


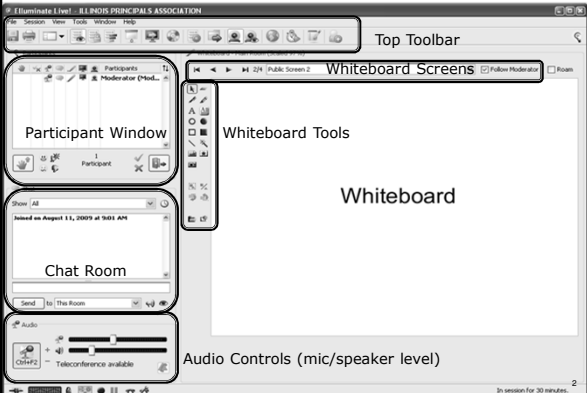
FUNDAMENTALS OF PURCHASING
MIEM Purchasing Webinar
December 8, 2011



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Overview of Elluminate



Participant Window

Whiteboard Tools

Whiteboard

Chat Room

Audio Controls (mic/speaker level)

What's on Tap?

- The Legal Aspects of Purchasing
- Implementing the Law and Fiscal Responsibilities
- The Bidding Process
- Contract Basics
- Purchased Services



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Legal Aspects Of Purchasing – MCL 380.11a

The Broad Powers under the Revised School Code – MCL 380.11a

- General Powers School Districts
- School districts have express powers, and may exercise those powers that are implied or incidental to those express powers, and may also exercise a power incidental or appropriate to the performance of any function related to the operation of the school district in the interest of public elementary and secondary education within the school district.
- "Educational Nexus"
- Express Power for Purchasing:
MCL 380.11a(3)(c) – "Acquiring, constructing, maintaining, repairing, renovating, disposing of, or conveying school property, facilities, equipment, technology, or furnishings."
MCL 380.11a(4) – "A general powers school district may enter into agreements or cooperative arrangements with other entities, public or private, or join organizations as part of performing the functions of the school district."

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Legal Aspects of Purchasing – MCL 380.1274

Procurement of Supplies, Materials and Equipment – MCL 380.1274

- Board shall adopt written policies governing the procurement of supplies, materials and equipment; however, NO SPECIFIC REQUIREMENTS FOR POLICIES.
- Must obtain competitive bids for the purchase of any item or group of items in a single transaction costing \$21,825 or more.
- Exceptions:
 - Purchases to State cooperative bulk purchasing program
 - Purchases of food in a single transaction costing \$100,000 or more.
- Michigan-based business preference
 - Optional and Requires additional "local policy"
 - Based upon primary contractor or 1 or more subcontractors or primary contractor
 - Cannot be used if paid with federal funds
 - "Michigan-based Business" definition
- No advertising or public bid opening required, but may follow aspects of Section 1267

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Legal Aspects of Purchasing – MCL 380.1267

Construction and Repair of School Buildings – MCL 380.1267

- Before commencing construction of new school building, or addition to or repair or renovation of an existing school building, except in emergency situation, the school district shall obtain competitive bids on all material and labor to complete construction costing \$21,825 or more.
- Specific Requirements for Bidding Procedures:
 - Advertise once in newspaper AND post bids on State website for at least 2 weeks
 - Advertisement must specify:
 - Date and Time bids are due
 - State school district shall not accept or consider late bids
 - Identify date, time and place where bids will be opened and read aloud
 - State each bid shall be accompanied by sworn and notarized familial affidavit
 - Will not accept bid that does not include sworn and notarized familial affidavit
 - Requires Bid Bond (5% of bid amount)
- Reservation of Rights
- Michigan-based Business Preference (same requirements as Section 1274)

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Legal Aspects of Purchasing

Energy Conservation Projects - MCL 380.1274a

- Projects include, but not limited to: building envelope improvements; heating & cooling equipment upgrades; lighting retrofits; energy management systems; etc.
- May pay with general funds or issue bonds.
- Energy conservation improvements or substance removal or treatment authorized by this section is subject to the competitive bidding requirements of section 1267.

Changes in Procedures for Posting on State Website (as of February 1, 2011)

- All school districts must post advertisements directly to "administrative site" of www.Bid4Michigan.com.
- Posting Procedures
 - School district must fill out required forms and create an account to post.
 - Free training is available and very helpful for users.
 - School district must post bids (and attachments) itself.
 - Do NOT email State anymore (will get auto response with link to forms for account).
 - May be used for bids other than construction.

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Legal Aspects of Purchasing

Common Misperceptions of Purchasing Laws

- No sole or single source exception to either Sections 1274 or 1267.
- Emergency Exception
 - ONLY applies to repairs to school buildings (Section 1267)
 - NO "Emergency" exception for supplies, materials and equipment purchases
- "Emergency" - failure to repair school building would have detrimental effect on building or on the health, safety or welfare of students or occupants of the school building.
- \$100,000 increased competitive bidding threshold only applies to food purchases.

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Legal Aspects of Purchasing

Consequences for Violating the Law

- **MCL 380.1815**
A person who knowingly or intentionally violates the competitive bidding requirements of Section 1267, or who knowingly or intentionally permits or consents to a violation of the competitive bidding requirements of Section 1267, is guilty of a misdemeanor punishable by a fine in an amount equal to not more than 10% of the cost of the project involved in the violation or imprisonment for not more than 1 year, or both, but is not subject to the penalties of Section 1804.
- **MCL 380.1804**
Except as otherwise provided in [the Revised School Code], a school official or member of a school board or intermediate school board or other person who neglects or refuses to do or perform an act required by the [Revised School Code], or who violates or knowingly permits or consents to a violation of the [Revised School Code], is guilty of a misdemeanor punishable by a fine not more than \$500.00, or imprisonment for not more than 3 months, or both.

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Legal Aspects of Purchasing

- **Bid Bonds**
 - Required under Section 1267, but may utilize under Section 1274 or other bidding
 - 5% of bid amount
 - Bid bond, certified check, cash
 - Must be filed with Board
- **Performance and Payment Bonds (MCL 129.201 et seq.)**
 - Applies to projects to construct, repair, or alter public buildings (including schools)
 - Applies only if contract amount exceeds \$50,000
 - Bonds must be at least 25% of contract amount
 - Must be issued through licensed surety

*** School districts may require performance and/or payment bonds in other types of contracts.

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Implementing the Law

Board Purchasing Policies

- **Why Adopt Purchasing Policies?**
 - Required under Section 1274 (but not expressly under Section 1267).
 - Provides staff with uniform process for procurements and bidding
- **Objectives of Board Policies**
 - Defines procurement objectives and best interests of school district.
 - Track Michigan Law
 - Law sets the floor for compliance – Board policies may be more restrictive.
 - Policies should be flexible – less may often be more effective.
 - Flexibility allows for change if new requirements arise.
 - Should require “reservation of rights” in all school district procurements.
 - Be cautious of requirement to bid services (unless required by law).
- **Discussion:** Flexible vs. Unflexible Policies

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Implementing the Law

Administrative Procedures

- **Objectives of Administrative Procedures**
 - Supplement Board policies and further define policy objectives
 - Address detailed protocol for all aspects of purchasing
 - Address requirements of the law
 - Section 1274 vs. Section 1267
 - Set more restrictive thresholds for certain purchases
 - Implement these wisely
 - Detail various compliance requirements
 - Define roles and authority in purchasing

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Fiscal Responsibilities

How do we effectively put policies into practice?

- Annually review internal purchasing policies, procedures and processes.
- Annually review any purchasing forms or contracts.
- Develop Internal Purchasing Manual for Staff.
- Ensure Policies, Procedures and Purchasing Manual easily accessible to staff.
- Education of Staff!!
 - Hold staff in-service on purchasing.
 - Ensure staff understand their roles and levels of purchasing authority.
 - Make staff aware of different manners of purchasing and benefits of each.
- Annually review anticipated needs of school district.
 - How should you purchase? Warehouse vs. "as needed" purchasing.
 - Purchasing at right time often yields better price!
 - Periodically (at least annually) assess pricing.

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Fiscal Responsibilities

Compliance Issues

- Transparency!
- Beware of Conflicts of Interest (real & perceived).
- Smell Test.
- Beware of "pushy" vendors.
- Have a process to review and approve all purchases.
- Checks and Balances
- Do NOT split purchases to satisfy bidding thresholds.

Dealing with potentially unlawful or non-conforming purchase

- Notify proper administrators and do not cover up.
- Contact legal counsel.

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Different Manners of Purchasing

Purchasing Cards

- Should be used for small dollar purchases.
- Convenient for staff and provides administrative cost savings (and maybe rebates).
- Credit Card Transactions Act – MCL 129.241 *et seq.*
 - Permits the establishment of credit card arrangements by school districts.
 - Requires Board to adopt written policy by resolution.
 - Written policy must:
 - Set internal controls and designate officer or employee who oversees program.
 - State cards can only be used for official business.
 - Require users to submit specific records and documentation of use.
 - State user is responsible for protection/custody and must notify if stolen.
 - State user must return card upon termination.
 - Require approval of statements before payment and payment within 60 days.
 - State disciplinary procedures for unauthorized use.
 - Credit limit for all cards cannot exceed 5% of total budget for current fiscal year.

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Different Manners of Purchasing

Cooperative vs. Consortium Purchasing

- Board Policy should authorize use of cooperative purchasing groups.
- Who conducts cooperative bidding?
- Review group bidding documents to ensure compliance with law and policies.

Lease vs. Purchase

- Review Total Cost (Unit Cost, Delivery, Installation, Useful Life, Residual Value)
- "True Lease" vs. "Installment Purchase Agreement" (nominal buy-out cost)

Purchase Orders

- Purchase Orders (POs) and Blanket Purchase Orders (BPOs) in General
 - Often used as "contract" to purchase supplies.
 - Beware of "fine print" and review terms. This IS a Contract!
 - Monitor use and clearly indicate who is authorized to use.
 - Develop school district unique and standardize PO or BPO with each vendor.

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The Bidding Process

Types of Bidding/Solicitation

- Request for Qualifications (RFQ)
 - Typically used to determine qualified bidder pool for services.
 - Beware under Section 1267
- Request for Quotes - "Quote Bidding"
 - Informal
 - Used for small dollar amount purchases (under State threshold)
- Invitation/Request for Bids/Proposals (IFB/RFB or IFP/RFP)
 - All very similar in nature and intent.
 - Used for construction, supplies, materials, equipment and services.
 - Need clear, well defined specifications.
 - Typically uses public bid opening (required for construction).
 - Award to lowest responsible bidder, based upon price and other related factors.
 - May allow vendors to present a "program" or "turn-key solution" (services).

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Designing the Solicitation Documents

- Understand applicable statutory provisions and Board policies and procedures.
- **DO NOT** simply cut and paste from other solicitation documents!!!!
 - Verify the need for every provision/term/specification.
 - Make sure all provisions are on point and needed.
 - Thoroughly review entire documents and cross-reference all citations/references.
- Develop Specifications for Product or Service desired.
 - Involve key stakeholders (beware of using vendors)
- Key components of solicitation document
 - Instructions to Bidders
 - Parameters of submission of bid/proposal
 - Specifications or service parameters
 - Contractual terms and conditions
 - Pricing Parameters
 - Proposal forms and Attachments

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Designing the Solicitation Documents

Key Components of RFP would include:

- Reserve rights in favor of school district
 - Right to accept or reject any or all bids in whole or in part
 - Right to waive irregularities or informalities (cannot waive legal requirement though)
 - Right to award contract to other than lowest bidder
- Require any exceptions to be clearly set forth in bid/proposal
- Specify solicitation/RFP and bidder's bid/proposal will be incorporated into contract
- Require references
- If unique item/product, include "or substantial equivalent" language
- If services, clearly define scope of services
- If equipment or technology, address delivery, installation, maintenance and warranties

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Designing the Solicitation Documents

Contractual Terms and Conditions

This section would include provisions such as:

- Term and Termination
- Governing Law
- Payment Terms
- Warranties
- Insurance (review with insurance carrier)
- Bonds (bid, performance, payment)
- Indemnification (general, environmental and/or intellectual property)
- If services, may require fingerprinting and criminal background checks
- Incorporate RFP and Proposal by reference or will lose protections

Attach form of contract to RFP Beware - DO NOT simply use existing or old contract!!

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Designing the Solicitation Documents

Pricing Parameters

- Clearly specify how pricing must be presented
- Unit pricing
- Alternates (beware of "voluntary" alternates)
- Not-to-exceed amounts
- Attach Proposal Pricing Form

Proposal Forms and Attachments

- Pricing Form
- Form of Contract
- Specifications
- School District specific background information needed by vendors
- Familial Disclosure Affidavit

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Analysis of Bids/Proposals

Due Diligence

- OAG 4371, in essence, suggests a due diligence requirement of the Board to determine the abilities of any prospective contractor and to make the award, if any, to the lowest responsible bidder.
- Due Diligence Criteria for Determining the Lowest Responsible Bidder
 - Did contractor submit bid/proposal in proper format?
 - Did contractor submit all required forms with bid/proposal?
 - Did products/services proposed meet specifications?
 - Price
 - References
 - Reputation
 - Ability to Perform Project (Size, Experience, Capacity etc.)
 - Years in Business

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Analysis of Bids/Proposals

Who should perform due diligence?

- Business Official or Purchasing Agent?
- Architect?
- Construction Manager or Owner's Representative?
- Consultant?

Query on Due Diligence

- If the low bidder provides school district with performance bond from a responsible surety, has the school district ensured the low bidder is the "lowest responsible bidder?"

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Analysis of Bids/Proposals

Post Bid Opening Negotiations

- Generally, cannot engage in negotiations through which a bidder, other than the low bidder, may become the low bidder.
- Lasky v. City of Bad Axe 352 Mich. 272 (1958)
 - Any substantial variation from specifications will destroy competitive character.
 - A variation is substantial if:
 - Affects amount of bid, or
 - Gives the bidder an advantage or benefit not allowed to other bidders, or
 - Is an element considered in fixing the price.
- Accordingly, under Lasky, it is inappropriate for the Board to negotiate with and obtain concessions from one of several competitive bidders, after sealed bids are opened and before any bid is accepted, and then accept the amended bid without offering the other bidders an opportunity to amend their bid, when the concessions are tantamount to a substantial variation to the bid.
- Any such contract is a nullity and not enforceable by either party.

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Analysis of Bids/Proposals

Acceptance of Bids/Proposals

- Before presentation to Board or acceptance:
 - Ensure all specifications and parameters are correct.
 - The contract is in executable form (and appropriate provisions addressed).
 - Bonds, Insurance and other forms secured.
- Bid should be in form necessary for approval, subject to either:
 - Contractor executing attached contract, or
 - Contractor executing contract that is:
 - Negotiated by school district administration and within defined parameters; and
 - Final contract approved by legal counsel.

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Legal Challenge to Low Bidder – Bid Protests

- Great Lakes Heating v. Troy School District 197 Mich. App. 312 (1992)
 - Trial Court cannot disturb the decision of school Board on a bid unless there has been:
 - Fraud, or
 - Abuse, or ← Collectively referred to as a “violation of the public trust”
 - Illegality.
- Under Great Lake Heating, courts will presume that the school Board acted in good faith:
 - To minimize delay in construction projects, and
 - To limit the expenditure of legal funds, and
 - To discourage litigation.
- Heaney General Contracting v. Clinton Community Schools (2000)
 - Generally, a disgruntled bidders do not have standing to sue a school district.
 - Supplementation of timely bid which was incomplete was not acceptance of “late bid.”
 - Section 1267 does not address “informalities” procedures so Board may set own standards.
- To obtain injunctive relief against school district award contract to another bidder, disgruntled low bidder must allege that in addition to monetary damages (i.e., lost profits) it would be irreparably harmed (i.e., damage to business reputation).

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Contract Basics

- Beware of Letters of Intent
 - Could create “contract” where none was intended
- Beware of the POs
 - Is a contract
 - If not attached to a contract, address basic terms of PO
 - Beware of conflicts between contract and PO
 - Develop standard PO school district will accept, including standard terms
- Some Standard Contract Terms to watch out for:
 - Term and Termination
 - Payment Terms
 - Insurance
 - Limitations of Liability (watch out of tort issues)
 - Indemnification (general, environmental and intellectual property)
 - Warranties
 - Delivery and Acceptance
 - Damages

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Purchased Services

- Often referred to as "outsourcing" or "privatization"
- No requirement to seek competitive bids, except:
 - Under "Best Practices" Legislation, if elect to do this option.
 - If do elect to privatize non-instructional service, must give union the "opportunity to bid on an equal basis as other bidders."
- Issues with RFPs for Non-Instructional Services
 - Facing 2 fronts (legal and political)
 - Misconceptions and combating them
 - Timing of entire process
 - Organizing the needed information and RFP
- Keys to Successful Privatization Process
 - Communication
 - Do **NOT** just use form RFP from shelf or another district
 - Involve legal counsel (for bidding and labor issues)
 - Do not rush, plan ahead

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THANK YOU! Any Questions?




**** This document is not intended to give legal advice and does not establish any attorney-client relationship. It is comprised of general information. School Districts facing specific issues should seek the assistance of an attorney.

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Break



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PRACTICAL ASPECTS OF PURCHASING

- ▶ Katrina E. Brunette, CPPO, CPPB
- ▶ Procurement & Contracting Manager
Oakland Schools
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- ▶ Katrina.Brunette@oakland.k12.mi.us

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Today's Purchasing Topics:

- Purchasing Roles
- Cost Savings Opportunities
- Statutory Bid Requirements
- Solicitation Types & Procedures
- Cooperative Bidding
- General Purchasing Considerations
- Cutting Edge Ideas
- Disposal of Surplus Equipment

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Participant Poll

- ▶ What is representation of participants?
- A) Purchasing
- B) Business/Finance
- C) Facilities
- D) Other

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Purchasing Roles:

- Spend public money fair & reasonably
- Compliance
- Get the right product, at the right time, in the right quantity, at the right price!
- Save your school district money

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Spend money fair & reasonably

- Periodically assess pricing
- Invite vendors to provide quotes
- Real & perceived conflicts of interest
- Use the smell test
- Transparency, transparency, transparency!

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Compliance

- Review & approve all purchases
- Criminal record checks
 - Michigan State Police or another school district
 - Must also report these individuals in CEPI
 - Be sure a lapse in contract doesn't occur
- Educate district staff on procedures
- If faced with a potentially unlawful purchase, advise your boss and/or business manager of the situation *in writing* after discussing with them

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Right product!!

- Understand what the requestor needs
- If bidding the purchase, involve the requestor in the review process
- Specifications – Be sure they are not restrictive
- Be sure the purchase order has sufficient and correct information
- Inspect items upon receipt

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Direct Cost Savings

- Price savings:
 - Call vendors
 - Obtain quotes
 - Quantity discounts
 - Educator's discounts
 - Negotiate price
 - Payment discounts

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Direct Cost Savings

- District preferred contracts
 - Target & leverage large spend areas
 - 80/20 Rule
 - Office, school, and custodial supplies
 - Bid or use cooperative contracts
 - Limit access to items (generic brands)
 - Multiple year pricing agreements

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Direct Cost Savings

- Ask for price concessions:
 - If you don't ask, you won't get
- Warehouse versus just-in-time orders
- Cooperative bids
- When is the best time to bid?
(Construction, salt, etc.)

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Operational Savings

- Review internal purchasing processes
 - Written procedures easy for staff to access?
 - Are there Purchase Order (PO) minimums?
 - Different approval levels based on \$?
 - Beware: Splitting of POs

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Operational Savings

- Blanket POs for routine, ongoing purchases
 - Monitor use
 - Clearly indicate:
 - Who is authorized
 - Maximum dollar amount
 - Valid time period of BPO

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Operational Savings

- Order goods via the internet
 - Limit items available to staff
 - Online approvals
 - Blanket POs, procurement cards
- Procurement cards

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Procurement Cards

- Small dollar purchases
- Offered by most major banking institutions
- Need clearly defined policies:
 - Vendor restrictions
 - Allowable purchases
 - Dollar limitations
 - Monthly Reconciliation
 - Regular audits on cardholders

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Procurement Cards

- 2010 National Institute Governmental Purchasing – Purchasing Card Benchmark Survey :
 - Administrative Cost Savings \$71 /transaction
 - Oakland Schools = Savings of \$719K per year
- Great convenience to employees
- Rebates

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Statutory Bidding Requirements:

- ▶ **MCL 380.1267 (Construction, addition, renovation, repairs)**
 - Requires "competitive bids"; establishes a "sealed bidding process"
 - Public bid opening
 - Formal advertising requirements
 - Familial disclosure statement
 - Allows Districts a Michigan based businesses preference
- ▶ **MCL 380.1274, 380.623a (Supplies, materials & equipment)**
 - Board policy
 - "Competitive bids" – (Board policy may specify process)
 - No advertising requirements
 - Public bid opening NOT required
 - Board approval
 - Allows Districts a Michigan based businesses preference
 - Food purchases in a single transaction < \$100,000 does not require bidding

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Solicitation Types

- Invitations for Bids (IFB, RFB, ITB)
- Requests for Proposals (RFP)
- Request for Qualifications (RFQ)

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National Institute of Governmental Purchasing

- ▶ **Informal Bid:**
 - ▶ A competitive bid or price quotation for suppliers or services that is conveyed by letter, telephone, or other means and does not require a sealed bid, public opening, or public reading of bids.¹
- ▶ 1-The National Institute of Governmental Purchasing, Inc.'s Dictionary of Purchasing Terms, USA: NIGP, 2002

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American Bar Associations 2000 Model Procurement Code for State & Local Governments

- ▶
- ▶ “Under **competitive sealed bidding**, judgmental factors may be used only to determine if the supply, service, or construction item bid meets the purchase description. Under **competitive sealed proposals**, judgmental factors may be used to determine not only if the items being offered meet the purchase description, but may also be used to evaluate competing proposals.”
- ▶

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American Bar Associations 2000 Model Procurement Code for State & Local Governments

- ▶ “...under **competitive sealed bidding**, once the judgmental evaluation is completed, award is made on a purely objective basis to the lowest responsive and responsible bidder. Under **competitive sealed proposals**, the quality of competing products or services may be compared and trade-offs made between price and quality of the products or services offered (all set forth in the solicitation). Award under **competitive sealed proposals** is then made to the responsible offeror whose proposal is more advantageous to the jurisdiction.”²
- ▶

2 - Lawrence Martin, John Miller, Contracting for Public

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Invitation for Bids (IFB)

- Construction, supplies, materials & equipment
- Clear, well defined specifications
- Public bid opening
- Award to the lowest responsive & responsible bidder
- Inflexible

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**Determination of the
Lowest Responsive & Responsible Bidder**

- ▶ Bid documents should require bidder to self-certify if they meet specifications.
- 1. Did bidder submit all required forms with bid?
- 2. Did the product they bid meet the specification requirements (yes/no)?
- 3. Start with lowest priced bid and determine if bidder is responsible (financially sound, reputation, ability to perform, years in business, good references, etc.).

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Request for Proposals

- Services, software, more complex solutions
- Evaluation teams w/subject matter experts
- Rating forms
- Proposals not opened publicly
- Bidder presentations and/or demonstrations
- Award based on price and other related factors (best value)
- Flexible

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Developing Specifications for Solicitations

- Responsibility
- Vendor involvement in development
 - Conflict of interest?
- Brand name or equivalent, OR
- Functionality and/or performance specifications
- Sole source items

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To Bid or Not to Bid?

- ▶ Districts may elect to bid if:
 - A competitive environment
 - Cost reduction in the overall industry
 - Large quantity or contract value
 - No cooperative contracts available

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Solicitation Format

- ▶ Suggestion: Use Templates
 1. Purpose & Background Information
 2. Instructions to Bidders
 3. General Terms & Conditions
 4. Special Terms & Conditions

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Solicitation Format

6. Specifications/RFP Requirements/
Evaluation Criteria
7. Bidder questions
8. Certification
9. Familial Disclosure statement
 - ▶ Attachment A: Exception to Proposal Form

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Bid Process Recommendations

- Review specifications: clear and open
- What are the minimum requirements
- Include relevant terms and conditions
- Provide desired pricing format

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Bid Process Recommendations

- Evaluation teams (RFP/RFQ's only)
 - Contracting officer to determine team
 - Number of members should be an odd number
 - Review roles & responsibilities
 - Members to sign evaluation team agreement and conflict of interest disclosure form
- Issue bid document in Adobe PDF format
- Invite as many bidders as possible

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Bid Process Recommendations

- Use a third party e-procurement solution
www.bidsync.com or **www.mitn.info**
 - Save time and money distributing bids
 - Ease of issuing addendums
 - Increase bidder pool
 - Save time compiling bid results & issuing results

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Bid Process Recommendations

- NEVER tell bidders the budget amount
- All communication should go through the purchasing contact ONLY
- Pre-bid meeting
 - Vendor sign in sheet
 - Announce that answers are tentative and will be officially answered in writing via addendum
 - Record and publish via addendum

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Bid Process Recommendations

- All questions & answers shall be published and shared with ALL bidders
- Offer opportunity to “protest the specifications” - this will reduce bid protests
- Provide process timeline in document
- Absolutely do not accept bid AFTER deadline

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Bid Process Recommendations

- If public bid opening, be sure:
 - Another school district staff present
 - All attendees sign in
 - All required documents (bid bond, familial statements, etc.) are included before reading bid
 - Bidders may look, but not touch bids submitted
 - Do not write on an original bid

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Bid Process Recommendations

- Post Bid Award:
 - Obtain insurance, bonds, criminal background checks, etc. from successful bidder
 - Notify unsuccessful bidders
 - Post bid summary to website (public information)
 - Conduct bidder debriefing (if requested)

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Emergency Purchases

- Beware – easy target for abuse
- Issue of health, safety and welfare
- Use as much competition that is practicable under the circumstances
- Must go to the next Board meeting for approval (MCL 380.1267)

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Cooperative Bidding Poll

- Which types of cooperatives has your district participated in?
 - A. Local D. All of the above
 - B. State E. None
 - C. National

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Cooperative Bidding

- Benefits
- Board policy
- Who conducts cooperative bids?
 - I.S.D.
 - County
 - State of Michigan
 - National: AEPA, NJPA, U.S. Communities
 - Other: REMC

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Cooperative Bidding

For a listing of cooperative contracts that are available for school districts use:

www.cooperativecontracts.com

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Purchasing Methods

- Outright purchase - look at Total Cost including:
 - >Unit cost
 - >Delivery & installation
 - >Training
 - >Disposal at end of life
- Equipment rental/lease (must pay taxes)
- Dollar buy out lease
- Capital lease

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Purchasing Methods

Considerations:

- Time value of money
- Equipment life
- Cash flow
- Involve finance department

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Vendor Relations

- District website
- Bidders list
- Outreach opportunities
- Federal \$: Check to see if vendor is listed on the Excluded Parties List System
<https://www.epls.gov>

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Vendor Relations

- Win/win – Fair & reasonable price
- Multiple year contracts
- Vendors are in business to MAKE MONEY & they are NOT your friend
- Do NOT accept gifts, lunches, golf, sporting events from vendors (perception – smell test)

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Shipping Terms

- Freight on Board (FOB):
 - Defines responsibility of the buyer or seller:
 - Select freight carrier
 - Pay freight carrier
 - Owns the goods in transit
 - Responsible for loss or damage claims

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Shipping Terms

- ▶ Two parts to shipping term:
 - First: Defines where ownership changes:
 - Shipping point - location goods shipping from
 - Destination - location goods will be delivered
 - Second: Defines how freight is handled:
 - Collect - Buyer pays & bears freight
 - Prepaid & allowed - Seller pays & bears freight
 - Prepaid & added - Seller pays & adds to buyer's invoice

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Shipping Terms

- Preferred Terms:
- F.O.B. Destination, Freight Prepaid & Allowed
 - Seller pays & bears freight, owns goods in transit, and files any damage claims
 - F.O.B. Destination, Freight Prepaid & Add
 - Seller pays freight, adds freight to buyer's invoice, owns goods in transit, and files any damage claims
 - Buyer bears freight

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Shipping Terms

Other Terms:

- F.O.B. Shipping Point, Freight Collect
- F.O.B. Shipping Point, Freight Prepaid & Allowed
- F.O.B. Shipping Point, Freight Prepaid & Added
- F.O.B. Destination, Collect

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Cutting Edge Ideas

- Electronic bid/proposal submissions
- Recording of pre-bid meetings
- U.S. Communities Online Marketplace

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Disposal of Surplus Equipment

- Policies and Procedures
- Be sure to appropriately dispose of:
 - Computers, monitors, etc.
 - Hazardous waste, chemicals, oils, etc.
- Options Available
 - Auction - Live or online
 - Disposal
 - Donation - Purple Heart, others
 - Garage Sale
 - Sale to Outside Company

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Purchasing Resources

- Michigan Public Purchasing Officers Association (<http://www.mppoa.org>)
- National Institute of Governmental Purchasing (<http://www.nigp.org>)
- Institute for Supply Management (<http://www.napm-md.org>)
- Michigan School Business Officials (<http://www.msbo.org>)
- National Association of State Procurement Officials (<http://www.naspo.org>)

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