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# Council Policy

## Procurement

Established: March 20, 2006

Rescinded: N/A

Contact Department: Finance

### Purpose

This policy establishes general guidelines, authorizations, and approval limits for the procurement of goods and services on behalf of the City.

### Objectives

The objectives of this policy are to:

- a) Establish authority and limits for the purchase of goods and services on behalf of the City.
- b) Procure the necessary quality and quantity of goods and services in an efficient, timely and cost effective manner, while maintaining controls appropriate for a public sector body.
- c) Promote fair, open, accountable and transparent purchasing practices.
- d) Encourage as a preference, contracting agreements and purchasing criteria that consider total life cycle costs and minimize environmental impacts.
- e) Ensure that the City acts in accordance with all applicable legislation and trade agreements.

### Scope

This policy applies to all procurement of goods and services, including construction, consulting or professional services, made by or on behalf of the City by employees and other authorized personnel.

### Policy Statements

#### 1. Responsibilities

Chief Administrative Officer to:

- a) approve and issue administrative directives to implement this policy
- b) review and approve sole and single source purchases greater than \$25,000
- c) approve recommendations for contract awards
- d) approve term contracts of less than 5 years

Chief Financial Officer to:

- a) monitor adherence to the provisions of this policy and record events of non-compliance
- b) approve and implement administrative procedures necessary for compliance with this policy
- c) review and approve sole and single source purchases as stated in Section 8.
- d) remain informed of current legislation and ensure compliance with trade agreements

Department Heads to:

- a) ensure that their departments' purchasing activities meet the objectives and administrative requirements of this policy
- b) ensure funds are available for departmental spending and within the spending authority of those authorized to make purchases on behalf of the department

- c) ensure that all procurement contracts initiated within the department are complete and properly authorized, including, if necessary, a legal review for bid compliance

All employees are expected to conduct themselves with personal integrity, ethics, honesty, and diligence when acquiring goods and services on behalf of the City, and shall exercise impartiality and fairness at all times in evaluating suppliers and awarding contracts. Employees must comply with other City policies regarding conflicts of interest and receipt of gifts, and shall maintain confidentiality of information which the City is obligated to protect.

## 2. Exclusions

The following transactions are, by their nature, not generally considered procurements of goods and services, and are thus excluded from the provisions of this policy:

- Payments made with respect to payroll taxes and source deductions, union dues, workers' compensation assessments, and similar payments.
- Payments of debt interest and principal
- Transfers to and from investment accounts
- Payments in respect of taxes collected on behalf of other authorities
- Donations, grants and fee-for-service payments
- Fire department cost sharing and volunteer payment agreements
- Payment of damages or settlements
- Acquisition of land and improvements, by purchase, lease or other agreement

The hiring of regular, temporary and casual employees is also outside the scope of this policy.

## 3. Compliance

All employees and other authorized personnel responsible for purchasing goods and services, for approving the purchase of goods and services, or for executing contracts on behalf of the City must adhere to this policy.

Any employee who willfully acquires goods or services in contravention of this policy is liable to disciplinary action. Activities such as making unauthorized purchases, committing the City without appropriate authority, disclosure of suppliers' confidential or proprietary information, or dividing contracts or purchases to avoid the thresholds of this policy are expressly prohibited.

All incidents of non-compliance, including those requiring special approvals shall be documented and reported to the appropriate level of management, or Council if warranted.

## 4. Authority

Under authority delegated by Council to the Chief Administrative Officer, the following authorizations are provided to management and employees of the City in order to give administrative effect to this policy:

- a) Authority to Execute Contracts
  - i) The Chief Administrative Officer shall execute contracts awarded through the public tendering process.
  - ii) All contracts with a term greater than 5 years require Council resolution, and are to be executed by both the Mayor and the Corporate Officer.
  - iii) Contracts within the parameters of the Financial Plan (5 years or less) require approval by both the CAO or Authorized Delegate and the Corporate Officer.

b) Spending Authority

City employees may approve purchases of goods and services up to their individual approval limits as set out in Appendix B. When an authorized staff member is away, the staff member performing their duties during the period of their absence is authorized up to the spending limit of the absentee member.

5. Purchasing Guidelines

*Best Value*

Purchase decisions should take into consideration the total cost of ownership, and not just the lowest purchase price. The total life cycle cost, including acquisition, shipping, disposal, operating, and maintenance costs should be assessed, in addition to taking into account other characteristics such as availability, suitability, serviceability, warranty, training requirements, and environmental impact.

*Sustainable Procurement*

The City will procure goods with due regard to its commitment to encourage the use of environmentally friendly products and processes which reduce waste, air and water pollution and the use of chemicals.

The City shall give preference to contracts, equipment, machinery, vehicles and supplies which incorporate green or sustainable business practices or technology. This preference shall form part of the RFP and the evaluation criteria used to assess proposals when it applies.

*Cooperative Purchasing*

Wherever possible, the City will participate in cooperative purchasing with other public agencies to maximize cost savings. The cooperative procurement process may be conducted in accordance with the procurement policy of the leading organization.

*Trade Agreements*

The City shall comply with the relevant provisions of all trade agreements to which it is subject. These agreements generally state that goods, services and construction above certain dollar thresholds must be publicly tendered so as not to discriminate among bidders on the basis of origin.

6. Purchasing Methods

*Petty Cash*

A petty cash fund is an alternative for small value purchases which do not warrant the processing of an invoice through accounts payable. Purchases made using petty cash should generally not exceed \$50 per transaction.

*Credit Cards*

Credit cards will be assigned to staff according to their purchase needs. City staff may use credit cards for bona fide City expenses within their assigned credit limits.

Purchase orders are required for credit card transactions in accordance with the provisions of this policy.

### *Purchase Orders*

Unless exempted below, purchase orders shall be issued for all goods and services costing in excess of \$1,500, including Provincial Sales Tax, but excluding freight and delivery charges.

Where the exact purchase amount is unknown but is anticipated to exceed \$1,500, the purchase order should be issued using a reasonable estimate or, if quantities are unknown, a specified hourly or unit cost.

Annual standing purchase orders may be issued to frequently used suppliers, for supplies of a repetitive or continuous nature.

An authorized purchase order must be in place prior to any commitment being made for the purchase of goods and services.

### *Purchase Order Exemptions*

The following expenditures do not require a purchase order:

- Association dues and membership fees, publications/subscriptions
- Legal and accounting fees
- Postage machine replenishment
- Utilities such as electricity, gas internet, telephone, and cell phone
- Procurements made under annual or other contracts, such as janitorial services and equipment leases
- Courses, seminars, conventions, workshops, and other training fees
- Travel expenses and advances
- Licenses and permits
- Freight and courier charges
- Insurance and payroll benefit plan premiums
- Expenditures made during situations of declared emergency or other threat to public health or safety necessitating immediate action

Where there is no breach of the competitive process or risk to the City, an unintentional failure to issue a purchase order as noted above is subject only to internal administrative redress.

## 7. Change Orders

Managers will have the authority to approve change orders subject to the following conditions:

- there are sufficient uncommitted funds within the existing project budget to cover the cost of the change order;
- the change order does not materially alter the scope of work of the project; and
- the change order does not exceed the lesser of 10% of the original purchase amount and the manager's authority limit.

## 8. Sourcing Methods

### *Direct Acquisition*

Goods or services with an estimated cost of less than \$10,000, where no individual item is greater than \$5,000 in value, may be purchased directly from a supplier; however staff is expected to make a reasonable effort to obtain the best value.

*Verbal Quote and Request for Quotation (RFQ)*

A minimum of three suppliers shall be solicited for price quotations for purchases between \$10,000 and \$50,000 in value.

While staff are recommended to obtain written quotes for all purchases over \$10,000, verbal quotes may be used for lower dollar value purchases (under \$25,000), with a written record maintained of the businesses contacted and the quote amount, or lack of response if applicable. Written price quotations are required for purchases between \$25,000 and \$50,000 and may be sought through direct request to qualified suppliers, or through an invitational or public tendering process.

The award will be made to the respondent who has submitted the lowest price and that meets all the specifications of the RFQ. However, in determining the best qualified and acceptable quote, consideration should be given to other factors such as vendor qualifications, quality, source of supply, availability and supplier's past performance. The City reserves the right to accept a quote other than the lowest bid based on a higher evaluation of the criteria noted above.

*Requests for Expressions of Interest and Vendor Pre-Qualification*

A prequalification process may be used whereby vendors or contractors are requested to provide an expression of interest (REOI) or qualifications (RQ) to be used in developing a short list of prospective qualified suppliers. Prequalification of vendors may be used as a preliminary step in the public tendering process, providing the requirements for advertising noted below are met.

*Requests for Standing Offers - Hired Equipment*

The City may issue a request for standing offers (RFSO) or EOI for the registration of equipment for hire on an as-and-when-required basis. The City will maintain a list of prequalified providers, with equipment to be hired based upon criteria such as price, availability, and condition.

*Formal Public Tendering and Request for Proposals*

Invitations to Tender (ITT) and Requests for Proposal (RFP) are to be sought by formal public advertising for the supply of all goods and services when the cost is estimated to exceed \$50,000. All competitive procurement opportunities shall be advertised in BC Bid or other electronic tendering system, and must follow the City's established processes and procedures for receiving and opening tenders.

Other than unique situations entailing mandate from Council, the maximum term for a contract for services, including any renewals, shall be five years. Continuing contracts, other than those included as professional services in Section 10, or contracts with multiple indefinite annual renewals are expressly prohibited.

The approval level for contracts with a duration of greater than one year is calculated as the total financial obligation over the term of the contract, including any options for extension.

Once a service contract has been awarded, direct orders may be placed with the supplier by authorized personnel.

*Direct Award (Sole or Single Sourcing)*

A purchase of goods or services below \$75,000 may be made by direct award where the opportunity to obtain quotes or solicit competitive bids does not exist or is not justified in the circumstances. Sole source purchasing shall not be conducted in order to avoid competition between or discriminate against suppliers. Failure to plan appropriately does not provide justification for sole sourcing in a situation of urgency.

Circumstances that may support sole sourcing include (but are not limited to) the following:

- there has been limited or no response to an RFQ which has been posted publicly for at least one week;
- an unforeseeable situation of urgency exists and the goods or services cannot be obtained in time through the competitive procurement process;
- the expenditure is minor and the potential savings available through competitive contracting do not justify the increased time and costs involved in obtaining quotes;
- in the case of cooperative purchasing, where the cost of the goods or services is verifiably competitive;
- services and supplies are provided by utility companies on a monopoly or regulated tariffed basis;
- there is an absence of competition for technical reasons and the goods or services can be only be supplied by one particular service provider, with no reasonable alternative or substitute;
- there is only one service provider who has the unique qualifications or skills needed for the work;
- there is a need to maintain compatibility with existing products or specialized products which can only be provided by the manufacturer or representative of the product;
- the work is a continuation or follow-up and is most appropriately done by the original service provider;
- an opportunity arises to take advantage of cost savings realizable when non-resident contractors are already available locally for a limited time (eg. paving contractors);
- an item is offered for sale by tender, auction or negotiation and purchasing the item is clearly in the best interest of the City; or
- the project is highly sensitive or confidential, and advertising it through open competition is not appropriate.

Direct award purchases require a documented request and justification with approval of the Chief Financial Officer. Direct award purchases between \$25,000 and \$75,000 require additional approval from the Chief Administrative Officer, or designate.

A direct award for construction contracts below \$200,000 may be made in exceptional circumstances, with justification provided to, and with the approval of, the Chief Financial Officer, Chief Administrative Officer and Council.

Direct awards greater than \$25,000 should be reported to Council through the regular monthly procurement reporting process or similar means.

#### 9. Selection of Consultants and Professional Services

Consultants and professional service providers may be engaged directly for services under \$25,000, where a reasonable evaluation or pre-qualification process has been completed.

A Public Call for Written Proposals or direct invitation shall be sought from at least three qualified consultants where the anticipated cost of engaging the consultant is \$25,000 or more.

Consultants will be retained on the basis of expertise, experience, professional reputation, ability to complete the work and to provide cost effective advice and solutions. The City will not rely on one consultant to provide the majority of project consulting services. To achieve best value for money, staff will endeavour to engage consultants by means of a direct contract rather than subcontracting through an intermediary.

The following criteria shall be taken into consideration when evaluating potential candidates:

- the firm's relevant experience and past performance
- familiarity with municipal procedures and practices
- references from former or current clients
- fees to be charged
- potential for conflict or perceived conflict of interest

#### 10. Contracts for On-Going Professional Services

Where professional services are to be retained on an ongoing basis, a review will be undertaken of such services every five years, if not more frequently. These services will be requested by way of an Expression of Interest or Request for Proposal. Ongoing professional services include the following:

Banking and Investment Services  
Legal Services  
Employee Benefit Plan Brokerage Services  
Professional Engineering Services for the electrical distribution system and utility

#### 11. Procurement for Grant Funded Projects

All procurements of goods and services for projects funded by Federal, Provincial or other grant programs shall comply with the procurement and contract management provisions of the grant funding agreements. At a minimum, these project procurements shall comply with the provisions of this policy regarding the use of consultants and a competitive bidding process for goods and services contracts over \$50,000. All procurement related to grant funded projects shall be conducted in accordance with applicable trade agreements.

#### 12. Performance Evaluation

Contractor and consultant evaluations are essential to proper contract management in order to ensure that performance issues are addressed quickly and effectively. The manager responsible for a particular contract shall implement a performance evaluation process for all contracts over \$50,000 and lower valued contracts as appropriate, and will maintain written records of any performance issues, including correspondence and notifications sent to the service provider.

At the outset of the contract, the responsible manager will provide the supplier with copies of the evaluation reports that will be used to rate the supplier's performance. The overall performance rating and copies of the completed evaluation reports will be provided to the supplier upon completion of the contract.

The performance evaluation shall rate the contractor or supplier based on standard criteria adopted from time to time, including, but not limited to the following:

- ability to meet contract specifications, cost, delivery, terms or conditions
- project management
- time planning and scheduling
- quality of workmanship
- health, safety and other regulatory compliance

Performance evaluations from previous contracts will be taken into consideration when evaluating and awarding future work, with legal advice to be obtained when necessary.

### 13. Unsolicited Proposals

Unsolicited proposals received by the City will be reviewed by the Department Head to determine the merit of services offered and appropriate response. Any purchasing activity resulting from the receipt of an unsolicited proposal must comply with the provisions of this Policy.

#### Related Bylaws and Policies

- City of Grand Forks Delegation Bylaw No. 1831
- City of Grand Forks Employee Conflict of Interest Policy 602
- City of Grand Forks Wood First Policy 205
- City of Grand Forks Asset Disposal Procedure Policy 805

#### References

- Auditor General for Local Government (AGLG) Perspectives Series
  - Improving Local Government Procurement Processes
  - Oversight of Capital Project Planning & Procurement
- Global Affairs Canada - International Trade Agreements and Local Government: A Guide for Canadian Municipalities
- New West Partnership Trade Agreement (NWPTA)
- Canadian Free Trade Agreement (CFTA)
- Comprehensive Economic and Trade Agreement (CETA)



## APPENDIX A

METHOD AND FORM OF PURCHASE

Method and Form of Purchase	PO Required	Limit
Petty Cash	No	< \$50
Credit Card Purchase (receipt/invoice required)	No	< \$1,500
Credit Card Purchase (receipt/invoice required)	Yes	> \$1,500
Direct Purchase without quotation	No	< \$1,500
Direct Purchase without quotation - no single item > \$5,000	Yes	< \$10,000
Verbal Quote - minimum 3 quotes (to be documented)	Yes	< \$25,000
Written Quotes and RFQ - minimum 3 quotes	Yes	\$25,000 - \$50,000
Direct award (approval of CFO)	Yes	\$5,000 - \$25,000
Direct award (approval CFO and CAO)	Yes	> \$25,000
Public Tender - ITT and RFP	Yes	> \$50,000
Term Contracts < 5 years - CAO approval	No	All amounts
Term Contracts > 5 years - Council resolution	No	All amounts

**APPENDIX B**  
**SPENDING AUTHORITY**

<b>Position</b>	<b>Spending Limit</b>
Chief Administrative Officer	Within Financial Plan
Chief Financial Officer	\$25,000
Corporate Officer	\$10,000
Department Heads/Managers	\$10,000
Deputy Managers	\$ 5,000
Coordinators	\$ 1,500
Mechanic	\$ 1,500
Accountant/Comptroller	\$ 1,500
Public Works Administrative Assistant	\$ 500
Other permanent employees	\$ 100