PURCHASING BASICS
INTRODUCTION TO SCHOOL BUSINESS
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Presented by:
Sandra Elka
Director of Business & Purchasing
Huron Valley Schools

PURPOSE OF PURCHASING

- Save your district money
- Keep your district legal
HOW TO MAKE PURCHASES

- State law
- Federal regulations
- Board policies

STATE LAW

- Supplies, Materials and Equipment (SME) purchases
  - Schools - MCL 380.1274 (Michigan Compiled Law)
  - ISDs - MCL 380.623a
- Construction projects
  - MCL 380.1267
- Services
  - NO state requirement
  - Exception for food service management companies
**SUPPLIES, MATERIALS AND EQUIPMENT**

- **Bid limit**
  - Bidding required for purchases above this amount
  - In one transaction or a group of related transactions
  - Don’t separate out a purchase to stay below the bid limit; auditors will check
  - Michigan Dept. of Treasury adjusts the amount each year
    - New amount effective 10/1 each year
    - Memo available on MSBO’s web site

- **Board policy**
  - Schools are required to have a board policy for purchasing SME

- **Board approval**
  - Required for SME purchases above the bid limit

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**CONSTRUCTION PROJECTS**

- **Bid limit**
  - Same amount as Supplies, Materials and Equipment

- **Bid posting period**
  - Bids are to be posted for 14 calendar days

- **Bid posting on State’s website**
  - Bids are posted on the State’s web site for the 14 day period
  - Can post information to direct bidders to your site

- **Bid advertisement**
  - Must advertise once during the 14 days in a newspaper of general circulation in the district or project area
    - If you do not have a local newspaper, contact your attorney for options
  - Law specifies what is required in the advertisement
    - Public bid opening, bid bond, familial affidavit
### STATE LAW – MAJOR DIFFERENCES

<table>
<thead>
<tr>
<th>Item</th>
<th>Bid Required</th>
<th>Advertise in newspaper</th>
<th>Post to State site</th>
<th>Public Opening</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction MCL 380.1267</td>
<td>Yes, if over bid limit</td>
<td>Yes, once</td>
<td>Yes, for 14 days</td>
<td>Yes</td>
</tr>
<tr>
<td>Supplies, etc. MCL 380.1274</td>
<td>Yes, if over bid limit</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Services</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

**Caveats:**
- All bids are required to have bidders complete an Iran Linked Business affidavit (P.A. 517 of 2012)
- Bid limit changes yearly at beginning of State fiscal year
- MCL 380.1274 - Exceptions for cooperative bulk purchasing program operated by Michigan Department of Technology, Management and Budget (e.g. REMC program)
- Unless your Board policy requires bidding, advertising and public opening
- MCL are available on [www.legislature.mi.gov](http://www.legislature.mi.gov)

### FEDERAL REGULATIONS OR UGG

- Federal regulations (regs) come from federal laws
  - Regs oversee how federal funds are spent (e.g. IDEA, Title grants, Child Nutrition Services)
- UGG – Uniform Grant Guidance
  - Issued a few years ago
  - Idea was to combine guidance into one document
    - Some federal departments have additional requirements
      - Child Nutrition Services is an example of this (e.g. prior approval by MDE for equipment purchases, buying American products/produce, etc)
  - A "micro purchase" threshold was established and required to be included in Board purchasing policy
    - No quotes required under this threshold
    - Current amount is $10,000
  - Check for disbarred (not eligible for federal work) vendors before award
    - [www.sam.gov](http://www.sam.gov)
**BOARD POLICY**

- **Required by State law for SME (MCL 380.1274)**
  - We have a short Board policy and a longer Administrative Policy (AP)
    - Allows for changes to AP without full Board approval
  - Try not to be specific with dollar amounts that may change (e.g. bid limit)
  - Best practice to include bid evaluation (in Administration Policy) criteria other than just price
    - E.g. quality of product, availability, standardization, service, delivery, maintenance, suitability, conformance to specs, past performance to the district, vendor reliability Includes information on federal spending

**BOARD POLICY**

- **Can include district specific information**
  - Quote amounts (e.g. $5,000)
  - Additional approvals (e.g. technology, bond purchases)
  - Recommended to NOT add items that are not in the law or make it more restrictive than the current law (e.g. requiring bids for services, advertising for non-construction bids)
  - District is held to the most restrictive policy
    - If Board policy requires bids over the State bid limit, you can not use the higher limit allowed for Child Nutrition Services
      - My district does use the bid limit for consistency
SAVING MONEY, SAVING TIME

- Bids by your district
- Bids together with other districts (consortiums)
- Bids done by the State (REMC, MIDEAL)
- Bids done by cooperatives (AEPA, E&I, Source Well, OMNIA)

BIDS BY YOUR DISTRICT

- Combined purchases for the entire year or with multiple buildings to save time
  - Example: Bidding emergency septic service for the year
    - Knew the average cost per year ($20,000)
    - Didn’t know when or where a problem would be
    - Bid and set up a vendor to be the first call by the District
    - Pricing set up for the entire year
    - Purchase order (PO) done for the entire year
    - Staff knew who to contact, what the price would be
    - Vendor knew we would contact them first and invoices would be paid quicker as PO was done before
BIDS BY YOUR DISTRICT

- Example: Bidding custodial supplies for the year
  - Bid specific items and brands used by the district
    - Toilet paper, paper towel, hand soap, sidewalk salt, mild acid cleaner, etc
  - Awarded on a line item basis
  - Awards reviewed so no vendor receives only a few products but a pool of four to five are used for all the items
  - Approval by Board is for one NTE (not to exceed) amount to all vendors
    - Allows to movement between vendors if products change during the year (their change) or there are inventory or quality problems

BIDS TOGETHER WITH OTHER DISTRICTS

- Idea is to increase the “spend” for a bid to increase bidder pool and save more money
- One district will usually take the lead in preparing and issuing the bid
- Intent is for districts to use this bid for their purchases
  - I use the word “consortium” for bids that are intended to be used (vendor knows the amounts of sales) versus “cooperative” bids which do have an estimated usage (vendor does not know how much his sales will be)
- Examples:
  - Bread and milk for food services program (nine districts in Oakland County work with my district)
  - Garbage pickup (three districts, geographically adjacent)
**BIDS DONE BY THE STATE OF MICHIGAN**

- The State allows districts to use the REMC bids without special approval or cost (approval is in State law)
  - REMC is mostly tech items
  - www.remcbids.org
- The State allows districts and municipalities to use the MIDEAL (State’s bids) for an annual cost
  - Cost is $125/year for a district for use of the State’s contracts
  - Road salt bid is popular with schools, counties and municipalities
- Good options for one time as well as regular purchases
  - We use this for road salt (regular purchases)
  - We use this for vehicle purchases (one time purchases)
  - We use this for Chrome Books (regular refreshing and one time)

**BIDS DONE BY COOPERATIVES**

- Cooperative bids are done by another entity but follow states’ bidding rules
  - Board must allow the use of cooperatives
    - Including it in Board policy is a good idea
    - Would want permission to use any local, state, or national cooperative
- Confirm your district’s bidding requirements are followed
  - Important – look for bids that are “competitively bid” (per State law) and not “negotiated”
  - State law requires bids to be “competitively bid”
- Good options for one time as well as regular purchases
  - We use this for office supplies (regular purchases)
  - We use this for server purchases (one time purchases)
GOOD TO KNOW

- **Bid names**
  - RFQ (Request for Quote) – not a bid, formal quote
  - ITB (Invitation to Bid) – for specific products or services
  - RFP (Request for Proposal) – for solutions or complicated projects

- **Timeline considerations**
  - Work backwards from when you need the items available or the project finished
    - Include lead time of getting the products or completing the project
    - Include time for Board approvals, bid posting and specification development
    - Involve the end users when possible for a better bid and accurate timelines

GOOD TO KNOW

- **Sales tax – due on realty (building, site) items**
  - Items that are permanently incorporated into realty, e.g. boilers, tile, drywall, electrical wire, etc

- **Sole source – does not exist**
  - You are bidding a product or service not a brand name
    - Bidding for Apple iPads is really a bid for a tablet
    - Can specify brands but can not require them
    - Can factor in district preference such as current products in district and how items will be used
    - Do not tailor bid specifications to favor one product or vendor, this violates the competitive process
GOOD TO KNOW

Emergency purchases
- Exception applies only to building repairs where the “failure to repair the school building would have a detrimental effect on the building or on the health, safety, or welfare of the students or occupants of the school building”

Funding sources
- Can dictate additional requirements
  - Grants – see UGG or grantor requirements
  - Bonds
    - Can only spend on what was included in the Treasury application and ballot language
    - Can not spend on minor repairs or maintenance or non-bus vehicles
  - Sinking funds (BSSF)
    - Can only spend on what is allowed by law in effect when approved by voters
    - Can not spend on minor repairs or maintenance or furnishings or vehicles

Purchasing tools

P Cards
- For infrequently used vendors to save time setting them up as a vendor
- For travel
- District credit limit maximum (State law)
- Transparency law (website reporting)

Online purchasing
- Can streamline the purchasing and payment process
- For regular purchases like office supplies

Considerations
- Internal controls for proper approvals and documentation
- Ease of use versus ease of payment
- Tracking of purchases for analysis
Purchasing Tools

- Petty cash
  - Good for last minute purchases like home econ food
  - Small purchases

- Cash advances
  - Good for student field trips
  - Start up cash for athletic admissions

Purchasing Resources

- Michigan School Business Officials (www.msbo.org)
- Michigan Public Purchasing Officers Association (www.mppoa.org)
- National Institute of Governmental Purchasing (www.nigp.org)
- National Association of State Procurement Officials (www.naspo.org)
- Institute for Supply Management (www.napm-md.org)
- Oakland Schools’ Cooperative Contracts Network (www.cooperativecontracts.com)
QUESTIONS?

Sandra Elka
Sandra.Elka@HVS.org
248-684-8178