



## Memo

To: Honorable Mayor Armitage; City Council

From: City Manager LaPere, MPAP

Date: September 8, 2022

Re: Purchasing Ordinance and Policy

City Council has asked Administration to review the city's purchasing ordinance and policy for discussion on potential amendments. I have researched other communities of similar size to the City for comparison and have sorted this matter into three main categories for consideration. First, general process of purchasing of personal property including thresholds for various levels of approval and manner in which vendors are sought for goods/services. Second, administrative matters such as who is responsible and exemptions from processes like competitive bidding, such as professional services or emergency purchases. Finally, disposal of personal property and manner in which property is sold or deemed without value.

In accordance with our City Charter, an ordinance must be adopted outlining the procedure for purchase and sale of personal property. The Charter calls for the following items to be included in such ordinance:

- Providing for centralized purchasing
- Providing for dollar limit when purchases/sales do not require competitive bids
- Providing for dollar limit and conditions when purchases/sales do not require approval of Council, or signature of Mayor and Clerk

The City's current ordinance designates the City Clerk's office as the purchasing agent for the City. In practicality, the various department heads are involved in purchasing for their respective departments. Especially for day-to-day operating supplies, e.g. office supplies or cleaning supplies, the department heads are responsible for obtaining the lowest price and purchasing the item. Certainly, the expertise required for drafting bid specs for other items necessitates collaboration. We require competitive pricing for all purchases except for certain sole-source items, professional services, when electing to use city employees, or insurance coverage. Except where otherwise exempt, formal sealed bids are required for those at or above \$5,000 and City Council approval is required for purchases at or above \$5,000.

One reason this topic has come to the fore-front is the current threshold for projects requiring both Council approval and formal sealed bids is \$5,000. There has been informal discussion at meetings whether this amount is too low for today's market prices for goods and services. I would recommend we consider increasing the amount for sealed bids and Council approval independently as those are two separate matters which may warrant different dollar limits. When reviewing other city's purchasing thresholds, the most common limit for bids and Council approval was \$10,000, and second most common was \$5,000. Some communities had one threshold for Council approval and a higher threshold for sealed bids.

In addition to considerations on the threshold requiring sealed bids and Council approval, I would recommend amending our current ordinance language regarding the approval processes overall. I would recommend we implement a tiered approval where there are certain purchases which can be approved by Department Head, City Manager, or City Council. North Muskegon's ordinance and policy provide a good example of this methodology. The current ordinance designates all the authority to the purchasing agent, which is the City Clerk. This is impractical, as the Clerk's office does not have the staffing to conduct all purchasing activities for all departments; and infers the Clerk has authority to deny purchases, which is not consistent with the city's operational hierarchy.

Another potential area the Council may consider is a "prequalified bidder" list for certain projects. The City of Owosso has an example of such an exemption in their purchasing ordinance. This is a way to streamline the process for mid-sized projects, or smaller ongoing, irregular projects that aggregates to larger purchase over time.

With regard to disposition of personal property, our current ordinance provides for all the authority to dispose of such property to the City Clerk. We may consider addition of language requiring Department Heads to identify/designate fair market value estimates for their respective property that is no longer in use, and a threshold by which City Council must approve disposition of property if it has high value. The example from Hartland Township has some additional language that includes conflicts of interest and penalties which may be worthwhile considerations, too.

For the sale of real property, our current ordinance only references the Charter limitations on disposal of real property acquired or used by a city-owned utility (Sect 14.12); however, there are other Charter provisions which must be considered, see Sect 8.24 and Sect 15.3 (B). In addition to referencing those provisions, the City may consider whether other regulations may be warranted to protect the city's interests.

I have included a number of examples from other municipalities for Council to review for this discussion. I have also included the City's relevant Charter and Ordinance language.

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attachments