

VILLAGE OF MUKWONAGO PURCHASING POLICY

- I. **General.** The intent of this policy is to provide guidelines that will ensure the expenditure of public funds by all Village Departments is consistent with policies set by the Village Board. The controls and procedures are intended to provide reasonable assurance that the lowest cost, highest quality good or service is obtained, while balancing the need for flexibility in department operations.

- II. **Guidelines.** The Village reserves the right to accept the bid or quote which is most beneficial to the Village, as well as the right to reject any or all bids or quotes. The determination of the most beneficial purchase shall be recommended, as required under “**Purchasing Procedures**” described below, to the Village Board, which shall make the final determination when required. No contractual award for capital improvements over \$25,000 is final until formally approved by the Village Board. The provisions in Wisconsin Statute section 62.15 apply to procurements involving public construction and take precedence over any portion of this policy that may conflict with that statute.
 - A. Delegation of Authority. Each Department Head is authorized to delegate authority to an employee(s) of that department to make and approve purchases not exceeding \$10,000. The Department Head will need to sign off on the invoices prior to payment. The Department Head is ultimately responsible for all purchases made by employees of the department.

 - B. Planning. Each department should strive to purchase its goods and services in quantities within the foreseeable needs of the department, which maximize possible discounts. The overall plan for purchasing begins with the preparation of the Annual Budget.

 - C. Purchase in Excess of Budgeted Amount. Department Heads contemplating a purchase that will exceed an account’s budgeted amount shall ensure that provisions are made for the necessary allocation within their departmental budget prior to initiating the purchase. All expenditures which exceed the amount of the adopted budget for the department, as well as all expenditures from any contingency account shall be presented to the Finance Committee for recommendation to the Village Board for approval.

 - D. Quality. Quality and service are just as important as price. It is the duty of each department to secure the best quality for the purpose intended. Quality buying is the buying of goods and services that will meet, but not exceed, the requirements for which they are intended. The primary consideration may be durability, or it may be a question of immediate availability, ease of installation, frequency of repair or efficiency of operation. It is the responsibility of each Department Head to become familiar with available equipment to determine the appropriate quality required.

 - E. Sales Tax. The Village is exempt from paying all local and state sales taxes or Federal Excise taxes. The Clerk/Treasurer's Office can provide necessary exemption documents to vendors upon request.

 - F. Endorsements. Neither the Village's name nor any employee's name or position is to be used to endorse or support a product or vendor, unless specifically authorized by the Village Board.

G. Ethics Laws. Public officials and employees of the Village shall comply with all federal, state and Village ethics laws regarding conflict of interest as well as ethics regarding all purchase decisions.

III. Purchasing Procedures. The following procedures are established to regulate the degree of formality to be followed in the purchase of goods and services, depending on the costs of the items to be purchased. Exceptions to these procedures are noted under the “**Special Requirements**” section of this policy. Good documentation to ensure that all vendors are treated fairly is in the Village's best interest. **All purchasing scenarios described in this policy assume the funds are available within the department's budget. Capital Equipment/Improvement Projects exceeding \$30,000 in value must be preapproved in the Village's Capital plan and Annual Budget processes.**

A. Purchases under \$10,000. Department Heads are authorized for any purchase under \$10,000. The Department Head need not secure the approval of the Finance Director to make purchases in this price range. It is the responsibility of each Department Head to ensure control over this segment of the purchasing process. Department Heads may designate employees the authority to make purchases; and shall provide internal controls to ensure that all purchases are for legitimate public purposes.

B. Purchases from \$10,000 to \$30,000. The Finance Director or Village Administrator is authorized to approve any purchase in the amount of \$10,000 to \$30,000 if the service, materials, or supplies were included as part of the Department's authorized budget. Prior to securing goods or services in that range, the Department Head must obtain three (3) or more written quotes from qualified vendors, suppliers, or contractors. Documentation will be maintained with the Accounts Payable record for the purchase which specifies all vendors contacted, their respective contact information, quoted prices and terms, or an indication of their decision not to quote. If departments are unable to secure three (3) written quotations, an explanation why less than three (3) qualified vendors were available must be noted. The requirement for 3 written quotes may be waived if the item or service can be purchased through a Cooperative Purchasing Program, which should be noted on the paperwork.

C. Purchases in Excess of \$30,000

1. Services. Departments anticipating the purchase of services exceeding \$30,000 in value shall prepare specifications or requirements, as appropriate, to meet the Village's needs. The specifications or requirements shall be forwarded to the Finance Director for review, comment, and recommendation. Upon the Finance Director's recommendation, the Department Head can either prepare a Request for Proposal (RFP) as outlined under “**Special Requirements - Professional Services**” or obtain quotes as outlined in the “**Purchases from \$10,000 to \$30,000**” section. Services purchased in this category must be presented to the Finance/Public Works Committee for recommendation to the Village Board for approval.
2. Equipment. Departments anticipating the budgeted purchase of equipment exceeding \$25,000 in value shall prepare specifications or requirements, as appropriate, to meet the Village's needs. The specifications or requirements shall be forwarded to the Finance Director for review, comment, and recommendation. Upon the Finance Director's approval, the Department Head can either

obtain quotes as outlined in the **“Purchases from \$10,000 to \$30,000”** section or, prepare a bid package, as outlined in the **“Capital Improvements and Construction Projects”** section. Equipment purchases in this category must be presented to the Finance/Public Works Committee for recommendation to the Village Board for approval.

3. Capital Improvements and Construction Projects. For capital improvements and construction projects exceeding \$25,000 in value, Departments shall prepare specifications based upon standards appropriate to meet the Village’s needs. Specifications shall be forwarded to the Village Administrator for review, comment, and recommendation. Upon the Village Administrator’s recommendation, the Department Head will then prepare the necessary bid package, public notices, and advertisements to meet the Village purchasing policy and will also send invitations to bid to qualified vendors. A bid packet containing an invitation to bid, specifications, and general bid documents will be sent to qualified vendors as well as those that respond to the legal notice.

After the bids are publicly opened, they will be turned over to the Departments for review. The Department will prepare a Bid Tabulation Report and draft a memorandum to the Village Administrator, which will include the Department’s recommendation for the bid award. The recommendation made by the Village Administrator shall include the acknowledgment that funds are available, as well as the signature of the Department Head who is seeking the expenditure.

The award will normally be made to the low bidder meeting specifications. There may be instances, however, when the low bid is not in the best interest of the Village. In these cases, it is incumbent upon the Department to thoroughly document reasons why the low bid should not be selected.

The award for public works contracts in excess of \$25,000 will be made to the lowest responsive, responsible bidder meeting specifications as per State Statutes. Questions regarding the Statute(s) and which projects apply should be directed to the Village Attorney.

The Village reserves the right to select or reject a vendor based upon the best interests of the Village, including but not limited to past service or experience with the vendor.

D. Approval of Change Orders on Construction Projects

- a. On construction projects with a contingency included in the approved contract amount, the Finance Director or Village Administrator is authorized to approve change orders of \$50,000 or less, as long as the cumulative/aggregate change order total does not exceed 50% of the established contingency and the Village Engineer (if involved in the project) concurs with the change order(s). The Finance Committee Chair is to be notified via email when these change orders are signed and the change orders will be placed on the next Village Board or Committee of the Whole agenda for information purposes only.
 - i. For example, if a \$4.4M project includes a \$400,000 contingency, cumulative change orders up to \$200,000 could be approved by the Finance Director or Village Administrator provided none of the individual change orders exceeded \$50,000

- ii. In an example of a \$880,000 project with an \$80,000 contingency, only \$40,000 in cumulative change orders could be approved by the Finance Director or Village Administrator.
 - b. On construction projects without an established contingency in the approved contract amount, the Finance Director or Village Administrator is authorized to approve change orders up to 5% of the contract amount if the Village Engineer (if involved in the project) concurs with the change order.
 - c. The Village Board, at its discretion, can authorize the Finance Director or Village Administrator to approve change orders up to a specified percentage of the total contract amount.
- E. Change orders that are over the limits described for authorization by the Finance Director or Village Administrator can be approved by the Public Works Committee Chairperson prior to formal Village Board approval to avoid delays in the project timeline.
- F. Village Administrator is authorized to initiate work change directives based on pending change orders that have been reviewed by the Village Engineer and the Chair of Public Works.

IV. Special Requirements. Occasionally the Village may need to purchase goods or services under circumstances which do not clearly fit the patterns of normal public procurement and for which normal competitive shopping procedures do not apply.

- A. Sole Source. In the event there is only one vendor capable of providing a particular good or service, then the competitive shopping procedures outlined in this policy may be waived by the Finance Director. When a Department determines that goods or services must be purchased from a "sole source vendor", e.g., computers and related equipment and software, the Department Head shall document why only one company or individual can provide the goods or services required. The documentation shall be attached to the payment authorization and submitted electronically through Accounts Payable to the Finance Director for approval.
- B. Special Exception. Exceptions to the procedures outlined, above, under Purchasing Procedures, are granted for the following purchases:
 - 1. Internal financial operations such as payroll;
 - 2. Fund to fund transfers;
 - 3. Utility payments;
 - 4. Multi-year service contracts
 - 5. Bond payments and such other similar obligations of the Village; and,
 - 6. Salt, gasoline, crushed stone, office supplies (including recurring office forms and paper products), polymers, vehicle/equipment related parts and repairs such as, engine and transmission parts, hydraulic pumps and rams, tires, rebuilding services, annual maintenance contracts and all other recurring expenses needed in the usual and ordinary operation of the Village government and its departments in a sum not to exceed the budgeted amount.
- C. Cooperative Purchasing Programs. Departments are encouraged to use cooperative purchasing programs sponsored by the State or other jurisdictions. Such programs prove advantageous by

relieving department personnel of the paper work necessary to document the purchase and by taking advantage of large quantity purchases made by such cooperatives.

- D. Professional Services. Normal competitive procedures cannot be utilized in securing professional services from attorneys, engineers, accountants, planners, and other professional people who, in keeping with the standards of their discipline, will not enter into a competitive bidding process. A Request for Proposal (RFP), while not always required to secure professional services, e.g., bond counsel, may be made upon the direction and at the discretion of the Village Administrator, the Finance/Public Works Committee and/or majority of the Village Board.

A Request for Proposal can be prepared much the same way as specifications including requirements and minimum standards for the services to be provided. Such RFPs shall be submitted to the Village Administrator for review and approval prior to distribution. When an RFP for professional services has been approved, a limited number of qualified professionals known to the Village will be invited to submit a proposal setting forth their interest, qualifications and how they can meet the Village's needs. In securing professional services it is the primary goal of the Village to obtain the services of a professional who has a proven record of providing those services. A contract will then be negotiated with the professional deemed to best meet the Village's needs.

- E. Emergency Purchases. The procedures in this policy may be waived under emergency conditions when a delay may threaten the basic mission of a department. Emergency conditions are generally unforeseen circumstances, e.g., natural disasters or major mechanical equipment failures, wherein prompt corrective action is absolutely necessary. Occasionally equipment will require emergency repairs or other circumstances will necessitate emergency corrective action which cannot wait for compliance with this policy. In the event the emergency expenditure substantially exceeds \$25,000 and is a project that would normally require competitive bidding, the Village Board would need to make a finding that an emergency exists following the process in Wis. Stat. Sec. 62.15(b). In any emergency situation, Department Heads are required to notify the Village Administrator or Village President as quickly as possible.
- F. Petty Cash Accounts. Very often there is a need for immediate availability of funds. Petty Cash Funds may be used to avoid the time and expense of issuing payment authorizations for items totaling less than \$50. Petty Cash Receipts are to be maintained by the person responsible for the fund in certain departments and shall include: the amount, description of item, budget account number, and signatures of the persons receiving the funds and person issuing the funds. Individual receipts should be summarized on a monthly basis and presented to the Clerk/Treasurer's office that will then authorize a check to be issued to reimburse the Petty Cash Funds. The Finance Director may conduct unannounced audits of petty cash funds to assure the monies are being properly accounted for. The use of petty cash funds for personal use, even for very short periods of time, is prohibited and may be grounds for disciplinary action.

- V. **Preparing Specifications**. When goods or services are purchased consistent with the competitive processes outlined in this policy, specifications (specs) must be prepared which will meet the following goals:

- Identify minimum requirements;
 - Allow for a competitive bid or quote, when possible;
 - Be capable of objective review; and
 - Provide for an equitable award at the lowest possible cost.
- A. General Guidelines. Specs should be kept as simple as possible while still maintaining the exactness required to keep bidders from utilizing loopholes to avoid providing the quality desired or to take advantage of their competitors. To promote competition, specs should be written in clear simple language, free of vague terms or those subject to variations of interpretation.

If the specs include optional goods or services, these options must be separately identified so that the base cost can be clearly identified compared to the cost of the option(s). If options are included, the Bid Tabulation Report shall identify the different costs of the options.

- B. Types of Specifications. Specifications need to be structured to protect the integrity of the purchasing system and to ensure that the needs of the Village are met. Methods of structuring specs include:
1. Qualified Products or Acceptable Brands List. These lists are developed where it is not possible to write specs adequate to identify the quality and performance required, or when tests necessary to determine compliance with technical specs are lengthy, costly, or require complicated technical equipment.
 2. Specification by Brand or Trade Name. Brand or trade names should be used where brand name products have been found to be superior to others for the purpose intended or when their composition is secret, unknown or patented. The use of brand names establishes a quality standard but is not intended to eliminate or limit competition. When this method is used the specs shall provide for bidding of competitive or equal grades. It is incumbent on a vendor who bids on goods of supposed equal quality to document that the goods and services are, in fact, of equal quality.
 3. Specifications by Blueprint or Dimension Sheet. Specs of construction projects shall be written to reference the blueprints or dimension sheets prepared by the engineer or architect.
 4. Specifications by Performance, Purpose or Use. Specs which include a set of performance criteria will provide flexibility for vendors to design products or programs specifically aimed at meeting the standards the Village has established. These types of specs usually generate a great deal of competition since they allow vendors to exercise some creativity in the process. Bottom line or minimum standards must be included in the specs to ensure that the Village's expectations are met.
 5. Specifications by Industry Standards. Specs will often refer to industry-wide standards or standards set by other public jurisdictions. Lumber grading, standards set by asphalt or concrete industries, or referencing standard specs of the State Department of Transportation of other State of Federal agencies are typical examples.

6. Specifications by Samples. A sample is a good way to make requirements perfectly clear. Printing bids, where artwork or existing forms would be utilized is an example. Departments utilizing samples shall ensure that adequate supplies of the samples are made available so that originals can be sent with all bid invitations.