



## MEMORANDUM

To: Finance and Administration Committee  
Scott Niehaus, Village Manager

From: Timothy Sexton, Director of Finance

Date: November 20, 2017

Subject: Purchasing Policy Update 2017

The Village's Purchasing Manual contains all of the Village's policies related to the procurement of goods and services and has worked well as a guide for Village employees.

Pursuant to Public Act 65 ILCS 5/8-9-1, the bidding requirement threshold has been increased from \$20,000 to \$25,000 in the State statutes. Staff proposes that the following changes to the purchasing policy.

### **Proposed Changes to the Village of Lombard Purchasing Policy**

#### **Chapter 2. D. Approval of Village Purchases**

No employee shall purchase goods or services on behalf of the Village without first seeking approval as required by this policy. All purchases shall require advance approval of the appropriate Supervisor, Department Head, the Director of Finance and the Village Manager in accordance with the guidelines described below:

Dollar Limits	Required Approvals
Under \$2,500	Supervisor or Department Head
\$2,500 <del>01</del> - <del>\$5,000</del> <u>\$4,999</u>	Supervisor and Department Head
\$5,000 <del>01</del> - <del>\$19,999</del> <u>\$24,999</u>	Supervisor, Department Head, Director of Finance and Village Manager
\$2 <del>50</del> ,000 & Above	Department Head, Director of Finance, Village Manager and Board of Trustees

## Chapter 2. E. Signing of Contracts

All contracts in excess of \$5,000 and less than \$~~250~~,000 shall be submitted to the Village Manager, Finance Director or either of their designees for approval and signature. Contracts below \$5,000 may be signed by the applicable Department Head or his/her designee.

## Chapter 3.A General Policy for Solicing Quotes

Employees are responsible for obtaining quotes for purchases in the instances outlined below. Quotes shall be added to the purchase order prior to the final purchase. The limits shall include all costs involved with a purchase, including shipping, installation, etc. Purchase orders submitted without the required quotes or a satisfactory explanation of why quotes were not obtained (e.g. sole source, emergency, standardized vendor, etc.) will be returned to the originator without approval.

<u>Up to \$2,500</u>	One verbal quote is required; however, employees are encouraged to seek additional quotes when possible.
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<u>\$<del>2,500</del>1 - \$<del>4,999</del>5,000</u>	Three verbal quotes must be obtained. The quotes must be listed in the purchase order. Physical records regarding the dates, contacts and quotes received shall be retained in the department's files for auditing purposes.
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<u>\$<del>5,000</del>1 - \$<del>19,999</del>24,999</u>	Three written quotes. The quotes must be listed in the purchase order. Hard copies shall be obtained and retained in the department's files for auditing purposes.
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<u>\$<del>20,000</del>25,000 &amp; Above</u>	Must be competitively bid in accordance with State law and Village ordinances. Village Board approval is required for all contracts above \$ <del>20,000</del> 25,000.
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Items purchased more than once during a fiscal year (e.g. forms, copier supplies, etc.) do not need quotes every time a purchase is made. However, competitive quotes for these items shall be sought at least once each year to ensure that vendors are competitive.



### **Chapter 3.C. Sole Source Purchases**

Contracts for parts, supplies, equipment or services that are available only from a single source are referred to as sole source purchases. Sole source procurements may arise from the following circumstances:

1. Equipment for which there is no comparable competitive product or is available only from one supplier
2. Public utility services from natural or regulated monopolies
3. A component or replacement part for which there is no commercially available substitute and which can be obtained only from the manufacturer
4. An item where compatibility is the overriding consideration, such as computer software
5. A used item, for example, a television transmitter tower, that becomes immediately available and is subject to prior sale

These items shall not be subject to requirements for seeking competitive quotes or bids. However, purchases in excess of ~~\$20,000~~ \$25,000 shall be presented to the Village Board prior to acquisition with a request to waive bids, approve the purchase and enter into a formal contract.

### **Chapter 3.D. Emergency Purchases Policy**

An emergency purchase order can be issued authorizing a vendor to perform any and all work necessary only if the public health and safety could be affected. If the purchase exceeds ~~\$20,000~~ \$25,000, documentation shall be presented to the Village Manager prior to such authorization.

### **Chapter 3.E. Competitive Bidding Exemption**

During the course of a fiscal year, the Village Manager, at his or her discretion, may approve multiple purchases which exceed ~~\$20,000~~ \$25,000 in aggregate but are less than ~~\$20,000~~ \$25,000 individually. In these cases, it is not necessary for the Village Board to approve a waiver of bids, however; each purchase shall still be subject to the requirements of Chapter 3, Section A of this manual concerning quote solicitation for purchases under ~~\$20,000~~ \$25,000.

### **Chapter 4.A. When a Formal Bid Is Required**

All purchases of goods or services exceeding ~~\$20,000~~ \$25,000, in accordance with Public Act 65 ILCS 5/8-9-1, shall be subject to the competitive bidding process and shall be let, by free and open competitive bidding after advertisement, to the lowest responsible bidder or any other bidder whom the Village Board deems to be in the best interest of the Village. Sealed bids shall be sought when a good or service is anticipated to cost more than ~~\$20,000~~ \$25,000 either individually or in aggregate purchases (unless permitted by the Village Manager per Chapter 3, Section E) made over the course of one fiscal year.

## **Chapter 5.B. Change Orders To Regular Purchase Orders**

After a regular purchase order is issued to the vendor, it may become necessary to change it to include additional quantities, shipping costs, etc. When this occurs, the employee who completed the original purchase order shall process a change order. Please note that change orders to original contracts of \$~~20,000~~25,000 or more require the prior approval of either the Village Manager or Village Board. For more information, please refer to the financial policy on change orders included in this manual

Staff is requesting the Finance Committee's approval of the proposed change and recommendation to the Village Board of Trustees for their consideration.