

VILLAGE OF LOMBARD
REQUEST FOR BOARD OF TRUSTEES ACTION
For Inclusion on Board Agenda

 X Resolution or Ordinance (Blue) *Waiver of First Requested*
 Recommendations of Boards, Commissions & Committees (Green)
 Other Business (Pink)

To: President and Village Board of Trustees

FROM: William T. Lichter, Village Manager

DATE: October 25, 2005 (COW)(B of T): November 3, 2005

TITLE: Revisions to the Village's Purchasing Manual

SUBMITTED BY: Timothy Sexton, Assistant Director of Finance

BACKGROUND/POLICY IMPLICATIONS:

On October 18, 2005, the Finance Committee unanimously recommended that the Village's Purchasing Manual be revised as described in the attached memo. There are several changes to the manual including the bid threshold, internal approval levels, quote levels, signatures on contracts, and change orders. In the interest of saving paper, only the proposed changes to the Manual are attached. If anyone would like to view the complete manual, a copy is available in the Finance Department. Staff requests that the Village Board approve these revisions.

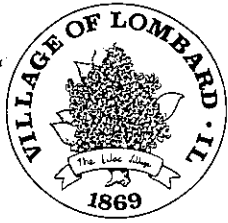
FISCAL IMPACT:

N/A


REVIEW (as needed):

Village Attorney XX _____ Date _____
Finance Director XX Timothy Sexton Date 10/26/05
Village Manager XX William T. Lichter Date 10/24/05

NOTE: All materials must be submitted to and approved by the Village Manager's Office by 12:00 Noon, Wednesday, prior to the Board Agenda distribution.



To: Leonard J. Flood, Director of Finance

From: Timothy Sexton, Assistant Director of Finance 

Date: October 10, 2005

Subject: Purchasing Manual Revisions

The Village's Purchasing Manual was initially adopted by the Village Board on January 7, 1999. The 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 since its adoption. There have been several revisions to the policy since it was first adopted, to include changes in state statute and changes in internal procedures. I am submitting several changes for consideration by the Finance Committee.

On August 2, 2005, Gov. Blagojevich signed SB 1882 into law (Public Act 94-0435). This bill raises the amount that contracts for municipalities must be let by competitive bidding from \$10,000 to \$20,000. Therefore, I have proposed that we amend our purchasing policy to raise the bid amount to \$20,000. Also, I have proposed changes to the amounts for internal approval levels, as well as the amounts for different types of quotes needed for purchases under \$20,000. These changes will improve the efficiency of purchasing in the Village, while still maintaining control over employee purchases.

I also propose an amendment raising the limit for purchasing items using a blanket purchase order from \$500 to \$1,000. This change will allow employees to purchase small items more efficiently, without having to wait for a regular purchase order to be approved and sent to the vendor.

Another amendment to the policy was to add in a section addressing the need for a centralized approval of all significant contracts that do not need Board approval. We have been practicing this procedure informally for approximately one year. This addition to the policy will formalize the procedure.

Finally, I have included an amendment to the change order section of the policy to include a previous amendment to state statute. If change orders to any contract exceed 50% of the original contract amount, the project must be rebid. Village Attorney Tom Bayer notified us of this change to state statute last October, and we have been complying with this law since.

A copy of the proposed changes to the policy is attached, with all changes highlighted. I have also taken this opportunity to correct various titles in the policy, as well as update any outdated procedures. None of these changes were of any significance; therefore I did not include them in the attached proposed changes.

If you have any questions, please let me know.

RESOLUTION

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A RESOLUTION AMENDING THE PURCHASING POLICIES AND PROCEDURES MANUAL FOR THE VILLAGE OF LOMBARD

WHEREAS, Section 35.21 of the Village of Lombard Municipal Code states, “the Village Manager shall...have prepared and maintained a purchasing manual.” and

WHEREAS, Section 35.21 further states “said manual shall be subject to approval by the Board of Trustees,” and

WHEREAS, the Village Board previously approved Resolution 95-99 adopting a purchasing policies and procedures manual for the Village of Lombard; and

WHEREAS, an amendment to the purchasing manual is attached hereto and marked Exhibit “A”; and

WHEREAS, the adoption of the amendment to the purchasing manual contributes to the continuity and credibility of administering public funds; and

WHEREAS, the Corporate Authorities deem it to be in the best interest of the Village of Lombard to approve such manual.

NOW, THEREFORE, BE IT RESOLVED BY THE PRESIDENT AND BOARD OF TRUSTEES OF THE VILLAGE OF LOMBARD, DU PAGE COUNTY, ILLINOIS as follows:

SECTION 1: That the amendments to the Village of Lombard Financial Policies are hereby approved.

SECTION 2: That the Director of Finance is hereby directed to implement said policies as approved.

Adopted this ____ day of _____, 2005.

Ayes: _____

Nays: _____

Absent: _____

Approved this ____ day of _____, 2005.

William J. Mueller
Village President

ATTEST:

Brigitte O'Brien
Village Clerk

CHAPTER 2 - PURCHASING POLICIES

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:

<u>Dollar Limits</u>	<u>Required Approvals</u>	
Under \$2,500	Supervisor or Department Head	
\$2,501-\$5,000	Supervisor and Department Head	Deleted: 2,5
\$5,001-\$19,999	Supervisor, Department Head, Director of Finance and Village Manager	Deleted: 2,5
\$20,000 & Above	Department Head, Director of Finance, Village Manager and Board of Trustees	Deleted: 1

E. Signing of Contracts

All contracts in excess of \$5,000 and less than \$20,000 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 - COMPETITIVE QUOTES & EXCEPTIONS TO THE POLICY

A. General Policy for Soliciting Quotes

Employees are responsible for obtaining quotes for purchases in the instances outlined below. When submitting a purchase requisition prior to purchase using the HTE software, quotes shall be added to the requisition. The limits shall include all costs involved with a purchase, including shipping, installation, etc. Requisitions 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.

Up to \$2,500	One verbal quote is required; however, employees are encouraged to seek additional quotes when possible.
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| \$2,501 - \$5,000 Three verbal quotes must be obtained. The quotes must be listed in the HTE purchase requisition. Physical records regarding the dates, contacts and quotes received shall be retained in the department's files for auditing purposes.

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| \$5,001 - \$19,999 Three written quotes. The quotes must be listed in the HTE purchase requisition. Hard copies shall be obtained and retained in the department's files for auditing purposes.

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| \$20,000 & Above Must be competitively bid in accordance with State law and Village ordinances. Village Board approval is required for all contracts above \$20,000.

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CHAPTER 4 - COMPETITIVE BIDDING & REQUESTS FOR PROFESSIONAL SERVICES

A. When a Formal Bid Is Required

| All purchases of goods or services exceeding \$20,000 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 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.

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CHAPTER 5 - METHODS OF PAYMENT PROCESSING

A. Regular Purchase Orders

With the exception of purchases processed with a blanket purchase order (see Section C below), all purchases shall require the issuance of a regular purchase order to the vendor before an order for goods or services is filled. No employee shall have the authority to purchase items on the Village's behalf without first entering a purchase requisition and obtaining the required approvals from supervisory staff or the Village Board where applicable. The Village will not issue "confirming" purchase orders.

| Purchase orders will be required for all items exceeding \$1,000 individually or in aggregate. Employees shall be responsible for planning for purchases exceeding \$1,000 in advance and should allow sufficient time to have a requisition processed and purchase order issued and mailed to the vendor.

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With the exception of emergency purchase orders, the Department of Finance will not issue purchase order numbers in advance unless a requisition has been processed and has received the necessary approvals.

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 requisition shall process another requisition for the change order. Using the requisition comments option in HTE, the employee shall **note the original purchase order number** for which the change is being made and explain briefly the need for the change. After the requisition is received and approved by the Assistant Finance Director, it will be added to the original purchase order and a change order will be issued to the vendor. Please note that change orders to original contracts of \$20,000 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.

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C. Blanket Purchase Orders

Blanket Purchase Orders are intended to give employees flexibility when purchasing items for less than \$1,000. Orders exceeding \$1,000 shall be processed using a regular purchase order. In certain circumstances, the blanket order amount may be increased above \$1,000 with prior approval from the Director of Finance.

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CHAPTER 6 - FINANCIAL POLICIES

NOTES

A. Change Order Policy (BOT approved 2/16/95, resolution # 58-95)

State statute requires Village Board approval of all change orders for \$10,000 or more and for all change orders which, when combined with those previously approved, increase or reduce the contract price by more than \$10,000. For projects with change orders exceeding 50% of the original contract amount, the contract must be rebid per state statute. The following financial policy is consistent with this statute.