

CITY OF HUDSON
Procurement Policy
CC – 1/24/2011

A. Purpose The City of Hudson has adopted this procurement policy in order to provide City employees with uniform guidance in the purchase of supplies, equipment, services and property.

B. Goals

1. To encourage open and free competition to the greatest extent possible.
2. To make the most efficient use of federal, state and local tax dollars by paying the optimum price for the item(s) being purchased. Optimum price may or may not mean the lowest price.
3. To ensure that all purchases are made in compliance with federal, state and local laws.
4. To prevent potential waste, fraud, abuse and conflicts of interest in the procurement process.

C. Ethical Standards

1. All procurement shall comply with applicable federal, state and local laws, regulations, policies and procedures.
2. In general, employees are not to engage in any procurement related activity that would actually or potentially create a conflict of interest, or which might reasonably be expected to contribute to the appearance of such a conflict.
3. No employee shall participate in the selection, award or administration of a contract if a conflict of interest would be involved. Such a conflict would arise when the employee, any member of his immediate family, his business partner, or any organization that employs, or is about to employ, any of the above, has a financial or other interest in the firm selected for award.
4. To promote free and open competition, technical specifications shall be prepared to meet the minimum legitimate need of CITY and to the extent possible, will not exclude or discriminate against any qualified contractors.
5. Employees must maintain strict confidentiality in the procurement process and shall not impart privileged information to any contractors that would give them an advantage over other potential contractors.

D. General Policies

1. An effective system of internal controls will be maintained and monitored by the Finance Director and reviewed by the City's independent auditors annually.
2. Adequate records will be maintained to detail the history of significant procurements and a current inventory of all fixed assets will be maintained to ensure proper continuing control.

3. City should participate, when possible, in federal, state and local intergovernmental agreements for the procurement or use of common goods and services if such joint purchases are cost effective.
4. When feasible, City will use federal excess or surplus property instead of purchasing new equipment.
5. All on-going contracts or agreements for products or services will be reviewed and, if necessary, renegotiated or resubmitted to new vendors at least every five years.

E. Purchasing and Contracting Purchases of and contracts for supplies, materials, equipment and contractual services shall be based on competitive bids or quotations whenever practical subject to the following spending guidelines. The Finance Director may coordinate the purchase of like items where such purchase is beneficial and practical to the City.

1. *Purchases up to \$1000* may be made based on the best judgment of the Department making the purchase, except as section B applies. However, it is recommended to seek competition for these purchases for the lowest prices within the parameters of quality and delivery. Accordingly, whenever making a purchase under \$1000 the Department is encouraged to seek competition from as many sources as *reasonable* to assure best price and delivery.

2. *Purchases of \$1000 or more but less than \$5,000* require the solicitation of two or more quotes, which may be written or verbal, but documented in either case. When verbal quotes are received, all pertinent details of the quote should be documented in writing by the department and retained on file.

3. *Purchases of \$5,000 or more (other than Public Works Construction Projects)* require that a minimum of three written quotations be obtained through solicitation or advertisement or a combination thereof as deemed appropriate by the Department Head. Quotes shall be based on written specifications prepared by the City Department Head. If changes are made to the specifications after they have been made public, an updated specification will be provided to those who have requested specifications and be publicized in the same manner as the original specification. Written quotations shall be submitted to the City Administrator on or before the deadline stated in the specifications. The City may accept late submissions when, in its discretion, it determines it is in the best interest of the City to do so, although timeliness may be considered in evaluating the submissions. The City Administrator shall review the quotations with the Department Head. To preserve the fairness of the process, submissions shall remain confidential until the review process is completed or the matter goes to the Finance Committee and/or the Common Council. Additionally, any new contracts or agreements for services or equipment with an anticipated contract cost of \$15,000 or more require the approval of the Finance Committee and the Common Council prior to award and execution. New contracts or agreements shall be defined as those which:

- a. are for services or equipment procured on a special or one-time basis; or
- b. are *not* for the renewal or re-award of existing, previously approved and budgeted, ongoing operational requirements (i.e. existing maintenance agreements); or
- c. are not defined by either (a) or (b), but have an anticipated total contract cost in excess of \$30,000 per year.

4. *Public Works Construction Projects.* In accordance with Wisconsin Statutes §62.15, all such projects for which the cost is expected to be greater than \$25,000 must be competitively bid. The City Attorney will determine the applicability of this Statute to individual projects.

The bidding and awarding processes are detailed in Wisconsin Statutes §66.0901. All Public Works bids and staff recommendations will be submitted through the Public Works Committee and the Finance Committee for Common Council approval. Public Works construction contracts shall comply with Wis. Stat. 779.14, to the extent it applies.

F. Standard Contracts When the Finance Director has standardized the purchasing of a good or service and has issued standard purchase orders or contracts for these goods or services, such goods or services shall be purchased from the agreed upon vendor for the length of the agreement.

The standard contracts will usually be let on an annual basis. Exceptions will be made only when the requisition clearly states the reason for which the standard item is unacceptable. The standard contract will require vendors to submit an itemized statement within 90 days of delivery of a good or service.

G. Cooperative Purchasing To the extent allowed by law departments shall have authority to join with other units of government, with quasi-government agencies funded in whole or in part by the City, and with other purchasing associations in cooperative purchasing plans, when the best interest of the City would be served. Competitively bid cooperative purchasing contracts onto which the City “piggybacks” are considered to have met competitive requirements, and no additional quotes are necessary. Additionally, if identical products can be obtained at a lower price than current cooperative purchasing contracts, no additional quotes are required.

H. Emergency Purchases To the extent allowed by law, any City Department may purchase in the open market, without filing a requisition or estimate, or receiving competitive bids, any supplies, materials or equipment for immediate delivery to meet emergencies arising from unforeseen causes. The following situations constitute an emergency under this provision of the policy:

1. Any situation in which there exists immediate and substantial danger to the health, life or property of any person or any situation in which there exists potential for increased damage to City property if the situation is not immediately remedied;
2. Any situation where the normal operation of any City Department is seriously impaired or is in jeopardy of being seriously impaired; or
3. When the Mayor's Office declares an emergency.

I. Lowest Responsible Bidder and Best Value Concept

1. Generally, all open market orders or contracts shall be awarded to the lowest priced responsible bidder/offeror taking into consideration the following factors: the qualities of the articles to be supplied; conformity with specifications; product compatibility; maintenance costs; vendor support after the purchase, and delivery terms. Documentation or explanation shall be required if a contract is awarded to other than the lowest responsible bidder or offeror. This documentation will include an explanation of why it was in the City's best interest to award the contract to other than the lowest responsible bidder/offeror.

2. Local Preference. For contracts not regulated by State law, the City may, but is not required to, award a contract to a local bidder or accept a proposal that is not the lowest responsible bid, but is within 2% of the lowest responsible bid, and the City determines that the local bid is a responsible bid.

- a. Local bidder shall be defined as bidder/offeror located within the City limits.
- b. Exceptions and limitations of local preference policy. The City is not obligated to apply this local preference policy. Rather, the City reserves all rights to award contracts or accept proposals that it determines are in the best interest of the City considering experience, history, quality, service, accessibility, and other factors that reasonably relate to determining which bid, quote, or proposal is in the best interest of the City. Other situations in which this local preference policy may not apply include, but shall not be limited to: when state, federal or other regulations or restrictions do not allow it, or in situations involving emergencies, sole source purchases, and cooperative purchasing agreements.

3. If two or more qualified bids are for the same total amount or unit price, quality and service being equal, the contract shall be awarded to the local bidder. Local bidders are defined as bidders located within City limits. Where this is not practical, the contract will be awarded to one of the bidders by drawing lots in public.

4. The Finance Director with the advice of the City Attorney shall have the authority to require a performance bond or other similar instrument of surety in such amount as is reasonably necessary to protect the best interest of the City before entering into a contract.

J. Procurement of Services Whenever practical, the purchase of all services should be based on competitive bids/quotations/proposals subject to the spending guidelines noted in section E of this policy. This includes, but is not limited to, the following categories of services:

- *Professional Services*. Consulting and expert services provided by an organization or individual.
- *Contractor Services*. The furnishing of labor, time or effort by a contractor, usually not involving the delivery of specific goods or products other than those that are the end result of and incidental to the required performance.
- *Construction Services*. Services provided in the construction of roads, buildings or other facilities.
- *Technology Services*. Services provided in the design, development, installation, and/or operation or maintenance of automated computer systems, including hardware and software.

Some professional services, the value of which are substantially measured by the professional competence of the persons performing them and which are not susceptible to realistic competition by cost alone, may be granted an exception to the procurement policy by the Finance Committee. If it is estimated that the service being solicited has a total cost of over \$15,000 and the value of the service is substantially measured by the professional competence of the providers rather than cost alone, it is recommended that a Request For Proposal (RFP) or Request For Qualifications (RFQ) be used to solicit vendor responses.

K. Serial Contracting No contract or purchase shall be subdivided to avoid the requirements of this policy. Serial contracting is the practice of issuing a series of purchase orders to the same vendor for the same commodity or service in any 90-day period in order to avoid the requirements of the procurement policy.

L. Budget All purchases shall be made in accordance with the appropriations (budget) that have been approved by the Council for the operation of the respective City Departments. The responsibility for not exceeding existing appropriations rests with the Department Head making the requisitions or purchases.

M. Purchase Orders If item is greater than \$200, a Purchase Order shall be required. Purchase Orders must be approved by Department Heads. If purchase exceeds the budget, Department Head should meet with Finance Director to define a funding source or possible budget adjustment. All Purchase Orders need final approval with signatures from the Administrator/Mayor, or Finance Director.

The Finance Director shall monitor purchase procedures to ensure the procurement actions of the staff are in compliance with the above policy. If a problem arises, the Finance Director shall inform the City Administrator of the non-compliance so the appropriate action can be taken.