



The Corporation of the District of Central Saanich

FINANCE POLICY

Title: Purchasing

Number: 0340-50-1984-02

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Amended: 02/01/10

POLICY:

1. POLICY STATEMENT

The District of Central Saanich recognizes the need to control expenditures, thereby maintaining fiscal responsibility. Purchasing policies and procedures represent the single most important step toward obtaining this goal.

The District of Central Saanich recognizes the need to promote local interests and the use of environmentally friendly products wherever feasible, while adhering to any senior governmental regulations such as AIT and TILMA.

Therefore, it shall be the responsibility of all employees having authorization to make purchases, to follow policies as set forth herein:

2. GENERAL

All previous policies governing purchasing are hereby rescinded.

Awards shall be made for materials and services that will give the greatest value based on quality, service, prices, availability, and environmental impact.

Preference shall be given to qualified local suppliers where quality of product, price, and availability are similar.

Invoices should be paid within 30 days.

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3. POLICY PURPOSE

This policy is founded on the following principles:

- Encourage the greatest “value for money” in the procurement of goods and services.
- Ensure that procurements are done lawfully and in accordance with accepted purchasing practices.
- Ensure that the purchasing system has adequate internal control to prevent abuse and error.

Principle of “Best Buy”

When considering a purchase, staff should seek the greatest “value for money” or the “best buy” for the District. For each purchase several criteria should be considered, such as:

- Cost (i.e. out of pocket cash expenditure)
- Total life-cycle cost
- Product quality
- Quality of service and/or product support
- Financial stability and business reputation of supplier
- Product availability
- Ease of Operation
- Low Maintenance
- Parts Availability
- Safety Standards
- Resale Value
- Suitability for Intended Use
- Adherence to Conditions of Purchase
- Adherence to Specifications
- Adherence to Government Legal Requirements

The list of criteria is not exhaustive. Staff should consider all aspects of each purchase to achieve the “best buy”.

4. DEFINITIONS

Purchase – Every time the District acquires goods or services.

Five Year Financial Plan – The District’s budget as required by the *Local Government Act*.

Purchasing/Credit Card – A credit card typically used for routine, small dollar or foreign currency purchases.

Net Taxes – The sales tax cost to the District, net of any rebate.

Expenditure Types:

Operating – Goods, Supplies, or Services consumed in either the operations of the District or provision of programs and/or services approved by Council during the normal annual business cycle (i.e. paper, legal services, equipment/infrastructure repairs/maintenance, labour, etc).

Capital – The acquisition of long-lived assets that cost more than \$25,000.00 (i.e. information technology, vehicles, new water/sewer/road infrastructure, etc), or betterments which extend the useful life of an asset (i.e. new engine in vehicle, new roof on building etc).

- Final determination of operational and capital expenditures rests in the professional judgement of the Director of Financial Services. Should there be any question, please contact the Director for an interpretation.

Formal Competitive Processes (FCP) – Are characterized by the solicitation of sealed bids/proposals. There are several types of FCP, the most common of which are:

1. **RFEI (Request for Expressions of Interest)** – An invitation for suppliers to express interest in a particular project, commodity or service, providing in general terms, ideas that will meet the requirements. Respondents will then be sent a formal RFP (see below).
2. **RFP (Request for Proposals)** – An invitation for suppliers to submit a [proposal](#) on a specific [commodity](#) or [service](#). It is used when there are alternative ways to meet a specific need. The supplier is invited to propose what they consider the best way of meeting the District's need. Submissions will be rated on: the principle of "Best Buy" as described in Section 3. The RFP process brings structure to the procurement decision and allows the risks and benefits to be identified clearly upfront. The RFP purchase process is lengthier than others, so it is used only where its advantages outweigh any disadvantages and delays caused.
3. **RFQ (Request for Quotations)** – An invitation for suppliers to bid on specific products or services. An RFQ bidding process typically includes information regarding payment terms, quality level per item, and contract length, in addition to the price per item. It is an opportunity for suppliers to competitively cost the chosen solutions.
4. **Tenders** – An invitation that solicits competitive bids. Tenders are appropriate when detailed specifications are available. Tenders can be evaluated against clearly stated criteria and specifications. The bids and prices are provided without condition and the award is made without negotiation, notwithstanding the District's right to negotiate with the successful vendor after the award has been made.
5. **Design/Build** – A process wherein the design and construction aspects of a project are contracted for with a single entity. The system is used to minimize the project risk for the District and to reduce the delivery schedule

by overlapping the design and construction phase of a project.

5. FORMAL COMPETITIVE PROCESS (FCP)

An FCP shall be called only when there is a definite intention to award a contract and where it is considered that there is a reasonable chance that the work can be done for the amount of money budgeted.

Preparation

- Draft applicable contract documents including details of materials, equipment, or services required on the quotation summary.
- Obtain specifications
- Note Business License number if applicable.
- Invitations may be made to vendors of past FCPs and new vendors from department vendor lists, where available.
- Include GST registration number if applicable.
- Set closing date and time, and specify that the time is local time
- Prepare advertisement if necessary

No vendor will be refused from participating in a formal FCP called by the District, unless a specific vendor has been interdicted from competitive bids. Vendors must remain in good standing with the District.

Opening of Bids/Proposals

All FCP bids/proposals over \$50,000.00 will be opened in a public forum on a date and time as indicated in the FCP requirements.

- A minimum of two employees will attend the opening, including one member from Finance.
- All bids/proposals will be stamped showing the date of receipt.
- Attendance will be taken. An attendance sign-in sheet will be circulated.
- Quotes for tenders will be announced and recorded.
- Financial information for other FCPs will not be released until the contract is awarded.
- No late bids/proposals will be accepted for any reason.

The FCP will not be awarded at the opening since it is necessary to review each bid/proposal for completeness and accuracy. In addition, the bids/proposals may be subject to further qualitative evaluation. Vendor representatives attending the opening will be advised when to expect a final decision on the award.

When only one bid/proposal is received, it may be opened only with the prior agreement in writing of the bidder provided that he/she understands and accepts the fact that this bid/proposal may be rejected, also, that the work may be resubmitted with or without any changes being made to the document. If the bidder does not agree, his/her bid/proposal shall be returned unopened. Under no circumstances shall a single bid/proposal be opened without the bidder's consent.

Disqualification of Bids/Proposals

Bids/proposals shall be rejected for any of the following reasons:

- The bid/proposal is in any way “Qualified”, i.e. modified by a statement or condition not present in the original FCP and which may give the bidder an unfair advantage over the other bidders.
- The bid/proposal is received after the designated date and time.
- The requirements for security are not ratified.
- The bid/proposal is not signed by an authorized person or is not witnessed or sealed.
- The bond does not relate directly to the bid/proposal and principal contractor.
- Bid/proposal documents (or revisions) received by facsimile or telephone.
- During verification of unit prices and extensions, it is found that the bidder has made a gross error in his/her unit prices.

Acceptance of Bids/Proposals

- Bids/proposals are to be accepted by a letter of award, stating that the District accepts the offer to do the work for the proposed amount, to sign the agreement, and to provide the required security.
- All bid/proposal comparisons and reports should be attached to the letter of award and retained by the issuing Department for the appropriate period.

Awarding of Bids/Proposals

- The lowest of any quotation may not necessarily be accepted.
- The District may reserve the right to accept separate items referred to in the bid/proposal, unless denied by bidder in the bid/proposal.
- Bidders may be notified of bid submissions and price levels, if requested.
- The delivery date stated by the bidder is to be strictly adhered to or the District may cancel the contract and obtain the materials or services elsewhere.
- A purchase order will be issued to the successful bidder, which is the authority of acceptance of the bidder's offer.

Identical Tenders

- If identical lowest tenders are received by the District, each of which are not more than \$100,000, the Director of Financial Services must take into consideration the location of the suppliers, giving preference to local suppliers.
- The successful tender must be chosen by the drawing of lots under the Director of Financial Service's supervision if identical tenders, each of which are not more than \$100,000, are made by
 - 2 or more local suppliers, or
 - 2 or more suppliers that are not local suppliers.
- The Director of Financial Services must decide whether any tender should be accepted as the successful tender if the District receives identical tenders, each of which are more than \$100,000 but not more than \$500,000.
- If the District receives identical tenders each of which are more than \$500,000,

the Director of Financial Services must make a recommendation for consideration and approval by Council.

6. PROVINCIAL AND FEDERAL AGREEMENTS

Trade Investment and Labour Mobility Agreement (TILMA)

TILMA requires that government and public entities remove impediments across all economic sectors between the provinces of BC and Alberta. Specifically, TILMA obligates public entities to ensure there are:

- No obstacles:
 - Government standards and regulations cannot restrict or impair trade, investment or labour mobility between the two provinces.
- Non-discrimination:
 - There will be no preferential treatment of a province's people, investments and goods, except for justified actual cost-of-service differences.

TILMA applies to all government procurement. It requires open and non-discriminatory procedures in the purchase of:

- Goods or Services of \$75,000 or greater.
- Construction of \$200,000 or greater.

All procurement that meets the criteria under TILMA shall be posted through an electronic tendering system.

Agreement on Internal Trade (AIT) Mash Annex 502.4

Municipalities in Canada are required to comply with Annex 502.4 of the "Agreement on Internal Trade" (AIT). The purpose of this agreement is to eliminate inter-provincial trade barriers.

7. ELECTRONIC TENDERING SYSTEM

All FCPs are to be posted on the District of Central Saanich website with a link to the posting on BC Bid, in addition to any other electronic tendering system chosen.

The preference for electronic tendering system will be:

- BC Bid website (<http://www.bcbid.gov.bc.ca/>) and if desired
- Civic Info website (<http://www.civicinfo.bc.ca/>)

8. AUTHORITY

All purchases must be budgeted. Before initiating a purchase, staff must ensure that adequate budget funds are available in the appropriate General Ledger account as authorized by the Five Year Financial Plan. A request to transfer budget funds between General Ledger accounts must be approved by the Director of Financial Services, if necessary on the prescribed form.

- Purchases shall be authorized by Council through the adoption process of the

Five Year Financial Plan as required by the *Local Government Act*.

- Emergency purchases to the amount of \$1,000.00 may be made by any employee when deemed necessary to facilitate an emergency situation. The purchase should immediately be brought to the attention of the appropriate Department Head.
- Unless otherwise noted in this policy, Public Works requires Purchase orders for all purchases.
- Purchases estimated to cost between \$2500.00 and \$200,000.00 shall be made within the following parameters;
 - a. Purchases between \$2,500.00 and \$9,999.00 –
 - i. Verbal/telephone price quotations required.
 - ii. 3 businesses shall be solicited for informal verbal price quotations, if possible. The names of the businesses submitting quotations and the date and the amount of each quotation shall be recorded and maintained as public record.
 - If it is not possible to solicit quotations from 3 businesses, the decision will be subject to approval by the Director of Financial Services.
 - b. Purchases between \$10,000.00 and \$19,999.00—
 - i. Written quotation required
 - ii. 3 businesses shall be solicited for written quotations, if possible. The names of the businesses submitting quotations and the date and the amount of each quotation shall be recorded and maintained as public record.
 - If it is not possible to solicit quotations from 3 businesses, the decision will be subject to approval by the Director of Financial Services.
 - iii. Lowest quote need not be accepted in all instances, but must be approved by Council.
 - c. Purchases between \$20,000.00 and \$199,999.00—
 - i. Written bids/proposal required.
 - ii. Contract to be awarded by the Administrator.
 - iii. In the event the lowest bid is not acceptable (not applicable to proposals), or the purchase exceeds the appropriation approved, the purchase shall be approved by resolution of Council, upon recommendation from the Administrator and/or the Director of Financial Services.
 - d. Purchases greater than \$200,000.00 will be forwarded to Council for award.

9. PURCHASES EXEMPT FROM PURCHASE ORDERS

- Cheque requisitions are required for all exempt purchases except salaries and wages.
- Requests for additions to the list of exempt purchases may be granted at the discretion of the Director of Financial Services.
- The Director of Financial Services may choose to seek proposals for purchases that are usually exempt from purchase orders.

Exemptions:

- Costs directly related to court actions and damage claims.
- Subscriptions, publications, dues, and fees.
- Electricity accounts.
- Travel expenses or advances including mileage and lodgings.
- Water purchases.
- Salaries; wages; casual help and related disbursements.
- Municipal and inter-municipal grants, fees, and payments.
- Fees for exams, courses, and conventions, etc.
- Property purchases.
- Insurance premiums.
- Employee benefits premiums.
- Supplies drawn from Inventory.
- Postal and courier charges.
- Professional Services including legal, audit, and consulting services.
- Telecommunication hardware.
- Telecommunication tariffs (including internet).
- Bulk water purchases.
- Utilities (e.g. electricity and natural gas).
- Exam, course, and convention fees.
- Credit /Purchasing card purchases

10. PURCHASING OR CREDIT CARDS

District staff may use purchasing or credit cards for purchases within their assigned credit limits.

- Cards will be assigned to staff according to their purchasing needs.
- Controls, at the point of sale, can be placed on these cards. The cards will have spending limits: both per purchase and cumulative. In addition, the cards may be limited to being usable only at selected vendors.

11. SOLE SOURCE PURCHASES

Sole source purchases occur in circumstances where one supplier is considered. Sole source purchases can be rationalized under the following circumstances:

- **Monopoly** – In cases where the market is controlled by a statutory or natural monopoly.
- **Technical Compatibility** – To ensure compatibility with existing technology.
- **Specialized Services** – If the expertise or product exists with one supplier only.
- **Emergency or Time Sensitive Situations** – In cases when the need for a service is under a tight timeline or otherwise necessary immediately.

12. PURCHASING GROUPS

The District will maintain membership in the Greater Victoria Joint Purchasing Group (JPG). When practicable, a representative from the District will attend regular JPG meetings. The District will participate in JPG procurement when deemed beneficial.

13. ENVIRONMENTAL CONSIDERATIONS

The District encourages the purchase of environmentally friendly goods and services provided that the goal of “best buy” is not significantly eroded.

14. EMERGENCY CONTINGENCY

Management shall have authority to bypass policy and procedures in the event of an emergency such as a natural disaster or a labour dispute, or where the cost or delay to the Municipality would be prohibitive. However, staff must record all purchases made during emergency situations.

15. DISPOSAL OF SURPLUS

The Director of Financial Services must dispose of all goods and equipment, for which a District Department no longer has a use, by any method the Director of Financial Services considers to be in the District’s best interest, including without limitation, public auction, public tender, negotiated sale, or transfer to another Department.

16. SETTLEMENT OF LEGAL ACTIONS AND CLAIMS- AUTHORITY

This section refers to claims arising from this Purchasing Policy.

- up to \$5,000.00 per claim: the Director of Financial services
- above \$5,000.00 per claim: the Administrator

17. FORMS

Forms referred to in this policy can be accessed at:

- N:\Corporation\PublicWorks\Purchasing.