



TOWNSHIP OF NORTH HURON

REPORT

Item No. 2022-05

REPORT TO: Reeve Bailey and Members of Council
PREPARED BY: Darcy Chapman, Director of Finance
DATE: 17/01/2022
SUBJECT: FIN-2022-05 Purchasing of Goods, Services and Construction Policy Amendments
ATTACHMENTS: DRAFT Purchasing of Goods, Services and Construction Policy, Existing Procurement Policy (2018)

RECOMMENDATION:

THAT the Council of the Township of North Huron hereby receives the report from the Director of Finance, dated January 17, 2022 regarding amendments to the Purchasing of Goods, Services and Construction Policy for information purposes;

AND FURTHER, THAT Council hereby approves the Purchasing of Goods, Services and Construction Policy, as presented;

AND FURTHER, THAT Council directs the Clerk to prepare a by-law for the February 7, 2022 Regular meeting to adopt the Purchasing of Goods, Services and Construction Policy.

EXECUTIVE SUMMARY

Staff have discussed various updates to the Purchasing Policy and have incorporated numerous updates to the policy. The most important and necessary change is to allow the e-Bidding terms and conditions and errors and irregularities. Staff recommend that Council enact a by-law to adopt the updated policy.

This proposed policy will increase efficiency and formality throughout the purchasing process. Staff also expect that these changes will reduce contract administration time and the amount of administrative time required to develop award reports for Council relating to mid level expenditures.

DISCUSSION

Section 270 of the Municipal Act, 2001 requires Municipalities to adopt and maintain policies with respect to the procurement of goods and services with integrity, fairness, equality, and transparency through efficient means that produce the appropriate overall cost for the ratepayer.

The existing Policy requires staff to provide a copy of the Policy to Council for review at least once every five years. In preparation of this review, staff have updated the 2018 Purchasing of Goods and Services Policy to ensure that the Township's policy is current with appropriate legislation and best practices and in compliance with newly adopted electronic bid submissions.

Policy Changes

The 2022 Purchasing of Goods, Services and Construction Policy contains the same core elements as the 2018 Policy with respect to the role of a municipal purchasing system, as well as compliance related administrative and reporting functions.

Based on a review of best practices in similar sized municipalities and in an effort to permit staff to proceed with their day-to-day functions in a more efficient manner, the following changes have been included in the 2022 update:

1. The inclusion of terms, errors and omissions throughout the Policy to reflect the implementation of Electronic Bidding.
2. The inclusion of specific requirements for construction. This addition matches wording and requirements within the Canadian Free Trade Agreement (CFTA) and the Comprehensive Economic and Trade Agreement (CETA) as well as will help staff develop appropriate terms and conditions for these types of projects based on industry general conditions of contracts.
3. The increase of the maximum Direct Purchase threshold from \$2,500 to \$5,000 to better reflect the costs of goods and services and to allow for the timelier delivery of services for both municipal staff and vendors associated with the development of terms and conditions and vendor submissions. This also aligns with the fixed asset policies where anything under \$5,000 is not capitalized.
4. The increase of the maximum Informal Request for Quotation threshold from \$10,000 to \$15,000 to better reflect the costs of goods and services and to allow for the more timely delivery of services for both township staff and vendors associated with the development of terms and conditions and vendor submissions.
5. The development of Emergency Purchase Thresholds to match the changes to minimum purchasing thresholds identified above.
6. Additional section on the separation of roles of staff and Council in the purchasing process, as well as updated wording for lobbying and conflict of interest sections.
7. Increasing the Council approval limit on Tenders and RFP's from \$30,000 to \$75,000.
8. The addition of quarterly reporting on all purchases between the newly established thresholds of \$15,000 and \$75,000.
9. Clarification on the purchasing process in terms of going directly to council if the tendered cost is within the approved project budget and above limit of \$75,000.
10. Inclusion of a clause specific to Tenders and RFP's relating to environmental procurement.

The other significant change in the policy is the increase of the purchasing limit amounts on the Direct Purchase. These increases are proposed based on a review of the purchasing policies of other similar sized municipalities, to measure best practices and purchasing related performance management. These thresholds increases are supported by staff who regularly make purchases within these thresholds as they believe that this will reduce the administrative burden on both staff and contractors associated with responding to informal quotations, which will potentially allow for the shortening of the procurement period by 2-3 weeks for small projects. It has been documented by staff through various purchases that they have struggled to get vendors to supply written quotations for projects in the \$2,500 to \$5,000 threshold due to the vendor's administrative costs for submitting quotations and the low profit margins for projects within these limits.

FINANCIAL IMPACT

As mentioned previously, increasing purchasing thresholds will reduce administrative costs for smaller purchases and may provide for more competitive pricing.

The financial impact of the implementation of the Purchasing of Goods, Services and Construction Policy ensures that the Township procures goods, services and construction with integrity, fairness,

equality, and transparency through efficient means in order to provide the appropriate overall cost for the ratepayer.

FUTURE CONSIDERATIONS

Staff believe that increasing the lower limit amounts will not negatively impact the quality of services being provided. This will result in staff time savings for document development allowing additional inspection and contract administration time to be completed by staff for operating and capital projects in order to accomplish annual work plans and to maintain the desired levels of service.

The revised policy now includes a review period to occur within the first year of each new council term. Staff will provide an education session on the role of purchasing and the purchasing policy to Council at that time.

RELATIONSHIP TO STRATEGIC PLAN

Environment

6.4 Strengthen the Township’s Procurement Policy to increase priority of sustainable and/or energy efficient products.



Darcy Chapman, Director of Finance



Dwayne Evans, CAO