



District of Maple Ridge

TO: His Worship Mayor Ernie Daykin
and Members of Council
FROM: Chief Administrative Officer
SUBJECT: Purchasing Policy

MEETING DATE: July 7, 2014
FILE NO:
MEETING: Council Workshop

EXECUTIVE SUMMARY:

Our Purchasing Policy guides the procurement of Goods and Services by the District. This direction is important so that best value can be obtained for the use of public funds.

The policy was approved in 2004 and while it has served us well, there are some areas that need to be updated. Further, local government procurement is a priority area for the audits being performed by the Auditor General for Local Government (AGLG). The AGLG has issued one preliminary report and plans to issue the remainder of its reports by August 31, 2014. As well, the AGLG plans on issuing a best practices guide for local government procurement.

Staff will continue to follow the reports from the AGLG and an amended purchasing policy will be forwarded to Council reflecting best practices.

RECOMMENDATION(S):

None. Information only.

DISCUSSION:

Our Purchasing Policy was approved in 2004 and it guides the procurement of goods and services for the District of Maple Ridge. The policy provides direction in a number of areas including the following:

- i) Obtaining “Best Value” for the dollars expended
- ii) Conducting business with fairness, probity and respect for all parties
- iii) Support provided by the Purchasing Section
- iv) Delegated Purchasing authority and responsibility
- v) Procurement tools and processes and their appropriate use
- vi) Prohibitions

The policy is attached for ease of reference.

In May, 2013, the Auditor General for Local Government (AGLG) announced performance audits of 18 local governments on three different audit topics. Two of the topics revolve around purchasing:

a. Audit Topic 1 - Achieving Value for Money in Operational Procurement

The following local governments are scoped for Topic 1 audits: City of Vernon, Corporation of Delta, City of Revelstoke, Comox Valley Regional District, Fraser-Fort George Regional District and the District of West Vancouver.

b. Audit Topic 3 - Learnings from Local Government Capital Procurement Projects and Asset Management Programs

The City of Cranbrook, City of Rossland, District of Sechelt, District of North Vancouver, City of Campbell River and City of Dawson Creek are scoped for Topic 3 audits.

The AGLG released its first report on the City of Rossland in April, 2014. The report is labeled "Part 1 of 2" as it deals with capital procurement. Part 2 of the report is planned for later in 2014 and will deal with asset management.

The remainder of the reports are to be issued by August 31, 2014. The AGLG will also be issuing a best practices guide for procurement.

At this juncture, it is anticipated that the best practices will include an emphasis on:

- i) Conflict of Interest
- ii) Documentation
- iii) Reporting requirements including final reporting at project completion.

Staff will continue to review the reports from the AGLG and an amended purchasing policy will be forwarded to Council reflecting the best practices.

"Original signed by Russ Carmichael"

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Concurrence: J.L. (Jim) Rule
Chief Administrative Officer

:msj



POLICY STATEMENT

District of Maple Ridge

Title: Purchasing	Policy No : 5.45 Supersedes: Amended
Authority: <u>Council</u> Approval: <u>November 9, 2004</u>	Effective Date: <u>November 10, 2004</u>
Policy Statement: This policy applies to all employees or elected representatives of the District of Maple Ridge who may be required to use corporate funds for goods or services.	
Purpose: 1. PRIMARY OBJECTIVE As part of the duties assigned to it in the Local Government Act, the Corporation of the District of Maple Ridge must engage in the procurement of goods and services. The primary objective of the Purchasing Division is to assist all internal customers to achieve best value for dollars expended by the District. Lowest price can be best value, but lowest price is not always best value. We look at the total cost of ownership , which may include but not be limited to: <ol style="list-style-type: none"> 1. acquisition cost 2. quality required 3. residual value 4. disposal cost 5. training cost 6. maintenance cost 7. delivery and shipping terms 8. warranties 9. payment terms 10. performance 11. environmental impact <p>The Purchasing Section is committed to conducting business with fairness, probity, and respect for all parties involved.</p>	

2. SERVICES PROVIDED BY THE PURCHASING TEAM

Purchased products and services account for a significant portion of total operating cost. This provides a continuous opportunity for cost reduction and control. The Purchasing Team provides support to ensure an uninterrupted supply of goods and services of acceptable quality and best value. This support includes the following:

1. Procurement: various degrees of involvement based on complexity, risk and dollar value. Consultation with the Purchasing team is required if the purchase is beyond the specific dollar limits of the user's purchasing card.
2. Management of surplus and scrap: reuse or disposal for best value
3. Sourcing: new products, services or vendors or technology.
4. Research
5. Contract management: various degrees of involvement based on complexity, risk and dollar value. All supply transactions have contractual implications.
6. Resolution of Supply disputes.
7. Standardization: products and services
8. Sponsorship: process development and contract management
9. Inventory management
10. Central Stores
11. Vendor relations and development
12. Record keeping
13. Training, coaching and monitoring on procurement and other supply issues.

PURPOSE: To summarize the responsibilities of the Purchasing Team.

3. AUTHORITY & RESPONSIBILITY

3.1 CHIEF ADMINISTRATIVE OFFICER

The Chief Administrative Officer as directed by Council delegates Purchasing authority throughout the organization, as outlined in Schedule "A".

3.2 GENERAL MANAGERS

The General Managers are responsible for ensuring Purchasing Policy is followed within their areas of control.

PURPOSE:

1. To ensure that expenditures comply with the District business plans.
2. To ensure that sufficient analysis and discussion has taken place.
3. To ensure the risk of fraud, embezzlement and error is minimized.

4. SERVICE CONTRACTS

Services procurement is subject to the same policy as materials, equipment or supplies procurement. The annual value of a service contract determines the authorization required.

EXAMPLES OF SERVICE CONTRACTS:

Professional or Consulting Services

1. Legal
2. Banking

3. Engineering
4. Architectural
5. Planning

Facilities and Equipment

1. Janitorial
2. Equipment Maintenance
3. Security

Labour and Construction

1. Plumbing
2. Clean Up
3. Inspection

5. PROCESS OR TOOLS

PRINCIPAL PROCUREMENT TOOLS (subject to dollar thresholds in Schedule A)

1. **Invitation to Tender:** A formal request for sealed bids for the supply of specific goods or services in response to an advertised invitation. It may be opened in public. The Tendering process itself forms complex legal obligations.
PURCHASING MUST BE INVOLVED AND NOTIFIED WHEN THE TENDER IS FIRST BEING DEVELOPED.
2. **Request for Proposals:** A formal request for sealed submissions. It is not as specific as an Invitation to Tender. It describes an opportunity or problem and asks for solutions and costs for those specific opportunities or problems. The RFP process itself forms complex legal obligations.
PURCHASING MUST BE INVOLVED AND NOTIFIED WHEN THE RFP IS FIRST IS FIRST BEING DEVELOPED.
3. **Prequalification:** An attempt to identify in advance of an actual Tender or RFP suppliers that are capable of successfully accomplishing what is required in that Tender or RFP. Usually, this is used in complex procurements only. The Prequalification process itself may form legal obligations.
PURCHASING MUST BE INVOLVED AND NOTIFIED WHEN THE PREQUALIFICATION IS FIRST BEING DEVELOPED.
4. **Request for Information:** A request for written information. It may or may not develop into a supply contract. This does not have the legal obligations of an Invitation to Tender, Request for Proposals or a Prequalification.
PURCHASING MAY BE INVOLVED IN A CONSULTATIVE ROLE AT THE DISCRETION OF THE END USER.
5. **Purchasing Card:** The Purchasing Card is a corporate credit card issued to specific employees for purchases within clearly defined parameters. Purchasing will determine who shall participate in the card program and the spending limits of each card user. Every card user will have a designated supervisor or manager for authorization.
PURCHASING MAY BE INVOLVED IN A CONSULTATIVE ROLE AT THE DISCRETION OF THE END USER.

6. CHOOSING THE BEST PROCESS OR TOOL

The Purchasing Team, after consultation with their customer will select the most suitable procurement tool or process.

1. **Time:** When are the goods and/or services required?
2. **Complexity:** Are there specifications, alternate solutions, sub-contractors to be considered?
3. **Risk:** Is there low, moderate or high risk regarding public liability, danger to our property, failure to perform?
4. **Cost:** Generally, the higher the cost, the more complex the appropriate process.

7. PROHIBITIONS

The following activities are prohibited:

1. The division of contracts to avoid using the tools and practices as described in the Purchasing Policy.
2. Purchase by the District from any member of Council, appointed officers, employees of the District or their immediate families or from any other source that would result in a conflict of interest.
3. Purchase by the District of any goods or services for personal use by or on behalf of any member of Council appointed officers, employees of the District or their immediate families.
4. The use of a purchasing card by anyone other than the person to whom the card was issued.
5. The release of a Suppliers written or oral information. This practice is unethical and may be illegal as well as damaging to the District's competitive position. Requests of this nature are to be managed through Purchasing.

8. CO-OPERATIVE VENTURES

The District may participate with other government agencies, public authorities or private organizations in co-operative acquisition ventures where it is in the best interest of the taxpayer to do so and may follow the procedures set out by the group responsible for the venture.

9. PREFERENCE TO LOCAL SUPPLIERS

We support local merchants by encouraging the use of local suppliers and by purchasing locally, where all things are equal.

The following priorities will be given where all things are equal, (i.e. after giving due consideration to determining overall Best Value)

- Firstly - Locally
- Secondly - Within the Province

- Thirdly - Within Canada
- Fourthly - Outside Canada

No percentage differences or dollar preferences will be given to purchasing locally as that would represent a direct grant to local suppliers, however, full consideration will be given to potential future costs or savings that may be experienced by using a local.

10. ITEMS NOT REQUIRING THE INVOLVEMENT OF PURCHASING

Although subject to all other District Policies and Procedures the involvement of Purchasing Staff is not required for the following items:

Cash

- Petty Cash

Professional and Training Activities

- Training and Education
- Conference Fees
- Convention Fees
- Courses
- Magazines
- Meeting Expense
- Memberships
- Periodicals
- Seminars
- Staff Development
- Staff Training
- Staff Workshops
- Subscription

Refundable Employee Benefits

- Cash Advances
- Entertainment
- Hotel Accommodation
- Meal Allowances
- Mileage Allowance – Vehicle
- Miscellaneous Travel Expense (e.g. Airport Fees)

Employer's General Expenses

- Debt Payments
- Grants to Agencies
- Licenses (vehicle, elevators, radios, etc.)
- Medical and Dental Expenses
- Payment of Damages
- Payroll Deduction Remittances
- Petty Cash Replenishments

11. PURCHASING CARDS

Although subject to all other District Policies and Procedures, including Purchasing Policy – Tools and Processes, the involvement of Purchasing Staff is not required. Purchasing may be utilized in a consultative capacity on any Purchasing Card transaction, e.g. recommend vendors.

12. CONTINGENCY AND SCOPE CHANGES

Contingency allowances provide Project Manager's with discretion to meet a requirement, which is not perfectly defined.

Unit price contracts are valued according to a process established in the contract documents. Quantities may vary. As a result, the bid is not a fixed sum or ceiling, but, rather, a common basis for comparison among bidders. These contracts may require a contingency as the final quantities may be more or less than the original estimate.

Contingency options must be outlined in Reports to Council when an award is recommended.

During the course of a project, additional works may arise that could not be anticipated during the project planning process. A contractor already engaged in works for the District may be able to better respond to this related work as they have already very recently met District requirements. For example, other potential bidders may not be able to obtain requisite insurance and bonding in a timely and/or cost effective manner.

As a result, the contractor engaged in the principal works may be asked for a quotation for additional works. This offer may be accepted, provided it is reasonable, and good value in the opinion of the Project Manager and the Manager of Procurement. Funds must be available for Scope changes as for any other activity of this nature.

13. SOLE SOURCE PROCUREMENT

There are occasions when products/services must be purchased from one specific source or manufacturer. Personal preference for certain brands or products does not justify limiting competition. Whenever possible competition should be encouraged and developed. Products or services purchased on a sole source basis must meet at least one of the criteria shown below.

Compatibility with existing equipment

The products or services are being purchased to directly interface with or attach to equipment of the same manufacture, and no other manufacturers products will correctly and effectively interface with existing equipment

Compatibility for instructional purposes

The products are being purchased to supplement existing equipment for use and operation. The product must exactly match the existing equipment and is being purchased to provide uniformity for instructional purposes. Uniformity should provide a significant instructional benefit.

Compatibility for Research

If the main purpose for acquiring equipment, supplies or services is to replicate specific outcomes, using the exact products that produced the original results may be necessary.

Only one supplier can be identified to supply a product or service

In rare cases, only one supplier may exist to provide a particular product or service. Specifying patented products or processes, when not necessary to meet functional requirements, is not acceptable as a sole source justification

Emergency Purchasing

When quick or immediate acquisition of goods or services is determined to be necessary to restore or maintain minimum acceptable levels of community service, or prevent serious delays or injury.

In an emergency the preparation, documentation and analysis aspects of the usual purchasing procedures as described in the Procedure section of Schedule "A" Acquisition Dollar Amount Approval Thresholds may not be possible. Oral authorization will be acceptable as described in the Approval Required section of Schedule "A" Acquisition Dollar Amount Approval Thresholds.

All normal purchasing documentation and reporting, complete with signed authorizations as required is to be completed as soon as possible after the emergency.

Sole Source Justification Report

A written explanation, commonly referred to as a Sole Source Justification, must be provided to the Manager of Procurement to support sole source purchases over \$20,000. The Chief Administrative Officer will give final authorization.

Your Sole Source Justification Report will be filed as part of the official procurement documents and may be subject to review or audit by interested parties.

e.g. Freedom Of Information and Privacy Requests.

14. CONSULTING AND PROFESSIONAL SERVICES CONTRACTS

Consulting and professional services contracts will be awarded on the basis of demonstrated competence and qualifications for the type of professional services to be rendered.

Any professional services or consulting contract less than \$20,000 may be awarded directly at the discretion of the appropriate General Manager or his/her designate.

Any professional services contract expected to be worth more than \$20,000. annually shall be bid competitively as described in Schedule "A" Acquisition Dollar Amount Approval Thresholds or Sole Source Justification shall be required.

The appropriate General Manager will conduct reviews of significant contracted consulting or professional services with the Manager of Procurement on a rotational basis so that there will be at least one review each year. All significant consulting or professional services contracts will be subject to review at least once every three years.

SCHEDULE "A"

This schedule refers to the approvals required for the various dollar values of procurement. Other than in emergencies, budget approval is required before Procurement begins.

ACQUISITION DOLLAR AMOUNT APPROVAL THRESHOLDS

Once Municipal Council through the Business Plan and Budget process has approved funds for your purchase, the following thresholds apply:

Estimated Value of Purchase/ Contract*	Procedure	Approval Required*	
Greater than \$150,000.	Have the Procurement division work with end users to obtain sealed Tenders, Proposals or Prequalifications. A combination of local, regional and national newspaper advertising will be used to locate interested parties. Opportunities will also be posted on the Municipal website and at electronic procurement sites such as BC Bid and MERX.	Recommendation to award to be approved by Council.	
Greater than \$100,000. but less than \$150,000.	Have the Procurement division work with end users to obtain sealed Tenders, Proposals or Prequalifications. A combination of local, regional and national newspaper advertising may be used to locate interested parties. Opportunities will also be posted on the Municipal website and at electronic procurement sites such as BC Bid and MERX.	Chief Administrative Officer	
Greater than \$20,000. But less than \$100,000	Have the Procurement division work with end users to ensure fair competition. Telephone, facsimile, e-mail or written quotes or proposals will be acceptable unless stated otherwise. Formal tendering or Request for Proposal processes will not be used but competitiveness will still be encouraged and all participants will be treated fairly and equitably. A minimum of three bids or offers will be sought whenever possible.	General Manager or his/her designate.	
\$1000 - \$20,000	Use some degree of competition whenever possible. Offers should be obtained from more than one supplier when that is sensible and	Director or his/her designate.	

	prudent. Process cost and cost of time needs to be balanced against due diligence to obtain best value. An optimum number of offers for low dollar simple procurements is three. Purchasing may be contacted to advise 1) who may wish to supply 2) who are reputable, experienced vendors 3) whether a contract is in place for what is required 4) whether a needed supply is in inventory at Stores or should be in inventory at Stores.		
less than \$1000	Use your discretion; consult the Procurement division if you would like assistance.	Director or his/her designate will authorize users.	

*Although the value of most contracts can be defined as the cost to the District to acquire specific goods or services, occasionally a more nuanced definition of value is appropriate. When rights or privileges are embedded in a contract the net dollar cost to the District may not reflect it's true significance. e.g. bus bench advertising; towing services. In situations of this type the total value of the contract to the successful supplier shall determine what process is used and what approval is required.

Invitations for sealed tenders or proposals will be reviewed by the Purchasing Division for consistency and legal compliance. The Purchasing Division will be the lead agency in issuing invitations for sealed tenders or proposals at the request of the user department.

Definitions:

Acquisition Method - the process by which goods or services are procured.

Best Value - obtained by determining the total cost of performing the intended function over the lifetime of that function.

Bid – an offer or submission from a vendor, contractor, or consultant in response to a tender or request. It may be subject to acceptance or rejection.

Bid Request – a formal request for bids or solicitation, which may be in the form of a request for quotation, request for tender, request for information or request for proposal.

Cheque Request – a written request to pay for goods or services on an approved form, not covered by a purchase order, contract or other direct methods.

Contract – an agreement that may be written or verbal comprising the following components: (1) must be legal, (2) parties involved must have the intellectual capacity to understand, (3) there is an offer, (4) there is acceptance, (5) something of value changes hands (also known as consideration).

Electronic Requisition - an internal request in electronic format (to Purchasing)

for information, research or to procure goods and services.

Emergency – a situation where the immediate acquisition of goods or services is essential to provide community service, prevent serious delays, injury, further damage or to restore or maintain minimum service.

End User – the person or persons ultimately using or managing/supervising the use of required goods, materials or services.

Prequalification – the procuring organization evaluates interested suppliers/vendors prior to a Tender or RFP process. This identifies who may be capable of performing the work. Typical criteria for this determination would be specialized necessary expertise, resources, relevant experience and references.

Probity – adherence to the highest principles and ideals.

Procure – to acquire by purchase, rental, lease or trade.

Proprietary Specifications – Exclusivity that restricts the acceptable products or services to one manufacturer or vendor. Some Proprietary items may be available from several distributors affording a limited degree of competitiveness. Proprietary specification should be avoided if possible as it limits or eliminates competition.

Purchasing Card – is a corporate credit card issued to specific employees for purchases within clearly defined parameters.

Quotations – a formal request for bids for the supply of goods or services, from selected sources of supply, not opened in public.

Request – a formal request or solicitation, which may be in the form of a request for quotation, request for tender, request for information, request for proposal or request for offers.

Request for Offer – a request by the District for formal offers to purchase surplus, used or obsolete materials, equipment or property.

Request for Proposal – a formal request for details on the supply of goods or the provision of services which cannot be fully defined or specified.

Request for Tender – a formal request for sealed bids for the supply of goods or services in response to an advertised invitation opened in public.

Services – useful labours that do not produce a tangible commodity.

Sole Source - When a product or service is practicably available from only one source competitive procurement cannot be conducted. Obtaining best value can be challenging in these circumstances