



TOWNSHIP OF NORTH HURON

REPORT

Item No.

REPORT TO: Reeve Vincent and Members of Council
PREPARED BY: Donna White, Director of Finance
DATE: 04/09/2018
SUBJECT: Draft Procurement Policy
ATTACHMENTS: 2018 Draft Procurement Policy

RECOMMENDATION:

THAT the Council of the Township of North Huron hereby accepts the report from the Director of Finance, dated September 4, 2018 regarding a draft procurement policy;

AND FURTHER THAT a by-law be brought forward at the September 17, 2018 Council meeting for Council's consideration.

EXECUTIVE SUMMARY

The current Procurement Policy was adopted by Council on December 6, 2004. Staff are recommending this Policy be updated. A draft policy is attached for Council's consideration.

DISCUSSION

The Director of Finance began the update process by meeting with SMT to gather their input on any items that needed to be addressed in the new policy. The Director attended a seminar hosted by AMCTO on Contract Tendering and Legal Requirements. Sample policies were provided at this seminar which have been used as a base document to begin the update.

The draft policy outlines the types of procurement processes that shall be used by the Township and explains the goals to be achieved by these processes. The policy also describes circumstances under which each type of procurement process shall be used. Section 1 of the policy lists the goals and objectives of the policy.

A list of changes were compiled to be included in the new policy as follows:

- **Bulk or co-operative buying**
 - Section 27 – authorizes Department Heads to participate with other local governments or agencies in joint contracts or co-operative purchasing ventures in keeping with the provisions and spending limits of this policy and the approved budget.
- **Purchases through Vendor of Record (VOR)**
 - Section 12 b) exempts the Municipality from using one of the purchasing methods set out in Sections 14 – 25 if the purchase is with a Vendor of Record (VOR). Through the VOR program, the Ontario Government has undertaken the competitive process on behalf of public sector entities. VOR purchases are still subject to the authorities and limits outlined in Appendix "D".

- **Accessibility Requirements**
 - Section 6 a) requires Suppliers to comply with accessibility standards under the Ontarians With Disabilities Act, 2005 (AODA)
- **Trade Agreements**
 - The Canadian Free Trade Agreement (CFTA) and the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) came into force in 2017. Municipalities are required to incorporate the requirements of these agreements into municipal procurement policies. Sections 9 and 11 addresses these requirements and include advertising of tenders and reporting of awards.
- **Advertising**
 - Section 11 states that the Township website is the official location for bid process documentation. In addition to the website, this section allows Department Heads to determine other effective means to advertise. The requirements under the Trade Agreements require all bidding opportunities over \$100,000.00 to be posted on the Township website for a minimum of 10 days. For goods and services with a value greater than \$365,700.00 and construction with a value of \$9,100,000.00 or greater, the Trade Agreements require bids to be advertised for 40 days.
- **Procurement Process**
 - Some of the wording and advertising requirements have changed. Under the current policy, the Request for Quotation(*) provisions require an ad to be placed in newspapers. The proposed draft policy leaves this to the discretion of the Department Head to determine the most effective advertising method. The intent of this change is to avoid unnecessary advertising costs, especially in cases where there are no applicable suppliers in the area.

Procedure	Current Policy	Procedure	Draft Policy
Petty Cash	\$100 or less	Petty Cash	Up to \$100
Direct Purchase	\$101 - \$2,500	Direct Purchase	\$101 - \$2,500
Informal Quotation	\$2,501 - \$10,000	Informal Quotation	\$2,501 - \$10,000
Request for Quotation*	\$10,001 - \$25,000	Request for Quotation	\$10,001 - \$30,000
Request for Tender	Greater than \$25,001	Request for Tender	Greater than \$30,001
Request for Proposal	Greater than \$25,001	Request for Proposal	Greater than \$30,001

- **Increased Approval Limits**
 - Section 29 outlines certain awards that require Council approval. Appendix “D” summarizes the spending limits requiring Council approval. Changes to this section of the policy are the most significant because the award amounts requiring Council approval is proposed to increase from \$5,000.00 to \$30,000.00. As drafted, purchases up to \$30,000.00 must be approved in the budget and require Department Head, Treasurer and CAO approval. Purchases over \$30,000.00 would require Council approval.

- **Approval Authority Requirements**
 - Appendix “D” speaks to the purchasing limits and what approvals are required at each level. The higher the dollar value, the more approvals that are required.
- **Buying Used**
 - Section 21 allows for the purchase of used fleet and equipment approved in the budget and subject to a report advising Council of the purchase details.
- **Buying Local**
 - Section 27 references the Discriminatory Business Practice Act, R.S. O. 1990 and speaks to no local preferences for purchases unless everything, including price, is the same.
- **Sole/Single Source Purchases**
 - Section 21 sets out the circumstances when sole/single purchases may be made. As drafted, a Sole-Single Source Justification Report must be completed for purchases over \$2,500.00 and requires approvals from the Department Head, Treasurer, CAO and Council.
- **Drinking Water Quality Management Standard (DWQMS) requirements**
 - Section 10 outlines procurement guidelines to meet the DWQMS requirements.
- **Environmentally Sound Acquisitions**
 - Section 38 encourages when possible, the purchase of goods and service with due regard to the preservation of the natural environment

Budget Approval and Amendments

The draft policy clearly outlines that the purchase of goods and services need to be made in accordance with the annual approved budget. As is the current practice, any amendments to the budget require a report and approval by Council.

Appendices

A number of Appendices are included in the draft policy as follows:

- Appendix “A” provides a list of Goods and Services exempt for provisions of the Procurement Policy. As per Section 3 b) of the policy, funding for these goods and services must be included in the approved annual budget
- Appendix “B” provides for a list of Actions for Irregularities Contained in Bids
- Appendix “C” outlines requirements relating to Lease Financing
- Appendix “D” outlines the required approval levels and the authority requirements.
- Appendix “E” – Purchase Requisition Form for Purchases Greater than \$10,001 but not exceeding \$30,000 – Requires signatures of Department Head, Treasurer and CAO.
- Appendix “F”- Sole – Single Purchasing Justification Form – requires Council approval over \$2,500

FINANCIAL IMPACT

N/A

FUTURE CONSIDERATIONS

Each Department Head will continue to be responsible for continuously reviewing the implementation of the said procurement policy and to bring to the attention of the Director of

Finance any matters that need to be reviewed and revised to ensure that the procurement policy continues to be up to date and effective. In addition, should anyone become aware that the procedures contained herein are not being implement properly or are being disregarded, this should also be brought to the attention of the Director of Finance and CAO.

Section 41 requires the Treasurer to review the effectiveness of the policy at least once every five years and to report to Council as necessary.

RELATIONSHIP TO STRATEGIC PLAN

Goal # 4: Our administration is fiscally responsible and strives for operational excellence.

Donna White, Director of Finance

A handwritten signature in black ink, appearing to read "Dwayne Evans", is positioned above a horizontal line.

Dwayne Evans, CAO