



CITY OF CENTER LINE CITY POLICY

Subject- Procurement Policy

Number- 101-2015-004

Effective Date - July 6, 2015

1.0 Purpose

The purpose of the city procurement policy is to define and provide the proper steps that authorized agents of the city must take to properly procure goods and services for the City of Center Line.

2.0 Scope

This policy shall apply to the city as a whole. This policy is written to supersede all previously issued purchasing-related policies, but in the event of an oversight that creates a conflict between this policy and the city charter or ordinances, the city charter and/or ordinances shall prevail for procedural and legal purposes.

3.0 Policy

3.1 The policy of the City of Center Line to procure goods and services in order to provide core city services to the residents of the city. In order to achieve this goal with the efficient and effective use of the public's funds in mind, this procurement policy has been developed.

3.2 PROCUREMENT AUTHORITY

3.2.1 Only "Authorized Agents" as defined in the definition section of this policy may make purchases on behalf of the city.

3.3 CONFLICT OF INTEREST

3.3.1 This policy establishes that no department head, nor the city finance director and treasurer, nor the city manager, nor the city council, may authorize procurements of goods and services to which the individual has a financial ownership of greater than five percent. Any individuals or their immediate family members (spouse and children) in the aforementioned positions which own more than a five percent interest in a vendor must disclose this fact in writing to the city manager's office.

3.3.2 Vendors with a conflict of interest as defined above will not be allowed to be considered for procurement of goods and services at the City of Center Line, its supported boards and commissions, as well as its special events.

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3.4 ETHICAL CONSIDERATIONS

- 3.4.1 This policy establishes that all authorized agents as defined in the definitions section of this policy shall act with the best interest of the City of Center Line in mind. This is also known as an authorized agent's fiduciary duty to the city.
- 3.4.2 All authorized agents shall not accept gifts in excess of \$50 in worth per calendar year from businesses that are current vendors or that perform services that could make them potential vendors.

3.5 PURCHASE ORDER SYSTEM

- 3.5.1 Purchase orders shall be used to encumber currently available funds for most purchases greater than \$300. Purchases within general ledger line items that are (a) dedicated to one primary vendor, (b) are recurring in nature, and (c) are for similar balances, are exempt from the purchase order process. Determination of an exempt vendor shall be determined at the sole discretion of the city finance director and treasurer.
 - 3.5.1.1 Examples of exempt vendors include, but are not limited to, utility vendors such as DTE Energy (electricity line item) and Consumers Energy (heat line item).
- 3.5.2 Purchase orders shall be generated based upon estimate before the services or goods are performed (which is preferred), or shall be completed upon receipt of an invoice for goods or services performed.
- 3.5.3 No payments to vendors shall be made without either a purchase order number, or a determination of the payment being for an exempt transaction (i.e., a transaction for less than \$300 or for an exempt vendor.)
- 3.5.4 Procedures for purchase orders are documented within this policy's procedures section.

3.6 PURCHASING APPROVAL THRESHOLDS

- 3.6.1 Purchases less than \$300 are approved with department head approval and submitted directly to accounts payable.
- 3.6.2 Purchases of \$300 to \$4,999 are approved via the purchase order process and must have three competitive quotes attached – or an explanation of why the service is sole-source – in order for the purchase order to be approved.
- 3.6.3 Purchases of \$5,000 or greater are subject to the "Sealed Bid Procedure" outlined in this policy's procedures section. This procedure can only be waived by a certified motion of the city council.
- 3.6.4 Federal and state grant compliance with purchasing thresholds, in the unlikely event that lower approval thresholds are required, override these thresholds for specific grant-related procurements only.

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3.7 EMERGENCY PURCHASES

- 3.7.1 An emergency purchase is required when a purchase is needed in order to resolve a condition that threatens public health, welfare, or safety, which demands an immediate remedy on property, operations, or conditions that will continue to degrade and become increasingly costly and difficult to restore if immediate action is not taken.
- 3.7.2 The city manager shall have the authority to authorize an emergency purchase in the event that a delay in resolving the emergency would occur if the management waited for council action. Such purchases shall be discussed by management and approved by city council via certified motion at the next regularly scheduled council meeting.

3.8 DEBARMENT LIST

- 3.8.1 The city shall maintain a vendor debarment list, which is a list of vendors that is no longer allowed to do business with the City of Center Line for the below cited reasons:
- 3.8.1.1 A demonstrated lack of integrity. Examples include, but are not limited to, embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, negligent misrepresentation, price-fixing, bid-rigging, or a violation of state or federal anti-trust statutes.
 - 3.8.1.2 A demonstrated lack of compliance with state and federal laws regarding environmental protections, labor wage and fringe benefit law, labor safety violations as defined by the Michigan Occupational Health and Safety Act, and violation of federal or state civil rights.
 - 3.8.1.3 A demonstrated lack of performance of promised goods, services, or completed projects to the city.
- 3.8.2 In addition to the city's own policies and procedures used to develop its debarment list, the city shall utilize the State of Michigan's debarred vendor list by automatically adding any debarred vendors from the state's list directly onto the city debarment list.
- 3.8.3 Procedures for adding a vendor to the city debarment list are contained within the procedures section of this policy.

3.9 SALES TAX EXEMPTION

- 3.9.1 As a Michigan Municipal Corporation, the City of Center Line is exempt from sales tax per Michigan Public Act 167 of 1933.
- 3.9.2 It is the policy of the city that it shall not pay sales tax and that authorized agents as defined in 4.0 "Definitions" shall be responsible for ensuring that sales tax is not authorized to be paid by the city.

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4.0 Definitions

- 4.1 **AUTHORIZED AGENT** – this is defined as an individual or office which is authorized to make a purchase based on the parameters as defined below. If the title of an individual is not listed below for the type of purchase entered into by the individual, this is defined as an unauthorized purchase and is subject to disciplinary action.
- 4.1.1 For contractual purchases that commit the city to a term of longer than one fiscal year - regardless of the dollar amount - an authorized agent is defined as the city manager or that office's designee.
- 4.1.2 For purchases less than \$300, an authorized agent is defined as the city manager, any department head, or designee of said personnel.
- 4.1.3 For purchases between \$300 and \$4,999, an authorized agent is defined as the city manager or any department head.
- 4.1.4 For purchases \$5,000 or greater, an authorized agent as defined by the city charter is the city council via that body's approval of the purchase expressed as a certified motion. With the certified motion on record, the city manager or that office's designee is an authorized agent.
- 4.2 **CONFLICT OF INTEREST** – this is defined as a situation that has the potential to undermine the impartiality of a person because of the possibility of a clash between the person's self-interest and the public's interest.
- 4.3 **FIDUCIARY DUTY** – this is defined as a legal duty to act solely in another party's interests.
- 4.4 **ENCUMBERED FUNDS or ENCUMBRANCES** – this is defined as a contingent liability, contract, purchase order, or other commitment which is planned to be spent by an authorized agent of the city, but has not yet been paid. An encumbrance acts as a reservation of currently available budgeted funds until the purchase is made, which then cancels the encumbrance. Effective encumbrance accounting is a key budgetary control within any governmental agency.

5.0 Responsibilities

The city department heads have responsibility for complying with this policy. The city finance director and treasurer as well as the city manager have responsibility for monitoring compliance with this policy.

6.0 Procedures

6.1 REQUISITION ORDER / PURCHASE ORDER PROCEDURES

- 6.1.1 Purchase orders shall be completed within the city's BS&A purchase orders accounting software module. All purchase orders must be completed electronically.

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- 6.1.2 New vendors need to be entered into the purchase order system by the city payroll clerk. A payroll clerk is used rather than an accounts payable clerk in order to maintain appropriate internal controls over the vendor input, approval, and check issuance processes.
- 6.1.3 Requisition orders, which is a request for a purchase order, may be initiated by any personnel in the city, but must be approved by the applicable department head before being sent to the city finance director and treasurer for review. Purchase orders must have following elements present in order to be approved by a department head:
 - 6.1.3.1 Vendor information
 - 6.1.3.2 Purpose of purchase
 - 6.1.3.3 Dollar amount of purchase (or estimate if invoice is not yet present)
 - 6.1.3.4 General ledger account(s) to be charged
 - 6.1.3.5 Identified grant-eligible expenditure (as applicable)
 - 6.1.3.6 In paper form, applicable supporting documentation as outlined in section 3.6 of this policy
- 6.1.4 Once reviewed and approved by the department head, the department head must send all supporting documentation as required per section 3.6 of this policy to the city finance director and treasurer in order for their review to commence.
- 6.1.5 The city finance director and treasurer shall review the department head approved requisition order and shall ensure the accuracy of the data, that the appropriate general ledger account is being charged based on the purpose/activity being requested, and shall also determine that the cost is within the department's available budget.
 - 6.1.5.1 Missing documentation will result in the requisition order being denied and the order shall be returned to the department head.
 - 6.1.5.2 If a general ledger line-item account is over-budget and the request is time sensitive, the finance director may approve the requisition order based on overall department level budget availability, but will request a budget change form to be submitted to correct the over-charge to the specific line-item.
- 6.1.6 Once approved by the city finance director and treasurer, the city manager will perform the final review of the requisition order. Upon their approval, the requisition order will be converted to a purchase order and the supporting documentation for the newly created purchase order will be turned into accounts payable.

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- 6.1.6.1 Accounts payable will hold purchase orders that have been submitted with estimates or quotes until a department head approved invoice is submitted, which indicates approval of the services performed or confirmation of receipt of all items on the invoice.
- 6.1.6.2 Accounts payable will prioritize payments based on invoiced due dates. Regularly scheduled accounts payable check runs will occur during weeks that are not regular payroll weeks. High priority checks that would otherwise be late if held another week will be paid during weeks that are regular payroll weeks.

6.2 PREFERRED PAYMENT METHODOLOGIES

- 6.2.1 For very small purchases of less than \$50, authorized agents should attempt to pay via department petty cash when available. This helps to streamline city operations by reducing the number of checks being issued and is preferred by most vendors as they receive funds more quickly.
- 6.2.2 For small purchases less than \$300, authorized agents should attempt to pay via city credit card. This helps to streamline city operations by reducing the number of checks being issued and is preferred by most vendors as they receive funds more quickly.
- 6.2.3 For all other purchases, authorized agents should work with their vendors to encourage payment via Automated Clearing House (ACH) payments, which allows vendors to receive their funds as soon as the business day following the city's submission of the ACH transmittal file to the city's bank. If a vendor is unwilling or unable to participate in ACH, a paper check shall be issued.

6.3 SEALED BID PROCEDURE

- 6.3.1 Preparation of bid specifications shall be completed by the applicable department head or designated contractor (i.e., such as the city's engineering firm for a road project).
- 6.3.2 Bid specifications shall be submitted to council by the city manager for council's approval before being posted.
- 6.3.3 The city clerk's office shall publish the bid specifications once approved by council.
- 6.3.4 The bid opening event shall be considered an open meeting and shall be held in accordance with the Open Meetings Act. Minutes are required to be kept as part of the city's records.
- 6.3.5 Bids shall be reviewed by the department head or their designee for compliance with bid specifications and shall also confirm the accuracy of calculations as necessary.

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6.3.6 The department head will report in writing their recommendation for awarding the bid. The city manager shall then submit to council a recommendation, which must be approved by city council by a certified motion. If the recommendation is to use anyone other than lowest qualified bid, a written explanation as to why a higher bid was selected must be included in the recommendation report.

6.4 DEBARMENT LIST ADDITIONS AND DELETIONS

6.4.1 To add a vendor to the city debarment list, the following procedures must be taken:

6.4.1.1 The department head shall report to the city manager that they propose the vendor be added to the debarment list. Reasons in line with section 3.8.1 of this policy must be cited.

6.4.1.2 The city manager shall report the proposed debarment list addition to city council, and by certified motion, city council shall authorize the city manager to conduct the process for adding the vendor to the debarment list.

6.4.1.3 Once approved to do so by city council, the city manager shall mail via certified mail a notice that debarment is being considered by the city which includes a brief description of the rationale for doing so. The notice shall give the vendor twenty (20) days from the date of the notice to respond in writing to contest the proposed debarment and shall be instructed to include any information that may legitimately contest the rationale for the proposed debarment.

6.4.1.4 If no response is received within the twenty (20) calendar days, the city shall add the vendor to the debarment list.

6.4.1.5 If a response is received, it shall be evaluated, and a meeting shall be set up between the vendor, the applicable department head, and the city manager.

6.4.1.6 Based on the results of the meeting, the city manager shall recommend for or against placing the vendor on the city debarment list to the city council at the next regularly scheduled meeting. The city council shall then make the final decision by approving or rejecting the recommendation by certified motion. The final decision of council shall be communicated in writing to the vendor as well as all city department heads.

6.4.2 A vendor shall be deleted from the city debarment list only by the sole determination of the city council.

7.0 Authority

7.1 This policy was originally adopted by city council at a regular meeting on July 6, 2015. Certification of the most recently amended adoption of said policy is documented at the bottom of the policy.

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-----Employees are not responsible for information below this line.-----

8.0 References

- 8.1 The following references were utilized in preparation of this policy.
 - 8.1.1 Purchasing Policies and Procedures Manual, Oakland County, Michigan.
 - 8.1.2 Debarment Policy, Wayne State University, Detroit, Michigan.
 - 8.1.3 Michigan Public Act 167 of 1933, also known as the General Sales Tax Act.
 - 8.1.4 Sections 82 and 83 as amended by the electors, November 2, 1999, City of Center Line City Charter.

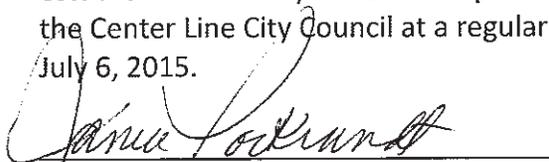
9.0 Revisions

- 9.1 This policy shall be reviewed every three years.
- 9.2 Revision history:
 - 9.2.1 First issued July 6, 2015.

Motion by: Councilperson Chakur
Supported by: Councilperson Lapham
Ayes: 5 Nays: 0

POLICY DECLARED ADOPTED

I, Janice Pockrandt, Deputy Clerk for the City of Center Line, County of Macomb, State of Michigan, do hereby certify that the attached is an exact copy of the city policy governing the establishment of city-wide and department policies adopted by the Center Line City Council at a regular meeting thereof held on July 6, 2015.



Janice Pockrandt
Deputy Clerk
City of Center Line