



301 WEST MAIN STREET • OWOSSO, MICHIGAN 48867-2958

MEMORANDUM

TO: Owosso City Council

FROM: Scott J. Gould, City Attorney

DATE: February 25, 2026

RE: AUTHORITY AND RATIONALE FOR AMENDING PURCHASING THRESHOLDS

Purpose

This memorandum provides the legal foundation for the proposed ordinance amendment to revise and increase the City's current purchasing and contract limits. It specifically addresses the City's authority under the Owosso City Charter to manage its financial affairs and the legislative process required to update these standards.

Legal Authority

1. General Power to Amend (Charter Chapter 6) Pursuant to Chapter 6 of the Owosso City Charter, the City Council is vested with the legislative authority to adopt and amend ordinances.

2. Financial Management and Procurement (Charter Section 8.10) Section 8.10 of the City Charter expressly governs the City's authority regarding the purchase of supplies, materials, equipment, and services. It provides the framework within which the City Council may establish policies for competitive bidding and contract awards. By amending Sections 2-343 and 2-344 of the Code of Ordinances, the Council is exercising its Charter-mandated right to define the specific monetary thresholds that trigger different levels of procurement oversight.

Rationale for the Revised Limits

Provision	Previous Limit (Ord. 786)	Proposed Limit (2026)
Open Market Floor	\$2,000.00	\$5,000.00
Open Market Ceiling	\$10,000.00	\$20,000.00
Sealed Bid Threshold	Over \$10,000.00	Over \$20,000.00

Alignment with Contemporary Costs: Since the last adjustment in 2017, the economic landscape has shifted significantly. Increasing the thresholds is a direct response to the rising costs of municipal operations. Notably, the open market floor is being raised from \$2,000 to \$5,000 and the ceiling from \$10,000 to \$20,000, reflecting both inflationary pressures and the practical realities of modern procurement. Plante Moran, whom is a prominent municipal accounting firm within the State of Michigan, reported in November of 2025 that since the pandemic of 2020, construction costs have increased 41.6% and overall inflation increasing at 21.9%. (How Michigan cities use project-specific TIF to drive real estate development | Our Insights | Plante Moran) This change ensures that the City's purchasing power is not restricted by outdated limits that force routine, mid-tier purchases into the more time-consuming and costly formal sealed-bid process.

Efficiency in Compliance: By raising the threshold to \$20,000, the City can more efficiently procure necessary services and materials while still adhering to the competitive principles of Charter Section 8.10. The "Open Market" process remains a transparent safeguard, requiring at least three competitive bids for expenditures up to \$20,000, thereby maintaining fiduciary responsibility without unnecessary administrative delay.

SJG

¹ <https://www.plantemoran.com/explore-our-thinking/insight/2025/plante-moran-realpoint/michigan-tax-increment-financing-tif#:~:text=Increasing%20Construction%20Costs%20Outpacing%20Inflation,National%20headwinds>

ORDINANCE NO. _____

**AMEND CHAPTER 2, ADMINISTRATION,
ARTICLE VI, PROCUREMENT AND DISPOSITION
TO REVISE PURCHASING AND CONTRACT LIMITS.**

WHEREAS, the City of Owosso has abided by the Purchase or Contracts Ordinance since it was last amended in the year 2017;

WHEREAS, the City of Owosso has experienced a significant increase in the costs and expenses of its daily operations, consistent with inflationary trends across the Nation; and

WHEREAS, amending the purchase and contract limits to modern costs will align the City's purchasing authority with the contemporary market ensuring that staff can procure items without the delay associated with formal seal-bid process for mid-tier costs.

NOW THEREFORE BE IT RESOLVED THAT THE CITY OF OWOSSO ORDAINS:

SECTION 1. AMENDMENT. Section 2-343 of the Code of Ordinances is hereby amended to read as follows:

Sec. 2-343. - Purchases or contracts \$5,000.00 to \$20,000.00.

Purchases of services, supplies, materials or equipment, the cost of which is equal to or greater than five thousand dollars (\$5,000.00) but not more than twenty thousand dollars (\$20,000.00) may be made in the open market but such purchases shall, where practicable, be based on at least three (3) competitive bids and shall be awarded to the lowest qualified bidder. The purchasing agent may solicit bids verbally, in writing, or through other means. A record shall be kept of all open market orders and the bids submitted thereon, which records shall be available for public inspection. Any or all bids may be rejected. Purchases made pursuant to this section may be made without prior approval of the council.

SECTION 2. AMENDMENT. Section 2-344 of the Code of Ordinances is hereby amended to read as follows:

Sec. 2-344. - Purchases or contracts over \$20,000.00.

Any expenditure for services, supplies, materials or equipment obligating the city, where the amount of the city's obligation is in excess of twenty thousand dollars (\$20,000.00), shall be governed by the provisions of this section, except as provided in section 2-345.

(Subsections (1) through (8) of Section 2-344 remain in full force and effect, with the threshold of \$20,000.00 applied to the procedural requirements therein.)

SECTION 3. SEVERABILITY. If any section, subsection, sentence, clause, or phrase of this ordinance is, for any reason, held to be unconstitutional, such decision shall not affect the validity of the remaining portions of this ordinance.

SECTION 4. AVAILABILITY. This ordinance may be purchased or inspected in the city clerk's office, Monday through Friday between the hours of 9:00 a.m. and 5:00 p.m.

SECTION 5. EFFECTIVE DATE. This ordinance shall take effect twenty (20) days after its adoption and publication.