



**City of Rochester Hills
AGENDA SUMMARY
NON-FINANCIAL ITEMS**

**1000 Rochester Hills Dr.
Rochester Hills, MI 48309
248.656.4630
www.rochesterhills.org**

Legislative File No: 2007-0284

TO: Mayor and City Council Members
FROM: Jean Farris, Supervisor of Procurement
DATE: April 20, 2007
SUBJECT: House Bills 4587 and 4588

REQUEST:

City Council is requested to adopt a resolution in opposition to House Bills 4587 and 4588.

BACKGROUND:

On April 5, 2007 the State House of Representatives introduced two bills requiring local governments to purchase through the State's MiDeal program. House Bill 4587 states that if a local government does not use the State's MiDeal program and spends any additional revenue, the Department of Treasury will reduce that local government's revenue sharing payment by the proportional amount, which was spent above the amount they would have paid under the State's program. House Bill 4588 establishes the MiDeal Program on a fee basis.

The proposed House Bills have a negative affect on the procurement process of local government, their ability to choose a supplier and their efforts to obtain best value for their entities. Although the MiDeal cooperative program is beneficial to some local government procurements, these contracts do not always provide the best value in terms of cost, timeliness, delivery, quantity and quality to local communities. These bills are based entirely on pricing; the true cost lies in best value.

The following are the concerns that affect the City of Rochester Hills:

- Loss of local control and flexibility relative to procurements
- State's MiDeal Contracts are designed for State level procurements, not meeting the needs of the smaller local entity relative to quantities and specifications
 - The State has been unresponsive to include the City's needs in contracts, i.e., reproduction supplies, off-site storage needs.
 - Quantities are often minimums, exceeding the City's capacity for delivery and storage
 - City utilizes JIT (Just-in-Time) delivery methods, not consistently provided in State contracts and required for small governments
 - Specifications that meet the needs of State government may not be compatible with the local entity, in such areas as responsiveness, customer service, specialized services and existing equipment
- The State currently receives a percentage of the cost of purchases on its contracts by local governments. This bill will increase State revenues at the expense of local government.
- There are multiple governmental cooperative groups and contracts, which local governments may utilize, from national to local levels. Rochester Hills' decision to utilize a cooperative contract is

based on the value of the contract to the City. After researching available cooperative contracts and validating market pricing, the City chooses the contracts that best meet its needs in all capacities.

- Limits competition to suppliers with the ability and capacity to supply and deliver to a large entity with statewide delivery. This affects both small business and local business.
- The market in southeastern Michigan is not the same as Lansing, Kalamazoo, Grand Rapids or the upper peninsula. For example, the local MITN cooperative group in southeastern Michigan obtained pricing for road salt in 2006 at approximately \$2.00 a ton less than the State contract.
- Lessens the credibility of local governments and their solicitation processes, when a local government bids a product or service, but is then required to utilize a State contract.
- The House Bill adds another layer of bureaucracy and expense to the public procurement process, relative to documentation required for the State Treasurer to validate lowest pricing. The additional administrative expense to local government adds to the overall cost of the procurement and ultimately tax dollars.
- The administrative process, the length of time and staffing levels required in the State Treasurer's office to determine if local governments overpaid based on State pricing, will be hardpressed to offset the anticipated savings in State Shared Revenue.
- From an ethical perspective, it is questioned how the State through MiDeal can charge the local units of government and the vendors, who are awarded the contracts.

City Council is requested to adopt the attached resolution in opposition to both House Bills, as adopted by the City of Farmington Hills City Council and other local governments within the State. Opposition to these bills is also being pursued by Michigan Municipal League, Michigan Association of Counties and Michigan Public Purchasing Officers Association.

RECOMMENDATION:

It is recommended that City council adopt a resolution in opposition to House Bills 4587 and 4588.

RESOLUTION

NEXT AGENDA ITEM

RETURN TO AGENDA

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Mayor		
City Council Liaison		