

REPORT

Finance

To: Mayor Johnstone and Members of
Council

Date: July 8, 2024

From: Shehzad Somji
CFO/Director of Finance

File:

Item #: 2024-422

Subject: Procurement Policy Update

RECOMMENDATION

THAT Council direct staff to proceed with modifying the requirement to the public procurement process for construction projects over \$200,000 to align with the New West Partnership Trade Agreement.

THAT Council direct staff to proceed with modifying the sole source approvals and increasing the amount to \$500,000 before receiving Council approval.

PURPOSE

The purpose of this report is to provide Council with background information and a recommendation on revising the amount for tendering a construction project and the sole source approval thresholds as noted in the City's Procurement Policy.

BACKGROUND

The City's Procurement Policy was last updated on November 18, 2013. Staff have reviewed the current policy and have determined that changing the amounts related to two sections would a) align the amounts relating to trade agreements, and b) allow the City to be more efficient in managing urgent requests where there is insufficient time to proceed with a public process.

The current Procurement Policy states that purchasing goods or services less than \$15,000 can be sole sourced by individual departments. For goods and services between \$15,000 and \$75,000 staff are required to obtain three (3) quotes or complete an exemption form. For goods and services greater than \$75,000 staff are required to proceed with a public process.

Where an exemption is required for goods or services between \$75,000 and \$150,000 an exemption form is required with signatures of the Purchasing Manager, CFO/Director of Finance and CAO. For goods or services greater than \$150,000, Mayor and Council Approval is required prior to awarding a contract. Where it is deemed that time is of the essence, City staff will proceed with a contract and provide an update in the quarterly financial update.

Change 1 – Align threshold to proceed with a public process for construction projects with the New West Partnership Trade Agreement.

The current wording in the Procurement Policy on page 11, under Points to Remember on Acquisitions in Excess of \$15,000.00 is as follows:

In order to provide transparency and meet the intent of the Agreement on Internal Trade (AIT), and the New West Partnership Trade Agreement (NWPTA), etc. competitive bids will be advertised on BC Bid and the City's website for opportunities in excess of \$75,000.

Staff is suggesting to change the amount requiring a public procurement process for construction projects to align with the New West Partnership Trade Agreement (NWPTA).

In order to provide transparency and meet the intent of the New West Partnership Trade Agreement (NWPTA), competitive bids will be advertised on BC Bid and the City's website for opportunities in alignment with thresholds provided in the NWPTA Procurement Guidelines.

Currently under NWPTA, the City is treated as a MASH (municipalities, academic institutions, schools, social service agencies, and health authorities) and on page 10 of the attached NWPTA Procurement Guidelines the amount allowed to award a contract is outlined. The proposed change would see the amount of \$75,000 that is currently in the City's Procurement Policy to be revised to just reference NWPTA.

This would mean that as the thresholds change, the amount that the City would require for a public posting would also change.

Change 2 – Increase thresholds for approvals for sole sourcing contracts.

The current wording in the policy on page 13, under Sole Sourcing, is as follows:

Values and authority levels from Sole Source or Single Source Purchases as follows:

- *Up to \$50,000 Purchasing Manager;*
- *Over \$50,000 up to \$150,000 CAO, or Director of Finance & Information Technology;*
- *Over \$150,000 City Council.*

Staff is suggesting to change the amounts to the following:

- *Up to \$75,000 Purchasing Manager;*
- *Over \$75,000 up to \$300,000 CFO/Director of Finance;*
- *Over \$300,000 up to \$500,000 CAO;*
- *Over \$500,000 City Council.*

The threshold of obtaining three (3) quotes will not change, services will still require three (3) quotes for contracts less than \$75,000 and a public process for a contract that exceeds \$75,000. Construction projects will require three (3) quotes up to \$200,000 and then proceed with a public process for amounts that exceed that.

Council will continue to receive a report on all purchases or change orders greater than \$100,000, Sole Source greater than \$50,000 and Exemption from Competitive Purchasing with the quarterly financial update report.

ANALYSIS

Change 1 – Align threshold to proceed with a public process for construction projects with the New West Partnership Trade Agreement.

Staff have been in discussion with other cities and municipalities and many have moved to align with NWPTA. The common reason was that it allowed for more flexibility to determine if a public process was required.

There is significant cost and resource requirements to conduct a public process and the current thresholds no longer align with the inflation factors and do not deal with supply chain interruptions.

Why NWPTA and not other trade agreements as noted in the NWPTA Procurement Guidelines? Most public entities use the lowest thresholds regardless of the value of their projects. This reduces any legal risk where the public entity could be deemed outside the applicable trade agreements.

How many projects would this potentially impact?

Since 2019 the City has conducted ~ 30 public processes for construction projects less than \$200,000 in project cost. Examples of projects are noted below:

- Pool tanks and deck repair
- Boardwalk reconstruction
- Playground equipment replacement
- Tennis court repair
- Park lighting replacement

Change 2 – Increase thresholds for approvals for sole sourcing contracts.

To support staff in quickly dealing with an unplanned project where time is of the essence, approval levels will be revised to meet the current business needs.

For planned work staff are required to obtain 3 quotes or a public process, but in those unique circumstances where unplanned or emergency work is required they can complete the City’s exemption request form to proceed. These projects are typically unplanned and not part of the City’s annual budget.

In the table below are the number of completed sole source contracts for 2022 and 2023.

Amount	2022	2023
\$15,000 to \$75,000	2	13
\$75,000 to \$150,000	4	5
\$150,000 to \$500,000	4	1
Greater than \$500,000	0	1
Total	10	20

The most common reasons for sole sourcing are as follows:

- Previously provided services on a specific site (i.e. geotechnical services or engineering services)
- Supplier has a specific good available (i.e. wood chipper)
- The good is unique or an industry leading product (i.e. software used for dealing with trains)
- Meeting the social needs of the community (i.e. in 2023 the City awarded three contracts to non-profits as part of the Strengthening Communities project)
- Dealing with a time sensitive request where a delay could cause additional damage to the environment or facilities (i.e. dealing with a sewer system issue)

City staff have recognized a trend in some areas, especially civil work, and discussions are underway to post an RFP to create a qualified shortlist of suppliers who can do the work. This process would then reduce the number of sole source requests.

FINANCIAL IMPLICATIONS

There is no direct financial implication, however an indirect benefit will be a reduction of staff time and resources to manage a public process.

INTERDEPARTMENTAL LIAISON

Finance has worked on this initiative with input from other departments.

OPTIONS

Option 1: THAT Council direct staff to proceed with modifying the amount required for a public process for construction projects over \$200,000 to align with the New West Partnership Trade Agreement.

Option 2: THAT Council direct staff to proceed with modifying the sole source approvals and increasing the amount to \$500,000 before receiving Council approval.

Option 3: That Council provides staff with other direction.

Staff recommend Option 1 & 2.

CONCLUSION

By modifying the amounts noted in this report staff would be in a better position to address urgent projects in a timely manner and to reduce the resource time of staff.

ATTACHMENTS

Attachment 1 - City of New Westminster Procurement Policy

Attachment 2 - New West Partnership Trade Agreement

APPROVALS

This report was prepared by:
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This report was reviewed by:
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Lisa LeBlanc, Director of Engineering

This report was approved by:
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