

Memorandum

Department of Public Works



TO: Chris DesPlanques
Finance Director

FROM: James A. Eckrich, P.E. *JA*
Public Works Dir. / City Engineer

DATE: February 12, 2018

RE: Purchasing Policy - Per Unit Purchasing

Chapter IV of the City of Chesterfield Purchasing Policy details the purchasing procedures of the City of Chesterfield. Sections one through four of Chapter IV provide the framework for the actions necessary to approve purchases based upon the cost of the purchase. The sections are as follows:

- Section 1 Purchases Under \$5,000*
- Section 2 Purchases From \$5,000 to \$10,000*
- Section 3 Purchases From \$10,000 to \$25,000*
- Section 4 Purchases in Excess of \$25,000*

When the Purchasing Policy was created, the City of Chesterfield wisely added *Section 5 Per Unit Purchasing*. This section was added to cover purchases which individually would fall under Section 1, but actually fall under another section due to the volume of the purchase. An example is the purchase of concrete. The City of Chesterfield receives quotes for concrete each year, with a typical low bid of around \$85.00 per cubic yard. However, because the City, throughout the year, will use 1400 cubic yards of concrete, the actual annual cost is \$120,000. The Per Unit Purchasing section acknowledges the unique aspect of these types of volume purchases.

Section 5 Per Unit Purchasing is attached for your review. You will note that allowable purchases using the Per Unit Purchasing provision are to be approved by the Finance and Administration Committee, and that the list of per unit items is to be reviewed by the Finance and Administration Committee each year. Unfortunately, it does not appear that this list has been submitted to, and approved by the Finance and Administration Committee since 1995. Consistent with the direction from Mr. Geisel to review our practices and procedures and ensure they are in conformance with the policies and procedures set by City Council, I am bringing this matter to your attention.

I have coordinated a review of the approved Per Unit Purchasing list by the City Department Heads. It is our recommendation that the most recent Per Unit Purchasing Authorized List be replaced with the following items:

Per Unit Purchasing Authorized List

Aggregate (rock)
Ammunition
Asphalt
Calcium Chloride
Concrete
Contractual Hauling
Custodial Supplies (paper towels, toilet paper, soap, etc.)
Deicing Salt
Fertilizer
Field Maintenance Supplies (i.e. chalk, paint, sand, etc.)
Gasoline
Landfill Tipping Fees
Mulch
Office Supplies (paper, pens, binders, etc.)
Sealant
Seed
Signs and Sign Hardware
Sod
Street Striping
Street Sweeping
Stump Grinding
Tree Planting
Tree Removal*
Topsoil
Uniforms (includes shirts, pants, jackets, coveralls, boots)

You will see that there is an asterisk on Tree Removal. That is because *Section 5* states that per unit items must not exceed \$500 each. Tree removal is bid in categories, and the categories for larger trees will exceed \$500. Accordingly, I would like to request that Tree Removal be added as an exception to the \$500 rule. It simply more timely, practical, and effective to bid tree removal as a unit price item instead of obtaining quotes for each of the hundreds of trees removed by the City each year.

Please note that prior to a purchase being approved via the Per Unit Purchasing provision the purchase must be budgeted, it must be on the Per Unit Purchasing Authorized List (above), and Staff must accept the low bid. If any of these do not occur, the purchase must be treated in accordance with Sections one through four of Chapter IV, including submittal to City Council for any purchase exceeding \$25,000.

It is important to understand that the Per Unit Purchasing provision does not permit any provision of the Purchasing Policy to be circumvented. It merely establishes the standards to be used when making a purchase for one of these items. For example, if the spring planting resulted in an application for 150 street trees, and each tree were estimated to cost \$300, the total estimated expenditure would be \$45,000. Because this total purchase is in excess of \$25,000, Section 4 of the Purchasing Policy would require public advertisement, the creation of a bid package, a public bid opening, and public award of the bid via City Council. Tree suppliers are not used to bidding work this way, and treating a bid for trees in this manner would likely result in fewer bidders, and higher costs. Instead, the City Staff would treat this as a Per Unit purchase, and would solicit bids from several tree suppliers who have provided trees to the City before, or who have expressed interest in supplying trees to the City. Those bids received would be analyzed by the City Staff, and a recommendation would be submitted to the Finance Director and the City Administrator. If both the Finance Director and the City Administrator concur with the Department Head recommendation, and determine that the Per Unit provisions of the Purchasing Policy were met, the purchase would be approved.

The Per Unit Purchasing provision has no impact on the purchase of commodities, equipment, or services not included on the authorized list. The purchase of any item not on the approved list must adhere to the specific individual provisions of the Purchasing Policy.

Action Recommended

This matter should be submitted to the Finance and Administration Committee. Should the F&A Committee concur with Staff's recommendation, it should approve the updated Per Unit Purchasing Authorized List. Subsequent to approval, the Finance Director should create the list as Appendix D of the Purchasing Policy, and distribute same to the City Staff.

potential vendors, as well as those that respond to the legal notice.

Formal bids will be advertised for at least ten (10) business days prior to bid opening in The Countian and the St. Louis Business Journal. In addition, a notice should be given to the local cable television companies. The bids must be publicly opened at the time and date specified. The Department Heads or City Clerk must submit a recommendation to the Director of Finance and Administration who will in turn confirm the recommendation or request additional information. Once the recommendation has been reviewed and approved by the Director of Finance and Administration, it will be forwarded on to the City Administrator for submission to the City Council.

All purchases over \$25,000.00 must be awarded by the City Council at a public meeting. The award will normally be made to the low bidder meeting specifications. However, there may be instances when the low bid is not from a responsible bidder. When such a situation arises, it is incumbent upon the individual Department Head or City Clerk to thoroughly document the reasons why the low bidder should be disqualified.

Section 5. Per Unit Purchasing

Department Heads and City Clerk shall have the authority to purchase on a "per unit" basis those items which have been specifically identified on a list which is to be approved by the Finance and Administration Committee of the City Council of the City of Chesterfield for such purchases, subject to the approval of the City Administrator. See Appendix D (Per Unit Purchasing Authorized List). Said list is to be prepared and reviewed on an annual basis by the Finance and Administration Committee and may be modified by the Finance and Administration Committee as it may deem appropriate. Any items which are contained on said list must be for the purchase of commodities only and each per unit dollar amount may not exceed a total of \$500 for each unit to be purchased and must already fall within the total amount budgeted by the City for the purchase of said commodity.

Insofar as staff has made every possible effort to obtain at least three (3) bids and has documented the same, or where the actual cost exceeds the budgeted amount but adequate funds exist within the department's budget to cover the cost of the item or items, the City Administrator is authorized to approve the purchase as long as the bid procedures have been carried out in accordance with the purchasing rules and regulations. The City Administrator shall be required to seek the approval of the City Council for purchases of commodities on a per unit basis whenever:

- (a) The low bidder is not chosen; or
- (b) The item is not on the Finance and Administration approved list; or
- (c) The purchase exceeds the budgeted amounts.

Section 6. Approval of Purchases

All purchase orders or contracts must be for goods or services covered by a category in the budget for the current fiscal year as approved by the City Council. Any purchaser of an item not provided for in the current fiscal year's budget must receive the prior approval of the City Council. Department Heads or City Clerk are authorized to approve all purchases after complying with the competitive shopping requirements as specified above, subject to the approval of the City Administrator. Department Heads or City Clerk shall also be authorized to expend funds, subject to the approval of the City Administrator, exceeding \$10,000.00 for materials and supplies under blanket purchase order for a fixed period of time that was issued as a result of competitive bidding and City Council approval of the lowest responsible bidders, which shall include "per unit" purchases which may in the aggregate exceed \$10,000.00 if purchase is made in accordance with Section 2 (E).

APPENDIX D

**CITY OF CHESTERFIELD
Per Unit Purchasing
Authorized List
Approved by F&A May 3, 1995**

Authorized Items

Asphalt and sealing materials:
CRS 2
UPM Asphalt
Hot Pour Rubber Joint Sealer

Rock Salt

Signs & Sign Hardware

Gasoline

Topsoll, subsoll, & mudjack soll:

Topsoll

Subsoll

MudJack Soll

Concrete:

Ready mixed concrete

Bagged cement

Temporary Services

Police Uniforms:

Shirt

Trouser

Jacket

Contractual Hauling

Street Striping

Office Supplies

Public Works Uniforms:

Shirt

Pants

Jacket

Coveralls

Rock, sand, & soll:

Clean 2"

Clean 1/2"

Sand