
**VILLAGE OF SUGAR GROVE
BOARD REPORT**

TO: VILLAGE PRESIDENT & BOARD OF TRUSTEES
FROM: MATT ANASTASIA, FINANCE DIRECTOR
SUBJECT: DISCUSSION: ESTABLISHING A PURCHASING POLICY FOR THE
VILLAGE OF SUGAR GROVE
AGENDA: OCTOBER 03, 2017 REGULAR BOARD MEETING
DATE: SEPTEMBER 29, 2017

ISSUE

Shall the Board discuss formalizing a purchasing policy.

DISCUSSION

The Finance Department has drafted a Village purchasing policy which memorialized the current practices being followed. When the Financial Policies were past as whole on July 19, 2011, the only policy missing at the time was the Purchasing Policy. Not only will this put the current practice in writing, but it will help in many different aspects for the Village on how it is viewed from the outside. The Village's management practices are considered "strong" under Standard & poor's Financial Management Assessment (FMA), but this will help keep the status and potentially improve it. This policy will also assist the Police Department in becoming an ILEAS accredited police department. It is one of the standard requirements for the department to have a written purchasing policy in place. This policy will allow the Village to continue to maintain its strong financial condition, as well as quality services now and into the future.

COST

There are no direct costs associated with formalizing the purchasing policy.

RECOMMENDATION

That the Village Board direct staff to proceed with Establishing a Purchasing Policy for the Village of Sugar Grove.

Village of Sugar Grove, Illinois Purchasing Policy

Purpose

It is the philosophy of the Village of Sugar Grove to conduct a purchasing process which will result in maximum value in goods and services purchased for the tax dollar spent. The Village of Sugar Grove has responsibility to carefully spend public funds, to manage finances wisely, and to plan for services and facilities required by the public. It is the Village of Sugar Grove's policy that their purchasing process will achieve the following objectives:

- Purchase goods and services at the lowest cost consistent with specified quality and service levels
- Promote full competition from vendors through a standardized bidding process
- Comply with all local, state and federal regulations regarding the purchase of municipal goods and services
- Maintain continuity of supply to support the various services provided by the Village
- Maintain standards of quality in materials
- Avoid duplication, waste and obsolescence with respect to materials and equipment
- Maintain the minimum investment in materials inventory needed to provide cost effective services

Category A: Goods and Services with a cost less than or equal to \$1,500

Purchases may be made without price solicitation and the approval by department supervisors or department head.

Category B: Goods and Services with a cost exceeding \$1,500 but less than or equal to \$5,000

Pricing information will be gathered through an approved process such as price negotiations, written quotations or telephone solicitations. The purchase will be made from the vendor who offers the lowest price in substantial compliance with the purchase specifications. All purchases must be approved by the Village Administrator prior to purchase. The Village Administrator may reject any and all quotes/bids.

Category C: Goods and Services with a cost exceeding \$5,000 but less than or equal to \$25,000

Formal written bids or proposals will be reviewed by the department supervisor or department head prior to presentation to the Village Board. The purchase will be made from the vendor who submits the lowest bid or proposal in substantial compliance with the quote/proposal specifications. All purchases must have Village Board approval prior to purchase. The Village Board may reject any and all quotes/proposals and waive technicalities in the bidding process.

Category D: Goods and Services with a cost exceeding \$25,000

Formal sealed written bids or proposals must be submitted and will be opened after an approved solicitation process including a public notice of the opportunity to submit bids or proposals. Sugar Grove vendors will be included in the solicitation. The purchase will be made from the vendor who submits

the lowest bid or proposal in substantial compliance with the bid specifications or Request for Proposal (RFP). All purchases must be formally approved by the Village Board in advance and the Village Board may reject any and all bids and waive technicalities in the bidding process.

Category E: Unbudgeted Purchases

Unbudgeted purchases up to \$5,000 may be made with prior approval by the Village Administrator. Unbudgeted purchases exceeding \$5,000 must have prior Village Board approval. Pricing information will be gathered through an approved process such as sealed bids, price negotiations, written quotations or telephone solicitation. Village Board approval for purchases under \$5,000 are at the discretion of the Village Administrator.

For the purpose of determining which purchase category to utilize, a cost is assumed to be the invoice cost. For example, the purchase of ten (10) items with a unit cost of \$200 a piece would be one Category B purchase, rather than ten (10) Category A purchases.

Purchasing Policy Exceptions

Exception #1: Emergency Purchases

Description:

The acquisition of good and services when following the normal acquisition procedures would create an unacceptable delay in resolving an emergency situation. A delay is unacceptable if it would create an environmental hazard, place the public at risk, lead to increased damage to public facilities or create a significant inconvenience for the public. Examples include water or sewer system leaks and the unexpected failure of critical equipment or facilities.

Alternate Procedure:

The necessary goods and services will be acquired as quickly as possible. In the case of construction services, the repair contractor will be selected from the list of contractors maintained for that purpose and paid on time and material basis as defined by the Village's standard specifications. Goods and other services will be acquired from the vendor that can make the earliest delivery at reasonable prices.

Approval Process:

The initial acquisition will be approved by the department head. If the acquisition cost exceeds \$5,000 but less than \$25,000, the quote or proposal will be presented to the Village Administrator for approval prior to ordering the goods or services. If the cost exceeds \$5,000, the quote or proposal will be presented to the Village President prior to purchase.

Exception #2: Travel and Training Expenses

Description:

Costs incurred while travelling on Village business and participating in training authorized by the Village.

Alternate Procedure:

The Village's regular Travel Policy will govern all purchases.

Approval Process:

Payments will be approved by the department head, Finance Director and Village Administrator. Bills will be paid through the normal accounts payable process and the information will be reported the Village Board after payment along with the routine accounts payable reports.

Exception #3: Payroll Payments

Description:

Payroll costs for employees authorized in the current budget.

Alternate Procedure:

Paychecks will be issued to employees at the end of the week following completion of a pay period.

Approval Process:

Payroll timesheets will be approved by the department head and Village Administrator.

Exception #4: Utility Bills

Description:

Bills for natural gas, electricity and communications such as cellular telephones, long distance telephone and local telephone.

Alternate Procedure:

Utility bills in all amounts will be processed through the normal accounts payable process.

Approval Process:

Payments will be approved by the Finance Director and information about the payments will be presented to the Village Board after payment along with the routine accounts payable reports.

Exception #6: Health Insurance Payments

Description:

Reimbursements to the City's health insurance providers for payments made to medical professionals and program participants.

Alternate Procedure:

Individual payments are governed by the rules and regulations controlling the health insurance program.

Approval Process:

The Finance Director will approve payments to medical providers and information about the payments will be presented the Village Board after payment along with the routine accounts payable reports.

Exception #7: Contract Payments except for Contracts for the Construction of Capital Improvements

Description:

Partial and Final payments on all contracts, purchase orders and agreements that have been previously approved by the Village Board, unless the payment causes the total contract amount to exceed the original authorization by more than \$5,000 up to a contract price of \$50,000, or 10% over on a contract price exceeding \$50,000.

Alternate Procedure:

Payments in all amounts, unless original contract amount will be exceed by \$5,000 up to a contract price of \$50,000 or 10% over on a contract price exceeding \$50,000, will be processed through the normal accounts payable process.

Approval Process:

Contract payments exceeding \$5,000 up to a contract price of \$50,000 or 10% over on a contract price exceeding \$50,000 will be approved in advance by Village Board. Information about the payments will be presented to the Village Board prior to payment for approval.

Contracts not exceeding \$5,000 up to a contract price of \$50,000 or 10% over on a contract price exceeding \$50,000 will be approved by the Village Administrator. Information about the payments will be presented to the Village Board after the payment along with the routine accounts payable reports.

Exception #8: Contract Payments for the Construction of Capital Improvements

Description:

Partial and final payments on all contracts for capital improvements.

Alternate Procedures:

The Village Administrator or Public Works Director shall authorize all change orders on contracts for the construction of capital improvements.

Approval Process:

Partial and final payments on all contracts for capital improvements with change orders will be submitted to the Village Board for approval prior to payment. The payment request form will include a listing of all proposed and approved change orders, the original contract amount and the current proposed contract amount.

Exception #9: Loans, Rebates and Refunds

Description:

Payments due through approved programs such as utility refunds, sales tax rebates, outstanding liabilities, deposits refunds and other.

Alternate Procedures:

Payments will be made according to the program specific administrative procedures.

Approval Process:

All payments will be made through the normal accounts payable process and the information will be presented to the Village Board after payment along with the routine accounts payable reports.

Exception #10: Debt Service

Alternate Procedure:

The payment schedules will be approved by the Village Board at the time the debt is incurred.

Approval Process:

The payments will be approved by the Finance Director and made through the required payment instructions process.

Exception #11: Asphalt, Concrete, Winterization materials and Construction/Maintenance Aggregates

Description:

The purchase of asphalt products, ready-mix concrete, salt for wells and Village infrastructure and aggregates for use in construction and maintenance activities.

Alternate Procedure:

These materials are acquired on an as-needed basis from nearby vendors based upon the product, hauling distance and purchase price.

Approval Process:

Payments will be approved by the Public Works Director and Village Administrator and made through the normal accounts payable process. The information will be reported to the Village Board after payment along with the routine accounts payable reports.

Exception #12: Internal Service Fund Payments and Inter-fund Transfers

Description:

Payments made from on Village fund to another for direct services such as equipment replacement schedules, debt service or transfers included in the approved budget.

Alternate Procedure:

The transfers are all governed by approved and audited internal procedures.

Approval Process:

The payments will be approved by the Finance Director.

Exception #13: Temporary Employment Service Payments

Description:

Fees paid to temporary employment service contractors for temporary employees working in Village departments.

Alternate Procedure:

Temporary service contracts are approved by the Village Board and a listing of contract service/seasonal employees is included in the budget. The short-term use of temporary employees to fill vacant, full-time positions is approved on a case-by-case basis by the Village Administrator.

Approval Process:

The payments will be approved by the Finance Director and made through the normal accounts payable process. The Information will be reported to the Village Board after payment along with the routine accounts payable reports.

Exception #14: Bulk Fuel Purchases

Description:

The acquisition of fuel (gasoline, diesel and ethanol) for Village equipment and vehicles.

Alternate Procedure:

These fuels are purchased as-needed on a tanker load basis from the vendor who provides the lowest delivered price.

Approval Process:

The payments will be approved by the Public Works Director and made through the normal accounts payable process. The information will be reported to the Village Board after payment along with the routine accounts payable reports.

Exception #15: Payments Required by State and Federal Law

Description:

Non-discretionary payments made to comply with state and federal laws such as unemployment compensation and transfer of drug forfeiture money to the State of Illinois.

Alternate Procedure:

The payments are made pursuant to the applicable laws.

Approval Process:

The payments will be approved by the responsible department head and made through the appropriate payment process. The payment information will be reported to the Village Board after payment along with the routine accounts payable reports.

Exception #16: Payments for 911 Dispatching Services

Description:

Payments made to vendors for 911 dispatching services.

Alternate Procedure:

The payments made to continue 911 dispatching services essential to Village function.

Approval Process:

The payments will be approved by the responsible department head and made through the appropriate payment process. The payment information will be reported to the Village Board after payment along with the routine accounts payable reports.