MEMO

Date: July 31, 2012

To: Dane C. Nelson, City Administrator
Hon. Greg DuMars, Mayor
City Commission

From: Jeffrey C. Pardee, Finance Director

Re: PURCHASING POLICY AMENDMENT INCORPORATING LOCAL PREFERENCE POLICY

The current purchasing policy, as delineated in both the City Charter Chapter 12) and the Codified City Ordinances (Chapter 9), specifies, *Purchases shall be made from the lowest competitive bidder meeting specifications unless the Commission shall determine that the public interest will be better served by accepting a higher bid.*

The City Commission may determine that the public interest may be better served when qualified local vendors submit bids that are within a reasonable margin of the lowest bidder. Among those factors providing a rationale for selecting other than the lowest bidder in favor of a local preference include:

- the extra-value of after-purchase service and support that a local vendor may contribute for certain products and services,
- local vendors support local government and local schools through the property taxes they pay, and
- local vendors support the local economy through private employment opportunities.

The Adrian City Commission, by Resolution #R04-108 dated July 6, 2004, adopted a Purchasing Policy Amendment Incorporating a Local Preference Policy clause (to be directed primarily at commodities purchased by the City of Adrian) that appropriately balances the inherent economies afforded by consistent selection of the low bid with the aforementioned advantages of purchasing from local businesses. The Adrian City Commission, by Resolution #R04-126 dated August 2, 2004, expanded the application of the Local Preference Policy to encompass services, commodities and public improvements purchased by the City of Adrian.

Following review of the Local Preference Policy at a Commissioner work session held on July 30, 2012, several changes have been incorporated, including:

- increasing the dollar amount above which sealed bids are required from $5,000 to $10,000, consistent with the spending authority of the City Administrator as specified in the annual General Appropriations Act,

- eliminating the countywide preference policy, which extended the policy to Lenawee County businesses outside the City of Adrian at one-half the allowed differential, and

- eliminating the Reciprocity Agreement with other local units of government, due to the fact they have not taken advantage of it during the past eight years.

Additional concerns raised at the work session revolved around issues related to single bids and use of Cooperative Purchasing Programs such as the State of Michigan or Oakland County. To avoid automatic rebidding of single-bid responses, the administration committed to providing a full explanation on a case-by-case basis. And, rather than requesting a bid waiver when Cooperating Purchasing Programs are used, the resolution will instead state how the competitive bid process was achieved.

A copy of the revised Local Preference Policy is attached, along with a proposed resolution adopting the revised Local Preference Policy for consideration by the City Commission at their regularly scheduled meeting on August 6, 2012. If you have any questions or need for further information, please contact my office.

CITY OF ADRIAN
LOCAL PREFERENCE POLICY

Adopted May 14, 2007
Amended May 30, 2007
Revised August 6, 2012

The City Charter and City Code require that contracts shall be awarded to the lowest competent bidder meeting specifications unless the Commission shall determine that the public interest will be better served by accepting a higher bid.

The Adrian City Commission finds that there are several factors that may be considered to determine whether or not the public will be better served by a higher bid, which would include issues of local preference as follows:

- The extra-value of after-purchase service and support that a local vendor may contribute for certain products and services;
- Local vendors support local government and local schools through the property taxes they pay;
- Local vendors support local non-profit and charitable institutions;
- Local vendors support the local economy by having employees live in the City of Adrian or the surrounding Adrian area.

In consideration of these and other factors, the Adrian City Commission hereby adopts and approves the following provisions to be applied when determining whether or not a higher bid should be accepted as a result of the public interest being better served.

1. A vendor of goods or a provider of services shall be considered "local" when a bidder has a bona fide place of business within the corporate limits of the City of Adrian.

2. The following schedule delineates, on a sliding scale, the reasonable margins sufficient to select other than the lowest bidder in order to recognize the other support provided by being a local vendor or provider of services.

CITY OF ADRIAN

LOW BID AMOUNT	BID MARGIN PERCENT	BID MARGIN RANGE
$ 0 - $ 9,999	SEALED BIDS NOT REQUIRED	
$10,000 - $19,999	4.5%	$ 450 - $ 900
$20,000 - $29,999	4.0%	$ 800 - $1,200
$30,000 - $39,000	3.5%	$1,050 - $1,400
$40,000 - $49,999	3.0%	$1,200 - $1,500
$50,000 - $69,999	2.5%	$1,250 - $1,800
$70,000 - $99,999	2.0%	$1,400 - $2,000
$100,000 - Greater	1.5%	$1,500 - Up

3. Other factors may be considered on occasion, on a case-by-case basis, such as the use of local sub-contractors, laborers and other impacts upon the economy of the City of Adrian that may result from awarding of the bid.

4. The process for soliciting bids, security requirements and contractual matters, as set forth in City ordinances, shall be fully adhered to by all successful bidders.

5. This policy will not be applied when purchases are subject to various requirements of other agencies or governments, such as in the expenditure of grant funds.

6. To have a bid considered for acceptance at the time of opening, no vendor shall be in default to the City for any reason. The term "vendor" shall include all stockholders of a vendor corporation, all members of a limited liability company or partnership, all partners of a partnership, and all owners of all unincorporated businesses.

August 6, 2012

R12-092

RE: **DEPARTMENT OF FINANCE – PURCHASING POLICY AMENDMENT INCORPORATING LOCAL PREFERENCE POLICY**

RESOLUTION

WHEREAS, the current purchasing policy, as delineated in both the City Charter Chapter 12) and the Codified City Ordinances (Chapter 9), specifies, *Purchases shall be made from the lowest competitive bidder meeting specifications unless the Commission shall determine that the public interest will be better served by accepting a higher bid*; and

WHEREAS, the City Commission may determine that the public interest may be better served when qualified local vendors submit bids that are within a reasonable margin of the lowest bidder; and

WHEREAS, among those factors providing a rationale for selecting other than the lowest bidder in favor of a local preference include:

- the extra-value of after-purchase service and support that a local vendor may contribute for certain products and services,
- local vendors support local government and local schools through the property taxes they pay,
- local vendors support the local economy through private employment opportunities; and

WHEREAS, the Adrian City Commission, by Resolution #R04-108 dated July 6, 2004, adopted a Purchasing Policy Amendment Incorporating a Local Preference Policy clause (to be directed primarily at commodities purchased by the City of Adrian) that appropriately balances the inherent economies afforded by consistent selection of the low bid with the aforementioned advantages of purchasing from local businesses; and

WHEREAS, the Adrian City Commission, by Resolution #R04-126 dated August 2, 2004, expanded the application of the Local Preference Policy to encompass services, commodities and public improvements purchased by the City of Adrian; and

WHEREAS, following review of the Local Preference Policy at a Commissioner work session held on July 30, 2012, several changes have been incorporated, including:

- increasing the dollar amount above which sealed bids are required from $5,000 to $10,000, consistent with the spending authority of the City Administrator as specified in the annual General Appropriations Act,

- eliminating the countywide preference policy, which extended the policy to Lenawee County businesses outside the City of Adrian at one-half the allowed differential, and

- eliminating the Reciprocity Agreement with other local units of government, due to the fact they have not taken advantage of it during the past eight years.

WHEREAS, the City Administrator and Finance Director recommend adoption of the amended Local Preference Policy.

NOW THEREFORE BE IT RESOLVED that the Adrian City Commission by this resolution hereby adopts the attached amended Local Preference Policy.

On motion by Commissioner _____, seconded by Commissioner _____, this resolution was adopted by a

_____ vote.