

CITY OF ALPENA

COUNCIL POLICY STATEMENT

General Subject:	FINANCE	Policy No.	<u>18</u>
Specific Subject:	POLICY FOR PURCHASES AND SALES	Date Issued	<u>01-04-94</u>
		Effective Date	<u>01-04-94</u>
		Revised Date	<u>08-07-95</u>
		Revised Date	<u>06-07-99</u>
		Revised Date	<u>06-04-01</u>
		Revised Date	<u>02-02-04</u>
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		Revised Date	<u>02-16-09</u>
		Revised Date	<u>10-05-09</u>
		Revised Date	<u>03-05-12</u>
		Revised Date	<u>03-07-16</u>

Copies to: City Council, City Manager, City Attorney, City Clerk/Treasurer/Finance Director, DDA, Department Heads, SUEZ, File

PURPOSE:

The purpose of this Council Policy Statement (CPS) is to provide for the fair and equitable treatment of all persons involved in public purchases and sales by the City, to maximize the purchasing value of public funds in procurement, to maximize the income to the City for sales of property, to provide safeguards for maintaining a procurement system of quality and integrity, and to be consistent with Section 7.11 (Purchasing Agent) of the City Charter.

APPLICATION:

This policy applies to sales and to contracts for procurement of equipment, supplies, services, and construction entered into by the City after the effective date of the CPS. Nothing in this CPS shall prevent the City from complying with the terms and conditions of any grant, gift, or bequest that is otherwise consistent with law. Nothing in this CPS shall affect any existing contract, procurement, retainer agreement, etc., or require the same to be modified or terminated.

The City Clerk/Treasurer/Finance Director and the City Manager's authorization is needed to solicit bids or quotes for all activities or projects of \$10,000 or less.

Municipal Council authorization is needed to solicit for bids or quotes for procurements in excess of \$10,000 that are not identified in the City budget.

If no bids are received after using due diligence in the bidding process, the City Manager and City Clerk/Treasurer/Finance Director shall be authorized to seek alternative bidding methods.

Individual Departments shall be responsible for determining and requiring American-made products where applicable.

1. PURCHASING

A. Methods of Source Selection

1) QUOTATION AND SMALL PURCHASES

- a) General Any contract not exceeding \$10,000 may be made in accordance with the quotation and small purchase procedures authorized in this section. Contract requirements shall not be artificially divided so as to constitute a small purchase under this section. Preference may be given to businesses located within the City of Alpena for small purchases if the prices are within 5%.
- b) All purchases exceeding \$500 must solicit three quotes, written or documented oral quotes (per City Charter).
- c) Purchase Orders between \$3,000 and \$10,000 - No less than three businesses shall be solicited to submit written or oral quotations that are recorded and attached to the purchase order. Award shall be made by the City Clerk/Treasurer/Finance Director to the business offering the lowest acceptable quotation prior to being purchased. Awards for capital outlay projects not identified in the City Budget shall be made by the Municipal Council. For routine purchases or purchases for which the City Clerk/Treasurer/Finance Director and the affected Department Head are aware of the potential bidders, published or broadcast public notice is not required; however, potential bidders shall be given a set amount of time as determined reasonable by the Department Head to respond to a request for a quote but a minimum of three calendar days.

For non-routine purchases for which the City Clerk/Treasurer/Finance Director and the affected Department Head are not aware of the potential bidders, adequate public notice of the request for quotations shall be given a reasonable time, not less than seven calendar days prior to the day set forth therein for the granting of quotations.

“The City reserves the right to reject any and all quotations and to waive irregularities in quotations and to accept any quotations which in the opinion of the City Manager and City Clerk/Treasurer/Finance Director (or City Council) may be most advantageous to the City of Alpena in accordance with the City’s “Award Process.”

- d) Small Purchases of Professional Services and Architect-Engineer and Land Surveying Services If it is expected that the above-mentioned professional services can be procured between \$3,000 and \$10,000, the methods specified in this section may be used. A statement of qualifications may be requested if necessary.

2) COMPETITIVE SEALED BIDDING

- a) Conditions for Use All contracts of the City in excess of \$10,000 shall be awarded by competitive sealed bidding except as provided in the following sections of this policy:

Competitive Sealed Proposals
Professional Services
Sole Source Procurements
Emergency Procurements
State Purchasing Program

No sealed bids will be accepted by fax or e-mail.

- b) Request for Bids. A request for bids shall be issued and shall include specifications, and all contractual terms and conditions applicable to the procurement.
- c) Public Notice. All Public Notices shall be approved and signed by the City Clerk/Treasurer/Finance Director or his/her designee prior to being posted, published, broadcast, or mailed. Adequate public notice of the request for bids shall be given a reasonable time, not less than 10 calendar days prior to the day set forth therein, for the opening of bids. Such notice shall be published or broadcast as a Public Notice at least once. All departments will maintain a vendor list and copies of public notices will be sent to eligible vendors. Such public notice shall be titled "Request for Bids," and shall include the place, date, and time of the bid opening; a short description of the bid procurement; where the specifications may be obtained; a note to bidders to mark their sealed bid envelopes as follows: "SEALED BID – NAME OF PROCUREMENT – DATE OF BID OPENING"; and the following statement:

The City reserves the right to reject any and all bids and to waive irregularities in bids and to accept any bids which in the opinion of the City Council may be most advantageous to the City of Alpena in accordance with paragraph (e) below and/or the City's "Award Process," paragraph (f), and/or paragraph (g) as determined in advance by the City Manager and City Clerk/Treasurer/Finance Director.

Such public notice shall also be posted on the Public Bulletin Board at City Hall.

- d) Bid Opening. Bids shall be opened publicly by the City Clerk/Treasurer/Finance Director or Deputy City Clerk/Treasurer/Finance Director or their designee in the presence of one or more witnesses (preferably from the initiating department) at the time and place designated in the request for bids. The amount of each bid, and such other relevant information as the City Clerk/Treasurer/Finance Director deems appropriate, together with the name of each bidder shall be recorded; the record of each bid shall be open to public inspection. During the period of evaluation, processing of bids and accompanying information is limited to personnel responsible for participating in the evaluation. Vendors are not allowed to participate in the evaluation or be furnished information on the status of the bid evaluation. The bids themselves will be made publicly available after the award.
- e) Bid Acceptance and Bid Evaluation Bids shall be unconditionally accepted without alteration or correction except as authorized in this CPS. Bids shall be evaluated based on the requirements set forth in the invitation for bids, which may include criteria to determine acceptability such as inspection, testing, quality, workmanship, delivery, and suitability for a particular purpose. Those criteria that will affect the bid price and be considered in evaluation for award shall be objectively measurable, such as discounts, transportation costs, and total or life cycle costs. The request for bids shall set forth the evaluation criteria to be used. **No criteria may be used in bid evaluations that are not set forth in the invitation for bids.**

The Department Head responsible for the proposed requisition shall provide a written memo to the City Clerk/Treasurer/Finance Director reviewing the bids and recommending an award of the contract or procurement.

- f) 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 mistake, may be permitted where appropriate. Mistakes discovered before bid opening may be modified or withdrawn by written or electronic notice received in the office designated in the invitation for bids prior to the time set for bid opening. After bid opening, corrections in bids shall be permitted only to the extent that the bidder can show by clear and convincing evidence that a mistake was made, the nature of the mistake, and the bid price actually intended. After bid opening, no changes in bid prices or other provisions of bids prejudicial to the interest of the City or fair competition shall be permitted. In lieu of bid correction, a low bidder alleging a material mistake of fact may be permitted to withdraw its bid if:
- (1) the mistake is clearly evident on the face of the bid document but the intended correct bid is not similarly evident; or

- (2) the bidder submits evidence which clearly and convincingly demonstrates that a mistake was made. All decisions to permit the correction or withdrawal of bids, or that cancel awards or contracts based on bid mistakes, shall be supported by a written determination made by the City Clerk/Treasurer/Finance Director.

g) Award Process – Contractor Services

Responses to this request for sealed bids will be evaluated based upon the bidder's current ability to provide the highest level of service and quality product that meets the requirements and goals of this request for sealed bids and is in the best interest of the City.

- (1) Evaluation All bidders must submit either a completed "Contractor's Qualification Statement" included at the end of this package or have submitted a Contractor's Qualification Statement within the past three years. If three or more years have passed since the submission of a Contractor's Qualification Statement or a bid the contractor shall submit a Statement with this bid package. The cover sheet and Sections 1 through 4 and Section 6 MUST be completed in their entirety. Section 5 "Financing" need only be submitted upon request of the City of Alpena. This document will be used in evaluating your request for sealed bid response. Failure to provide this information shall make the bid ineligible.

Bidders shall also submit unit cost and/or total project cost on the prepared bid forms included.

- (2) Past Performance The City of Alpena reserves the right to evaluate the bidder's prior performance with the City of Alpena, and the prior performance information may be a factor in the award decision.
- (3) Financial Stability In making an award decision, the City of Alpena reserves the right to evaluate the financial stability of any bidder. The City of Alpena may seek financial information from the bidder via the "Financing" section of the "Contractor's Qualification Statement." If the City of Alpena determines in its sole discretion that contracting with a bidder presents an unacceptable risk to the City of Alpena, the City of Alpena reserves the right to not award a contract to that bidder.
- (4) Additional Steps The City of Alpena, at its option, may engage other processes in order to make a final award decision:
 - (a) Clarifications
If it is determined to be in the best interest of the City of Alpena and/or if a bid is unclear, the City of Alpena may

request a clarification from one or all bidders. The City of Alpena will document, in writing, the clarification being requested and forward to the bidders affected. **This process does not allow for changes, rather to simply clarify the bid submitted.**

(b) Site Visit

The City of Alpena may conduct a site visit to tour and inspect the bidder's facilities. The City of Alpena will schedule these visits if required.

(c) Pricing Negotiations

If it is determined that the pricing offered by bidders exceeds the budget or the cost expectation for the bid, the City of Alpena may enter into negotiations with the bidders on **pricing only**. No modification to the technical requirements or specifications will be allowed. If once a recommendation is made to award to a bidder, the City of Alpena, at its discretion, may engage in further pricing negotiations with the recommended bidder.

- (5) Method of Award - Award will be made to the responsive and responsible bidder who offers the best value to the City of Alpena. Best Value is determined by the bidder offering the best combination of the factors stated above under Bid Acceptance and Bid Evaluation.

The City of Alpena reserves the right to award by item, part or portion of an item, group of items, or total bid to one or more bidders. If so, this will be a factor in the final award recommendation. The City of Alpena further reserves the right to reject any or all bids in whole or in part, and to waive any informality or technical defects, if it is determined by the City of Alpena that the best interest of the City of Alpena will be served by doing so. In determining an award, qualifications of the bidder, conformity with specification of goods and/or services to be supplied, cost, delivery terms, and a bidder's past performance on City of Alpena contracts will be considered. Bidders in violation of City Ordinance at the time of the bid opening may be considered ineligible to contract with the City or the bid may be rejected entirely.

h) Award Process - **Equipment and Materials**

Reoccurring equipment and materials can be awarded through the purchase order process. Award will be made to the responsive bidder who offers the best value to the City of Alpena. Best value is determined by the bidder offering the best combination of the factors stated above in Bid Acceptance and Bid Selection. The City reserves the right to award

by item, part or portion of an item, group of items, region, or total bid. If so, this will be a factor in the final award recommendation. In the event the low responsive and responsible bid for a construction project exceeds available funds, the City Clerk/Treasurer/Finance Director or City staff under the direction of the City Clerk/Treasurer/Finance Director is authorized, when time or economic considerations preclude re-solicitation of work of a reduced scope, to negotiate an adjustment of the bid price with the low responsive and responsible bidder in order to bring the bid within the amount of available funds. Any such negotiated adjustment shall be based only upon eliminating independent deductive items specified in the request for bids and must be approved by the City Clerk/Treasurer/Finance Director or City Manager.

The City reserves the right not to award a contract to any individual, organization, contractor, or subcontractor who has filed any lawsuits or requested arbitration with regard to construction contracts within 5 years prior to the bid.

3) COMPETITIVE SEALED PROPOSAL

- a) Conditions for Use When the City Clerk/Treasurer/Finance Director determines in writing that the use of competitive sealed bid is either not practicable or not advantageous to the City, a contract may be entered into by use of the competitive sealed proposal method (for procurements in excess of \$10,000).

No sealed bid proposals will be accepted by fax or e-mail.

- b) Request for Proposals Bids shall be solicited through a request for proposals.
- c) Public Notice Adequate public notice of the request for proposals shall be given in the same manner as provided on page 3, Item 2 A (c) under “Competitive Sealed Bidding, Public Notice”; provided the minimum time shall be 10 calendar days.
- d) Receipt of Proposals - No proposals shall be handled so as to permit disclosure of the identity of any offeror or the contents of any proposal to competing offerors during the process of negotiation. A register of proposals shall be prepared containing the name of each offeror, the number of modifications received, if any, and a description sufficient to identify the item offered. The register of proposals shall be open for public inspection only after contract award.
- e) Evaluation Factors - The request for proposals shall state the relative importance of price and other evaluation factors.

- f) Discussion with Responsible Offerors and Revisions to Proposals - As provided in the request for proposals, discussions may be conducted with responsible offerors who submit proposals determined to be reasonably susceptible of being selected for award for the purpose of clarification to assure full understanding of and conformance to the solicitation requirements. Offerors 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.

The Department Head responsible for the request for proposal shall provide a written memo to the City Clerk/Treasurer/Finance Director reviewing the proposals and recommending award of the contract.

- g) Award Process – Contractor Services
- Responses to this request for sealed proposals will be evaluated based upon the bidder's current ability to provide the highest level of service and quality product that meets the requirements and goals of this request for sealed proposals and is in the best interest of the City.
- (1) Evaluation All bidders must submit either a completed "Contractor's Qualification Statement" included at the end of this package or have submitted a Contractor's Qualification Statement within the past three years. If three or more years have passed since the submission of a Contractor's Qualification Statement or a bid the contractor shall submit a Statement with this bid package. The cover sheet and Sections 1 through 4 and Section 6 MUST be completed in their entirety. Section 5 "Financing" need only be submitted upon request of the City of Alpena. This document will be used in evaluating your request for sealed proposals response. Failure to provide this information shall make the bid ineligible. Bidders shall also submit unit cost and/or total project cost on the prepared proposal forms included.
 - (2) Past Performance The City of Alpena reserves the right to evaluate the bidder's prior performance with the City of Alpena, and the prior performance information may be a factor in the award decision.
 - (3) Financial Stability In making an award decision, the City of Alpena reserves the right to evaluate the financial stability of any bidder. The City of Alpena may seek financial information from the bidder via the "Financing" section of the "Contractor's Qualification Statement." If the City of Alpena determines in its sole discretion that contracting with a bidder presents an unacceptable risk to the City of Alpena, the City of Alpena reserves the right to not award a contract to that bidder.

- (4) Additional Steps The City of Alpena, at its option, may engage other processes in order to make a final award decision:
- (a) Clarifications
If it is determined to be in the best interest of the City of Alpena and/or if a proposal is unclear, the City of Alpena may request a clarification from one or all bidders. The City of Alpena will document, in writing, the clarification being requested and forward to the bidders affected. **This process does not allow for changes, rather to simply clarify the bid submitted.**
 - (b) Site Visit
The City of Alpena may conduct a site visit to tour and inspect the bidder's facilities. The City of Alpena will schedule these visits, if required.
 - (c) Pricing Negotiations
If it is determined that the pricing offered by bidders exceeds the budget or the cost expectation for the proposal, the City of Alpena may enter into negotiations with the bidders on **pricing only**. No modification to the technical requirements or specifications will be allowed. If once a recommendation is made to award to a bidder, the City of Alpena, at its discretion, may engage in further pricing negotiations with the recommended bidder.
- (5) Method of Award- Award will be made to the responsive and responsible bidder who offers the best value to the City of Alpena. Best Value is determined by the bidder offering the best combination of the factors stated above.

The City of Alpena reserves the right to award by item, part or portion of an item, group of items, or total bid to one or more bidders. If so, this will be a factor in the final award recommendation. The City of Alpena further reserves the right to reject any or all bids in whole or in part, and to waive any informality or technical defects, if it is determined by the City of Alpena that the best interest of the City of Alpena will be served by doing so. In determining an award, qualifications of the bidder, conformity with specification of goods and/or services to be supplied, cost, delivery terms, and a bidder's past performance on City of Alpena contracts will be considered. Bidders in violation of City Ordinance at the time of the bid opening may be considered ineligible to contract with the City or the bid may be rejected entirely.

(6) **Award Process - Equipment and Materials**

Reoccurring equipment and materials can be awarded through the purchase order process. Award will be made to the responsive bidder who offers the best value to the City of Alpena. Best value is determined by the bidder offering the best combination of the factors stated above in (5) Bid Acceptance and Bid Selection. The City reserves the right to award by item, part or portion of an item, group of items, region, or total bid. If so, this will be a factor in the final award recommendation. In the event the low responsive and responsible bid for a construction project exceeds available funds, the City Clerk/Treasurer/Finance Director or City staff under the direction of the City Clerk/Treasurer/Finance Director is authorized, when time or economic considerations preclude re-solicitation of work of a reduced scope, to negotiate an adjustment of the bid price with the low responsive and responsible bidder in order to bring the bid within the amount of available funds. Any such negotiated adjustment shall be based only upon eliminating independent deductive items specified in the request for bids and must be approved by the City Clerk/Treasurer/Finance Director or City Manager.

The City reserves the right not to award a contract to any individual, organization, contractor, or subcontractor who has filed any lawsuits or requested arbitration with regard to construction contracts within 5 years prior to the bid.

4) **CONTRACTING FOR DESIGNATED PROFESSIONAL SERVICES**

- a) Authority For the purpose of procuring professional services as defined as professional under the regulations of the Department of Commerce implementing Title VI of the Civil Rights Act [this is the definition used by the City for its various Civil Rights Reports], except the services of architects, engineers, and land surveyors; any department requiring such services may procure them in accordance with the selection procedures specified in this section. A Department Head procuring such services shall consult with the City Manager. No contract for the services of legal counsel may be awarded without the approval of Municipal Council. It is intended that the types of services may be procured on a “retained” basis as well as for a particular project.

Those services where the City pays annual dues such as NEMCOG and the MML, will be used when advantageous to the City.

b) Selection Procedure

- (1) Conditions for Use Except as provided under Sole Source Procurement or Emergency Procurements, the professional services shall be procured in accordance with this subsection (for procurements in excess of \$10,000).
- (2) Statement of Qualifications Persons engaged in providing the designated types of professional services may submit statements of qualifications and expressions of interest in providing such professional services. A department using such professional services may specify a uniform format for statements of qualifications. Persons may amend these statements at any time by filing a new statement.
- (3) Public Announcement and Form of Request for Proposal Adequate notice of the need for such services shall be given by the department requiring the services through a request for proposals.. The request for proposal shall describe the services required, list the types of information and data required of each offeror, and state the relative importance of particular qualifications and cost per RFP
- (4) Discussions The Department Head procuring the required professional services or a designee of such officer will review all proposals submitted and determine such offeror's qualifications for further consideration. The proposal will be narrowed down to those the Department will interview. Candidates will be ranked based on their written proposal cost and interview.
- (5) Award Staff will present their recommendation to Council. Award shall be made by the Municipal Council to the offeror determined to be best qualified based on the evaluation factors set forth in the request for bids and interviews.

5) QUALIFICATION-BASED SELECTION PROCESS (RFQP)

- a) Public Announcement - It is the policy of the City to announce publicly all requirements for architect-engineer and land surveying services. In the procurement of architect-engineer and land surveying services, the Department Head shall request firms to submit a statement of qualifications, performance data, and cost.
- b) Selection Process - The Department Head in need of the architect-engineer or land surveying services will review all qualifications and proposals and shall select from among them no less than three of the firms deemed most qualified to provide the required services. The

selection shall be made in order of preference based on criteria established in the RFQP by the Department Head.

- c) Contracts above \$10,000 shall be awarded by the Municipal Council.

6) SOLE SOURCE PROCUREMENTS

- a) Application - The provisions of this section apply to all sole source procurements unless emergency conditions exist as defined in Emergency Procurements of this Policy.
- b) Conditions for Use - Sole source procurement is not permissible unless the product or service is available from only a single supplier. A requirement for a particular proprietary item does not justify a sole source procurement if there is more than one potential bidder or offeror for that item. The following are examples of circumstances which could necessitate sole source procurement:
- (1) where the compatibility of equipment, accessories, or replacement parts is the paramount consideration;
 - (2) where a sole supplier's item is needed for trial use or testing;
 - (3) where public utility services are to be procured.

The determination as to whether a procurement shall be made as a sole source shall be made by the Municipal Council for those purchases above \$10,000 and by the City Manager and City Clerk/Treasurer/Finance Director for other purchases. Any Department Head requesting a sole source procurement shall provide a written explanation as to why no other will be suitable or acceptable to meet the need.

7) EMERGENCY PROCUREMENTS

Notwithstanding any other provisions of this policy, the City Manager and City Clerk/Treasurer/Finance Director may make or authorize others to make emergency procurements of supplies, services, or construction items when it **significantly impedes operations of the City**; provided that such emergency procurements shall be made with such competition as is practicable under the circumstances. A written determination of the basis for the emergency and for the selection of the particular contractor shall be included in the contract file. As soon as practicable, a record of each emergency procurement shall be made and shall set forth the contractor's name, the amount and type of the contract, a listing of the item(s) procured under the contract, and the identification number of the contract file.

8) STATE PURCHASING PROGRAM

- a) Application - The City shall maintain its membership in the State of Michigan's Extended Purchasing Program and will comply with all of the program's rules and regulations.
- b) Conditions for Use - All purchases made through the State Purchasing Program shall be considered to have fully complied with this policy. The City Manager and City Clerk/Treasurer/Finance Director shall approve all state purchases except for those capital outlay purchases not identified in the City Budget.

9) CHANGE ORDERS

- a) Required Submission Relating to Change Orders or Contract Modifications - A contractor shall submit cost or pricing data prior to the pricing of any change order or contract modification, including adjustments to contracts awarded by competitive sealed bidding.
- b) Certification Required - A contractor, actual or prospective, required to submit cost or pricing data in accordance with this section, shall certify that, to the best of its knowledge and belief, the cost or pricing data submitted was accurate, complete, and current as of a mutually specified date prior to the award of the contract or the pricing of the change order or contract modification.
- c) Price Adjustment Provision Required - Any contract award, change order, or contract modification under which the submission and certification of cost or pricing data are required shall contain a provision stating that the price to the City, including profit or fee, shall be adjusted to exclude any significant sums by which the City finds that such price was increased because the contractor-furnished cost or pricing data was inaccurate, incomplete, or not current as of the date agreed upon between the City and the contractor.
- d) Award - Change Orders above \$10,000 shall be approved by the Municipal Council. Change Orders under \$10,000 shall be approved by the City Manager and City Clerk/Treasurer/Finance Director.

10) BID SECURITY AND PERFORMANCE BONDS

- a) Requirement for Bid Security - Bid security shall be required for all competitive sealed bidding for construction contracts when the price is estimated by the purchasing agent to exceed \$35,000. Bid security shall be a bond provided by a surety company authorized to do business in the state, or the equivalent in cash, or otherwise supplied in a form satisfactory to the City. Nothing herein shall prevent the requirement of

such bonds on construction contracts under \$35,000 when the circumstances warrant.

- b) Amount of Bid Security Bid security shall be in an amount equal to at least 5% of the amount of the bid.
- c) Rejection of Bids for Noncompliance with Bid Security Requirements When the invitation for bids requires security, noncompliance requires that the bid be rejected unless it is determined that the bid fails to comply only in a non-substantial manner with the security requirements.
- d) Withdrawal of Bids If a bidder is permitted to withdraw its bid before award as provided in Section 2 (Competitive Sealed Bidding; Correction or Withdrawal of Bids), no action shall be had against the bidder or the bid security.
- e) When Required – Amounts - When a construction contract is awarded in excess of \$35,000, the following bonds or security shall be delivered to the City and shall become binding on the parties upon the execution of the contract:
 - (1) a performance bond satisfactory to the City, executed by a surety company authorized to do business in the state or otherwise secured in a manner satisfactory to the City, in an amount equal to 100% of the price specified in the contract; and
 - (2) a payment bond satisfactory to the City, executed by a surety company authorized to do business in the state or otherwise secured in a manner satisfactory to the City for the protection of all persons supplying labor and material to the contractor or its subcontractors for the performance of the work provided for in the contract. The bond shall be in an amount equal to 100% of the price specified in the contract.
- f) Authority to Require Additional Bonds - Nothing in this section shall be construed to limit the authority of the City to require a performance bond or other security in addition to those bonds, or in circumstance other than specified in subsection (1) of this section, including the bond required by sidewalk contractors.
- g) For Non-Construction Type Contracts - The City, at its discretion, may require bid security and performance and/or payment bonds depending upon the nature of the project and the past performance of the contractor.

D. LOCAL BIDDERS PREFERENCE

When preparing specifications or solicitations for bids, quotes, etc., the following language shall be added to instructions to bidders:

The City may grant an award to a qualified local bidder/vendor as defined below for an amount equal to the lowest bid submitted meeting specifications. The following businesses shall be given the opportunity to lower their overall bid amount on any transaction if they are within the following percentages:

- a) Alpena City businesses – within 7% for projects up to \$100,000 and 5% for projects at or over \$100,000;
- b) Alpena County businesses – within 5% for projects up to \$100,000 and 3% for projects at or over \$100,000.

City of Alpena businesses shall have priority over Alpena County businesses.

To be considered for local bidder preference, a local bidder/vendor shall have met the following qualifications for at least one year prior to the date bids are due:

- 1) Shall have a legal and permanent business address within Alpena County.
- 2) Shall be a personal property and/or real property taxpayer in Alpena County.
- 3) Shall be in compliance with all City Codes and Ordinances.
- 4) Shall not be indebted or in default to the City.

E. INSURANCE

The following language shall be included in all quote and bid documents and shall apply to all vendor, professional, environmental, and construction contracts. Modification to the following requirements may be permitted or required for certain types of contracts upon the approval of the City Manager and City Clerk/Treasurer/ Finance Director.

ALL BIDDERS - INSURANCE REQUIREMENTS

All Bidders shall maintain at own expense during the term of this Contract the insurance coverage(s) where indicated by an [X]:

- 1. [] Workers Compensation Insurance
 - a. Bidder shall maintain statutory workers compensation and employer's liability insurance. Limits shall be no less than \$ 500,000 for bodily injury by accident or \$500,000 each employee for bodily injury by disease, Dependent on the type of project the minimum coverage may be increased.
 - b. Waiver of Subrogation - Bidder waives all rights against the City of Alpena, its agents, public officials, employees, and volunteers for recovery of damages to the extent these damages are covered by workers compensation and employer's liability insurance obtained by the Bidder.

- c. If Bidder is self-insured for purposes of workers compensation, the Bidder must submit a copy of a current letter, permit, or certification issued by the appropriate state agency.

2. [] Commercial General Liability and Umbrella/Excess Liability Insurance

- a. Bidder shall maintain commercial general liability (CGL), and, if necessary, commercial umbrella/excess insurance with a limit of not less than \$1,000,000 each occurrence/\$2,000,000 aggregate. If the CGL insurance contains a general aggregate limit, such limit shall apply separately to this project. Projects of a larger scope that could or would impact the greater population may require a CGL of \$2,000,000 per occurrence and \$4,000,000 aggregate. The required amount of coverage will be included in the bid specifications.
- b. CGL insurance shall cover liability arising from premises, operations, independent contractors, products-completed operations, personal injury and advertising injury, and liability assumed under an insured contract, including this contract.
- c. City of Alpena shall be included as an additional insured under the CGL and under the commercial umbrella/excess, if any. This insurance shall apply as primary insurance with respect to any other insurance or self-insurance program afforded to the City of Alpena. ***A copy of the certificate shall be provided to the City prior to the execution of the contract. On the*** Additional Remarks Schedule of the certificate it shall state: "The City of Alpena is an Additional Insured on the noted policies with respect to any contract between the Named Insured and the Certificate Holder." A sample Certificate of Liability Insurance form is attached to the end of this policy.
- d. Waiver of subrogation - Bidder waives all rights against the City of Alpena and its agents, public officials, employees, and volunteers to the extent these damages are covered by the CGL or commercial umbrella liability maintained pursuant to this agreement.

3. [] Business Auto and Umbrella/Excess Liability Insurance

- a. Bidder shall maintain business auto liability and, if necessary, commercial umbrella/excess liability insurance with a limit of not less than \$1,000,000 each accident. Such insurance shall cover liability arising out of any auto, including owned, non-owned, and hired.
- b. Waiver of subrogation - Bidder waives all rights against the City of Alpena and its agents, public officials, employees, and volunteers for recovery of damages to the extent these damages are covered by the business auto liability or commercial umbrella insurance obtained pursuant to this agreement.

4. [] Professional Liability Insurance (*for Professional Services*)

- a. Professional shall maintain professional (Errors & Omissions) coverage with a limit of not less than \$1,000,000 per loss.
- b. Such insurance shall cover damages arising out of a Wrongful Act including any error, omission, or negligent act committed in the performance of professional services for the City of Alpena.
- c. If coverage requested in 4 is written on a claims-made basis, the Professional warrants that any retroactive date applicable to coverage under the policy precedes the effective date of this contract; and that continuous coverage will be maintained or an extended discovery period (EDP) will be exercised for a period of 3 years beginning from the time that work under this Contract is completed. Contractor shall bear the expense of purchasing the EDP, if applicable.

A copy of the certificate shall be provided to the City prior to the execution of the contract. On the Additional Remarks Schedule of the certificate it shall state: "The City of Alpena is an Additional Insured on the noted policies with respect to any contract between the Named Insured and the Certificate Holder."

5. [] Builder's Risk Insurance (*Construction Contractors*)

- a. Contractor shall purchase and maintain builder's risk insurance on the entire project. Such insurance shall be written in an amount equal to the contract sum. Insurance shall be written on a replacement costs basis. All approved change orders must be accompanied by an increase in the builder's risk limit of insurance at the time the change order is approved.
- a. The insurance shall name as insured the Owner, General Contractor, Construction Manager, and all contractors and subcontractors undertaking the work.
- b. The insurance shall cover the entire work at the site identified in this agreement, including reasonable compensation for architect's fees made necessary by an insured loss. Insured property shall include property on the site but not yet a part of the building, portions of the work located away from the site but intended for use at the site, and shall also cover portions of the work in transit. The policy shall include as insured property scaffolding and temporary buildings located at the site. The policy shall cover the cost of removing debris, including demolition as may be legally made necessary by operation of building laws and ordinances.
- c. Contractor shall purchase and maintain boiler and machinery insurance, The insurance shall name as insured the Owner, General Contractor, Construction Manager, and all contractors and subcontractors undertaking the work.
- d. The insurance required in this section shall be written to cover "all risk" of physical loss except those specifically excluded in the policy.

A copy of the certificate shall be provided to the City prior to the execution of the contract. On the Additional Remarks Schedule of the certificate, it shall state: "The City of Alpena is an Additional Insured on the noted policies with respect to any contract between the Named Insured and the Certificate Holder."

6. [] Pollution Legal Liability (*Environmental Contractor*)

- a. Contractor shall purchase and maintain insurance for pollution legal liability with a limit of not less than \$1,000,000 per loss, with an annual aggregate of at least \$1,000,000
- b. Such coverage shall be applicable to bodily injury; property damage, including loss of use of damaged property or of property that has not been physically injured or destroyed; cleanup costs; and defense, including costs and expenses incurred in the investigation, defense, or settlement of claims.
- c. Coverage as required in 6.b. shall apply to sudden and non-sudden pollution incidents resulting from the escape or release of smoke, vapors, fumes, acids, alkalis, toxic chemicals, liquids or gases, waste material, or other irritants, contaminants, or pollutants.
- d. If coverage requested in 4 is written on a claims-made basis, the Contractor warrants that any retroactive date applicable to coverage under the policy precedes the effective date of this contract; and that continuous coverage will be maintained or an extended discovery period (EDP) will be exercised for a period of 3 years beginning from the time that work under this Contract is completed. Contractor shall bear the expense of purchasing the EDP if applicable.
- e. If the scope of services as defined in this contract includes the disposal of any hazardous or non-hazardous materials from the job site, the Contractor must furnish to the Owner evidence of pollution legal liability insurance maintained by the disposal site operator for losses arising from the insured facility accepting waste under this contract. Coverage certified to the Owner under this paragraph 6.e. must be maintained with a minimum limit of \$1,000,000 primary limit, and a \$1,000,000 umbrella minimum with an annual aggregate of at least \$2,000,000, if applicable.
- f. A copy of the certificate shall be provided to the City prior to the execution of the contract. On the Additional Remarks Schedule of the certificate it shall state: "The City of Alpena is an Additional Insured on the noted policies with respect to any contract between the Named Insured and the Certificate Holder."

7. [] Environmental Professional Liability Insurance (E & O) (*Professional Services*)

- a. Contractor shall purchase and maintain errors and omissions liability insurance for a professional error, act, or omission arising out of the scope of the Contractor's services as defined in this contract. Coverage shall be written with

- b. a limit of not less than \$1,000,000 primary limit, and a \$1,000,000 umbrella minimum with an annual aggregate of at least \$2,000,000, if applicable.
- c. Insurance required in paragraph 5.a. may not exclude bodily injury; property damage; pollution conditions arising out of environmental work; asbestos-related claims; testing, monitoring, measuring operations, or laboratory analyses; liability arising out of the operation of a treatment facility if such operation is required within the scope of the contractor's services as defined in this contract.
- d. If coverage requested in 7 is written on a claims-made basis, the Contractor warrants that any retroactive date applicable to coverage under the policy precedes the effective date of this contract; and that continuous coverage will be maintained or an extended discovery period (EDP) will be exercised for a period of 3 years beginning from the time that work under this Contract is completed. Contractor shall bear the expense of purchasing the EDP, if applicable.
- e. A policy providing both contractor's pollution legal liability and professional errors and omissions coverage shall be acceptable in meeting the requirements of paragraph 7.a. through 7.c. above, provided that the limits of such combined policy are at least \$1,000,000 primary limit, and a \$1,000,000 umbrella minimum with an annual aggregate of at least \$2,000,000, if applicable \$4,000,000 per loss, with an annual aggregate of at least \$4,000,000.
- e. If the scope of services as defined in this contract includes the disposal of any hazardous or non-hazardous materials from the job site, the Contractor must furnish to the Owner evidence of pollution legal liability insurance maintained by the disposal site operator for losses arising from the insured facility accepting waste under this contract. Coverage certified to the Owner under this paragraph 4.e. must be maintained at least \$1,000,000 primary limit, and a \$1,000,000 umbrella minimum with an annual aggregate of at least \$2,000,000, if applicable.
- f. A copy of the certificate shall be provided to the City prior to the execution of the contract. On the Additional Remarks Schedule of the certificate it shall state: "The City of Alpena is an Additional Insured on the noted policies with respect to any contract between the Named Insured and the Certificate Holder."

All the above insurance policies shall contain the following wording:

"It is agreed that this insurance shall not be cancelled, materially changed, or non-renewed without at least a sixty (60) day written notice to the City of Alpena at their principal mailing address."

Insurance Company Approval and Certificates of Insurance

Insurance Companies, additional insured endorsements, and policy forms shall be subject to the approval of the City of Alpena. Such approval shall not be unreasonably withheld. Contractor shall furnish the City Manager of the City of Alpena with certificates of insurance or a certified copy of the policy, if requested by the City Manager.

HOLD HARMLESS CLAUSE

The Contractor shall defend, pay on behalf of, and hold harmless the City of Alpena, its employees, agents, public officials, and volunteers from and against any and all losses, damages, expenses, claims, suits, and demand of whatever nature resulting from damages or injuries, including death, to any persons or property, and including any claim for losses incurred by reason of project delay, impact (soft) costs, or other intangible losses that might result from Contractor's late or defective performance, caused by or arising out of any action, omission or operation performed in connection with work attributable to the Contractor, any Sub-contractor, any Sub-subcontractor, any material men, any of their respective employees, agents, servants, or representatives; provided, however, the Contractor shall not be required to indemnify the City of Alpena, its employees, agents, public officials, and volunteers for any damages or injuries, including death, to any person or property caused solely and exclusively by the negligence of the City of Alpena, its employees, public officials, and volunteers

PURCHASE ORDERS AND WRITTEN AGREEMENTS

Purchase orders, written memos, or acceptance of offer forms, signed by the City Manager and City Clerk/Treasurer/Finance Director, shall be required for all purchases in excess of \$3,000.

For procurement of **services** in excess of \$10,000, a written agreement outlining the responsibilities of the parties for the specific service(s) shall be required. The City Attorney shall review and approve the contract language before finalizing.

For construction projects up to \$10,000, a purchase order may be used. Copies of insurance certificates (general liability and workers compensation) shall be obtained prior to the execution of the purchase order. For **construction** projects of \$10,000 or more a written agreement outlining the responsibilities of the parties for the specific project shall be required. Copies of insurance certificates, and bonds, if required, shall be obtained prior to the execution of the written agreement. The City Attorney shall review and approve the contract language before finalizing.

Purchase orders are not needed for monthly professional services and utilities.

BLANKET PURCHASE ORDERS -

Blanket purchase orders may be used for repetitious purchases of supplies that are used frequently; and where it would be expensive and time consuming to issue purchase orders on a weekly or monthly basis. Three quotes are still required so that the material is purchased at the most competitive rate.

The amount of the blanket purchase order should be kept at a reasonable level based on a historical use of the supplies. Keep in mind that when a blanket purchase order is issued, it sets aside (encumbers) that amount of the budgeted expenses, which therefore cannot be used to purchase other supplies.

Blanket purchase orders can be amended throughout the year.

**PROCEDURES FOR BUYING AND SELLING THROUGH ON-LINE AUCTION,
PROFESSIONAL DISPOSAL COMPANIES AND SIMILAR COMPANIES.**

A. ADMINISTRATIVE PROCEDURE FOR SELLING

The department disposing of assets will be referred to as Department or Seller.

- 1) One site ID will be obtained by the Treasurer's office and utilized by the City of Alpena, when auction sites require ID. No individual ID's shall be obtained.
- 2) The Department "Seller" will submit a "Request to Sell" form to Treasurer's office. Once approved, the seller will be responsible for following CPS #18 and providing correct ad information to the Treasurer's office. An electronic picture will also be supplied to the Treasurer's office. All costs incurred for the use of an on-line auction for the disposal of assets is the responsibility of the department seller.
- 3) A contact phone number of the department will be included in the ad for additional request for information. The auction will not end on a weekend or holiday. A copy of ad placement verification will be signed by the Department Head and retained by the City Treasurer's Office acknowledging placement of ad and cost. The department head shall identify that shipping is NOT included.
- 4) The Department Head will monitor all sales and communications between "Seller" and "Bidder".
- 5) Upon completion of the auction, auction end information will be provided to the City Treasurer's office by the seller. The City Treasurer's office will contact the seller and authorize the release of the item upon receipt and clearance of payment.
- 6) The seller will be responsible for posting feedback for buyers (positive or negative).

TERMS

The City will accept bids from PayPal users only.

B) **ADMINISTRATIVE PROCEDURE FOR PURCHASING**

The department purchasing an item by use of auction may be referred to as "Department" or "Buyer".

- 1) One site ID will be obtained by the Treasurer's office and utilized by the City of Alpena when auction sites require ID. No individual ID's shall be obtained. One Pay Pal account will be obtained by the Treasurer's office and utilized by the City of Alpena.

- 2) The “Buyer” Department will follow the provisions of CPS #18 and submit a request to bid, and the line item in the budget that the purchase will be charged to. The “Buy It Now” option can be utilized for budgeted supplies up to \$3,000. Upon approval, the buyer will place the bid and subsequent follow-up bids, up to the amount authorized. It is the buyer’s responsibility to ensure that funds are available in the budget before bidding. Purchase orders must be utilized for purchases over \$3,000. No purchases over \$10,000 may be made or will be authorized.
- 3) It is the departments’ responsibility to monitor their purchase at the auction.
- 4) Upon conclusion of the auction, the Department Head will submit the final purchase price to the City Treasurer’s office with documentation and approval to pay.
- 5) It is the buyer’s responsibility to ensure that auction services are being utilized to obtain items at a better price than by any other means. CPS #18 – Policy for Purchases and Sales must be followed.
- 6) The buyer will be responsible for posting feedback for sellers (positive or negative).

SALE OR DISPOSAL OF PROPERTY

1) Personal Property

- a) The City Clerk/Treasurer/Finance Director is authorized to enter into agreements for property disposition that are the most advantageous to the City, such as the use of PropertyRoom.com, or similar services.
- b) If City Manager and City Clerk/Treasurer/Finance Director determine that the cost to sell the item is greater than the value of the item it will be scrapped, donated or recycled in the most economical manner.
- c) If City Manager and City Clerk/Treasurer/Finance Director determine that an item should be sold locally, the following procedure will be followed:
 - (1) Public Notice Adequate public notice of the request for bids shall be given a reasonable time, not less than 7 calendar days prior to the date set forth therein for the opening of bid. Such public notice shall be published or broadcast as a Public Notice at least once. Such public notice shall be titled, “FOR SALE TO HIGHEST BIDDER,” and shall include the place, date, and time of the bid opening; a short description of the items offered for sale; where the bid forms may be obtained; a note to bidders to mark their sealed bid envelope as follows: “SEALED BID – NAME OF ITEM(S) – DATE OF BID OPENING”; and the following statements:

The City reserves the right to reject any and all bids and to waive irregularities in bids and to accept any bids which in the opinion of the City Manager and City Clerk/Treasurer/Finance Director may be most advantageous to the City of Alpena in accordance with the City's "Award Process." The successful bidder will be notified by the City Clerk/Treasurer/Finance Director's office. The successful bidder will have 10 business days from notification to complete the purchase. After 10 days, item will be offered to next highest bidder.

All Public Notices (For Sale to Highest Bidder) shall be approved and signed by the City Clerk/Treasurer/Finance Director or Deputy City Clerk/Treasurer/Finance Director prior to being posted or published.

- d) No Bids or Quotations If no bids or quotes are received; the City Manager and City Clerk/Treasurer/Finance Director are authorized to sell the items to the first person offering a reasonable price. Nothing in this paragraph shall prevent the City Manager or City Clerk/Treasurer/Finance Director from deciding to completely re-bid the sale or sell through other businesses.

2) Real Property

- a) All sales of real property shall conform to the provisions of the City Charter and be approved by the Municipal Council. The Municipal Council shall determine whether to accept sealed bids, to negotiate a price, or to accept an offer.
- b) All purchases of real property shall be authorized and approved by the Municipal Council.

**COUNCIL POLICY NO. 18
ADDENDUM A
REQUEST TO SELL/DISPOSE/RECYCLE FORM**

Date:

Seller/Department:

Equipment Description:

Asset Number (if applicable):

Sale Option:

Minimum Sale Price:

Shipping Costs:

Approved:

Date

Department Head

Date

Clerk/Treasurer/Finance Director