

# VILLAGE OF PINCKNEY

## PURCHASING POLICY

Approved July 26, 2021

### I. POLICY

The Village of Pinckney (hereinafter referred to as the “Village”) will engage in purchasing activities that are fair and equitable, and which provide the maximum purchasing value for public funds. The Village will implement procedures designed to maintain a procurement system of quality and integrity. The provisions of this policy conform to the Village’s charter and applicable code, laws, and regulations.

### II. STATUTORY REFERENCES

The Village Council (hereinafter referred to as the “Council”) may establish such rules and regulations regarding the business concerns of the Village as the Council considers necessary and proper. See: 67.1 Village Charter

### III. PROCEDURE

#### A. Operational Guidelines

##### 1. Intent

It is the intent of this Policy to maximize the purchasing power and value of public funds through a procurement policy that maintains a system of quality and integrity and promotes efficiency, effectiveness, and equity in public purchasing. It is the goal of this Policy to recognize the obligation to the taxpayers to maximize the purchasing power of public funds to gain the best value for our residents. The Village will comply with all applicable federal and state laws concerning public purchasing.

##### 2. Application

This Policy applies to the procurement of supplies, goods, equipment, services, and construction entered into by the Village and its constituent departments, and component units and agencies, after the effective date of this Policy. It shall apply to every expenditure of public funds by the Village irrespective of the source of the funds. When the procurement involves the expenditure of federal or state assistance or contract funds, the procurement shall be conducted in accordance with any applicable federal or state laws and regulations. Nothing in this Policy shall prevent any public agency from complying with the terms and conditions of any grant, gift, or bequest that is otherwise consistent with law.

##### 3. Administration

This Policy shall be administered by the **Village Clerk’s Department** **Village Manager**. All formal solicitations are administered through the Village Clerk’s Department.

##### 4. Sales Tax Exemption

- a. The Village shall not be charged or pay sales tax. The Village, as a Michigan Municipal Corporation, is exempt from sales tax as provided in Act 167 of Public Acts of 1933.

- b. The Village shall issue a Sales Tax Exemption Certificate as needed. Invoices shall be inspected during the approval process to ensure that sales tax has not been charged.

#### 5. Emergency Purchases

Whenever there is an imminent threat to the public health, safety or welfare of the Village or its citizens, the Council President jointly with the Department of Public Works Director may authorize the award of a contract, utilizing competition as may be practical and reasonable under the circumstances, for the emergency purchase of supplies, materials, equipment, services, or construction. Such purchase must be reported to the Council.

#### 6. Cooperative Purchasing

The Village may join in cooperative purchasing arrangements with school districts and other government units. The Village may accept extended government pricing with appropriate documentation if it is determined to be cost-effective, and in the Village's best interest.

#### 7. Gratuities, Personal Benefits, and Kickbacks

It shall be a violation of this Policy for any person to offer, give or agree to give any Village employee or former Village employee, or for any Village employee or former Village employee to solicit, demand, accept or agree to accept from another person, a gratuity, personal benefit, or kickback in connection with any purchasing or contracting decision.

#### 8. Failure to Follow Policy

The Village shall not be responsible for the costs of goods and services ordered or purchased by any Village official or employee that are not obtained in accordance with this Policy. Contracts negotiated outside of this Policy will be considered invalid and non-binding.

### **B. Standards For Procurement**

#### 1. Procurement Procedures

- a. The procedure to be used is determined by the dollar amount of the procurement. Contracts or purchases shall not be artificially divided to circumvent the purchasing procedures in this Policy. An aggregate of regular, reoccurring purchases, including, but not limited to, gasoline, paper products, cleaning supplies, and ammunition, shall be determined on an annual basis. Grant funded procurements will follow all grant procurement requirements and guidelines.
- b. Purchases, whether individual or in the aggregate, shall be compared to budgeted amounts by the Department Head who is responsible for the budget.

#### 2. Purchases up to \$500.00

- a. Purchases in this dollar amount can be made by the staff with a Department Head's approval. Vendor selection and pricing should be reviewed annually for adequate and reasonable competition. A purchase order is not required. Certain recurring monthly purchases are pre-approved by Council Resolution.

- b. Petty cash purchases may be used for small items needed at once or for reimbursements of incidental Village expenditures. A third-party receipt is required containing a description, amount, and date with approval noted on the receipt.

3. Purchases from \$500.01 to \$10,000.00

Such purchases or contracts shall be initiated by the Department Head. Only one signature is required for purchases up to \$5,000.00, as Department Heads are responsible for their respective budgets. The Village President can authorize purchases up to \$5,000.00 alone, or up to \$10,000.00 with a second Department Head signature. Three (3) verbal or written price quotations are suggested, and should be documented, if possible.

4. Purchases from \$10,000.01 to \$15,000.00

Applies only to Water and Sewer purchases. Such purchases or contracts shall be initiated and signed by the Department Head and approved by the Village President. Three (3) verbal or written price quotations are suggested, and should be documented, if possible.

5. Purchases from \$10,000.01 to \$25,000.00 (excepting Section B.4)

Such purchases or contracts shall be initiated and recommended by the Department Head and approved and authorized by Council. A purchase order is not required by the Village. A minimum of three (3) written price quotations is required when possible and should be documented. Negotiated purchases, such as through MiDeal, are an acceptable alternative to obtaining three (3) price quotes.

6. Purchases above \$25,000.00

- a. Purchases or contracts estimated to exceed \$25,000.00 shall require formal competition as deemed appropriate, including but not limited to competitive sealed bids, requests for proposals, qualifications-based selection, and/or negotiated purchases. Authorization to request bids is required from the Village President or Council.
- b. Awards shall be made to the bidder determined to be best qualified based on
  - 1) the evaluation factors set forth; and
  - 2) negotiation of fair and reasonable compensation.

7. Vendor selection

- a. Department Heads are to use vendors already on the approved vendor list, if possible.

- b. Whenever possible, purchases will be made from local vendors from the Village or its environs. This will be accomplished by ensuring that local vendors who have goods or services that the Village needs are included in the competitive shopping process that will precede most purchases. The Village has a responsibility to its residents, however, to obtain the maximum value for each public dollar spent.
- c. If there is a need to select a new vendor prior to purchasing goods or services, the Village shall:
  - 1) ensure there are no conflicts of interest (Section K. 4);
  - 2) obtain workers' compensation insurance certificate, if needed; and
  - 3) obtain IRS Form W-9, if needed.

### **C. Delivery and Inspection**

Goods received will be inspected at the time of receipt to detect any damage or defects and to ensure compliance with the order (i.e. quantity, quality, price, and other specifications). The acceptance of goods shall be the responsibility of the initiating Department Head.

### **D. Competitive Sealed Bidding ("Bids") and Requests for Proposal ("RFP")**

1. Contractual partners, in good standing with the Village, like Planners and Engineers, are not required to complete Bids or compete for projects considered within the normal day-to-day business of the Village. Proposals for work \$25,000.00 or more requires review and approval by the Council. The Council can require Bids or RFPs for special projects or projects not deemed within the partner's specialty.
2. Conditions for Use
  - a. Purchases or contracts for goods and contractual services above \$25,000.00, as determined in Section B.5, are to be awarded by Bids or RFPs.
  - b. The requirement for sealed Bids as provided in subsection (a) hereof shall not apply for professional services; emergency repairs or services; or a continuation the same to be necessary.
3. Invitation for Bids or RFP

An invitation for Bids or RFPs shall be issued and shall include specifications and all contractual terms and conditions applicable to the procurement.
4. Public Notice

Public notice of the invitation shall be given a reasonable amount of time prior to the bid submission date set forth therein not to exceed four (4) weeks. Such notice may include publication in a newspaper of general circulation and/or online media for a reasonable time, not to exceed four (4) weeks, as determined by Council prior to the Bid opening. The public notice shall state the place, date and time of Bid opening.

5. Bid Opening

Bids shall be opened publicly in the presence of one (1) or more witnesses following the deadline set for the submission of Bids at the time and place designated in the invitation for Bids. The amount of each Bid, and such other relevant information as deemed appropriate, together with the name of each bidder shall be recorded. The record and each Bid shall be open to public inspection in accordance with Act 442 of the Public Acts of 1976, MCL 15.231 et seq.

6. Bid Acceptance and Bid Evaluation

Bids shall be evaluated based on the requirements set forth in the invitation for Bids or RFPs, which may include criteria to determine acceptability such as inspection, testing, quality, workmanship, experience, delivery, warranty, and suitability for a particular purpose. Bids which do not comply with all criteria set forth in the invitation to Bid may be subject to disqualification.

7. Correction or Withdrawal of Bids; Cancellation of Awards

Correction or withdrawal of inadvertently erroneous Bids before or after Bid opening, or cancellation of awards or contracts based on such Bid mistakes, may be permitted at the sole discretion of the Village.

8. Responsible Offerors and Revisions of Proposals

As provided in the RFP, discussions may be conducted with responsible offerors to assure understanding of, and conformance to, the solicitation requirements. Responsible offers shall be accorded fair and equal treatment with respect to any opportunity for discussion and revision of proposals and such revisions may be permitted after submissions and prior to award for the purpose of obtaining best and final offers. In conducting discussions, there shall be no disclosure of the identity of competing offerors or of any information derived from proposals submitted by competing offerors.

9. Award

The contract shall be awarded to the responsible bidder/offeror whose Bid or RFP meets the requirements set forth in the invitation for Bids or RFPs and is determined to be the most advantageous to the Village. Nothing in the award process shall prevent Council from acting in the Village's best interest when making the award, including awarding the contract to a bidder other than the lowest bidder. No contract shall knowingly be entered into with any company or business which is in bankruptcy or receivership. In the event the Bid for a project exceeds available funds, the Department Head and Village President are authorized to negotiate an adjustment of the Bid price when time or economic considerations preclude re-solicitation of work of a reduced scope, in order to bring the Bid within the amount of available funds.

10. Tie Bids

Bids and RFPs that are equal in all aspects shall be awarded to the vendor whose headquarters is closest to the Village delivery point.

### PURCHASING SUMMARY

AMOUNT OF PURCHASE	LINE ITEM BUDGETED FUNDS NECESSARY	CONTACT TO INITIATE PURCHASE	TYPE OF QUOTE NEEDED	AUTHORIZATION REQUIRED BY	PURCHASE ORDER REQUIREMENT
\$500 & PETTY CASH	YES	STAFF	N/A	DEPARTMENT HEAD	NO
\$500 - \$5,000	YES	DEPARTMENT HEAD (PRESIDENT, POLICE, DPW, CLERK)	3 VERBAL OR WRITTEN QUOTES REQUIRED (DOCUMENTED)	DEPARTMENT HEAD (ONE SIGNATURE)	NO
\$5,000 - \$25,000	YES	DEPARTMENT HEAD	3 WRITTEN QUOTES REQUIRED (DOCUMENTED)	DEPARTMENT HEAD AND COUNCIL (TWO SIGNATURES)	NO
\$25,000 OR GREATER	YES	DEPARTMENT HEAD	SEALED BIDS, RFP, RFQ FORMAL SOLICITATION	COUNCIL	NO
RECEIVING	DEPARTMENT HEADS ARE RESPONSIBLE FOR DETERMINING THE PROPER QUANTITY AND QUALITY OF GOODS RECEIVED BEFORE FORWARDING THE INVOICE FOR PAYMENT BY THE VILLAGE OF PINCKNEY				

\*Purchase orders may be required by the vendor and are not generated by accounting software.

#### E. Request for Qualifications (“RFQ”)

When it is considered impractical to initially prepare a purchase description to support an award based on price, and/or where the capability of the prospective proposers or bidders are uncertain, a RFQ may be issued. Once the prospective bidders/offerors have submitted their responses to the RFQ and have been determined to be technically acceptable and qualified to perform, then an invitation to Bid or a RFP may be issued to the qualified bidders/offerors.

#### F. Sole Source Procurement

##### 1. Definition

Sole source purchases are defined as those in which only one (1) vendor possesses the unique and singularly available capability to meet the requirements set, such as technical qualifications, ability to deliver at a particular time, services from a public utility or in a situation where a particular supplier or person is identified as the only qualified source available.

## 2. Determination

A contract may be awarded, without competition, when the Department Head determines after conducting a good faith review of available sources that there is only one (1) appropriate source, and/or, when it is in the best interest of the Village to choose the one (1) appropriate source for the required supply, equipment, service, or construction item. The Department Head, when delegated by the Council, shall conduct negotiations, as appropriate, as to price, delivery, and terms. The Council may require a written explanation of sole source qualifications from the Department Heads or the consulting party recommending the sole source.

## G. Contract Administration

The assigned Department Head shall provide assessments to the Council and shall oversee contract administration to ensure that a contractor is performing in accordance with the Bid and RFP under which the contract was awarded, and according to the terms and conditions of the contract.

## H. Village Procurement Records

### 1. Bid File

All determinations and other written records pertaining to solicitation and award of a contract shall be maintained by the **Village Clerk's Department / Village Manager** in a Bid file following completion of the project in accordance with the appropriate Records Retention Schedules.

### 2. Retention of Procurement Records

All procurement records shall be retained and disposed of by the Village in accordance with the appropriate Records Retention Schedules.

## I. Nondiscrimination

Every contract or purchase order issued by the Village shall be entered into under provisions which require the contractor, subcontractor, or vendor not to discriminate against any employee or applicant for employment because of his/her race, religion, sex, color, national origin, height, weight, handicap or marital status.

## J. Procurement of Construction Services

### 1. Bid Security, Contract Performance, and Payment Bonds

*SEE VILLAGE OF PINCKNEY TECHNICAL STANDARDS*

### 2. Fiscal Responsibility

- a. Every contract modification, change order, or contract price adjustment which exceeds the authorized contract amount, plus contingency of the total contract amount under a construction contract with the Village, shall be subject to the applicable Village policies.
- b. The Department of Public Works Director and Village President are each allowed to authorize up to ten percent (10%) of a project's total expense in the case of a change order in conjunction with the Village's outside engineer's approval.

## **K. Ethics in Public Purchasing/Contracting**

### 1. Criminal Penalties

- a. To the extent that violations of the ethical standards of conduct set forth in this Policy constitute violations of federal statutes or Michigan law, they shall be punishable as those statutes provide therein. Such penalties shall be in addition to the civil and administrative sanctions set forth in this Policy.

### 2. Employee's Duty to Abide by Village Policies

- a. Village employees shall abide by existing Village policies including, but not limited to, policies regarding conflict of interest, gratuities or "kickbacks" and confidential information.

### 3. Overriding the Provisions of the Policy

- a. Under no circumstance shall Village employees manipulate the circumstances of a purchase transaction to override the provisions of this Policy. For example, a proposed or actual purchase for \$26,000.00 may not be split into separate transactions of lesser amounts to avoid soliciting Bids.

### 4. Conflicts of Interest

#### a. Village Council.

No member of the Council, individually or through a business in which he or she is an owner, partner or has a financial interest other than as an employee, will be allowed to Bid or perform as a contractor or sub-contractor on any Village construction project.

#### b. Professional Service Contracts with Former Village Employees

To avoid the potential for conflict of interest, or any appearance thereof, the Village requires that all requests for entering into professional service contracts with former Village employees be approved by Council.

#### c. Vendor/Village Employee Relationships

To avoid any real or perceived conflict of interest, all proposals or contracts for professional services should, to the extent possible, identify any relative of the contractor of his/her employees who are presently employed by the Village.

#### d. Contracts with Village Employees

Current employees are prohibited from doing business with the Village.

## **L. Equipment Disposition/Disposal**

### 1. Equipment Disposition

- a. Equipment, supplies or other Village property which have been determined by the Department Head to be obsolete, worn out or no longer needed, shall be disposed of in the following manner:
  - 1) For Items \$5,000.00 or greater (Original Cost), disposal shall be by trade-in, auction, public offering or any other method the Department Head or Village President deems to be in the Village's best interest.
  - 2) For items under \$5,000.00 or for lost, stolen, and unclaimed property, the Department Head shall dispose of the same in a manner which encourages competition and/or as appropriate for the situation.
- b. The following information for each item disposed shall be maintained by the Village Accountant in the fixed asset records:
  - 1) Item Description
  - 2) Original Cost and Date of Purchase if available
  - 3) Date of Transfer or Sale
  - 4) Dollar Amount Received at Sale

#### **M. Authorization to Purchase Goods Using Credit Cards**

##### 1. Introduction

- a. In accordance with Public Act 266 of 1995, the Village allows for the use of credit cards to make purchases.

##### 2. Responsibilities

- a. The Village Clerk shall be responsible for the issuance, accounting, monitoring, retrieval of credit cards, and generally for overseeing compliance with the credit card policy.
- b. Department Heads are responsible for the custody and protection of said credit card. In the event that the credit card is lost or stolen, the Department Head or employee shall immediately notify the Village Clerk or Village Treasurer, who shall take the necessary steps to insure against any unauthorized use of said credit card.
- c. Department Heads are responsible for verifying that all charges against the cardholder's account are backed with supporting documentation such as a sales receipt or original invoice showing quantities, amounts, a description, a total charge amount, and the merchant's name and address. Supporting documentation shall then be matched to charges on the monthly statement provided by the credit card company. Department Heads shall assign or allocate individual charges to the appropriate general ledger account numbers and then submit them to the Village Clerk for payment.

- d. The Village Clerk shall review and approve all invoices received before payment. The balance including interest due on any credit card account shall be paid in full within not more than sixty (60) days of the initial statement date.
- e. If the cardholder disputes a charge, the nature of the dispute and the final resolution must be documented. This documentation must be retained with the Statement of Account on which the disputed charge appears.
- f. All transactions and card-related activities may be subjected to review by an Independent Auditor.

### 3. Spending Limits

- a. The maximum limits for a cardholder's individual charges may not exceed \$5,000.00 whereas a cardholder's monthly charges may not exceed \$6,000.00. Council may establish lower limits on a per-cardholder basis.

### 4. Authorized Credit Card Use

- a. Cardholders are authorized to use the credit card to purchase any merchandise required as a function of their duties at the Village *with the exception* of the following:
  - 1) Items For Personal Use,
  - 2) Items For Non-Village Purposes,
  - 3) Cash Advances,
  - 4) Food (except approved travel-related meals) and Beverages including Alcoholic Beverages,
  - 5) Entertainment,
  - 6) Recreation,
  - 7) Contracting,
  - 8) Gasoline (except in situations where the current fuel account cannot provide such service—attach a note),
  - 9) Motorized Vehicles,
  - 10) Capital Equipment, and
  - 11) Any purchases prohibited by Village policy or not related to Village business.

- b. Cardholders using a credit card for travel-related expenses may use the card for hotel accommodations, conference reservations, automotive rental and airfare charges. Village travel regulations shall govern the allowable limits for all travel expenses (see Employee Policy 506 Business Travel Expenses). Travel expenses charged by the cardholder to the credit card that upon subsequent review of the credit card statement and supporting documents are determined not allowable under the Travel Regulations, shall be paid to the Village by the cardholder.
- c. The cardholder whose name is embossed on the credit card is the authorized user and is responsible for ensuring that all charges made with the credit card are in compliance with these Policies and Procedures.

#### 5. Unauthorized and/or Inappropriate Credit Card Use

- a. The credit card must never be used to purchase items determined in Section 4.A to be unallowable even if the cardholder intends to reimburse the Village. In the event the credit card is used inappropriately, the cardholder must notify the Village President in writing as soon as the charge is identified.
- b. *VIOLATION OF THIS POLICY, INCLUDING UNAUTHORIZED PURCHASES BY A CARDHOLDER, MAY RESULT IN CREDIT CARD CANCELLATION, DISCIPLINARY ACTION UP TO AND INCLUDING DISMISSAL FROM GOVERNMENT EMPLOYMENT, AND CRIMINAL PROSECUTION.*

#### 6. Making a Purchase with the Credit Card

- a. When making purchases in person, the cardholder must sign the charge receipt and retain the customer copy. The cardholder should verify that either the charge receipt or sales receipt complies with the requirements for support documentation as outline in Section M.2.b.
- b. When making purchases via telephone, computer, or mail order, the cardholder should give the merchant the account number embossed on their credit card and direct the merchant to include the cardholder's name and phone number, department name, and complete delivery address on the shipping label and/or packing slip.
- c. The cardholders are encouraged to receive their own shipments; however, if someone will be receiving a shipment on the cardholder's behalf, the cardholder must notify them in advance. Regardless of who receives the shipment, the cardholder is responsible for obtaining all documentation, including, but not limited to, packing slips and mail order form copies related to the purchase and verifying that the documentation complies with the requirements for support documentation. Shipments should not be made to personal residences.

#### 7. Merchandise Returns and Exchanges

- a. The cardholder is responsible for contacting the merchant when merchandise purchased with the credit card is not acceptable and arranging a return for credit or an exchange.
- b. If merchandise is returned for credit, the cardholder is responsible for obtaining a credit receipt from the merchant and retaining that receipt with the documentation for that purchase. Receiving cash or checks to resolve a credit is prohibited.

- c. If merchandise must be exchanged, the cardholder is responsible for returning the merchandise to the merchant and obtaining a replacement as soon as possible. Documentation showing the proper resolution of the exchange is to be retained with the support documentation for that purchase.

8. Cardholder Transfer or Separation from the Village

- a. Prior to separating from the Village, the cardholders must surrender their credit card(s) and corresponding support documentation to the Village Treasurer or Village Clerk.

## APPENDIX

### DEFINITIONS

Whenever applicable, this Policy shall utilize the following definitions:

#### **Competitive Sealed Bids (“Bids”)**

The process of receiving two (2) or more sealed bids, responses, or proposals submitted by responsive vendors.

#### **Confidential Information**

Any information which is available to an employee only because of the employee's status as an employee of the Village and is not a matter of public knowledge or available to the public on request.

#### **Contract**

All types of Village agreements, regardless of what they may be called, for the procurement of supplies, equipment, services, or construction.

#### **Cooperative Purchasing**

The combination of procurement requirements of two (2) or more public agencies in order to obtain the benefits of volume purchases and/or reduction in administration expenses.

#### **Professional Services**

Services rendered by members of a recognized profession which involve extended analysis, exercise of discretion, and independent judgment in their performance, and an advanced, specialized type of knowledge, expertise or training customarily acquired either by a prolonged course of study or equivalent experience in the field, and thus are unique and not subject to price competition in the usual senses.

#### **Request for Proposal (“RFP”)**

A method for acquiring goods, services and construction for public use in which other factors will be considered in the selection of a vendor in addition to the price, or when there is not sufficient information to prepare a specification suitable for competitive sealed bidding, or when it is expected that negotiations with one (1) or more vendors may be required with respect to any aspect of the requirements.

#### **Request for Qualifications (“RFQ”)**

The process of receiving proposals, documents, specifications, recommendations, samples, records, brochures, or personnel information to establish that an offeror is fully qualified to provide a particular good or service in accordance with anticipated contract standards, requirements, and specifications.