



**CITY OF NOVI CITY COUNCIL  
NOVEMBER 14, 2022**

**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 \$15,000 to \$25,000 and for purchases less than \$25,000 remove City Council approval requirement.

**SUBMITTING DEPARTMENT:** FINANCE

**BACKGROUND INFORMATION:** The Purchasing Policy currently in effect was last amended in 2012. City Council, on October 24, 2022, approved an ordinance update to Chapter 2, Administration, Article VI, Purchase and Sale of Property, Section 2-201, Authorization for Expenditures, with regard to expenditure amounts requiring Council approval. The limit increased from \$15,000 to \$25,000. The attached revised purchasing policy proceeds to update the dollar limits from the former \$15,000 to the newly approved \$25,000.

**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 \$15,000 to \$25,000 and for purchases less than \$25,000 remove City Council approval requirement.



# **CITY OF NOVI PURCHASING POLICY**

October 24, 2022

# 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.

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- 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 \$25,000 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 \$25,000 **or** when the change order increases the contract price by less than 20% (up to \$100,000):
    - (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 \$25,000 **and** that increase the contract price by 20% or \$100,000 or more must be approved by City Council.

##### B. PURCHASING DEPARTMENT

- 1. Shall procure or supervise the procurement of all goods and services required to maintain City operations.

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2. Shall obtain formal sealed bids for goods or services in excess of \$25,000.
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 Department 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. For all goods and services over \$5,000 prior to the commitment to purchase, shall be accompanied by at least three (3) written quotations, unless the Department Head can establish to the satisfaction of the Purchasing Department 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 Department in the development of specifications.
4. Shall assist the Purchasing Department 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).

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2. Shall maintain a regional e-Procurement system wherein participating 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 Department 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 Department 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.
2. The Purchasing Department 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:

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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 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 Department 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 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 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. Verbal quotes are acceptable.

#### **B. PURCHASES OR CONTRACTS BETWEEN \$5,000 - \$24,999**

For expenditures over \$5,000, 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 Department that there are not 3 qualified vendors, in which case as many quotations as can be secured are required. Quotations are to be maintained by the individual departments.

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 \$25,000 AND OVER**

Goods and services with a dollar value of **\$25,000** 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.

### **D. CAPITAL PURCHASES**

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

ANY ITEM WITH A COST OF \$25,000 OR MORE AND HAS A LIFE OF ONE (1) YEAR OR MORE.

Capital purchases of \$25,000 or greater require a Purchase Order.

## **SECTION VIII**

### **BIDS**

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

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

Insurance, bid bonds, performance bonds, maintenance & guarantee bond, and payment bonds may be required. When required, this information should be included in bid specifications.

Sample contract is to be included in bid specifications when required.

#### **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. Request for proposal fees may not be opened at the due date and time.

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

Bids shall be received without alteration or correction at the Finance Department Office prior to due date and time. Bids shall be evaluated based on the criteria contained in the invitation for bids, request for proposals, 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 Department.

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

Late bids will not be accepted.

#### **F. BIDS VIA FACSIMILE/EMAIL**

Bids sent via facsimile or email will not be accepted.

#### **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:

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1. When it is documented in writing by the using department that the item(s) being requested are available only from a single source or through a cooperative purchasing contract which must be documented and must be approved by the Purchasing Department.
2. When the Finance Director 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 Department solicits proposals and a recommendation is made to City Council 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 Department 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

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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 Department 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 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 Department 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 bonds, insurance, bid bonds payment bonds, and/or maintenance and guarantee 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

## City of Novi Purchasing Policy

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**

### **CONTRACTS/AGREEMENTS**

Vendor provided agreements up to \$1,500 may be reviewed and signed by City staff. Vendor provided agreements up to \$4,999 may be reviewed and signed by Department Heads. Vendor provided agreements up to \$24,999 may be reviewed and signed by the City Manager.

Vendor provided agreements \$25,000 and over must be signed by the Mayor (per Ordinance) after it is awarded by City Council. Provide at least two original copies of the contract (already signed by contractor) to the Clerk's office prior to the City Council meeting. One copy will be mailed to contractor, the other kept by Clerk's department. Include additional originals as needed for the department files or consultants. Please indicate the council meeting date at which the item was/will be approved when sending the originals to the City Clerk's office.

All other types of contracts, and those that have an aggregate amount exceeding \$24,999 over the life of the contract, require City Council approval and must be signed by the Mayor.

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Any contracts (provided by vendors) that contain any of the following terms or conditions must be reviewed by the City Attorney before they are signed:

- Indemnity, limitation of liability and/or hold harmless clauses;
- Insurance requirements,
- Waiver or limitation of warranty,
- Limitation of damages,
- Alternative dispute resolution, mediation, or arbitration clauses,
- Any other clauses or limitations not related to the cost, quantity or specifications of the goods or services being provided

Contract renewals are not required to be taken to City Council for:

- Annual contract renewal when no changes in price, terms, or conditions are required.
- Annual membership renewals that were budgeted and approved by City Council.
- Maintenance or support agreements which are supplementary to an approved agreement.

## **SECTION XIV**

### **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 XV**

### **BUDGETARY AUTHORIZATION**

No purchase shall be made without proper budgetary authorization by the Department Head.

***Revised: November 2022***

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

Cortney Hanson, City Clerk

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 November 14, 2022, 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 Council, on October 24, 2022, approved a change to Section 2-201 "Authorization for Expenditure," increasing the threshold for Council approval on an expenditure from \$15,000 to \$25,000. The purchasing policy reflects the changes to Section 2-201.

**NOW THEREFORE, IT IS THEREFORE RESOLVED** that the City Council adopts the attached revised purchasing policy, effective November 14, 2022.

**AYES:**

**NAYS:**

RESOLUTION DECLARED ADOPTED.

\_\_\_\_\_  
Cortney Hanson, 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 14th day of November 2022, 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.

\_\_\_\_\_  
Cortney Hanson, City Clerk  
City of Novi