

Corporate Policy

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Section:	Equipment and Supplies	03
Sub-Section:	Procurement – General	1200
Title:	Purchasing	01

Related Policies

Number	Title
A03-1235-01	Procurement – Purchase Cards

Approvals

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Policy

The City of Port Moody (City) engages in the procurement of goods and services. The purchasing function is centralized and administered by Purchasing. In order to achieve the maximum economy, efficiency, and effectiveness in the performance of the purchasing function, the City has endorsed certain fundamental principles it considers applicable to public purchasing by all departments. The disposal of purchased goods is also centralized and controlled by Purchasing, and is also covered under this policy.

The Purchasing Policy is guided by the following principles to ensure a minimum standard of performance for purchasing.

- a) Procure the necessary quality and quantity of goods and services in an efficient, timely, and cost effective manner, while maintaining proper controls.
- b) Use a process that is simple, clear, and easily explained.
- c) Encourage the most open bidding process practicable for the acquisition and disposal of goods and services while ensuring availability to all qualified or pre-qualified bidders. Approval for alternative purchasing processes will only be granted where a positive business case can be shown.
- d) Ensure the maximum value of an acquisition is obtained by determining the total cost of performing the intended function over its lifetime. This may include, but not be limited to, acquisition cost, disposal value, disposal cost, training cost, maintenance cost, quality of performance, environmental impact, proximity of goods/services provider, urgency of need, and the number of vendors able to provide the goods/services.
- e) Procure goods and services with due regard to our commitment to encourage the use of “environmentally friendly” products and services that make lesser or negligible demands on non-sustainable resources and avoid goods and services that adversely affect air, water, or terrestrial environments during their use or disposal.
- f) Ensure the maximum value is obtained when disposing of surplus goods.
- g) This policy is subject to all applicable City policies and bylaws, any specific provisions of the *Community Charter*, *Local Government Act*, *Agreement on Internal Trade*, or other relevant legislation and trade agreements.

The following practices are prohibited:

- a) The division of contracts or purchases to avoid the requirements of this Policy.
- b) Committing the City without the appropriate authority to do so.
- c) Purchase by the City of any goods or services for personal use by or on behalf of any member of Council, appointed officers, employees of the City, or their immediate families.
- d) Purchase by the City from any member of Council, without disclosing those agreements as required under section 107 of the *Community Charter*.
- e) Purchase of any City surplus goods by a member of Council, appointed officers, employees of the City, or their immediate families, unless approved jointly by the City Manager and the Chief Financial Officer. (This prohibition is waived in those circumstances where the items are of minimal value and are used for promotional purposes, or performance recognition).

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- f) The release of a supplier's written or oral information. No employee or any appointed or elected official shall divulge proprietary information, including unit prices paid by the City for goods and/or services.

Definitions

See Appendix A.

Procedures

Procedure overview

The role of Purchasing is to provide advice and guidance with the procuring process, including determining the correct process for procurement. Purchasing will also facilitate the competitive bid process with project scope and specifications provided by the requesting department. However, it is the responsibility of department heads to ensure their department's purchasing practices serve the best interest of the City and are in conformance with the City policy. The essential elements of the City's purchasing procedures are:

Competition – the City government believes that the methods of procurement for goods and services should be competitive where possible to:

- Reduce costs to the public through marketplace competition;
- Encourage innovation and efficiencies; and
- Demonstrate the application of fair and open selection criteria.

The level of external competition required for City purchases is set based on the dollar value and nature of the specific purchase. This is set out in Appendix B – Schedule of Purchasing Authorities and Responsibilities.

Documentation – all steps in the procurement process should be documented. The City is subject to the *Freedom of Information and Protection of Privacy Act*. Therefore, our procurement decisions will be subject to public scrutiny from time to time. It is critical that we not only follow our stated policies, but also are able to demonstrate our compliance.

Compliance – both the City and our suppliers are required to adhere to the legal commitments we make. There are many forms of commitment or contracts made, ranging from a verbal commitment, a purchasing card transaction, to a purchase order or a formally executed contract. All of these agreements are equally binding on the City. The appropriate form of commitment and/or contract is determined by the dollar value of the specific transaction and is set out on the Schedule of Purchasing Authorities and Responsibilities. These procedures are designed to assist City staff in meeting the City's stated procurement objectives and to protect the City and its staff against potential litigation and perceived or actual conflicts of interest.

Single Source Purchasing (over \$1,000 value) – There may be instances when products and/or services must be purchased from one specific source. Personal preference for certain brands or products is not allowed as it limits competition. Single source purchasing by negotiation may be adopted if a positive business case is approved by the City Manager following review with the Chief Financial Officer and user department head.

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Trade Agreements

The City must comply with the trade agreements that have been signed by the province and/or country. These agreements generally state that goods, services, and construction over certain dollar values must be posted publicly as to not discriminate among bidders on the basis of origin or the supplier of goods, services, or construction materials.

Ethical Purchasing Practices

The City does not want to do business with companies that compete by exploiting their workers. Wherever possible, the City will purchase goods and services from responsible and ethical manufacturers who operate in accordance with established codes of corporate conduct regarding wages, workplace health and safety, forced labour, child labour, and freedom of association, as embodied in United Nations (U.N.) and International Labor Organization (I.L.O.) conventions. Firms wishing to conduct business with the City will be asked to sign a declaration indicating that they adhere to recognized labour conventions and recommendations.

Sustainable Purchasing Practices

The City will purchase goods and services in a manner that embodies its commitment to sustainability, environmental responsibility, and improving the quality of life of its residents. A sustainable purchasing decision needs to consider three key components:

- The long-term financial and economic impact;
- The environmental impact; and
- The social impact.

The City will pursue the following goals when purchasing products and services:

- Minimize unnecessary purchasing ensuring the product or service is absolutely necessary;
- Reduce environmental impact; and
- Whole life cycle assessment which examines the entire environmental and health impacts associated with the entire life cycle of a product or service.

Purchasing decisions will continue to be balanced with issues of product performance, cost and availability, and where possible, will give preference to products and services that:

- Reduce waste;
- Reduce air and water pollution;
- Reduce greenhouse gas emissions;
- Reduce the use of chemicals that are hazardous to the environment, employees, and public health;
- Products that have a high post-consumer recycled content, are reusable, recyclable, or compostable;
- Minimize transportation;
- Minimize packaging or offer collection/reuse of packaging; and
- Are provided by suppliers who strive to improve their environmental performance and provide environmentally preferable products, and who can document the supply-chain impact of their efforts.

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Opportunities for Local Business

Purchasing from local businesses has the benefits of nurturing economic development and reducing transportation costs and carbon emissions. In this vein, the City wishes to provide local businesses with an opportunity to provide pricing for the goods and services the City purchases. Where a minimum of three formal quotes are required and when the purchase is not publicly posted, the City will obtain one of the quotes from a Port Moody business (when such business is available).

Co-operative Venture

This policy provides the authority to Purchasing (as well as other departments in conjunction with Purchasing) to participate in co-operative purchasing.

The City will participate with other government agencies or public authorities in co-operative acquisition ventures (i.e. VRCPG – Vancouver Regional Co-Operative Purchasing Group). When it is in the best interests of the City to do so, the City will follow the procedures set out by the agency responsible for the venture and not those detailed in the Purchasing Authorities and Responsibilities table. In order to participate in the VRCPG, the City must follow the Guiding Principles set out by the VRCPG.

Emergency Purchases

Emergency situations may occur which require immediate commitment of materials, equipment, and or services. An emergency expenditure is any expenditure that is the result of an event caused by accident, fire, explosion, or technical failure or by forces of nature that results in the need to expend the City's immediate or emergent resources:

- To protect human life, safety and health;
- To protect property;
- To protect the environment; and
- To protect the economic interest of the community.

In such situations, the person in charge of the situation is authorized to approve any commitments made on behalf of the City and will process the appropriate documents during the first business day following the event. Where the expenditure can be accommodated within the Financial Plan, the Chief Financial Officer or respective department head is authorized to approve that expenditure. Emergency purchases that cannot be accommodated within the Financial Plan will be authorized by the appropriate department head and reported to Council at a regular meeting following the event to confirm the action taken.

Under the *Emergency Program Act* and the *Compensation and Disaster Financial Assistance Regulation*, local authorities can receive financial assistance for eligible emergency response costs incurred during a disastrous event, and assistance for some post-disaster recovery costs expended to repair or restore public works and facilities that are essential to their operation. Refer to the City of Port Moody Disaster Response Plan for appropriate procurement procedures.

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Used Goods/Equipment

To ensure maximum value for the City's purchasing dollars, the purchasing function and performance must be optimized. To this end, it may be necessary for the City to consider the purchase of used goods or equipment from time to time. Approval for the purchase of used goods or equipment will only be considered where a positive business case can be shown.

Consulting and Professional Services

Consulting and professional services generally include engineering studies, designs, project management, financial auditing, etc. Proposals for consulting services are to be evaluated and awarded based on an overall value assessment including capability, methodology, historical performance, and cost, rather than simply the lowest price (i.e. Qualifications Based Selection).

Externally Managed Projects

Externally managed projects are those projects that are contracted out to a project management firm. These typically comprise multiple contracts awarded to several different trade contractors for the project. These contracts are awarded over the project duration by the project manager and senior City staff authorized by Council within the overall project scope and established budget. It is the responsibility of department head hiring the project manager to ensure that the project manager adheres to all requirements of this policy.

Contingency

Contingency allowances are intended to provide the project manager with discretion in meeting a requirement that is not perfectly defined. In a unit price contract, the contract is valued according to a process established in the contract documents. Quantities may be variable. As a result, the bid is not a fixed sum or ceiling but, rather, a common basis of comparison among bidders. These contracts may require a contingency as the final quantities may be more or less than the original estimate.

Scope Changes

During the course of a project, additional work may arise that could not be anticipated during the project planning process. A contractor currently working for the City may be able to better respond to this related work. As a result, the existing contractor may be asked for a quotation and it may be used as a basis for a purchase requisition, which in turn may result in a new separate contract or an adjustment to an existing contract. A positive business case must be presented and approved by the department head prior to the additional work being awarded. The total amount of additional work awarded may not exceed 15% of the original contract value, or \$100,000, whichever is lesser.

Bonding

In general, a bond is a three-part contract, where the bonding company guarantees that the contractor will fulfill certain obligations to the City. The bonding company is without loss so long as the contractor fulfills his obligation to the City; however, if the contractor fails in his contractual commitments, then the bonding company must assume this obligation. The three types of bonds typically used are bid bonds, performance bonds, and labour and materials bonds.

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Surplus Goods

The City shall, from time to time, dispose of items declared obsolete or surplus by the user department, through public auction, solicited offers, negotiated sale, or transfer to another City Department. Surplus goods must be tagged with relevant information and forwarded to the Works Yard for temporary storage and later redistribution and/or sale. Purchasing will be responsible for the disposal of surplus goods, along with the sale of police exhibits.

WHMIS

WorkSafe BC introduced Workplace Hazardous Material Information Systems (WHMIS) to all government bodies. It is the City's policy to ensure that vendors and contractors comply with the Regulations of WHMIS. WHMIS which has been designed to provide workers with information about the nature of, and the risks associated with, dangerous materials in the workplace.

Monitoring/Authority

Through Council resolution for the adoption of this policy, Council provides the authorization for staff to perform and oversee various steps of the procurement process as outlined in Appendix B – Schedule of Purchasing Authorities and Responsibilities. All goods and services are to be acquired in accordance with this policy unless authorized on an exception basis by City Council or the City Manager.

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APPENDIX A – Definitions

Contract – A contract is a voluntary exchange of promises, creating obligations, which, if defaulted on, can be enforced and remedied by the courts. A contract may be written, verbal, or implied.

Expression of Interest – A technique used to screen or pre-qualify potential bidders or proponents.

Goods and Services – All goods and services required by the City including, but not limited to Rentals, Leases, Assets, and Stipulated Price Construction.

Invitation to Tender – A formal request for bids for the supply of goods or services in response to an advertised invitation. The purpose of Tendering is to obtain the best competitive price from all qualified or pre-qualified sources that wish to submit and are able to meet the terms of the contract.

Purchase Order – A written confirmation to procure goods and services or a written acceptance of an offer, made on the City's numbered purchase order form.

Purchasing Cards – are credit cards that are used to complement the City's purchasing and payment guidelines. These programs incorporate controls over the card usage and outline responsibilities for cardholders. Reference Policy #03-1235-01.

Quotation – A written request for bids for the supply of goods or services, from selected sources of supply, NOT opened in public.

Request for Proposal – A request for Proposal seeks the creative input of the market place. It details the "what", the "when", and the "why", but not the "how". It seeks the best value through the competition of rival proponents. It describes in detail the project to be undertaken, the intended result of the project and the criteria for choosing the successful Contractor.

Signing Authority – As it pertains to this policy in the authority to sign requisitions for materials and services and is based on the budget responsibility.

Stipulated Price Contract – comprises one contract awarded to a General Contractor for a fixed price to perform a project. The contract is awarded by the appropriate authority before commencement of the project.

Unit Price Contract – is a contract with a dollar amount for each segment of work described in detail; all segments of work added together constitute the entire contract cost. This pricing type is used for a wide range of construction and contracting services where quantities are not completely established for the work in question.

Designate – a staff member who is authorized by their manager to procure goods and/or services for their department based on the requirements and guidelines of this policy.

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APPENDIX B – SCHEDULE OF PURCHASING AUTHORITIES AND RESPONSIBILITIES

1. All purchases made must be within an approved budget, except where allowed under the Emergency Purchases section of this policy.
2. All travel related expenses should be made in accordance with Corporate Policy #05-1800-01 – Travel and Expense; approval of such expenses will be determined by the schedule below.

Value of Goods and Services	Authority Required	Minimum Competition Required	Minimum Documentation Required	Points to Remember or Consider
\$0-\$1,000	1. City authorized signature 2. Purchase Card	Purchaser must ensure City receives best value	Supporting records approved by immediate supervisor	1. Cardholder must adhere to City Administrative policy #03-1235-01
\$1,001-\$5,000	1. City authorized signature 2. Purchase Card	Two informal verbal or written quotes	Supporting records of the obtained quotes and approved by immediate supervisor	1. Verbal or written quotes must be informally documented and maintained by the user department for periodic auditing by Purchasing
\$5,001-\$20,000	1. Manager or Designate	Three formal verbal quotes	Documentation of verbal quotes ('Verbal Quotation Form')	1. Must be lowest bid meeting specifications, or based on established best value evaluation criteria (e.g. RFP) 2. Purchase order must be used where formal contract is not in place 3. Verbal Quotation Form must be submitted to Purchasing 4. A Port Moody business must be invited to provide a quote, if one exists
\$20,001-\$75,000	1. Manager	Three formal written quotes	Documentation of written quotes ('Written Quotation Form')	1. Must be lowest bid meeting specifications, or based on established best value evaluation criteria (e.g. RFP) 2. Purchase order must be used where formal contract is not in place 3. Written Quotation Form must be submitted to Purchasing 4. A Port Moody business must be invited to provide a quote, if one exists
\$75,001-\$200,000	1. General Manager	Invitation to Tender, Request for Proposal, Request for Quotation (posted publicly, i.e. BC Bid)	1. Invitation to Tender 2. Request for Proposal 3. Request for Quotation 4. Expression of Interest	1. Must be lowest bid meeting specifications, or based on established best value evaluation criteria (e.g. RFP) 2. Competitive process must be administered by Purchasing
\$200,001-approved budget	1. City Manager	Invitation to Tender, Request for Proposal, Request for Quotation (posted publicly, i.e. BC Bid)	1. Invitation to Tender 2. Request for Proposal 3. Request for Quotation 4. Expression of Interest	1. Must be lowest bid meeting specifications, or based on established best value evaluation criteria (e.g. RFP) 2. Competitive process must be administered by Purchasing

An information memo will be submitted to Council on a monthly basis outlining awarded contracts with a value greater than \$200,000.