

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 30, 2012

Item 1, Report No. 9, of the Finance and Administration Committee, which was adopted, as amended, by the Council of the City of Vaughan on October 30, 2012, as follows:

By approving the Consolidated Purchasing Policy (Attachment 1) appended to Communication C5 from the Commissioner of Finance & City Treasurer, dated October 26, 2012.

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CONSOLIDATED PURCHASING POLICY

The Finance and Administration Committee recommends:

- 1) That the following report of the Commissioner of Finance & City Treasurer, dated September 24, 2012, be approved; and**
- 2) That the presentation by the Commissioner of Finance & City Treasurer, and C1, presentation material, entitled "Consolidated Purchasing Policy", dated September 24, 2012, be received.**

Recommendation

The Commissioner of Finance & City Treasurer, in consultation with the Senior Management Team, the Acting Director of Purchasing Services and the Director of Internal Audit recommends:

1. That The Consolidated Purchasing Policy be approved; and
2. That a Procurement Card (P-Card) Policy be developed and provided to Council for approval in the fall of 2012; and
3. That staff provide proposed elements of a Green and Ethical procurement policy to the Committee of the Whole (Working Session) in the fall of 2012.

Contribution to Sustainability

Not applicable.

Economic Impact

There are no economic impacts associated with this report.

Communications Plan

Not applicable.

Purpose

To obtain Council's approval of the Consolidated Purchasing Policy, and approval to provide to a Committee of the Whole (Working Session) a draft Procurement Card Policy and elements of a Green and Ethical Procurement Policy.

Background - Analysis and Options

On March 6, 2012, staff provided a draft Consolidated Purchasing Policy to the Committee of the Whole Working Session. The majority of the City's purchasing policies and procedures have existed for over a decade, therefore a review was in order. The key aspects of the policies previously approved by Council were consolidated into a concise purchasing policy format modeled after the Region of York's Purchasing By-law.

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Given the time since the last review, it was appropriate to consider opportunities for improvements or additions to include in the Consolidated Purchasing Policy. On March 6, 2012

topics for discussion were presented to the Committee of the Whole (Working Session). Based on the discussions, the following amendments to the Purchasing Policy presented on March 6, 2012 are proposed. In addition, Members of Council raised several questions regarding the report and the presentation, several of which are discussed in this report.

Proposed Amendments to the Consolidated Purchasing Policy

Proposed Amendment - Staff Approval Limit – Tenders Only

Section 6.6 6.4 – Purchases resulting from Requests for Tenders for a total cost \$100,000 to \$350,000

Several municipal purchasing policies reviewed as comparators permit staff to approve bid awards at very high or, in some cases unlimited, dollar values, when the award is in response to a request for tender, and a number of criteria have been met that reduce the risk of awarding that tender. Requests for tender are issued when the specifications can be clearly ascertained, and the bid proposal can be accurately compared to the specifications. Compliant tender bids meeting the required specifications are awarded to the lowest priced bidder.

Staff recommend a new staff award level for tenders only which meet specific criteria, resulting in a relatively low risk award of contract. This staff authority level would not apply to Requests For Proposals (RFPs), which are not just evaluated on pricing, but include more subjective evaluation of bidders' experience, approach and similar projects awarded.

It is proposed that the approval limit for staff be increased to \$350,000 for tender awards only, when the following criteria have been met:

- The award is to the lowest priced bidder
- The award of the contract is within the approved budget
- The award results from the normal tendering process of the City (i.e. open bidding through advertisements)
- The term of the contract is for a maximum of 4 years
- There is no litigation between the successful bidder and the City at the time of award
- There are no bidder protests at the time of contract award.

A report will be provided to Council on a quarterly basis summarizing approvals by staff permitted by this section.

Tender awards under these circumstances are relatively low risk, as the award is going to the lowest bidder, the bid process is clear cut without bidder protest and the resulting award is within the Council approved budget. As illustrated in the March 6 2012 report to Council (Attachment #2), increasing the staff approval limit to \$350,000 for tenders awards meeting the above criteria moves the City of Vaughan for comparable staff authority levels to just above the Town of Newmarket and just below the Town of Richmond Hill. Staff approval limits for awards for Requests for Proposals will remain at \$100,000, although staff intend to review this limit in the future to determine potential efficiencies of increasing this staff award level.

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Proposed Amendment - Clarification of Accountability and Reporting Requirements for Emergency Purchases

Section 10.3 – Emergency Purchases

A clause has been added to this section requiring the Commissioner responsible for the department initiating the emergency purchase to provide a written report to the Director of Purchasing Services for purchases up to \$100,000 or to Council for purchases over \$100,000 or purchases not included in an approved budget. Section 10 permits a timely response for emergency requirements but also clarifies the need to document and report on emergency purchases.

Proposed Amendment –Section 20.1 d) – Exempt Services

As discussed in the March 6, 2012 presentation, the majority of municipal purchasing policies reviewed included a list or schedule identifying expenditures that were exempt from purchasing policies. Section 20.1 d) lists general categories typically found in municipal purchasing policies and examples of the specific type of expenditures that normally are not, or can not, be subject to competitive bid processes set out in a purchasing policy.

Discussion Items

Future Process Improvements for Low Dollar Purchases – P-Cards

Low dollar purchases generally result in high transaction volumes with low total dollar spending, and as such, tend to be expensive to process through the accounts payable process. The City has used primarily paper based documents (field purchase order (FPOs) or cheque requisitions) to facilitate payment for low dollar purchases, making the monitoring and control of these purchases difficult and inefficient. As illustrated in the March 6, 2012 presentation to Council, many municipalities are now using Procurement Cards (P-Cards) as they offer electronic controls and monitoring, as opposed to previous commonly used manual paper-based processes.

Purchasing Services Department was able to utilize the City's AMCTO Municipal Management Intern to research purchasing card policies, findings and best practices this summer. The research indicates that the benefits of P-Card systems outweigh their potential risks compared to traditional paper based systems, as long as the P-Card program is supported with strong policies, education and user training, and consequences for misuse. The Intern has drafted a P-Card policy, based on his research, which will form the basis for the P-Card policy that will be provided to Council this fall for approval.

It is proposed that the implementation of a P-Card program would be subject to:

- Council's approval of a P-Card Control Policy later this fall
- Piloting the P-Card program with a select department for 6 months
- Council's receipt of an internal audit report testing the application of the P-Card policy in the pilot department.

Subject to the full implementation of the P-Card program following a pilot project and internal audit review, it is anticipated that FPO transactions will be significantly reduced or eliminated.

Green Procurement Policy

Further to Member of Council comments from the March 6, 2012, staff have further researched not just Green (Sustainable) purchasing policies, but also ethical purchasing policies, and in

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particular are reviewing the City of Calgary and City of Edmonton policies, which include the broader context of ethical, social and economic procurement. Both policies also reference a supplier code of conduct, revised clauses to tender documents to accommodate green and ethical procurement, revisions to evaluation matrices to reflect vendor compliance with green and ethical expectations, implementing and maintaining a complaints process to deal with allegations that vendors may not be compliant, and the development of supplier corrective/education plans.

Other policies reviewed included general statement of ethical standards expected from bidders and vendors (Mississauga, Hamilton and London).

Given the broader scope and implications of the policies reviewed, staff will bring a report to the Committee of the Whole (Working Session) for a more fulsome discussion on elements of a draft Green and Ethical procurement policy for the City of Vaughan.

Relationship to Vaughan Vision 2020/Strategic Plan

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Regional Implications

Not applicable.

Conclusion

To obtain Council's approval of the Consolidated Purchasing Policy, to obtain approval to develop a Procurement Card Policy and approval to bring elements of a Green and Ethical Procurement policy to a Committee of the Whole (Working Session).

Attachments

Attachment 1: Consolidated Purchasing Policy

Attachment 2: March 6, 2012 Presentation to Committee of the Whole (Working Session) –
"Tenders – Comparable Staff Authority Levels"

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(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)