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| TO: | CHAIR AND MEMBERS FINANCE AND ADMINISTRATIVE SERVICES COMMITTEE MEETING ON MONDAY, NOVEMBER 26, 2012 |
| FROM: | MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER |
| SUBJECT: | PROCUREMENT OF GOODS AND SERVICES POLICY REVISION |

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| RECOMMENDATION |
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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 11, 2012, 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 \$100,000 to \$1,000,000 for Tenders that do not have an irregular result as per section 13.2 in the Procurement of Goods and Services Policy;
 - (ii) the addition of section 21.8 for the City of London Regional Water Supply approval process.

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| BACKGROUND |
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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. The current Procurement of Goods and Services Policy has been in place since November 2009, with a minor change made in October 2010 and a further major update in December 2011. The recent reorganization at the City during 2012 was reflected in the revised Policy in October 2012.

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. The City of London is significantly behind most other municipalities in Ontario with respect to delegated authority. At a recent Audit Committee meeting, it was recommended by the Auditor that road projects with a value of less than \$1 million, could be delegated to staff.

This is an excellent example of something that can be delegated to staff. In the delegation to staff of these tender approvals, the rules are very straight forward. The delegation of authority is subject to all of the following:

- The tender award must be less than \$1 million;
- The tender award must not result in an over-expenditure of the budget amount for the project;
- The tender award must go to the low bidder;
- The tender must not be an irregular result.

It is a recommendation of this report that not only road tenders, but other tenders could be similarly treated as delegated authority for any tender under the value of \$1 million.

Please note that if this had been in place for the year 2011, there would be 42 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. It is also recommended that this new limit be reviewed in one year for a possible increase to \$2 million should the process demonstrate efficiency and effectiveness.

Section 21.8 has been added to the Policy to capture the current approval process for the City of London Regional Water Supply Division for procurement beyond the dollar value thresholds in Schedule A for Committee and Council approvals in which the Joint Boards of Management for the Lake Huron and Elgin Area Water Supply Systems is the approving body.

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

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