

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON TUESDAY, DECEMBER 10, 2013
FROM:	MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	PROCUREMENT OF GOODS AND SERVICES POLICY REVISIONS

RECOMMENDATION

That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the following actions **BE TAKEN** with respect to the City of London's Procurement of Goods and Services Policy:

- a) The attached proposed By-Law, being a By-Law to amend By-Law No. A.-6151-17, **BE INTRODUCED** at the Municipal Council meeting on December 17, 2013, to revise Schedule "C" to By-Law No. A.-6151-17 being the Procurement of Goods and Services Policy, including;
 - (i) the increased dollar limit from \$1,000,000 to \$3,000,000 for Tenders that do not have an irregular result as per Section 13.2 in the Procurement of Goods and Services Policy;
 - (ii) the modification of Section 20.3 d) ii) and Schedule "A" of the Policy both regarding Contract Amendments/Extensions.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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November 26, 2012, Finance & Administrative Services Committee, Procurement of Goods And Services Policy Revision.

BACKGROUND

The purpose of the Procurement of Goods and Services Policy (Appendix "A") is to ensure the Corporation is receiving best value; the process is open, fair, transparent, and competitive; and to provide the tools required to be responsive to our internal business needs.

This change is recommended as the result of a City Council Resolution from the Council Meeting on July 24th, 2012.

"The Civic Administration BE DIRECTED to take all necessary actions to implement the recommendations contained in Appendix "A" at paragraph 7.4 with respect to delegating authority to staff to approve certain tenders;"

City Council has the ability to delegate some of its authority to staff. In 2012, PricewaterhouseCoopers LLP (PwC) recommended to the Audit Committee that the approval threshold be increased or removed for tenders that do not have an irregular result. On December 11, 2012, Council adopted an increase to \$1 million as a one year trial with the potential to increase the limit if the process was effective.

To ensure transparency and accountability, PwC has completed a review of the increased limit in October of 2013 for the period January 1 to September 30, 2013. PwC findings concluded that "No issues noted. The new process surrounding administrative approval of tender acceptance/contract award is being properly followed."

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PwC also stated that the increased limit “Reduced administrative time awarding contracts frees up time for Staff/Clerks/Committees/Council to focus on more value-added tasks, results in projects being completed sooner, and allows for the City to respond to the market faster. This results in more efficient delivery of services to residents, potentially lower tender costs and improved relationships with vendors.”

PwC also stated that “The majority of municipalities' procurement policies examined (approx 64%, excluding the Region of Waterloo) do not have specified dollar limits which mandate Council approval. Rather, varying levels of administrative approval are permitted and situations requiring Council approval are specifically delineated. As such, if the City of London moved towards increasing its administrative approval limit to \$2m or \$3m (barring certain instances necessitating Council approval), this would be in line with most other municipalities examined.”

In the delegation to staff of these tender approvals, the rules remain very straight forward as with the current limit. The delegation of authority is subject to all of the following:

- The tender award must be less than \$3 million;
- The tender award must not result in an over-expenditure of the budget amount (Capital or Operating) for the project;
- The tender award must go to the low bidder;
- The tender must not be an irregular result.

Please note that if this new limit had been in place for the year 2013 (January to September), there would be 15 less reports going to Council.

The rationale for delegated authority is based on the fact that all of these projects are approved during budget deliberations and therefore the awarding of a tender that is under budget and is the low bid, can be viewed as an operational issue.

The modification to Section 20.3 d) ii) is recommended to change the fixed dollar limit of \$50,000 to add the option of 3% of the contract value. This will allow some flexibility in proportion to the dollar value of the contract, particularly for EESD.

PREPARED BY:	CONCURRED BY:
JOHN FREEMAN MANAGER, PURCHASING & SUPPLY	MIKE TURNER DEPUTY CITY TREASURER
RECOMMENDED BY:	
MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER	