



City of Trail

Policy	FD005.2
Department	FINANCE
Title	PURCHASING POLICY
Purpose of Policy	TO GOVERN CITY PURCHASING METHODS FOR OBTAINING SUPPLIES AND SERVICES
Approved	February 28, 2011

I. INTRODUCTION

This **Purchasing Manual** is intended for use as a guide to govern City of Trail purchasing methods and is also to be viewed as the City of Trail's Purchasing Policy. When used with good judgment and common sense, policies and procedures established herein will enable the City to obtain needed supplies and services efficiently and economically. City employees involved in the purchasing process should be familiar with, and adhere to, the guidelines set forth in this policy.

The co-operation of all employees is essential if the City is to obtain the maximum value for each dollar spent. While this policy may not answer all questions related to purchasing, it provides the foundation for a sound purchasing and inventory system.

The material in this policy is subject to revision to meet the often rapidly changing developments encountered in the field of purchasing and in the economy. Any amendments proposed will be brought forward to City Council for approval.

This policy is effective from the date approved by Council and supersedes all previous purchasing instructions or directives.

II. OBJECTIVES

The primary objectives of the City of Trail's purchasing program are as follows:

1. A function capable of providing daily service and support on a City wide basis.
2. A measure of responsibility and accountability over implementation of the Annual Budget, specifically as related to the procurement of commodities, contractual services and capital outlay items.
3. Ensure that the procurement policy is compliant with the *Freedom of Information and Protection of Privacy Act*.
4. Assist all levels in reaching responsible, cost-effective decisions in the procurement of quality supplies and services for City use.
5. A system to enhance the efficiency of the City's procurement process and assure procurement in a timely and proper manner.
6. Promote good will and clear communication in City - supplier relations
7. Promote equal opportunity policies in procurement relations with all suppliers regardless of size and origin subject to restrictions as provided herein.
8. Procurement of goods and services, taking into account wherever practical, the commitment to the environment and energy savings.

III. PROCUREMENT POLICIES

The express purpose of this section of the manual is to establish a set of policies designed to guide the decision process as it relates to the procurement of supplies and services for use by the City.

1. PURCHASING

The City will maintain and sustain a purchasing process. Effective purchasing and procurement is a critical support function for the City of Trail to responsibly manage the public funds placed in their trust. The procurement system must be responsive, cost effective and as open as possible to public scrutiny.

2. SOURCES OF SUPPLY

The City of Trail's Superintendents, Public Works Manager, Chief Administrative Officer, Chief Financial Officer, Corporate Administrator, Deputy Corporate Administrator, Parks and Recreation Director and Deputy Director of Parks and Recreation or other designated employee may select sources of supply. This may be accomplished with a view toward creating good supplier relations and promoting the best interests of the City. The City recognizes that frankness and fair dealing comprise the cornerstones to strong and lasting relationships with suppliers. As a general rule, purchases may be awarded, with local vendor preference where appropriate, on the basis of best value for the City which includes, but is not limited to **availability, best price, delivery, quality, environmental impact, and the reputation and performance capability of the supplier.**

3. COMMITMENTS

Commitments and orders to be valid must be stated by contract or letter accompanied by a **Purchase Order** signed by persons duly authorized to sign as stated herein. Negotiations leading up to, or likely to conclude in, contract arrangement shall not be signed for any period beyond the current year without prior authorization of the Chief Administrative Officer or Chief Financial Officer.

4. A. SUPPLIER SELECTION CRITERIA

- i. The ability, capacity, and skill of the supplier to perform the contract or provide the material or service required.
- ii. Whether the supplier can perform the contract or provide the material or service promptly, or within the time specified without delay or interference.
- iii. The character, integrity, reputation, judgment, experience, and efficiency of the supplier.
- iv. The quality of performance of previous contracts, orders or services.
- v. The quality, availability and adaptability of the supplier, or contractual services to the particular use required.

- vi. The ability of the supplier to provide future maintenance and service for the use of the subject of the contract.
- vii. Local vendor preference where appropriate on the basis of best value for the City.
- viii. Lowest bidder may not necessarily to be awarded the contract, if above criteria are not met.

4. B. SUPPLIER COMPETITION

To encourage competition growth in local economy and to obtain new sources of supply, bids, quotations and proposals for all major purchases may be solicited as identified below:

- Telephone quotations (search for competitive process) when necessary for amounts of individual item purchases of \$ 0.00 to \$ 5,000.00 on regular basis.
- Written quotations (when possible a minimum of (3) three) for amounts of individual item purchases of \$ 5,001.00 to \$ 10,000.00.
- Newspaper advertising and City of Trail website for all contracts for construction of services and equipment purchases in excess of \$ 10,000.00.

4. C. TENDERS

- i. All tender calls, either verbal or in written form, must clearly convey to the suppliers that:

"In accordance with Municipal Policy FD005.1, the City of Trail will give preference for the local purchase of materials, supplies, contractor's services, where all items are equal and the costs or prices are reasonably competitive."

This clause must be clearly displayed if the tender is in a written form. It must also be clearly displayed in the associated advertisement.

4. D. CONSULTANTS

Use of consultants on the City's jobs and in the tendering process must be kept to a minimum. Before a consultant is engaged, this must first be brought to the attention of the Chief Administrative Officer for approval.

5. INTERDEPARTMENTAL RELATIONS

A purchasing system cannot function properly without the cooperation and assistance of all City employees. The final determination of quality and quantity will remain the prerogative of the requisitioning department and the employee originating the request. User departments are encouraged to reciprocate by forwarding useful information on materials and suppliers to the Purchasing & Mechanical Superintendent.

6. SUPPLIER RELATIONS

The Purchasing & Mechanical Superintendent must promote a program of fairness and friendship with all suppliers. Supplier representatives will be received by the Purchasing & Mechanical Superintendent or other designated employee as promptly and courteously as time permits.

- A. No City employee is required to place his time at the disposal or discretion of a supplier representative.
- B. During negotiations, quotations received from one supplier will not be divulged to another.

7. GIFTS AND GRATUITIES

To preserve the image and integrity of the City of Trail, City employees are expressly prohibited from soliciting or accepting any rebate, money or costly entertainment, gift of gratuity (excepting minor mementos and novelties of no value) from any person, company, firm or corporation to which any Purchase Order or contract is, or might be, awarded.

The City will not tolerate circumstances that produce, or reasonably appear to produce, conflicts between the personal interests of an employee and the interests of the City. The City may also take disciplinary action, including dismissal, against a City employee who solicits or accepts gifts or gratuities of value that compromised the City's position, legal rights or quality and quantity of materials and services.

8. BID DEPOSITS

Bid deposits or surety shall be prescribed on the public notices inviting bids. Unsuccessful bidders shall be entitled to return of that deposit or surety without interest on funds in deposit.

9. PERFORMANCE BONDS

The City may require a performance bond before entering a bid-based contract in such amount as shall be found necessary to protect the best interests of the City in the performance of the contract or services and materials.

10. AWARD OF BID-BASED CONTRACTS

The Department Head or the Purchasing & Mechanical Superintendent must recommend to City Council the acceptance/preference of all bid-based contracts, regardless of pricing. The award may be to the lowest and best responsible bidder subject to other criteria identified in Section 4 above. When an award is recommended not to be made or not to the lowest bidder, a full and complete statement of the reasons should be prepared and filed along with other papers relating to the transaction.

11. TENDER RECEIPT/OPENING

The recommended procedures and guidelines for use in the receipt/opening process must follow the procedures and guidelines as generally accepted by the public construction council of BC. The applicable parts of these guidelines are reproduced with minor modifications below for guidance in the tender receipt and opening:

11. A. RECEIVING OF TENDERS

- i. All tender envelopes shall be stamped or handwritten showing the time of receipt and signed by the City reception or other designated City staff.
- ii. A list of tenders received shall be kept.
- iii. Tenders received are to be kept in a secure place.
- iv. All staff who may be involved with receipt of tenders are to be notified of the required procedures to ensure tenders are not inadvertently opened or delivered to incorrect locations.
- v. Revisions to the tenders are to be attached to the relevant submission. All revisions to the tender sum must show an increase or reduction only.
- vi. If there is a telephone facsimile machine available to the bidders, every effort should be made to keep the line or lines open. However, the onus is on the bidders to make revisions to the tender on time.
- vii. City staff should attempt to notify bidders of any obvious irregularities in the receipt of the tender prior to tender opening to avoid post-opening disputes.

11. B. REVISIONS - TELEX, FACSIMILE, FAX

- i. Any revisions to a tender must be submitted in writing prior to the time of receipt of tenders. A change in price must state only the difference to be added or deducted. The revised price must not be stated. A facsimile or e-mail is acceptable.
- ii. Telephoned revisions to a tender price are not acceptable. The written confirmation must be received by the City at the place designated for the receipt of tenders prior to the designated time.

11. C. OPENING OF TENDERS

Tender opening shall at all times be formal, correct and well documented. Two City staff members should be the minimum number in attendance, together with a consultant if one is used.

i. Prior to Opening Time:

- a) A tender opening record shall be prepared suitable to include the following information:
 - (i) Space for the names and signatures of the City personnel in attendance.
 - (ii) Space for the names of all people in attendance together with their company or other affiliations.
 - (iii) Space for the official closing time of the "receipt of tenders".
 - (iv) Space for the names of each bidder, the award of the bid, the revised price (if any) and the total of each bid.
 - (v) Any other pertinent data/information as relevant.
- b) The City staff present should check their watches or clocks prior to the opening time to ensure their accuracy and to ensure the tenders are not opened prematurely.
- c) Prior to the opening, ensure the room is suitably laid out and there is a table or desk and other equipment to open tenders.
- d) The tender opening form should be ready on which to record the information.
- e) Tenders already received are brought into the room and care taken to ensure they are not removed or misplaced.

ii. The Opening

- a) No reasonable request for attendance at the tender opening shall be refused unless instructions to bidders clearly indicates that tenders will not be open to the public.
- b) At the correct time the City staff member shall make the following announcements:
 - (i) "It is now _____ (give time and date) the closing time for tendering of _____ (give name of project)".
 - (ii) No further tenders will be received.
 - (iii) State the number of tenders received.
 - (iv) No further tenders are to be received after the close has been announced and no corrections or revisions to any of the bids are to be permitted.

iii. The Opening of Each Tender is to Commence and:

- a) Each tender correctly received in the form prescribed is to be opened and signed by each of the City staff personnel present.
- b) The presence of the bond (if required) is to be checked before the price is read out. If the bond is required and is not present, the tender is to be put aside and not considered. The price is not to be read out and the tender is to be declared invalid.
- c) The tender is to be checked to ensure that the bidder is named, that the written amount and the amount in numbers are the same and the signatures are present. If these items are not correct, the tender is to be declared invalid.
- d) If these items are correct then the price is to be announced together with any revision made prior to closing and the revised price announced as "we calculate that to be \$_____".
- e) The tender is to be recorded on the tender opening record form per Section 11(C)(i) above.
- f) After each tender is opened and the initial checks have been made, it is to be carefully replaced in its envelope.

iv. The tenders are to be carefully secured to ensure they remain intact.

The tenders are not to be made available to the public. Information contained in the tender may be given on request.

- v.** All tenders submitted late shall be returned to the sender unopened by the City staff/consultant with the tender envelope stamped or written "Late Tender Unopened" together with a covering letter giving details.
- vi.** For other tenders that are disqualified, letters of notification are to be sent to the senders giving details.
- vii.** Under no circumstance is the City staff to give an indication of the tender being awarded to the low bidder or any bidder.

11. D. REVIEW OF TENDERS

i. Evaluations

- a) Tenders that were opened are to be carefully analyzed for compliance with the contract documents by City of Trail staff and consultant (if one is used).

ii. Disqualifications

Tenders shall be rejected for any of the following reasons:

- a) Any changes or qualifications made to the tender form shall be the cause of disqualification.
- b) Any errors, omissions or other non-compliance considered to give a bidder an unfair advantage or that do not meet the requirements of the tender documents may be grounds for rejection.

IV. DOCUMENTATION AND PAPER FLOW

1. The purpose of paperwork in purchasing and inventory is to obtain goods and services from suppliers, control their use, and account for the expense.
 - a) Purchase orders are issued as and when required and can be for "single" or "blanket" use. All "blanket" use purchase order must originate from the Purchasing & Mechanical Superintendent at his/her discretion or in consultation with the Chief Financial Officer.
 - b) Accounts are paid monthly. The accounts payable is set up to pay supplier for goods and services received.
 - c) Inventory records are set up for goods received and stores requisitions are used for distribution. **Inventory levels are determined by current stock usage, lead time to obtain new stock, and an appropriate level of service.** The Purchasing & Mechanical Superintendent under the direction of Chief Financial Officer will maintain levels consistent with operating requirements.
 - d) It is the **responsibility** of the **operating departments to notify** the Purchasing & Mechanical Superintendent of the levels required and the critical inventory items required in inventory.
2. Documentation used in the system includes:
 - Purchase orders
 - Supplier Invoice
 - Suppliers Packing slip or Receiving Report
3. The basic principles to satisfy by this paperwork are:
 - a) The authority to purchase goods and services is the purchase order (P.O.) and its signing and distribution is controlled and limited.
 - b) Invoices will be paid only if:

The purchase was authorized and goods and services have been received. No payments will be made on statements or without a purchase order subject to exceptions as outlined later.

- c) The actual goods and services received must be established by **either a valid signature on invoice or a signed voucher stamp on the invoice** or check off against a packing slip, invoice, or the Purchase Order itself. Lack of any of these will invalidate purchases.
- d) Items received must be reconcilable against item authorized either by a single purchase order method or through a blanket P.O. **Blanket P.O.'s have amount limitations.** This serves as the authorized limit rather than quantity. These invoices must be stamped as follows:
- e) Invoices require the signatures of the Purchasing & Mechanical Superintendent or other employees authorizing purchases. Payment function is carried out by the Accounts Payable Clerk who verifies and performs audit functions. The Chief Financial Officer counter performs supervising and other disbursement functions.
- f) P.O.'s must be issued prior to the goods being ordered and not issued or written after goods have been ordered and received.
- g) P.O.'s **are not required** for purchases of services such as **subscriptions, travel, hotel accommodations, meal expenses** incurred by City employees, employee benefits, utilities services, employee refundable safety supplies, refunds on City services, purchases of tickets to events, entrance fees, training fees and supplies or where in the opinion of the Chief Administrative Officer or his designate the use of a purchase order is not required.
- h) Open P.O. Listing

A list of open P.O.'s to all suppliers must be maintained and provided by the Purchasing & Mechanical Superintendent. Open P.O.'s are only to be issued by the Purchasing & Mechanical Superintendent.

V. PURCHASING LIMITATIONS

1. SIGNING AUTHORITY

Once the budget is approved by City Council, each Department Supervisor is accountable for his/her budget. The following are limits that have been established for signing authority:

City employees as authorized in writing by the immediate supervisor or the Purchasing & Mechanical Superintendent are authorized to purchase items to a maximum of **\$2,500.00**. Invoice must be signed (approved) by the immediate supervisor or Purchasing & Mechanical Superintendent.

City Supervisors, Parks, Recreation and Facilities Foreman or other working foremen and other designated employees are authorized to purchase items to a maximum of **\$5,000.00**.

Department Heads, Purchasing & Mechanical Superintendent and Deputy Treasurer are authorized to purchase items to a maximum of **\$25,000.00**. Any such expenditure must be clearly identified in the annual Financial Plan adopted by Council.

All purchases in excess of **\$25,000.00** are to be approved by Council or the General Government and Finance Committee and **co-signed** by the Chief Administrative Officer.

The Chief Administrative Officer may designate purchasing authority, in writing, to other employees for immediate requirements. The Purchasing & Mechanical Superintendent has co-signatory authority of up to \$10,000.00 with any authorized purchases up to \$10,000.00 made by any authorized individual.

2. QUOTATIONS

Obtain quotations, comparisons or analysis on all purchases on an annual basis. Quotations in writing must be obtained on any contract and large City jobs - see supplier competition section of the policy as well.

3. City officials must always use professional judgment when calling for tenders for major repairs, construction or other service. If there is any question or doubt, regardless of the amount involved, quotations and comparisons should be obtained to ensure actions taken are protected and defensible. **Records must be kept for one year for audit purposes.**

4. CONTRACTS

No contracts extending beyond the current year's budget may be undertaken without the prior approval of the Chief Administrative Officer or Council if felt necessary. All construction or major maintenance contractors to show proof of liability insurance, W.C.B. coverage and to post labour, material, and performance bonds as required from time to time. Holdbacks will only be released after the supplier has completed and filed an appropriate affidavit of release.

Contracts should not be signed or verbal undertaking provided unless the City official has been authorized to do so expressly in the policy or by other required authority. It is the City official's responsibility to ensure that in all cases that there is proof of liability insurance, W.C.B. Coverage and other documentation are complete.

5. AWARD OF CONTRACTS

City Council will award all contracts that have been advertised in circulating publications. Other contracts may be awarded by the Department Heads with the approval of the Chief Administrative Officer or referred to City Council at their discretion.