

# MAYOR & COUNCIL AGENDA COVER SHEET

**MEETING DATE:**

January 5, 2009

**CALL TO PODIUM:**

Harold Belton

**RESPONSIBLE STAFF:**

Harold Belton, Director  
Finance and Administration

**AGENDA ITEM:**  
(please check one)

<input type="checkbox"/>	Presentation
<input type="checkbox"/>	Proclamation/Certificate
<input type="checkbox"/>	Appointment
<input type="checkbox"/>	Public Hearing
<input type="checkbox"/>	Historic District
<input type="checkbox"/>	Consent Item
<input type="checkbox"/>	Ordinance
<input checked="" type="checkbox"/>	Resolution
<input checked="" type="checkbox"/>	Policy Discussion
<input type="checkbox"/>	Work Session Discussion Item
<input type="checkbox"/>	Other:

**PUBLIC HEARING HISTORY:**

(Please complete this section if agenda item is a public hearing)

Introduced	11/24/08
Advertised	11/28/08
Hearing Date	12/15/08
Record Held Open	12/26/08
Policy Discussion	01/05/09

**TITLE:**

Resolution of the Mayor and City Council Adopting Purchasing Procedures for the City of Gaithersburg

**SUPPORTING BACKGROUND:**

The Mayor and City Council discussed a proposed amendment to Section 57 of the Charter and adoption of a Resolution establishing administrative purchasing procedures. The Charter amendment would delete purchasing limits from the Charter and require adoption of purchasing procedures by resolution. The proposed purchasing procedures would increase the current purchasing limits.

Section 57 of the City Charter establishes dollar limits for purchases requiring sealed bids and Council approval. These dollars limits have not been updated since 1997. The Finance Department has surveyed other jurisdictions to compare the City's purchasing limits with other governments and found that the City's purchasing limits are generally below other similar jurisdictions.

**DESIRED OUTCOME:**

Vote on Resolution

RESOLUTION NO. \_\_\_\_\_

RESOLUTION OF THE MAYOR AND CITY COUNCIL  
ADOPTING PURCHASING PROCEDURES FOR THE  
CITY OF GAITHERSBURG

WHEREAS, Section 57 of the Charter of the City of Gaithersburg provides that the City Council may adopt Purchasing Procedures by resolution; and

WHEREAS, the Mayor and City Manager have recommended that the City Council adopt Purchasing Procedures; and

WHEREAS, the City Council finds that it is in the best interest of the City that Purchasing Procedures be adopted:

NOW, THEREFORE, BE IT RESOLVED by the Mayor and City Council of Gaithersburg, that the Purchasing Procedures attached hereto are hereby adopted by the Mayor and City Council, to be effective fifty (50) days from the date of adoption.

ADOPTED by the Mayor and City Council this 5th day of January 2009.

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SIDNEY A. KATZ, MAYOR and  
President of the Council

THIS IS TO CERTIFY that the foregoing  
Resolution was adopted by the City Council  
in public meeting assembled on the 5th day  
of January, 2009.

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Angel L. Jones, City Manager

MEMORANDUM TO: Mayor and City Council

FROM: N. Lynn Board, City Attorney  
Harold Belton, Director of Finance

VIA: Angel L. Jones, City Manager

DATE: November 17, 2008

SUBJECT: Proposed Amendment to Section 57 of the Charter and  
Resolution adopting Purchasing Procedures

The City Charter, Section 57, requires sealed bids for all contracts and purchased in excess of \$15,000 and Council approval of all contracts and purchases in excess of \$30,000. By policy, all purchases of \$1,000 or less require competitive informal quotes, and purchases between \$1,000 and \$15,000 require three documented quotes. The dollar limitations have not been updated since 1997.

In December of 2007, the City surveyed the members of the Metropolitan Council of Governments jurisdictions to ascertain the purchasing limits for these entities. A copy of the survey results is attached. In addition, since 2000, inflation has increased by over 27% as follows:

2000	3.38%
2001	2.83%
2002	1.59%
2003	2.27%
2004	2.68%
2005	3.39%
2006	3.24%
2007	2.85%
2008	4.94% (Last reported date of September 2008)

Upon review of other jurisdictions, their size and budgets relative to the City of Gaithersburg, Staff recommends the following changes to the current purchasing limitations:

**CITY OF GAITHERSBURG  
PURCHASING PROCEDURES**

PURCHASES OF	< \$1,000	CHANGED TO	<\$2,499	
PURCHASES OF	\$1,000 - \$15,000	CHANGED TO	\$2,500 - \$29,999	3 DOCUMENTED QUOTES
PURCHASES OF	\$15,000 - \$30,000	CHANGED TO	\$30,000 - \$59,999	SEALED OR NO SEALED BID
PURCHASES OF	>\$30,000	CHANGED TO	>\$60,000	RFP

In addition, Staff believes that it is cumbersome to amend the Charter each time the Council would choose to change the purchasing limits. As a result, Staff is recommending that the Charter be amended to provide for purchasing procedures, which would establish the purchasing limits, to be adopted by resolution of the Council.

## **SUMMARY OF ADMINISTRATIVE PURCHASING PROCEDURES**

**Pursuant to Mayor and City Council Resolution No. \_\_\_\_\_ - 09, the City has adopted the following Purchasing Procedures:**

### **PURCHASES OF LESS THAN [\$1,000] (\$2,500)**

- 1) Obtain competitive informal quotes as deemed appropriate by the Department Head/Designee.
- 2) Obtain approval from Department Head/Designee.
- 3) Maintain record of informal quotes received.
- 4) Make purchase/oral agreement with vendor. If vendor requires a written Purchase Order (PO), department will process by using on-line requisitioning in MUNIS.
- 5) Complete approval of invoice to pay for received goods or Check Request to pay, if vendor requires prepayment.
- 6) Obtain Department Head/Designee signature and forward Check Request along with invoice(s) to Accounting for payment.
- 7) No "statement," Xerox, Fax or invoice copies will be accepted to generate payments.

### **PURCHASES [\$1,000 TO \$15,000] (\$2,500 TO \$30,000)**

- 1) Purchaser obtains three (3) documented quotes, and prepares purchase order. Quotes older than one (1) year may not be used without documented confirmation of the prices.
- 2) MUNIS will allow for approvals of Department Head/Designee, City Manager's Office and Finance and Administration. Finance and Administration will have final MUNIS approval and print converted PO's.
- 3) Finance and Administration will convert requisition to PO and return one original copy to requestor.  
Finance and Administration maintains one original copy.
- 4) Ordering department personnel receives materials/services.
- 5) Upon receipt of materials or completion of services, payment may be initiated by authorized personnel. A copy of the PO will be submitted to F&A for partial payment or the original copy with final payment marked on the face of the PO. It is recommended that each department retain a PO copy for their records.

### **PURCHASES [\$15,000 TO \$30,000 (Sealed Bids)] (\$30,000 TO \$60,000) (Sealed Bids)**

- 1) Department Head submits to Finance Administration a Bid Request Form for approval by the City Manager.

- 2) Using the City's standard format, Department initiating purchase prepares Invitation for Bid (IFB) or Request for Proposal (RFP) and submits to Finance Administration for review.
- 3) Department advertises IFB/RFP through Public Information Office (PIO). PIO places the approved RFP/IFB on the City's WEB page.
- 4) Department mails IFB/RFP, receives and tabulates bids.
- 5) Department and Finance Administration review tabulation and make award recommendation to City Manager.
- 6) Department processes contract, bonds, obtains insurance certificates and begins the PO process.  
Originals of contracts, bonds, and insurance certificates should be forwarded, reviewed and approved by the City Manager as the requisitioning process begins.
- 7) Obtain approval/signature from Department Head, Finance and Administration and Legal Services. Finance and Administration obtains City Manager's signature. Once all signatures are obtained, all original contracts are returned to the City Manager's Office.
- 8) Finance and Administration converts requisitions to PO and returns one original copy to requestor.  
Finance and Administration maintains one original copy.
- 9) Upon receipt of materials or completion of services, payment may be initiated by submitting to F&A a copy of PO for partial payment or original copy for final payment on the face of the PO. It is recommended that each department retain a PO copy for their records.

**PURCHASES [\$15,000 TO \$30,000 (No Sealed Bid)] (\$30,000 TO \$60,000) (No Sealed Bid)**

- 1) Department and F&A make recommendation to City Manager.
- 2) Department prepares cover sheet and resolution for Mayor and City Council approval.
- 3) Mayor and City Council award/approve expenditure.  
4) Department processes contract, bonds, obtains insurance certificates and begins the PO process. Originals of contracts, bonds, and insurance certificates should be forwarded, reviewed and approved by the City Manager as the requisitioning process begins.
- 5) Obtain approval/signature from Department Head, Finance and Administration and Legal Services. Finance and Administration obtains City Manager's signature. Once all signatures are obtained, all original contracts are returned to the City Manager's Office.
- 6) Finance and Administration retains original Resolution and encumbers funds.
- 7) Upon receipt of materials or completion of services, payment may be initiated by submitting to F&A a copy of Resolution for payment with annotation of partial or final. It is recommended that each department retain a PO copy for their records.

### **PURCHASES OVER [\$30,000] (\$60,000)**

- 1) Using the City's standard format, Department initiating purchase prepares Invitation for Bid (IFB) or Request for Proposal (RFP) and submits to F&A for review.
- 2) Department advertises IFB/RFP through Public Information Office (PIO). PIO places the approved RFP/IFB on the City's WEB page.
- 3) Department mails IFB/RFP, receives and tabulates bids.
- 4) Purchasing department and F&A review tabulation and make recommendation to City Manager.
- 5) Purchasing department prepares cover sheet and resolution for Mayor and City Council approval.
- 6) Mayor and City Council award/approve expenditure.
- 7) Department processes contract, bonds, obtains insurance certificates and begin the PO process. Originals of contracts, bonds, and insurance certificates should be forwarded, reviewed and approved by the City Manager as the requisitioning process begins.
- 8) Obtain approval/signature from Department Head, Finance and Administration and Legal Services. Finance and Administration obtains City Manager's signature. Once all signatures are obtained, all original contracts are returned to the City Manager's Office.
- 9) Finance and Administration retains original Resolution and encumbers funds.
- 10) Upon receipt of materials or completion of services, payment may be initiated by submitting to F&A a copy of Resolution for payment with annotation of partial or final.

It is recommended that each department retain a PO copy for their records.

**NOTE: Under no circumstances will the splitting of invoices in order to avoid Purchase Orders Limits or Mayor and City Council approval, be acceptable.**

### **EXCEPTIONS TO COMPETITIVE PROCUREMENT METHODS**

Unless one of the circumstances under the section below titled **EXCEPTIONS** occur, all purchases **[\$1,000] (\$2,500) or greater** will be made using competitive procurement methods.

#### **PURCHASES [\$1,000 - \$15,000] (\$2,500 - \$30,000)**

Contracts for purchases may be awarded on the basis of competitive Request for Quotation.

#### **PURCHASES GREATER THAN [\$15,000] (\$30,000)**

Contracts for purchases more than [\$15,000] (\$30,000) may be awarded on the basis of competitive Invitation for Bid.

## **EXCEPTIONS:**

- 1) **Sole Source.** Sole source procurement shall be exempt from the regulations for competitive bidding. Sole Source is only allowed where services or supplies are only available from a single source, either because of legal requirements, specific patents or copyrights, peculiar qualifications and skills, or technical specifications. The Department Head determines in writing with the written concurrence of the City Manager that only one source for the service or product exists. The City may negotiate with the sole source. Sole Source purchases greater than [\$15,000] (\$30,000) require Mayor and City Council approval, (See Section 'E' – Sole Source Purchasing).

*Other “sole-source” situations include software maintenance, some equipment maintenance, and utilities.*

- 2) **Emergency.** Purchase is required to meet a threat to Public health, welfare, or safety, or if delay would seriously injure the City financially or otherwise. The City Manager may authorize such purchase using as much competition as is practical. All such purchases in excess of [\$30,000] (\$60,000) must be reported to the Mayor and Council promptly.
- 3) **Related Construction Projects.** When the City has an existing contract for a construction project and additional construction improvements are required on the project, the City Manager may determine in writing it is in the best interest of the City to award the contract for the additional work to existing contractor.
- 4) **Extensions.** An extension of a contract may be awarded without competition when the City Manager determines in writing that circumstances warrant the extension of the existing contract **AT THE SAME UNIT PRICE**. The extension must occur **within six (6) months** after the date of the original contract and **must not exceed 25 percent** of the original contract price. An Extension refers to contracts that **do not** contain prior approved options to extend.
- 5) **Cooperative Procurements.** Other state or local agencies can provide contracts for services or products to the City that were obtained through competitive bidding or a supplier offers goods and services to the City at the same terms as accepted by other governments. The Department Head with the concurrence of the City Manager may approve an award without competitive bidding. Cooperative procurement request must be only those governments with nexus to the city.

- 6) **Competitive Sealed Proposals.** Upon determination in writing by the City Manager that the use of competitive sealed bidding is either not practical or not advantageous to the City, competitive sealed proposals may be used.
- 7) **Professional Services.** The selection of professional services contractors shall be by competitive sealed proposals or by the negotiation method when an adequate scope of work cannot be defined or it is not practical for other reasons. The negotiation methods must be approved by the City Manager in writing and prior to the commencement of the procurement process.
- 8) **Multi-Step Bidding.** Upon determination in writing by the City Manager that it is impractical to prepare a specification for award based on price, a Request for Proposal may be issued requesting submission of technical qualifications to be followed by Price Proposals from firms determined to be qualified.

#### **TYPES AND FORMS OF CONTRACTS**

For the routine purchase of most services and products, a purchase order shall be sufficient for contract documentation. Two (2) party contracts and agreements must be signed by the City Manager or his/her authorized designee for the following types of procurements:

- A. Construction work
- B. Professional services
- C. Requirements contracts
- D. Performance contracts and agreements

*For contract-type items, check with the City Manager's Office and/or Finance and Administration to see if a contract or cooperative agreement with other jurisdictions or Council of Governments (COG) exists for the services or items needed.*

**Note: City Attorney reviewed RFP and Contractor Agreements are located on the system at**

S:\shared\RFP\_Contract. In addition to RFP's and Contractor Agreements, the Bid/Proposal Request Form and the Affidavit of Qualification To Bid forms are there.