the City Manager, or the Purchasing Manager solicits proposals and a recommendation is made to by the using Department.

## **SECTION IX**

### **OTHER**

#### **A. EMERGENCY PURCHASES**

An emergency purchase is defined as one that presents a threat to public health or safety. The using department shall make the purchase and follow up the next day with a purchase requisition with notation that indicates it was an emergency purchase.

#### **B. JOINT PURCHASING**

The Purchasing Manager shall, when feasible and economically advantageous to the City, participate with other governmental agencies in cooperative bidding ventures. The dollar value and procedure for award shall follow the same procedure as written quotations and formal sealed bids.

#### **C. EXEMPTIONS FROM PROCEDURAL BIDDING/QUOTATION REQUIREMENTS**

The following are considered exceptions and are exempt from procedural bidding/quotation requirements:

- Food (including catering services)
- Books and subscriptions
- Airplane and hotel reservations
- Utilities (including gas, electric, water, sewage, and local phone service)
- Advertisements in periodicals
- Payments to arbitrators
- Dues and subscriptions
- Medical services
- Conferences, seminars, and classes
- Television and radio advertising
- U.S. Postal, United Parcel Service, Federal Express, or other delivery services;
- Vehicle repair which requires tear-down to diagnose repair required
- Sole source maintenance agreements

## **SECTION X**

### **RECEIPT AND DISPOSITION OF CITY PROPERTY**

#### **A. RECEIVING MATERIALS**

The Purchasing Manager shall have the right to inspect or designate a person to inspect

## City of Novi Purchasing Policy

all supplies, materials or equipment to determine their conformance with the specifications set forth in the purchase order or contract.

If receipt is made in the using department, it shall be the responsibility of the using department to ensure conformance with the specifications. If quality or quantity is not as specified, the Purchasing Manager shall be notified immediately of the discrepancy.

### **B. DISPOSITION OF MATERIALS**

Obsolete, worn out, damaged, or surplus materials and equipment shall be disposed of by the Purchasing Manager through the following methods:

1. Trade-in on new equipment.
2. Return to manufacturer.
3. Transfer to other City departments.
4. Sealed Bid.
5. Auction.
6. Junking.

Each department shall report any material or equipment for disposition to the Purchasing Manager.

## **SECTION XI**

### **BONDS**

#### **A. PERFORMANCE, PAYMENT, AND MAINTENANCE BONDS**

Performance, payment, and/or maintenance bonds may be required on construction projects to protect the City against default by the contractor. The bonds shall guarantee faithful performance of work according to the contract terms and guarantee payment of all indebtedness incurred for labor, material, or any cause whatsoever on account of the contract, according to the current statutes of the State of Michigan.

#### **B. BID BONDS**

Bid bonds (surety bonds) may be required to secure against loss or damage in the event that the bidder fails to furnish a performance bond or does not execute the contract document. If required, the bond must be submitted with the bid.



## **SECTION XII**

### **INSURANCE & INDEMNIFICATION**

The City has the authority to specify insurance coverage's and limits as deemed appropriate and applicable to a given procurement project. These coverage's and limits will be included in the bidding documents.

The contractor shall not commence work under any contract until he/she has obtained all required insurance and has furnished satisfactory proof of the required coverage's to the City. The contractor shall maintain the required coverage's and shall provide proof of these coverage's to the City for the duration of the contract.

The City also has the authority to require a successful bidder to indemnify, hold harmless and defend the City and various associated persons. Detailed indemnification/hold harmless requirements will be included in the bidding documents.

## **SECTION XIII**

### **ADOPTION OF PURCHASING POLICY**

The City Council shall adopt the Purchasing Policy by resolution. The policy shall be consistent with the Charter of the City of Novi. Any future amendments to the policy deemed necessary for efficient operation of the City's procurement shall likewise be adopted by resolution by the City Council.

## **SECTION XIV**

### **BUDGETARY AUTHORIZATION**

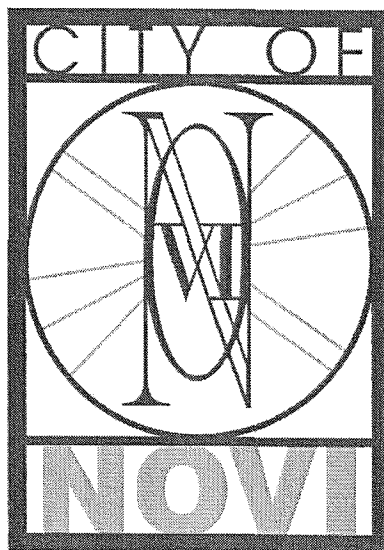
No purchase shall be made without proper budgetary authorization by the Department Head. Purchase orders without an authorizing signature will be returned to the using department for approval.

**Revised: August 2012**

Certified by: \_\_\_\_\_

Maryanne Cornelius, City Clerk

Strike-out version  
of Purchasing  
Policy



[cityofnovi.org](http://cityofnovi.org)

# **CITY OF NOVI PURCHASING POLICY**

~~August 2006~~ August 2012

# THE CITY OF NOVI PURCHASING POLICY

## SECTION I

### INTRODUCTION

This policy ~~manual~~ has been developed to provide a set of guidelines for an efficient purchasing system. It is within the guidelines set in the City Charter, and is intended to clarify and implement the general Charter requirements.

### MISSION STATEMENT

The mission of the Purchasing ~~Department~~ Division of the City of Novi is to provide responsible procurement service to all City departments ensuring that our citizens benefit from the integrity, quality, and efficiency of the departments, while maintaining the highest level of professional ethics by:

- Working together to institute creative approaches to the procurement process.
- Offering assistance and guidance on products, services and procurement options.
- Optimizing purchasing leverage in concert with other municipalities and State agencies.
- Providing potential suppliers with equal consideration of their products and services.
- Instilling the confidence of our citizens that all bids are awarded in an equitable manner.

## SECTION II

### OBJECTIVES

The objectives of the City of Novi's purchasing program are as follows:

- A. To operate a ~~centralized~~ purchasing system that meets both the short and long term needs of the City of Novi.
- B. To maintain a fiscally responsible program ~~not limited to~~ not only for daily purchases, but ~~including also for~~ the procurement of contractual services and capital outlay items.
- C. To utilize the principles of competitive purchasing and assure buying at the ~~least~~ lowest cost combined with the best possible quality and service.
- D. To enhance the efficiency of the purchasing system and ensure the timely procurement of materials and services.

City of Novi Purchasing Policy

E. To further City-Vendor and inter-departmental relations relative to purchasing.

**SECTION III**

**ORGANIZATION**

~~The Purchasing Director/Purchasing Manager, (or designee by the Finance Director,) shall~~ The Purchasing Division- shall be responsible for the administration of the procurement system of the City of Novi. The functions of the Purchasing Office -Division shall be managed by the Purchasing Director/Purchasing Manager, acting on behalf of and at the direction of (or designee) who shall report to the Finance Director, who may designate other individuals to undertake specific functions on behalf of the Division.  
Procurement authority and responsibility shall be delegated as follows:

**A. CITY COUNCIL**

1. Shall approve and adopt the purchasing policy by resolution.
2. Shall set monetary limits for quotations and bids.
3. Shall approve and adopt all revisions to the purchasing policy.
4. Shall award all contracts for goods and services \$15,000 and over in value, except:-

— Exceptions:

- i. Annual contract renewals when no changes in price, terms, or conditions are required.
- ii. Annual membership renewals budgeted and approved by Council.
- iii. Proprietary Maintenance or support agreements that are supplementary to an approved agreement. [Marina – Not sure it's obvious what a proprietary maintenance agreement is....Is this for computer software maintenance stuff? Call that out more clearly for folks not in the purchasing business??]
- iv. Change orders are always required for amounts that exceed the original contract price. Change orders when the amount of the change order is less than \$15,000 or when the change order (regardless of amount) increases the contract price by less than 20% of the amended contract price:
  - (1) Change orders are always required for amounts that exceed the original contract price.
  - (2) Change orders must be approved by the Department Head and Purchasing Manager.
  - (3) All change orders that are in excess of \$15,000 and that increase the contract price by 20% or greater more, must be approved by City Council.

City of Novi Purchasing Policy

- ~~—B. Contracts originally less than \$15,000 (not requiring Council approval) with change order(s) that cause the amended contract amount to exceed \$15,000.~~

~~—Change orders on contracts originally awarded by Council than increase the amended contract by 20% or less.~~

4. ~~B~~

B. ~~PURCHASING DIRECTOR~~ PURCHASING MANAGER

1. Shall procure or supervise the procurement of all goods and services required to maintain City operations.
2. Shall obtain formal sealed bids for goods or services in excess of \$15,000 ~~as provided for in the Council Resolution of February 7, 2005.~~
3. ~~Shall maintain a qualified bidders list.~~
- 4.3. ~~Shall assist and/or develop specifications in conjunction with departmental requirements.~~
- 5.4. ~~Shall coordinate purchases among departments and where practicable and possible combine specifications for like items into a single purchase where consolidation is economically advantageous to the City of Novi.~~
- 6.5. ~~Shall develop and provide all purchasing forms, maintain records, and approve all purchase orders.~~
- 7.6. ~~Shall establish a working relationship of mutual confidence and satisfaction between the City of Novi and its suppliers.~~
- 8.7. ~~Shall see all vendors upon their initial visit to the City. The Purchasing Director~~ Purchasing Manager will advise the using department of all information presented.
- 9.8. ~~Shall review all bid specifications, and RFP's, quotation letters, contract documents, and notices PRIOR to BEFORE release.~~
- 10.9. ~~Shall review all written quotations, and receive all RFP's and formal sealed bids.~~
- 11.10. ~~Shall maintain a relationship with the Michigan Inter-governmental Trade Network (MITN).~~

Adherence to the above is critical if the purchasing system is to function properly. ~~These procedures are not intended to restrict using departments. They are intended to coordinate the City of Novi's purchasing efforts into a centralized system.~~

C. **USING DEPARTMENTS**

1. Shall obtain goods and services under ~~\$1,000~~ \$5,000. It is the responsibility of the individual Department Head to assure that a competitive price is received.
2. Shall ~~request~~ obtain a purchase order for all goods and services over ~~\$1,000~~ \$5,000

## City of Novi Purchasing Policy

~~through the Purchasing Director prior to the commitment to purchase. — All requests/requisitions shall be accompanied by at least three (3) written quotations, unless the Department Head can establish to the satisfaction of the Purchasing Manager that there are not 3 qualified vendors, in which case as many quotations as can be secured are required.;~~

3. Shall provide specifications ~~and a vendor list, if possible,~~ for such goods and services or shall assist the ~~Purchasing Director~~Purchasing Manager in the development of specifications.
4. Shall assist the ~~Purchasing Director~~Purchasing Manager in establishing standards of quality for goods and services for use by the City of Novi.
5. Shall maintain an adequate supply of materials, and shall request replacements on a timely basis prior to depletion of current inventory.
6. Shall submit requests for goods or services in writing with complete details as to quantity, size, color, delivery time requirement, and any other pertinent special instructions necessary to procurement.

### **D. THE MICHIGAN INTER-GOVERNMENTAL TRADE NETWORK**

1. Shall be the primary mechanism for solicitations of Invitations to Bid (ITBs), Requests for Proposals (RFPs), Requests for Information (RFIs), and Statements of Qualifications (SOQs).
2. Shall maintain a regional e-Procurement system wherein participating organizations post bids, quotes, and other solicitations.

## **SECTION IV**

### **GENERAL GUIDELINES**

#### ~~A. CENTRALIZED PURCHASING SYSTEM~~

~~It is the intent of the City of Novi to maintain a centralized purchasing system in order to obtain competitive prices and coordinate and combine like purchases on a City-wide basis.~~

#### ~~A. B. SOURCE OF SUPPLY~~

~~The selection of the source of supply will be a joint effort between the Purchasing Department/Division and the using department.~~

#### ~~B. C. VENDOR/BIDDER LIST~~

~~A bid list is maintained in the Purchasing Department. The information is available to all using departments and includes the following:~~

- ~~1. Type of Business~~
- ~~2. Type of equipment, material, supplies or services provided~~

## City of Novi Purchasing Policy

~~3. Catalogues or brochures~~

~~4. References~~

~~It is the intent of the City of Novi to compile the bidder's list using manufacturers, contractors, or authorized dealers in an effort to eliminate paying a "fee" to a middleman who adds nothing to the value of the item or service being purchased.~~

### **DC. ADDITIONAL QUALIFICATION OF VENDORS**

The City maintains the right to further qualify vendors/bidders when it is in the best interest of the City of Novi. This will be done in an effort to eliminate problems such as receiving sub-standard products or services. When this option is exercised, ~~the following information may be requested;~~ the City will request additional information such as (but not limited to)- the following:

1. Physical location information and/or inspection.
2. Number of years in business.
3. Number of employees.
4. References.
5. Financial statements.

### **ED. VENDOR RELATIONS**

The Purchasing ~~Department~~ Division will deal with all vendors in a fair and like manner. Procurement decisions shall be based on price, quality, delivery, written standards, previous service history, and other relevant factors promoting the best interests of the City of Novi.

1. Representatives will be seen promptly providing that an appointment has been made. Vendors who "drop in" will be seen as time permits. Referrals from Department Heads will be seen as time permits if there has been prior notice to the Purchasing ~~Department~~ Division.
2. The Purchasing ~~Department~~ Division will handle all correspondence with vendors except when it is in a technical area more appropriately handled by the using department.
3. ~~Price information from vendors will be held confidential from other vendors.~~ No employee shall furnish any prospective bidder information that would afford that bidder an unfair advantage over other bidders.

### **F.E. REMOVAL FROM BID LIST VENDOR DISQUALIFICATION**

The City maintains the right to ~~remove vendors from the bid list~~ disqualify vendors under the following conditions:

1. In addition to any other remedies authorized by law, a bidder vendor may be disqualified from bidding on any City contracts for up to three (3) years if it has been determined that the bidder vendor, after award of the contract;

(a) Failed to provide the service or supplies required;



## City of Novi Purchasing Policy

(b) Provided the service or supplies in an untimely manner causing delays and interference;

(c) Lacked financial resources and the ability to satisfactorily perform the contract or provide the services or supplies;

(d) Exhibited poor quality of performance in delivering the service;

(e) Delivered poor quality of goods;

(f) Failed to comply with laws and ordinances relating to the contract performance;

(g) Defaulted on its quotations;

(h) Such other action what leads the City to believe that the contractor's duties will not comport or comply with the bid requirements.

- ~~1. Repeated "No Reply" (3 successive requests) to bid invitations or quotation requests. 2.~~
2. Sub-standard products or services previously rendered. Vendors who are listed on the Excluded Parties List System at [www.epls.gov](http://www.epls.gov).

### **GF. SUBDIVISION OF AWARD**

No purchase shall be subdivided for the purpose of circumventing the dollar value limitations as defined in Sec. 12 of the City Charter.

### **HG. TAX EXEMPT STATUS**

The City of Novi, a municipality, is exempt from state sales and federal excise tax.

### **HI. INTER DEPARTMENT RELATIONS**

The Purchasing ~~Department Division~~ is not cognizant of ~~cannot know~~ all the needs and demands of various departments, nor can it be expected to know the technical aspects of each and every item required by the various departments. Therefore, the system only functions properly with the cooperation of all involved personnel. The Purchasing ~~Department Division~~ may make suggestions pertaining to supplier, quantity, etc., if it appears to be in the best interest of the City of Novi to do so; however, the final recommendation will be the responsibility of the ~~requisitioning using~~ department.

### **J. BIDS AND QUOTATIONS**

Splitting purchase requests to avoid quotation or bid requirements is ~~clearly~~ not acceptable. ~~On~~ In determining whether quotations or bids are required, the total estimated expenditures for the succeeding twelve months shall be considered.

## **SECTION V**

### **E-PROCUREMENT**

In partnership with other governmental agencies the City is a participant in the Michigan Intergovernmental Trade Network (MITN), an e-Procurement system. The MITN is a centralized internet-based system that provides broader exposure for competitive bidding and a single point of contact to vendors throughout our region.

## **SECTION VI**

### **PURCHASE ORDERS**

A purchase order is required for **ALL** purchases over \$1,000. After the purchase order is completely and properly filled out by the using department, the following procedure shall be followed:

A. The using department forwards the purchase order electronically to the Purchasing Department for approval. The following information must be completed by the using department:

"DEPARTMENT"	Name of the requisitioning department
"VENDOR NAME"	Source being used complete with address, phone number and contact person, if known
"DATE"	Date of request
"SHIP TO"	Please fill in completely if different from billing address. Include contact name.
"MATERIAL REQUIRED BY"	Use reasonable time; Avoid <b>RUSH</b> except in actual emergency
"QUANTITY"	Number of units being ordered
"UNIT"	This refers to the type of packaging; i.e. box, case, dozen.
"DESCRIPTION"	In describing an article, place the principal noun first, e.g.: desk, steel secretarial, 30" x 60". Make description as complete as possible.
"UNIT PRICE"	Type in price per unit
"AMOUNT"	Extended price
"ACCOUNT NO.:"	Account this purchase is budgeted in
"CHECK REQUIRED FOR"	Please indicate if check is applicable
"MAIL ATTACHMENTS"	Please indicate if attachments must be mailed with check.
"SPECIAL INSTRUCTIONS"	Include any special instructions necessary for completing purchase.

## City of Novi Purchasing Policy

~~B. The Purchasing Director and the Finance Department will approve and sign the purchase order. The vendor copy and the department copy will be returned to the designated employee in the using department. This indicates the purchase has been approved and the using department may proceed to order.~~

~~C. If goods are received directly by the using department, packing slips are to be signed and dated and sent immediately to the Finance Department. A packing slip **AND** an invoice constitute complete receipt of merchandise.~~

~~D. No invoices will be placed on the warrant for payment without all supporting documentation. This includes the following items:~~

- ~~• Packing slip (if provided)~~
- ~~• Signed invoice complete with authorizing signature and account number~~
- ~~• Purchase order~~

## **SECTION VI**

### **PURCHASING CARDS**

A. The City may distribute Purchasing Cards (P-Cards) to staff in order to streamline and simplify the purchasing function for low dollar expenditures. Purchases will be limited by type of goods/services, type of business, and monthly credit limit.

## **SECTION VII**

### **PURCHASING PROCEDURES**

#### **A. PURCHASES OR CONTRACTS UNDER \$15,000**

For expenditures of less than \$15,000, ~~department head~~Department Heads are authorized to make the purchase. It is the responsibility of the ~~department head~~Department Head to ensure the quality of goods/services and that competitive prices are received.

~~All written contracts shall be signed by~~

#### **B. PURCHASES OR CONTRACTS BETWEEN \$15,000 - \$14,999**

For expenditures over \$5,000, a purchase order is required before a commitment may be made for the material and/or services.

It is the individual ~~department head~~Department Head's responsibility to assure that a competitive price is received. At least three written quotations must be obtained, unless the Department Head can establish to the satisfaction of the Purchasing Manager that there are not 3 qualified vendors, in which case as many quotations as can be secured are required. Quotations must be attached to purchase order requisition, sent to

## City of Novi Purchasing Policy

~~Purchasing (acceptable forms include facsimile, e-mail, or web pages).— No commitment may be made for the material and/or services until receipt of the approved purchase order. If you do not choose the lowest cost, you must attach an explanation.~~

~~If you do not choose the lowest cost, you must include an explanation. Factors including, but not limited to, product quality, serviceability, delivery, and other considerations of a similar kind normally relevant to the exercise of good business judgment shall constitute sufficient and good cause on which to base such decisions.~~

~~If timing is a problem, if a purchase order is needed quickly, the using department must contact the Purchasing Manager in order to expedite the approval process. you may have to walk the purchase requisition through the procedure to get the necessary approvals.~~

~~For expenditures over \$1,000, a pre-approved purchase order is required. You must have the vendor and department copies returned to you PRIOR to making the purchase.~~

~~All written contracts shall be signed by \_\_\_\_\_~~

### **C. PURCHASES OR CONTRACTS OF \$15,000 AND OVER**

Goods and services with a dollar value of **\$15,000** or more shall be procured by the formal sealed bid process.

The method for securing formal sealed bids is as follows:

- ~~1. Memo or e-mail requesting to seek bids from the using department to the Purchasing Director/Purchasing Manager.~~
- ~~2. Set of specifications, if available.~~
- ~~3. List of suggested vendors, if available.~~
- ~~4. Bid documents/packets will be published on internet the MITN website and/ or mailed from by Purchasing Director/Purchasing 's Department office.~~
- ~~5. Sealed bids/, RFPs and RFQs shall then be submitted delivered by vendors to the Purchasing Director City Clerk's Office pursuant to the issuance of public notice by the City the bid documents.~~

~~The using department makes the recommendation to the City Manager's office. Forward the recommendation to the Purchasing Director for review and submission to the City Manager. The item, if approved by the City Manager, will be placed on the next Council agenda for action. Engineering services for projects that are awarded using the Agreement for Professional Engineering Services Public Projects to the pre-qualified firms on a rotating basis do not require formal sealed bids.~~

~~All written contracts shall be signed by the Mayor and City Clerk.~~

**FE. LATE BIDS**

Late bids will not be accepted.

**GF. BIDS VIA FACSIMILE**

Bids sent via facsimile will not be accepted.

**HG. MULTI-STEP SEALED BIDS**

When it is considered impractical to prepare initially a purchase description to support an award based on price, an invitation for bids may be issued requesting the submission of non-priced offers with separate sealed fee proposals. Offers from bidders determined to be technically acceptable under the criteria set forth in the solicitation will then also be evaluated on their fee proposals.

**IH. BID AWARD**

~~A memo from the Department Head shall be sent to the Purchasing Director containing the recommendation for bid award. A motion sheet shall be prepared by the using department Purchasing Director and/or Department Head for consideration by the City Manager and presentation to City Council.~~

~~The City Council awards any and all contracts for goods or services of \$15,000 or more. The Council retains the right to take any of the following actions:~~

1. Award the bid to the lowest qualified bidder.

**Definition of lowest bidder** - A person or firm who has the capability in all respects to perform the contract in full and the integrity and reliability to assure good faith performance. Further, a person or firm must have submitted a bid which conforms in all aspects to the specifications, terms and conditions required in the invitation for bids.

2. Accept or reject in part or whole any or all bids.
3. Waive any irregularities.
4. Award the bid to other than the low bidder when it is in the best interest of the City of Novi.
5. Subdivide the bid if it is indicated in the invitation for bids and is in the best interest of the City.

**JJ. WAIVER OF BID REQUIREMENTS**

The City Council further retains the right to waive bid requirements under the following conditions:

1. When it is documented in writing by the using department that the item(s) being requested are available only from a single source ~~and which has been approved by the Finance Director Purchasing Manager.~~
2. When the Finance Director Purchasing Manager or the City Council shall determine that no advantage to the City would result from competitive bidding

**D. CAPITAL PURCHASES**

All Capital Purchases require PRIOR approval. CAPITAL is defined as:

ANY ITEM WITH A COST OF \$5,000 OR MORE AND HAS A LIFE OF ONE (1) YEAR OR MORE.

**SECTION VIII**

**BIDS**

**A. INVITATION FOR BIDS**

An invitation for bids shall be issued and shall include specifications, expected contractual terms, and all conditions applicable to procurement. The invitation for bids shall be ~~mailed to vendors who have filed a bid application with the City, posted on the~~ MITN website.

~~**B. PUBLIC NOTICE AND ADVERTISING**~~

~~Invitations for bids may be advertised at least once in a newspaper of general circulation in the City and/or published on the Internet. A minimum of ten (10) days notice shall be given prior to bid opening. Pre-bid meetings, if determined necessary, will be contained within the bid request notice and published as such.~~

~~**C. BID OPENING**~~

~~Bids shall be opened publicly at the time and place designated in the invitation for bids. The amount of the bid, any other relevant information and the bidder's name shall be recorded and shall be open for public inspection.~~

~~**D. BID ACCEPTANCE AND EVALUATION**~~

~~Bids shall be received without alteration or correction at the office of the Purchasing Director City Clerk's Office. Bids shall be evaluated based on the criteria contained in the invitation for bids, specifications, and contract documents.~~

~~**E. CORRECTION OR WITHDRAWAL OF BIDS**~~

~~Correction of errors in bids may be made by the bidder prior to ~~before~~ the bid opening. After the bid opening, no change in bid prices or other provisions shall be permitted. Bids may be withdrawn prior to the bid opening. No bidder may withdraw his bid after the bid opening for a period of one hundred twenty (120) days after the stated closing time. All decisions to permit correction or withdrawal shall be documented in writing by the Purchasing Director Purchasing Manager.~~

City of Novi Purchasing Policy

as indicated in Section 12.I of the City Charter.

3. Engineering services for projects awarded to pre-qualified firms using the Agreement for Professional Engineering Services Public Projects.
4. Professional services (i.e. engineers, consultants, accountants, appraisers, and other similar professions) which may be appointed by City Council upon recommendation of the City Manager, or the Purchasing Manager solicits proposals and a recommendation is made to by the using Department.

~~2.~~

## **SECTION ~~IX~~**

### **OTHER**

#### **~~A. CONTRACT ITEMS PROCEDURES~~**

~~A number of items, through the bid process, are on annual contracts. The Purchasing Director maintains a complete list of contracts. If in doubt of the existence of a contract, contact the Purchasing Director. All contract purchase orders are issued through the Purchasing Director's office regardless of dollar amount.~~

#### **~~B. PRINTING PROCEDURES~~**

~~3. A written request shall be submitted to the Purchasing Department with an original of the requested form(s) attached.~~

~~4. List the quantity, note any changes to be made on the form(s), date by which material is needed, color, type of stock, or if a proof is required.~~

~~5. The printing contract allows the vendor ten (10) days for completion of standard orders. Special orders, such as multi-part forms, decals, and similar forms take approximately four (4) weeks. Please allow sufficient lead time.~~

#### **~~C. ROAD CONSTRUCTION~~**

~~Road, drain and utility line construction will be handled through the Purchasing Office.~~

#### **~~D. PROFESSIONAL SERVICES~~**

~~The procurement of professional services where technical expertise is critical, such as engineers, consultants, accountants and other similar professions shall not require bidding. These services shall be obtained by the following method:~~

## City of Novi Purchasing Policy

- ~~1. The City Council shall make an appointment upon the recommendation of the City Manager.~~
- ~~2. The Purchasing Director shall solicit competitive proposals and make a recommendation to the City Council.~~

### **EA. EMERGENCY PURCHASES**

An emergency purchase is defined as one that presents a threat to public health or safety. The using department shall make the purchase and follow up the next day with a purchase requisition with notation that indicates it was an emergency purchase, clearly marked "Emergency Purchase". ~~Emergency purchases are costly. Please keep them to a minimum.~~

### **F. STOREROOM**

~~The Purchasing Director will establish and control a central storeroom for items such as office supplies, printing supplies, janitorial supplies, etc. This system will enable the Purchasing Director to buy Storeroom items in large quantities at a considerable cost savings as compared to buying such items "as required." The Storeroom will also allow the City of Novi to standardize frequently used operating supplies.~~

### **G. MAINTENANCE CONTRACTS**

~~The Purchasing Director will maintain all records and information concerning maintenance agreements. Before reviewing/renewing any such agreement, the Purchasing Director will check with the concerning requesting Department Head to determine if the agreement should be renewed. Department Heads will advise the Purchasing Director of any change in the status of items covered by the maintenance agreements.~~

### **HB. JOINT PURCHASING**

~~The Purchasing Director~~Purchasing Manager shall, when feasible and economically advantageous to the City, participate with other governmental agencies in cooperative bidding ventures. The dollar value and procedure for award shall follow the same procedure as written quotations and formal sealed bids.

### **C. EXEMPTIONS FROM PROCEDURAL BIDDING/QUOTATION REQUIREMENTS**

The following are considered exceptions and are exempt from procedural bidding/quotation requirements:

- Food (including catering services)
- Books and subscriptions
- Airplane and hotel reservations
- Utilities (including gas, electric, water, sewage, and local phone service)
- Advertisements in periodicals
- Payments to arbitrators
- Dues and subscriptions



## City of Novi Purchasing Policy

Medical services

Conferences, seminars, and classes

Television and radio advertising

U.S. Postal, United Parcel Service, Federal Express, or other delivery services;

Vehicle repair which requires tear-down to diagnose repair required

Sole source maintenance agreements

## **SECTION XI**

### **RECEIPT AND DISPOSITION OF CITY PROPERTY**

#### **A. RECEIVING MATERIALS**

The ~~Purchasing Director~~Purchasing Manager shall have the right to inspect or designate a person to inspect all supplies, materials or equipment to determine their conformance with the specifications set forth in the purchase order or contract.

If receipt is made in the using department, it shall be the responsibility of the using department to ensure conformance with the specifications. If quality or quantity is not as specified, the ~~Purchasing Director~~Purchasing Manager shall be notified immediately of the discrepancy.

#### **B. DISPOSITION OF MATERIALS**

Obsolete, worn out, damaged, or surplus materials and equipment shall be disposed of by the ~~Purchasing Director~~Purchasing Manager through the following methods:

1. Trade-in on new equipment.
2. Return to manufacturer.
3. Transfer to other City departments.
4. Sealed Bid.
5. Auction.
6. Junking.

Each department shall report any material or equipment for disposition to the ~~Purchasing Director~~Purchasing Manager.

## **SECTION XI**

## BONDS

### A. PERFORMANCE, PAYMENT, AND MAINTENANCE BONDS

Performance, payment, and/or maintenance bonds may be required on construction projects to protect the City against default by the contractor. The bonds shall guarantee faithful performance of work according to the contract terms and guarantee payment of all indebtedness incurred for labor, material, or any cause whatsoever on account of the contract, according to the current statutes of the State of Michigan.

### B. BID BONDS

Bid bonds (surety bonds) may be required to secure against loss or damage in the event that the bidder fails to furnish a performance bond or does not execute the contract document. If required, the bond must be submitted with the bid package.

## SECTION XIII

### INSURANCE & INDEMNIFICATION

The City has the authority to specify insurance coverages and limits as deemed appropriate and applicable to a given procurement project. These coverages and limits will be included in the bidding documents.

The contractor shall not commence work under any contract until he/she has obtained all required insurance and has furnished satisfactory proof of the required coverages to the City. The contractor shall maintain the required coverages and shall provide proof of these coverages to the City for the duration of the contract.

The City also has the authority to require a successful bidder to indemnify, hold harmless and defend the City and various associated persons. Detailed indemnification/hold harmless requirements will be included in the bidding documents.

### ~~INSURANCE REQUIREMENTS~~

~~The City has the authority to specify the appropriate insurance limits as deemed necessary which will be stated in the invitation for bids. General guidelines are illustrated below:~~

- ~~1. The Contractor shall maintain at its expense during the term of this Contract, the following insurance:~~
  - ~~a. **Worker's Compensation** insurance with the Michigan statutory limits and Employers' Liability insurance with minimum limits of \$100,000 each accident.~~
  - ~~b. **Commercial General Liability Insurance** shall be procured by the contractor and maintained during the life of the contract. Commercial General Liability Insurance, Personal Injury, Bodily Injury and Property Damage on an~~

## City of Novi Purchasing Policy

"Occurrence Basis" with limits of liability not less than \$1,000,000 (One Million Dollars) per occurrence combined single limit.

- c. ~~Automobile Liability~~ insurance covering all owned, hired and non-owned vehicles with Personal Protection insurance and Property Protection insurance to comply with the provisions of the Michigan No-Fault Insurance Law including Residual Liability insurance with minimum bodily injury limits of \$1,000,000 (One Million Dollars) each person and \$1,000,000 (One Million Dollars) each occurrence and minimum property damage limits of \$1,000,000 (One Million Dollars) each occurrence.
2. ~~The Contractor shall be responsible for payment of all deductibles contained in any insurance required hereunder.~~
  3. ~~If during the term of this Contract changed conditions or other pertinent factors should in the reasonable judgment of the City render inadequate insurance limits, the Contractor will furnish on demand such additional coverage as may reasonably be required under the circumstances. All such insurance shall be effected at the Contractor's expense, under valid and enforceable policies, issued by the insurers of recognized responsibility which are well-rated by national rating organizations and are acceptable to the City.~~
  4. ~~All policies shall name the Contractor as the insured and shall be accompanied by a commitment from the insurer that such policies shall not be canceled or reduced without at least thirty (30) days prior notice date to the City.~~

~~All policies except Professional Liability Insurance shall name the City of Novi, its officers, agents and employees an additional insured. Certificates of Insurance evidencing such coverage shall be submitted to Attn: Purchasing Director, City of Novi, 45175 W. Ten Mile Road, Novi, Michigan 48375 prior to commencement of performance under this Contract and at least fifteen (15) days prior to the expiration dates of expiring policies.~~

5. ~~If any work is sublet in connection with this Contract, the Contractor shall require each subcontractor to effect and maintain at least the same types and limits of insurance as fixed for the Contractor.~~
6. ~~The provisions requiring the Contractor to carry said insurance shall not be constructed in any manner as waiving or restricting the liability of the Contractor under this contract.~~

## ADDITIONAL REQUIREMENTS

### INDEMNITY

1. ~~The contractor agrees to save harmless and defend the City against and from any and all liability, loss or damage (including without limitation, fees and expenses of attorneys, expert witnesses and other consultants) which the City may suffer as a result of claims, demands, costs, or judgments against it arising from, out of or in consequence of the performance of this agreement, excepting only such liability, loss or damage as shall have been occasioned by the sole~~

## City of Novi Purchasing Policy

~~negligence of the City of Novi, its officers, agents or employees.~~

- ~~1. The Contractor agrees that it is its responsibility and not the responsibility of the City of safeguard the property ad materials used in performing this Contract. Further the Contractor agrees to hold the City harmless for any loss of such property and materials used in pursuant to the Contractor's performance under this Contract.~~
- ~~2. The Contractor shall not discriminate against any employee or applicant for employment because of race, color, sex, age, handicap, religion, ancestry, martial status, national origin place of birth, or sexual preference. The Contractor further covenants that it will comply with the Civil Rights Act of 1964; Section 504 of the Rehabilitation Act of 1973, as amended; and the Michigan Civil Rights Act of 1976 (78. Stat. 252 and 1976 PA 4563) and will require a similar covenant on the part of any consultant or subcontractor employed in the performance of this contract.~~

~~Nothing herein provided prevents the City of Novi from requiring additional insurance not indicated above. The stated amounts may be increased or decreased by the Purchasing Director or the City Attorney when it is in the best interest of the City of Novi.~~

### **SECTION XIIIIV**

#### **ADOPTION OF PURCHASING POLICY**

The City Council shall adopt the Purchasing Policy by resolution. The policy shall be consistent with the Charter of the City of Novi. Any future amendments to the policy deemed necessary for efficient operation of the City's procurement shall likewise be adopted by resolution by the City Council.

### **SECTION XIV**

#### **BUDGETARY AUTHORIZATION**

No purchase shall be made without proper budgetary authorization by the ~~department head~~Department Head. Purchase orders without an authorizing signature will be returned to the using department for approval.

### **SECTION XVI**

City of Novi Purchasing Policy

**PAYMENTS**

Some vendors offer a cash discount if their invoices are paid promptly. To take advantage of this discount policy and to maintain good vendor relations, it is important that all invoices and packing slips be forwarded to the Finance Department without delay. These documents should reach the Finance Department within one day after their receipt.

**Revised: ~~August 2012~~ August 14, 2006**

Certified by:

*Maryanne Cornelius*

\_\_\_\_\_  
Maryanne Cornelius, City Clerk

**RESOLUTION**

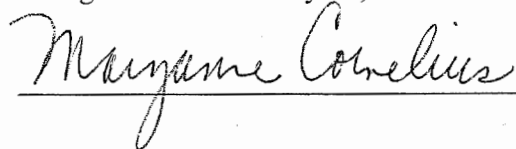
**City of Novi  
Purchasing Policy Amendment**

NOW, THEREFORE, BE IT RESOLVED that the Purchasing Policy dollar limits included in Section VI will be amended as follows:

Capital is defined as purchases with a useful life of one year and a cost of \$5,000 or more.

**CERTIFICATION**

I hereby certify that the foregoing is a true and complete copy of a resolution adopted by the City Council of the City of Novi at a regular meeting held this January 10, 2005.

A handwritten signature in cursive script that reads "Maryanne Cornelius". The signature is written in black ink and is positioned above a horizontal line.

Maryanne Cornelius  
City Clerk