

**VILLAGE OF VERNON HILLS
RESOLUTION NO. 2018-027**

**A RESOLUTION APPROVING THE PURCHASING POLICY
FOR THE VILLAGE OF VERNON HILLS, ILLINOIS**

WHEREAS, the Village of Vernon Hills, County of Lake, State of Illinois (*"the Village"*) is a duly organized and existing municipality and unit of local government created under the provisions of the laws of the State of Illinois, and is operating under the provisions of the Illinois Municipal Code; and

WHEREAS, the Village has drafted a policy that outlines proper purchasing procedures and policies for procurement required for municipal operations (*"Purchasing Policy"*); and

WHEREAS, the Village Board has determined that approval of the Village's Purchasing Policy is in the best interest of the Village of Vernon Hills and its residents.

NOW THEREFORE BE IT RESOLVED BY THE PRESIDENT AND BOARD OF TRUSTEES OF THE VILLAGE OF VERNON HILLS, LAKE COUNTY, ILLINOIS, as follows:

SECTION 1: APPROVAL OF POLICY. The Village of Vernon Hills Purchasing Policy shall be, and is hereby, approved in the form attached to this Resolution in Exhibit A.

SECTION 2: EFFECTIVE DATE. This Resolution shall be in full force and effect upon its passage and approval by a majority of the members of the Village Board.

SECTION 3: RESOLUTION NUMBER: This Resolution shall be known as Resolution Number 2018-027.

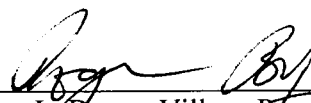
Dated the 19th of June 2018

Adopted by roll call votes as follows:

AYES: 5 – Hebda, Schultz, Marquardt, Koch, Oppenheim

NAYS: 0 - None

ABSENT AND NOT VOTING: 1 - Takaoka

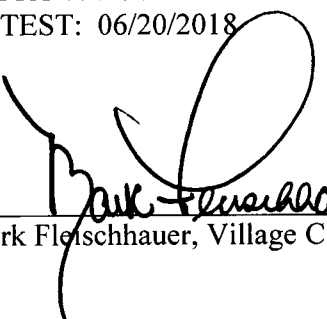


Roger L. Byrne, Village President

PASSED: 06/19/2018

APPROVED: 06/19/2018

ATTEST: 06/20/2018



Mark Fleischhauer, Village Clerk

RESOLUTION 2018-027
EXHIBIT A: VILLAGE OF VERNON HILLS PURCHASING POLICY



**PURCHASING POLICIES AND PROCEDURES
MANUAL**

VILLAGE OF VERNON HILLS, ILLINOIS

Effective June 19, 2018

VILLAGE OF VERNON HILLS PURCHASING POLICY

I. INTRODUCTION

The purpose of this document is to provide comprehensive purchasing policies and procedures as guidance to the Village of Vernon Hills' departments in procuring goods and services. This document specifies the appropriate level of approval required and applicable State laws to be followed by Village personnel. This document is intended for use by Village personnel, and any individual authorized to execute purchases on behalf of the Village of Vernon Hills, and will be revised as policies and procedures require revision or clarification. This document is adopted by majority vote of the Village Board and may only be amended by a majority vote of the Village Board.

II. APPLICABLE LAWS AND REGULATIONS

Illinois Municipal Code, 65 ILCS 5/1-1-1 et seq., establishes the dollar value for requiring sealed bids for Public Works contracts and municipal supplies. As a home-rule unit of government, the Village has the authority to set its own dollar limits. The Village currently uses the State threshold for sealed bids. Effective August 25, 2017, Public Act 100-0338 increased the municipal bid threshold from \$20,000 to \$25,000. The Village Board may, by a 2 / 3 majority vote, waive bids and negotiate purchases. Section 2-2(a) of Chapter 2, Article I of the Vernon Hills Municipal Code defines the procedures for payment of expenses for "...any public improvement or for any work or other public improvement which is not to be paid for in whole or in part by special assessment or special taxation, which expense will not exceed \$25,000, must be submitted to the Board of Trustees for approval."

In addition, Section 2-165 (9), Chapter 2 of the Vernon Hills' Municipal Code states that the Village Manager shall "Supervise the purchase of all materials, supplies and equipment for which funds are provided in the budget; let contracts necessary for operation or maintenance of village services for amounts up to and including \$25,000." In this role, the Village Manager is responsible for all purchases of supplies, material and equipment as authorized by the Village Board, in the manner prescribed by, and subject to the limitations imposed by law. Section 2-208 of Article III, Division 4 states that the Finance Director has been designated as the person primarily responsible for "...billing, purchasing, disbursement, budgeting, accounting, custodian for all municipal funds and retirement systems including Police pension, treasury and debt administration" to ensure that the Village's purchasing policies are followed. All applicable Vernon Hills Municipal Code sections may be found in Section VII.

Payments for goods and services by the Village are subject to the Local Government Prompt Payment Act (50 ILCS 505 et seq.). Pursuant to the Act, the Village must approve or disapprove a bill from a vendor for goods or services furnished to the Village within 30 days after the receipt of such bill or within 30 days after the date on which the goods or services were received, whichever is later. In addition, any bill approved for

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payment shall be paid within 30 days after the date of approval. This allows a total of 60 days for the payment of an invoice.

As a unit of local government, the Village is exempt from sales tax on all purchases per the Illinois Department of Revenue. The current Village exemption form can be obtained from the Finance Department. Departments are responsible for ensuring tax exemption on Village purchases at the time of purchase. The Village will not reimburse employees for sales taxes paid on uniform reimbursements, or taxes paid when a tax exemption should have otherwise been provided to the vendor.

III. SCOPE

This document governs all procurements for the Village of Vernon Hills, except otherwise provided by state law or Village of Vernon Hills Municipal Code of Ordinances. Any dollar amount shown within this manual shall be gross of any trade-in or allowances.

IV. PROCESS

The Village's purchasing function is de-centralized. Each department is given responsibility to procure its own goods and services. Personnel in each department may be assigned various functions related to purchasing. The Department Head is responsible to ensure adherence to internal controls and this manual. The Finance Department has specific oversight of the purchasing process carried out by departments and is responsible for fixed asset tracking.

Employees with purchasing functions in each department are responsible for ensuring policies and procedures set forth in this manual are followed. Further, all Village personnel are responsible for adherence to purchasing responsibilities established in this section including code of conduct, procurement, inventory control, recordkeeping and vendor solicitation. The Finance Department will periodically provide updates and training on this policy.

Village personnel are responsible for adhering to the following principles regarding the conduct of Village purchases:

Code of Conduct

- Promoting an understanding of sound purchasing policies and procedures throughout the department.
- Providing aid and assistance to other personnel within their department in purchasing matters.
- Working with other departments and vendors to promote efficiency and cooperation.
- Cooperating with all departments in providing budget preparation assistance and furnishing requested information.

VILLAGE OF VERNON HILLS PURCHASING POLICY

- Complying with and enforcing the policies and procedures established in this manual.
- Employees involved in the procurement process shall refrain from personal business activity that could conflict with the proper execution of procurement policies, or that could impair their ability to make impartial decisions.

Procurement

- Determining the most efficient and economical means of procuring goods and services in accordance with Village policies and procedures.
- Verifying that vendor invoices reflect the Village's sales tax exemption.
- Assisting in the development of standardized specifications for commodities and services for use within their departments, where practical.
- Identifying and consolidating like or common items to obtain maximum savings.
- Soliciting and evaluating bids and quotes.
- Adhering to proper authorization procedures outlined in this manual.
- Preparing and processing purchase requisitions and related documents.
- Establishing and maintaining current bidder and vendor lists.
- Assuring that all goods or services received match the purchase order and vendor invoice.
- Encouraging the practice of shopping local by purchasing goods and services from businesses located in Vernon Hills whenever possible.

Inventory Control

- Following inventory procedures and property control measures for all Village property.
- Ensuring Village property is secured and accounted for in insurance schedules, if applicable. The Finance Department will facilitate this process at least once per year.
- Disposing of surplus property properly after obtaining approval by the Village Board.

Recordkeeping

- Generating and maintaining all files necessary to ensure compliance with the Village's purchasing requirements as delineated in this manual such as competitive quotes.
- Ensuring that purchasing records are open and accessible to the public in accordance with the Freedom of Information Act.

Employees or authorized representatives with purchasing responsibilities meeting with sales representatives are reminded that no unfair advantage or preference may be given to one vendor over another in a procurement process. This must be made clear during any meeting outside a procurement process. Visits should be limited to normal business hours and be by appointment when possible.

VILLAGE OF VERNON HILLS PURCHASING POLICY

V. PURCHASING POLICIES

All purchasing functions shall comply with applicable Village, State and Federal laws, and procedures set forth in this manual. In addition:

- Obtain proper approvals in accordance with this manual prior to committing Village funds.
- All requests for prices and/or services, and all purchases shall be made by the employee or authorized representative without regard to race, religion, color, national origin, ancestry, sex, age, disability and in accordance with this manual.
- No employees shall receive any benefit or profit from any contract or purchase made by the Village.
- Acceptance of gifts at any time from a vendor, other than minor advertising novelties and food, shall be restricted in accordance with the Village's Ethics Policy.
- No Village personnel shall be obligated to any vendor and must not conclude any Village transaction from which they may personally benefit directly or indirectly.
- Village personnel with purchasing responsibilities shall strive to maintain professional and cooperative relationships with vendors of proven ability and with those who have a desire to meet the needs of the Village. Purchasing activities shall be conducted to ensure that vendors fulfill Village requirements based on quality, service and price.
- The Village shall buy from vendors who have adequate financial strength, high ethical standards, and a record of adhering to specifications, maintaining shipping promises, and giving a full measure of service. New vendors will be given due consideration, as multiple sources of supply are necessary to insure the availability of goods and services.
- All qualified bidders shall be afforded equal opportunities to quote and shall be compared on equal terms.
- Employees or authorized representatives shall not knowingly initiate a purchase order when there is a conflict of interest. All known or suspected conflict of interest situations shall be referred to the Village Manager's office.
- To enable the department to obtain the best available price, like goods and services shall be combined into a single purchase order whenever possible so that volume buying savings may be achieved.
- No purchase shall be divided to circumvent the purchasing method or approval requirements of this section.
- All unbudgeted purchases should be approved by a department's Director, after consultation with the Finance Director and Village Manager. (Refer to "Emergency Purchases" section)
- Travel and training expenses shall be reimbursed in accordance with the Village's Travel and Training Policy.

Purchasing methods are categorized as informal and formal purchasing. **Informal purchasing** includes taking verbal bids, obtaining prices through catalogs, and receiving letter quotations. **Formal purchasing** includes the letting of sealed bids, requests for proposals, and requests for quotations.

VILLAGE OF VERNON HILLS PURCHASING POLICY

Purchases fall into four basic monetary categories and require the following as a minimum:

AMOUNT	METHOD	APPROVAL REQUIRED*
Up to \$1,000	One informal quote is required, employees are encouraged to seek additional quotes	Supervisor or Department Head
\$1,001 - \$5,000	Three informal quotes must be obtained. Physical records regarding the dates, contacts and quotes should be attached to the purchase order for auditing purposes.	Department Head Finance Director
\$5,001 - \$25,000	Three written quotes must be obtained. Hard copies shall be obtained and should be attached to the purchase order for auditing purposes.	Department Head Finance Director Village Manager
In excess of \$25,000	Competitive Bid, Request for Proposal (RFP), or Board Waiver of Procurement Process	Department Head Finance Director Village Manager Village Board

**Except for Village Board approval, approval at each level may be designated to an authorized individual with the approval of the Village Manager. Electronic approvals through the Village's financial software system (ex: Munis) shall be used whenever possible.*

The Village Board has final approval of all expenditures first by approving the budget and then, through warrant lists, approving bills. Purchases exceeding \$25,000 shall be approved via Village Board action prior to execution of contracts committing Village funds.

Competitive Bids– A competitive bid is a procurement process in which the Village prepares a set of specifications for the completion of a project or acquisition of equipment or supplies. The listing of specifications is published in a newspaper of general circulation and posted to the Village website. Vendors responding to the bids will submit their responses in a sealed package by the stated deadline. A bid received after the deadline is returned to the vendor unopened, and any bids that are not compliant with stated specifications may be rejected. However, the Village reserves the right to reject all bids. Bids are awarded to the lowest responsible bidder participating in the process.

Request for Proposals– A Request for Proposal (RFP) is a procurement process in which the Village solicits proposals for the completion of a project or acquisition of equipment or supplies. The Request for Proposal provides information on the desired project or outcome, but allows flexibility in responses. A RFP is published in a newspaper of general circulation and posted to the Village website, and may be posted on other procurement websites, such as that utilized to

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publish projects affiliated with the Illinois Department of Transportation. Proposers responding to the RFP will submit their responses in a sealed package by the stated deadline. A RFP received after the deadline is returned to the vendor unopened, and any RFPs that are not compliant with stated specifications may be rejected. However, the Village reserves the right to reject all responses. RFPs are awarded to the lowest most qualified proposer.

Contracts and Agreements - All contracts or agreements for the purchase of goods or services in excess of \$25,000 must be executed by the Village Board, unless the Board expressly designates an alternate Village employee to execute a particular contract or agreement on behalf of the Village. Contracts and agreements should be reviewed by the Village Manager's office, Finance Department and, if applicable, Village Attorney prior to placement on a Village Board agenda for consideration. Wherever possible, the use of attorney provided templates is preferred.

Execution of Contracts - Other than the Village Board, no Village employee may enter into a written contract or agreement on behalf of the Village for any purchase of goods or services, except upon express authorization by the Village Board. Only the Mayor, Village Manager, or his/her designee, may execute contracts and agreements for the purchase of goods or services, in an amount not to exceed \$25,000, without prior Village Board approval.

Informal Purchasing – Informal purchasing refers to those goods or services up to \$25,000. If a supplier is recommended who has not quoted the lowest price, the department should document the reason for not choosing the supplier quoting the lowest price. If the purchase is for a routine operating good or service, the price comparison needs to be performed once during the fiscal year. Purchases up to \$2,500 do not require formal bids; informal telephone or written price quotes are acceptable. It is recommended that a minimum of three price quotes be obtained. Purchases over \$2,500 and up to \$25,000 do not require formal bids; however, in addition to complying with stipulations outlined previously, written competitive price quotes must be obtained. Copies of the written quotes should be maintained by the requesting department.

Exceptions to obtaining price quotes from more than one vendor may occur, in the event:

- There are a variety of items in the order, e.g. office supplies.
- Specifications are detailed.
- Item is highly unique and/or specialized.
- Other vendors are located outside the State of Illinois.
- Item(s) can only be obtained from a single vendor (single source).

Exceptions should be noted on the Purchase Requisition.

Formal Purchasing - In addition to complying with stipulations outlined previously, the following procedures must be followed for procurement of goods or services greater than \$25,000, unless the Village Board waives the competitive bidding or request for proposal requirement. The requesting department should consult with the Village Manager's Office and the Finance Department prior to placing a request for the waiver of bids on a Village agenda.

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Competitive Bidding - A notice to bidders, "Invitation for Bids", must be advertised locally, in a newspaper of general circulation, the Village's website and may be posted on other procurement websites, such as that utilized to publish projects affiliated with the Illinois Department of Transportation. Information contained in the advertisement shall include, but may not be limited to the following:

- A detailed description of the work, commodity or service desired.
- A general description may be included in the advertisement if a location for obtaining more detailed information is given.
- Notification that only sealed bids shall be evaluated.
- Bonding and insurance (if labor is required) requirements, if any.
- Time, date, and place of bid opening. The date of the bid opening shall not be less than ten working days after the first advertising date. In the case of construction bids, the date of the bid opening shall be not less than five (5) working days after the final advertising date.
- Copies of bid notices shall be mailed to vendors the week the notice is published by the department making the purchase.
- Contract documents are available to all interested bidders in the office of the person authorized to administer the bid, or will be placed in the Clerk's Office. If copies of contract documents are costly to reproduce, a non-refundable fee will be required of contractors.
- Bid deposit requirements.

Contract documents may include:

- Invitation for Bids or Request for Proposal
- Instructions to Bidders
- Contractor's Proposal
- Performance Specifications
- Hold Harmless Agreement
- Performance and Payment Bond Agreement
- General Conditions
- Drawings
- Addenda (e.g. Insurance)

Bids must be opened promptly at the time and on the date advertised in the notice to bidders. Bids received after the time and date specified will be returned unopened. The applicable Department Head is responsible for ensuring that the proper procedures are followed throughout the bid process.

Based on the dollar amount of the bid, the Village may require bid deposit checks, or bid bonds, to ensure that the low bidder is earnest in his or her intent to enter into a contract with the Village. If the low bidder chooses not to enter into a contract after being awarded the contract, the Village has the right to retain the deposit. The bid deposit check is acceptable as either a "Certified" or "Cashier's" check. The check will be held in the Clerk's Office in a secure location

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for safekeeping until the contracted work is completed.

The department making the purchase prepares the materials for Village Board consideration listing all bidders for Board approval of the final bid. A copy of the contract documents must be kept on file at the department and should be maintained for Village and public review. Original copies shall be maintained in the Village Clerk's office, where chain of custody will be recorded. Once the Board approves the award of a contract, the Mayor, Village Manager, or his/her designee signs the contract documents. Copies are forwarded to the contractor, applicable department staff, and the Village Manager.

Exceptions to Competitive Bid Requirements - Contracts which by their nature are not adaptable to award by competitive bidding may be exempt, but should be reviewed with the Village Attorney before making an exception:

- Contracts for the services of individuals possessing a high degree of professional skill where the ability or fitness of the individual is an important factor, such as auditing, accounting, architectural, engineering, environmental and legal services.
- Contracts for services, training, and educational material where the ability or fitness of the trainer and/or the quality of the materials plays an important part.
- Contracts for utility services, where no reasonable competitive alternatives are available, such as water, sewer, local telephone, natural gas and electric services.
- Contracts with the Federal Government or any agency thereof or purchases under the State of Illinois Joint Purchasing Act.
- Contracts through Cooperative Purchasing Agreements or Programs.

Sole Source Providers - When it is determined that a particular product, service or work cannot be competitively bid due to limitations arising out of the nature of the product, service or work or its availability, the Village may be required to negotiate and enter into contracts for materials or services with a sole source supplier. The approval of the Village Board is required to designate a vendor as a sole source supplier.

Retention of Bids, Quotes, and Proposals - All bids, quotes and proposals of vendors to whom contract is awarded shall be retained for the duration of the procurement and the applicable statute of limitations for any claims. All other bids, quotes and proposals shall be retained for the longer of: a) at least three years following the end of the fiscal year in which received or b) completion of any construction involved in the procurement, except where otherwise provided by applicable law or policy of the Village.

Reservation of Rights - The Village reserves the right to;

- Accept the bid, proposal or quote that is, in its judgment, the best and most responsible and responsive to the interests of the Village and the public.
- Reject the low bid, proposal, or quote.
- Accept any item of any bid, proposal, or quote.
- Reject any and all bids, proposals, or quotes.

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- Accept and incorporate corrections, clarifications, or modifications following the opening of the bids, proposals, or quotes when to do so would not, in the Village's judgment, prejudice the bidding, proposal, or quoting process or create any improper advantage to any bidder, proposer, or quoter.
- Waive irregularities and informalities in the bidding, proposal, or quoting process or in any bid, quote, or proposal submitted, provided, however, that the waiver of any prior irregularities, defect or informality shall not be considered a waiver of any future or similar irregularities, defects or informalities, and bidders, proposers, and quoters should not rely upon, or anticipate, such waivers in submitting their bids, proposals, or quotes.

Prevailing Wage Act - This act, found at 820 ILCS 130/0.01 et seq., for fixed works construction projects requires that the prevailing wages be paid to all laborers, workers, and mechanics performing work under the contract as defined under the Prevailing Wage Act. The most recent Village resolution adopting prevailing wages shall be posted on the Village website.

Insurance Requirements - Every contractor having any contract with the Village shall be required to maintain such insurance coverage for the duration of the contract, and any warranty periods, as the Village shall determine to be adequate to protect the interests of the Village. The contractor shall name the Village as an additional insured in language as specified by the Village's insurance carrier and shall furnish the Village with satisfactory evidence of said insurance prior to commencing any work. Such policies shall be in a form, and from companies, acceptable to the Village. Such insurance shall provide that no change, modification in or cancellation of any insurance shall become effective until the expiration of 30 days after written notice thereof shall have been given by the insurance company to the Village. Insurance contract language must be approved by the Finance Department or Village Attorney prior to submission to the Village Manager or Village Board.

Professional Services - Professional services (i.e. auditing services) are generally contracted through a Request for Proposals (RFP). The RFP process follows the formal buying procedures outlined above, except that the Village is not required to award the contract to the lowest responsible bidder, but may consider quality and other performance factors in making a contract award.

Emergency Purchases - Emergency purchases up to \$25,000 shall be authorized only by the Village Manager's Office based on his/her decision that the delay incurred by following the requirements of the Village's purchasing policies would be detrimental to the Village. The requesting department shall, in writing, certify the vendor's name and approve the vendor request for payment, noting such as an emergency purchase. Emergency purchases over \$25,000 shall be authorized by the Village Manager and the Mayor or Senior Trustee, and will be subsequently ratified at the next available meeting of the President and Village Board.

Village Credit Cards - Village credit cards may be issued to certain Village employees to be used for official Village business (i.e. travel, internet purchases, etc.) only. Each card has a limit, and any outstanding balance is paid in full by the Village each month. An increase in this limit must be approved, in writing, by the Finance Director and Village Manager's Office. Each cardholder is responsible for entering a purchase requisition for all charges in order to initiate

VILLAGE OF VERNON HILLS PURCHASING POLICY

payment. Upon issuance of a purchase order, a copy of the billing statement and all receipts shall be submitted to the Finance Department. It is imperative that receipts be sent in a timely manner to avoid finance charges. If a finance charge is incurred, it will be charged to the department responsible for the delay.

Under no circumstances may Village credit cards be used for personal purchases or cash advances. Use of a Village credit card shall be governed by the Village's Credit Card Policy, and each user must sign a card user agreement prior to use. Charges must also be in compliance with the Village's Travel Policy. Cardholders must ensure the physical security of Village credit cards and must protect the account number and other Village credit and billing information.

Village-Wide Purchasing Accounts – The Village may find it beneficial to pay certain vendors using a village-wide purchasing or credit card account. Such accounts may offer rewards programs at no additional cost to the Village. Rewards are the property of the Village and shall be used for a designated purpose defined during the approval of the contract or account by the Village Board. Such accounts will be managed and maintained by the Finance Department.

Store Accounts - The Finance Department must approve all store accounts and will maintain a list of store accounts that have been established. When an item or service is purchased on account, the employee making the purchase must show the vendor their employee identification card. The receipt for this purchase, with the purchaser's name and the system generated purchase order number printed legibly on it, must be attached to the invoice which is sent to the Finance Department for payment. If the purchasing department does not receive an invoice from the store, the receipt along with the purchaser's name printed legibly on it must be sent to the Finance Department once the purchase requisition has been entered into the computer system and a purchase order has been issued.

Internet Purchases - Purchasing via the Internet is encouraged if the final price (including shipping) provides a cost savings to the Village. Employees purchasing via the Internet may request use of a Village credit card or use a personal credit card and seek reimbursement. The Village will not reimburse the employee for sales taxes.

Village-Wide Suppliers – Departments may periodically send out bid invitations to suppliers of commonly used supplies (i.e. office supplies) and will inform other departments which vendor will offer the Village the best overall price on these products. Departments are required to use these vendors for their purchases unless circumstances exist prohibiting the use. These circumstances should be documented on invoices and/or purchase requisitions.

Local Vendors - When all other terms and conditions are equal, preference will be given to vendors whose businesses are located in Vernon Hills. However, this preference will not adversely affect quality, service, or price consideration.

Cooperative Purchasing - The Village engages in cooperative purchasing arrangements to seek lower prices through combined specifications and larger volume. In addition, cooperative purchasing may reduce duplication of effort and administrative costs. Certain agencies, such as the Northwest Municipal Conference (NWMC) Intergovernmental Purchasing Alliance, the

VILLAGE OF VERNON HILLS PURCHASING POLICY

Houston-Galveston Cooperative Purchasing Program, or the National Joint Powers Alliance (NJPA), and the State of Illinois, initiate their own cooperative purchasing programs. These agencies offer a list of commodities and vendors who offer discounts to members that otherwise would not be available. The State offers joint purchasing opportunities from vendors that are awarded contracts through its Central Management Services (CMS) procurement division. Any new purchasing cooperative agreements must be approved by the Village Board.

Another example of cooperative purchasing is an arrangement between the Village and another governmental entity to purchase goods or services jointly to obtain a volume discount. While cooperative purchasing can be advantageous, price comparisons should be obtained. In some instances, a formal intergovernmental agreement prepared by the Village Attorney may be necessary. Departments are encouraged to seek out cooperative purchasing arrangements with other Vernon Hills governmental agencies and other municipalities.

It should also be confirmed that any cooperative purchasing arrangement follows bid requirements, as necessary.

Rebates, Refunds, Rewards and Allowances - All rebates, refunds, rewards, allowances, and gratuitous commodities shall become the property of the Village.

Rental & Lease-Purchase Contracts - Rental and lease-purchase contracts for personal property may be issued when financial considerations or time usage dictate that this arrangement, as opposed to outright purchase, is more advantageous to the Village. Any such contract which exceeds purchasing limits must be approved by the Village Board, with the exception of short-term daily rental of equipment. The Village Manager shall approve any rental or lease-purchase contract that exceeds \$1,000.

It should be noted that the Village maintains various ongoing relationships with certain vendors year after year. Departments are responsible for conducting periodic reviews to ensure that the Village's pricing remains competitive.

VI. PURCHASING PROCEDURES

Purchase Requisitions - Purchase requisitions (PR) originate in the department making the purchase. The requesting department initiates the approval process by entering a requisition into the Munis Purchase Order module.

Authorization - The purpose of a purchase requisition (PR) is to formally request purchase of a service, commodity, or capital good by an operating Department. Authorization by appropriate designated personnel is a requirement for processing a PR (refer to Purchasing Policies). This authorization will be recorded electronically in the Munis purchasing module.

Information - The following information appears in a purchase requisition (PR):

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- Requisition Number
- Requisition Date
- Requisition Amount
- Vendor Name and Address
- Deliver to Address
- Requestor Name
- Description
- Account Number
- Hours/Quantity
- Cost per Unit

Support for a PR – Supporting documentation for the PR should be kept at the requesting department and include at a minimum:

- Evidence of quotations, when applicable (refer to Informal Purchasing section)
- Items listed under Formal Purchasing, in addition to:
 - Material Purchase Control Document
 - Waivers of Lien
 - Change Orders
 - MFT Contract Documentation

Finance Department Review - The Finance Director or Designee reviews all Department purchase requisitions greater than \$1,000 for the following:

- Account number charged
- Proper Department approvals
- Dollar amount for cash management purposes
- Compliance with Village purchasing policies and procedures in accordance with this policy

Once the Finance Director or Designee approves the purchase requisition, a purchase order is generated.

Purchase Orders - The issuance of a purchase order (PO) legally authorizes the supplier to provide the goods or services requested by the Department. The purchase order is the primary document that initiates one or more of the following:

- Vendor order and delivery of goods or services
- Processing for payment of vendor invoice
- Encumbrance of an appropriated account

Authorization - Purchase orders are created by the Finance Department, who will notify departments that their requisition has been assigned a purchase order number

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Information - The following information appears on a purchase order:

- PO Number
- PO Date
- PO Amount
- Vendor Name and Address
- Deliver to Address
- Requestor Name
- Description
- Account Number
- Hours/Quantity
- Cost per Unit

Assignment of purchase order numbers and vendor numbers is controlled by the Finance Department and occurs sequentially by the automated purchasing system.

Receiving Procedures, Invoices and Progress Billings - When placing an order, the purchasing department should give the applicable Department's address as the delivery location. The vendor sends an invoice to the receiving department. The Department must verify receipt of the good or acceptance of the services provided. Invoices and progress billings for work not yet completed are reviewed by the crew leader, supervisor, or project manager and by the Department Head. The purchase order number is then written at the top of the invoice along with the word "partial" if the invoice is not for the whole purchase order amount or "final" if there were numerous invoices for the order and there is not expected to be additional invoices. This invoice is then sent to the Finance Department with a copy of the Purchase Order.

As a control measure, the Finance staff will not process an invoice for payment when the following is received by the Department in place of an invoice:

- Repair or service order form
- Statement of account

Discounts - Cash discounts are allowable deductions from a purchase price only when payment is received by the vendor within a designated period (i.e. 2% discount if payable in 10 days). When cash discounts are available, departments process the invoice immediately upon receipt by forwarding it to the Finance Department. The Finance Department issues checks or electronic transfers on a priority basis for those invoices offering cash discounts, and mails payment to vendors within the designated discount period.

Quantity discounts or competitive discounts are deductions from an established price and not contingent upon prompt payment of vendor's invoice. Such discounts can vary depending upon the vendor's willingness to obtain the Village's business. All departments should inquire if discounts are available and include such information, when applicable,

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with purchasing documents.

Departments are encouraged to take advantage of discounts and coordinate with the Finance Department to process invoices within the permissible discount periods.

Government discounts are frequently available. All departments should routinely inquire about special government pricing.

Freight - All Departments are required to establish freight terms when placing an order with a vendor, and to avoid freight charges whenever possible. Terms for freight delivery are usually "free on board" (F.O.B.) at a specific location (e.g. vendor's plant) and should be shown clearly on the purchase order. F.O.B. point is the point at which title of ownership for goods transfers to the purchaser, and responsibility for freight charges, insurance and applicable taxes is established. If goods are shipped F.O.B. from a vendor facility, the vendor's obligation has been met once they have shipped the goods as ordered within the agreed-upon time. The vendor has no obligation for the goods once they are placed with the carrier. The common carrier's obligation is to deliver the goods to the Village (purchaser) undamaged and without unreasonable delay in shipment.

Typical freight terms are as follows:

- Prepaid - Ownership remains with the vendor until goods are delivered to the destination and the vendor prepays freight charges
- Freight Allowed - Ownership of goods transfers as soon as goods are taken by common carrier; seller, however, agrees to reimburse the buyer for freight charges
- Delivered - Ownership does not transfer until buyer receives goods; seller pays freight charges
- F.O.B. Shipping Point, Freight Prepaid - same as Freight Allowed, except seller agrees to prepay freight charges
- F.O.B. Shipping Point - Ownership of goods transfers to buyer when common carrier takes goods; freight charges paid by purchaser
- F.O.B. Destination - Ownership of goods transfers to buyer upon receipt of freight; freight charges are paid by the purchaser

The Finance Department may add freight charges as a change to the original purchase order during the payment process if freight is unknown at the time an order is placed.

Change Orders - A change in price or terms to the original purchase order should be submitted to the Finance Department and appropriately approved based on the dollar amount. If a change order causes the total order to exceed the Board's previously authorized amount, Village Board approval is necessary for the change order. Any change order exceeding 50% of the original purchase amount for a contract that has been competitively bid must go through the procurement process again, pursuant to the terms of the Public Works Contract Change Order Act.

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Blanket Purchase Orders - A blanket purchase order is a standing order established at the beginning of the fiscal year, or at the start of a new repetitive purchase, for the full year's appropriated dollar amount. It states the terms and conditions applicable for all purchases made during the year. Price information may be stated for a shorter, specified period of time, and a change order may occur as prices change. The blanket purchase order may or may not be backed up by a contract. Because the same purchase order number is used for each order placed during the year, there is less paperwork for the Departments. The requesting Department monitors blanket purchase orders for price changes and dollar limits and initiates a change order when necessary. Blanket purchase orders are especially useful when the order is for items whose terms and conditions, including price, have been established for the fiscal year, e.g. insurance contracts, or when items purchased are routine, small, high-volume transactions (e.g. snow removal, copy paper, uniforms).

Maintenance Contracts - Maintenance contracts are routinely processed and administered through departments responsible for the acquisition and maintenance of items necessitating such contracts. Most maintenance contracts include renewal options that will be processed through the Village Board if the aggregate annual value exceeds \$25,000. Smaller maintenance contracts are incorporated into the applicable department budget and managed as all other expenditures.

Multi-Year Contracts – Multi-year contracts spanning more than one fiscal year are routinely processed for more complex or lengthy projects. If a single purchase order is issued for a multi-year project, it may be rolled over into the following fiscal year, subject to the approval of the Village Board. Requests to roll over a purchase order must be submitted to the Finance Department in writing within 30 days of the start of the new fiscal year. The Finance Department will prepare a listing of these requests to present for Village Board approval, and to amend the new year budget accordingly.

VII. FUTURE AMENDMENTS

If, in the opinion of the Village Manager, conditions or regulations change to such an extent so as to alter the effectiveness of this policy statement, such changed circumstances shall be brought to the attention of the Village President and Board of Trustees for their consideration and review.

VIII. EFFECTIVE DATE

This policy shall be effective immediately.

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IX. RELEVANT SECTIONS OF THE VERNON HILLS MUNICIPAL CODE OF ORDINANCES

Chapter 2, Article I, Sec. 2-2. - Expenses not covered by special assessment or taxation.

(a) Expenses for public improvement exceeding \$2,500.00. The expense of any public improvement or for any work or other public improvement which is not to be paid for in whole or in part by special assessment or special taxation, which expense will not exceed \$25,000.00, must be submitted to the board of trustees for approval. (b) Expenses for work or other public improvement in excess of \$25,000.00. Any work or other public improvement which is not to be paid for in whole or in part by special assessment or special taxation, when the expense thereof will exceed \$25,000.00, shall be constructed or done through a contract let to the lowest responsible bidder after advertising for bids in the manner prescribed by ordinance, except that any such contract may be entered into by the proper officers without advertising for bids, if authorized by a vote of two-thirds of all the trustees then holding office.

Chapter 2, Article III, Division 2, Sec. 2-165. - Duties and responsibilities as village manager.

(9) Supervise the purchase of all materials, supplies and equipment for which funds are provided in the budget; let contracts necessary for operation or maintenance of village services for amounts up to and including \$25,000.00, which would include the village manager or his designee executing said contracts; and receive sealed bids for purchases or contracts in excess of \$25,000.00 and present them to the village board for approval; advise the board on the advantages or disadvantages of contract and bid proposals; and for contracts other than the acquisition or disposition of real estate or contracts issuing indebtedness on behalf of the village, executing said contracts for work or purchases in excess of \$25,000.00 after the contracts have been approved by the board.

Chapter 2, Article III, Division 4, Sec. 2-208. - Duties generally [Finance Director/Treasurer].

The finance director/treasurer shall be the chief financial officer of the village and shall report to the village manager. The finance director/treasurer may hold other village offices; provided, however, the finance director/treasurer shall not receive compensation for any other office other than finance director/treasurer.

The duties of the finance director/treasurer shall be those prescribed by state law and as the head of the department of finance, shall include...Billing, purchasing, disbursement, budgeting, accounting, custodian for all municipal funds and retirement systems including Police pension, treasury and debt administration.

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**X. VILLAGE OF VERNON HILLS VENDOR INSURANCE REQUIREMENTS –
TEMPLATE A**

Purpose: This insurance template shall be utilized for contracts governing contracts for: minor Public Works Projects such as tree trimming, landscaping, routine janitorial services, building maintenance, snow plowing and other service related contracts, not including specialized consulting for engineering or construction.

- A. **Worker's Compensation and Employer's Liability** with limits not less than:
 - a. (1) Worker's Compensation: Statutory;
 - b. (2) Employer's Liability;
 - c. \$1,000,000 injury-per occurrence
 - d. Such insurance shall evidence that coverage applies in the State of Illinois.
- B. **Comprehensive Motor Vehicle Liability** with limits for vehicles owned, non-owned or rented not less than:
 - a. Bodily Injury/Property Damage: Combined Single Limit: \$1,000,000 per accident
- C. **Comprehensive General Liability** with coverage written on an "occurrence" as is and with limits no less than:
 - a. Each Occurrence: \$ 1,000,000
 - b. General Aggregate: \$2,000,000
 - c. Products and completed operations: General Aggregate: \$2,000,000
- D. Coverage's shall include:
 - a. Premises/Operations
 - b. Independent Vendors
 - c. Personal Injury (with Employment Exclusion deleted)
 - d. Broad Form Property Damage Endorsement
 - e. Blanket Contractual Liability (must expressly cover the indemnity provisions of this Contract)
- E. **Umbrella Policy.** The required coverage's may be in any combination of primary, excess, and umbrella policies. Any excess or umbrella policy must provide excess coverage over underlying insurance on a following-form basis such that when any loss covered by the primary policy exceeds the limits under the primary policy, the excess or umbrella policy becomes effective to cover such loss. This policy should apply to the Commercial General Liability and Motor Vehicle Coverage. Minimum amount \$5,000,000 in combination. An exception for a lower limit may be granted at the discretion of the Village of Vernon Hills. Such an exception could be based upon other criteria such as a review of their safety record, information provided by references, and/or any established prior job performance on behalf of the Village.

Village of Vernon Hills shall be named as an Additional Insured on the Comprehensive General Liability, Comprehensive Motor Vehicle Liability and Umbrella/Excess Policies. An endorsement naming the Village an additional insured must be submitted With the

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Certificate of Insurance. All insurance policies are to be placed with insurers authorized to conduct business in the state with a current A.M. Best rating of no less than A: VII, unless otherwise acceptable to the Village.

F. Other Insurance Provisions -

The insurance policies are to contain, or be endorsed to contain, the following provisions:

- a. The Entity, its officers, officials, employees, and volunteers are to be covered as additional insureds on the general liability, auto and umbrella/excess policies. An endorsement naming the Village an additional insured must be submitted with the Certificate of Insurance
- b. For any claims related to this project, the insurance coverage shall be primary insurance coverage at least as broad as ISO CG 20 01 04 13 as respects the Entity, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the Entity, its officers, officials, employees, or volunteers shall be excess of the Vendor's insurance and shall not contribute with it. Vendor shall procure and maintain for the duration of the contract, and for 2 years thereafter, insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the Vendor, his agents, representatives, employees.
- c. Each insurance policy required by this clause shall provide that coverage shall not be canceled, except with notice to the Entity.
- d. Insurance is to be placed with insurers authorized to conduct business in the state with a current A.M. Best rating of no less than A: VII, unless otherwise acceptable to the Entity.
- e. Waiver of Subrogation: Vendor hereby agrees to waive rights of subrogation which any insurer of Vendor may acquire from Vendor by virtue of the payment of any loss. Vendor agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation. The Workers' Compensation policy shall be endorsed with a waiver of subrogation in favor of the Entity for all work performed by the Vendor, its employees, agents.

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**XI. VILLAGE OF VERNON HILLS VENDOR INSURANCE REQUIREMENTS –
TEMPLATE B**

Purpose: This insurance template shall be utilized for contracts governing contracts for: major Public Works Projects such road rehabilitation and reconstruction, storm sewer extensions/replacements, excavating and demolition, construction projects, and other service related contracts for specialized consulting for engineering or construction management.

- A. **Worker's Compensation and Employer's Liability** with limits not less than:
 - a. Worker's Compensation: Statutory;
 - b. Employer's Liability: \$1,000,000 injury-per occurrence
 - c. To include bodily injury or disease. Such insurance shall evidence that coverage applies in the State of Illinois.
- B. **Comprehensive Motor Vehicle Liability** with limits for vehicles owned, non-owned or rented not less than:
 - a. Automotive Liability Combined Single Limit: \$3,000,000 per accident
- C. **Commercial General Liability** with coverage written on an "occurrence" as is and with limits no less than:
 - a. Each Occurrence: \$3,000,000, to include Insurance Services Office (ISO) Form CG 00-01
 - b. General Aggregate: \$3,000,000
 - c. Coverage to include products and completed operations property damage, bodily injury and personal & advertising injury. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project/location (ISO CG 25 03 or 25 04) or the general aggregate limit shall be twice the required occurrence limit.
- D. **Professional Liability** (if Design/Build) with coverage written on an "occurrence" as is and with limits no less than \$1,000,000 per occurrence or claim, and \$2,000,000 policy aggregate.
- E. **Contractors' Pollution Legal Liability and/or Asbestos Legal Liability and/or Errors and Omissions** (if project involves environmental hazards) with limits no less than \$1,000,000 per occurrence or claim, and \$2,000,000 policy aggregate If the contractor maintains broader coverage and/or higher limits than the minimums shown above, the Village requires and shall be entitled to the broader coverage and/or higher limits maintained by the contractor.
- F. Coverage's shall include:
 - a. Premises/Operations
 - b. Independent Contractors
 - c. Personal Injury (with Employment Exclusion deleted)
 - d. Broad Form Property Damage Endorsement

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- e. Blanket Contractual Liability (must expressly cover the indemnity provisions of this Contract)
- G. **Umbrella Policy.** The required coverage's may be in any combination of primary, excess and umbrella policies. Any excess or umbrella policy must provide excess coverage over underlying insurance on a following-form basis such that when any loss covered by the primary policy exceeds the limits under the primary policy, the excess or umbrella policy becomes effective to cover such loss. This policy should apply to the Commercial General Liability and Motor Vehicle Coverage. Minimum amount \$5,000,000 per occurrence or claim, which may be adjusted dependent on the scope and scale of the project.
- H. **Other Insurance Provisions**
The insurance policies are to contain, or be endorsed to contain, the following provisions:
 - a. The Entity, its officers, officials, employees, and volunteers are to be covered as additional insureds on the CGL policy with respect to liability arising out of work or operations performed by or on behalf of the Contractor including materials, parts, or equipment furnished in connection with such work or operations and automobiles owned, leased, hired, or borrowed by or on behalf of the Contractor. General liability coverage can be provided in the form of an endorsement to the Contractor's insurance (at least as broad as ISO Form CG 20 10, CG 11 85 or both CG 20 10, CG 20 26, CG 20 33, or CG 20 38; and CG 20 37 forms if later revisions used).
 - b. For any claims related to this project, the Contractor's insurance coverage shall be primary insurance coverage at least as broad as ISO CG 20 01 04 13 as respects the Entity, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the Entity, its officers, officials, employees, or volunteers shall be excess of the Contractor's insurance and shall not contribute with it. Contractor shall procure and maintain for the duration of the contract, and for 2 years thereafter, insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the Contractor, his agents, representatives, employees, or subcontractors.
 - c. Each insurance policy required by this clause shall provide that coverage shall not be canceled, except with notice to the Entity.
 - d. Insurance is to be placed with insurers authorized to conduct business in the state with a current A.M. Best rating of no less than A: VII, unless otherwise acceptable to the Entity.
 - e. **Waiver of Subrogation:** Contractor hereby agrees to waive rights of subrogation which any insurer of Contractor may acquire from Contractor by virtue of the payment of any loss. Contractor agrees to obtain any endorsement that may be

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necessary to affect this waiver of subrogation. The Workers' Compensation policy shall be endorsed with a waiver of subrogation in favor of the Entity for all work performed by the Contractor, its employees, agents and subcontractors.

- f. Verification of Coverage: Contractor shall furnish the Entity with original Certificates of Insurance including all required amendatory endorsements (or copies of the applicable policy language effecting coverage required by this clause) and a copy of the Declarations and Endorsement Page of the CGL policy listing all policy endorsements to Entity before work begins. However, failure to obtain the required documents prior to the work beginning shall not waive the Contractor's obligation to provide them. The Entity reserves the right to require complete, certified copies of all required insurance policies, including endorsements, required by these specifications, at any time.
- g. Subcontractors: Contractor shall require and verify that all subcontractors maintain insurance meeting all the requirements stated herein, and Contractor shall ensure that Entity is an additional insured on insurance required from subcontractors. For CGL coverage subcontractors shall provide coverage with a form at least as broad as CG 20 38 04 13.
- h. Right-of-Way Construction: Please reference Article II, Section 1.08 of the Vernon Hills Municipal Code for specific insurance requirements.