



Staff Report

Finance and IT Services

Report To: Committee of the Whole
Meeting Date: August 22, 2016
Report Number: FAF.16.80
Subject: Purchasing Policy Update 2016
Prepared by: Serena Wilgress, Manager of Purchasing & Risk Management

A. Recommendations

THAT Council receive Staff Report FAF.16.80, entitled “Purchasing Policy Update 2016”; and

THAT Council approves the recommended changes to the Town’s Purchasing Policy, as outlined in Report FAF.16.80.

B. Overview

Review of the Town’s Purchasing Policy to ensure compliance with required Acts and Regulations. To consider updates to allow for a more efficient purchasing process.

C. Background

The Municipal Act, 2001, Part VI, Section 270, as amended, requires municipalities to adopt and maintain a policy with respect to the procurement of goods and services. The Town adopted Purchasing Policy POL.COR.07.05 on October 15, 2008 and since then, one review was completed on April 23, 2012. The Policy states that it will be reviewed at least once every term of Council.

D. Analysis

As part of the 2016 review, staff is recommending some significant changes. The changes will permit Staff to proceed with their day to day functions in a more efficient manner.

1. **Award of Bids:** Council has the ultimate authority for all expenditures. Council provides the Authority to Staff for the initiation and completion of procurement processes for goods, services and construction through the authorization of annual budgets or resolutions.

At this time, all tenders and proposals in excess of \$100,000 are awarded by Council. This process significantly extends the timeframe for the contract to commence. From the time a tender closes to having a contract in place can take in excess of 60 days.

Staff is recommending that projects that are **within budget** are awarded as follows:

- a. CAO, Director of affected Department and Manager of Purchasing & Risk Management approve all tenders / proposals in excess of \$250,000;
- b. Director of affected Department and Manager of Purchasing & Risk Management approve all tenders / proposals between \$25,000 up to but not including \$250,000;
- c. Manager of affected service area or designate approves purchases less than \$25,000.

Subsequent service agreements and contracts resulting from awards are delegated to the Director of Finance & IT Services and the appropriate department Director for execution.

All purchases that exceed the Town's approved budget would require the approval of Council.

2. **Purchasing Limit Changes:** Currently, the Town permits staff to procure goods and services through direct purchase with a value of up to \$5,000. Informal procurement procedures must be used for goods and services between \$5,001 and \$15,000 and formal procurement for all items in excess of \$15,001, exclusive of HST.

Staff is recommending that the upper limit for informal procurement be increased to up to but not including \$25,000 and formal procurement to be used for all goods and services over and including \$25,000.

As the prices for items only increases, the increase to the Informal Procurement Limit would allow greater flexibility for Staff to proceed with informal purchases. All items and services would still require that Staff seek, at minimum, three quotes from three different vendors. There is a significant time savings to be realized by increasing this limit.

3. **Authority to Reallocate Approved Budget Funds:** Council permission is required for award of any procurement that exceeds the Town's approved budget for a project.

Staff is recommending the following:

- a. To ensure proper expenditure management and budget accountability, each Director is responsible for ensuring that all purchases remain within the Department's approved operating budget or approved capital project budget, unless otherwise provided for in this policy.
- b. Reallocation of funds between Operating Budgets and Capital Budgets is not permitted under any circumstances.
- c. In order to allow purchases to proceed which exceed the approved budget, a Director shall have the authority to reallocate funds, without exceeding the aggregate budget within their control, under the following conditions:

Operating Budget

- i. The shortfall for the purchase of the good or service is less than \$10,000;
- ii. All changes must be one-time and shall not affect the base budget;
- iii. Reallocations may only occur within or between supplies and services accounts;
- iv. General scope of work or service delivery method cannot be changed;
- v. The funding source must be the same for all accounts affected by the reallocation.

Capital Budget

- i. The shortfall cannot exceed 20% of the project budget to a maximum of \$75,000;
- ii. General scope of work or service delivery method cannot be changed;
- iii. If reallocating funds from a capital project/component, the capital project/component in which funds are being transferred from must already be an Awarded project/component;
- iv. Revised Bid Award Form must be completed when funds are reallocated;
- v. The funding source must be the same for all accounts affected by the reallocation.

d. All other budget over-runs must be approved by Council before Award is made.

4. **Reporting to Council:** Currently, Purchasing provides a quarterly update on all procurement awarded by the Tender Proposal Award Committee between \$50,001 and \$100,000. It is recommended that this practice continue, however the report will be for awards in excess of \$250,000.
5. **Application:** The current policy applies to Town staff. Local Boards will be advised of the policy and encouraged to adopt the policy and procedures as their own.
6. **Bid Irregularities:** Currently, there are no provisions for how Bid Irregularities will be addressed. There is a practice amongst the industry that allows for small irregularities to be corrected by bidders within a specific timeframe. Some of these irregularities could include lack of original signatures or insufficient bid amount. The provisions for Bid Irregularities would be included in each Formal Bid Opportunity so that bidders are aware prior to submitting their bid.

Purchasing Staff has polled other municipalities in Ontario and there are indications that more municipalities are increasing the limits for staff to award tenders/proposals within budget. Innisfil, Barrie, Guelph and South Bruce Peninsula are some examples.

E. The Blue Mountains' Strategic Plan

Goal #4: Promote a Culture of Organizational and Operational Excellence
Objective #4: To Be a Financially Responsible Organization

F. Environmental Impacts

None.

G. Financial Impact

All Town purchases of goods and services, in accordance with the Council approved budget shall comply with the Town's Purchasing Policy and Procedures, with the exception of emergency purchases.

Compliance with the Town's purchasing policy ensures responsible spending of the Town's approved budgets.

H. In consultation with

Senior Management Team

I. Attached

None

Respectfully submitted,

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