

**PROCUREMENT OF GOODS AND SERVICES
POLICY**

Policy Overview

The purpose of the policy is to establish procedures, goals, methods and authority regarding the acquisition, inventory and disposal of all goods and services as required under the Municipal Act, Section 270.(1)3. The objective of the policy is to ensure that The Corporation of the Town of Kingsville subscribes to a uniform, transparent and strategic approach towards the procurement of all its goods and services and disposal of all its goods and equipment and to ensure optimum value is obtained in the acquisition and disposal of goods and services.

1) Definitions

In this Policy,

Acquisition: means the process used for obtaining goods and services;

Agreement: means a legal document that binds The Corporation of the Town of Kingsville and all other parties, subject to the provisions of the contract;

Approved Budget: means a budget approved by the Council of the Town of Kingsville for the current fiscal year;

Approval: means authorization to proceed with the purchase or disposal of goods and/or services;

Asset: means a non-consumable item valued over \$1,000 with a useful life of over one year;

Bid: means an offer or submission received from a vendor, contractor, or consultant in response to an invitation, request, tender or proposal which is subject to acceptance or rejection;

Chief Administrative Officer (CAO): means the Chief Administrative Officer for The Corporation of the Town of Kingsville or in his absence the most senior official designated by Council;

Clerk: means the Clerk for The Corporation of the Town of Kingsville;

Capital Purchase: means any item over \$3,000, is a replacement or a new purchase, is not recurring, could be building improvements, and must be furthering asset life for non-building items;

Competitive Method (Process): means an acquisition method whereby vendors/manufacturers are given an equal opportunity to compete for Town business;

Contract: means a legally binding agreement between two or more parties. Such agreements will exist in the form of a Purchase Order, or Purchase Order incorporating a formal agreement, or a formal agreement between two or more parties that creates an obligation to provide defined goods and/or perform defined services;

Contracted Service: means a signed agreement to perform an ongoing service or action;

Conflict of Interest: means a reference to a situation in which private interests or personal considerations may affect an employee's judgment in acting in the best interest of the Town of Kingsville. It includes using an employee's position, confidential information or corporate time, material, or facilities for private gain or advancement or the expectation of private gain or advancement. A conflict may occur when an interest benefits any member of the employee's family, friends, or business associates;

Corporate Signing Officer: means the Mayor, Director of Financial Services, Clerk, CAO or other individuals designated by Council for this policy;

Cost Effective Bid: means a bid received in response to a request that offers the best value for the dollar expended taking into consideration a quantitative and qualitative selections procedure;

Council: means the Council for The Corporation of the Town of Kingsville;

Department Head (Manager/Chief): means the individual responsible for a department within the Town and who reports directly to a Director or the Chief Administrative Officer;

Director: means the person responsible for direction and operational control of Managers or Departments or authorized designate;

Director of Financial Services: means the Treasurer for the Town of Kingsville;

Disposal: means the removal of materials owned by the Town by sale, trade-in, auction, alternative use, gift, or destruction which are deemed surplus;

Emergency: means a situation where the purchase of goods and services requires immediate action to prevent or correct dangerous or potentially dangerous safety conditions, further damage, to restore minimum service, or to ensure the safety of the public;

Execute: means to legally bind The Corporation of the Town of Kingsville to the terms and conditions defined within the Agreement;

Expression of Interest: means a situation where vendors are solicited by the Town to advise the Town of their ability or desire to undertake Town requirements;

Goods and/or Services: includes supplies, work, equipment, real property, property insurance, maintenance, construction to approved specifications, vehicles, including rented or leased vehicles or equipment, etc. that the Town is intending to obtain or benefit from, including the professional and consulting services and service contracts not otherwise provided for;

List of Bidders: means a list, retained by the respective Department Heads and copied to the Director of Financial Services, of those vendors/service providers who are interested, qualified and potentially capable of submitting bids for goods and services;

Lowest Responsive Bid: means the lowest bid price submitted which meets the requirements and specifications as set out in the bid request, minor deviations excepted;

Material Safety Data Sheets (MSDS): means Material Safety Data Sheets which must be submitted by the vendor for all hazardous materials, including an index of chemical compounds with details of properties, handling details, precautions and first-aid procedures;

Negotiation: means the action or process of conferring with one or more vendors leading to an agreement on the acquisition of the required goods and services under the conditions outlined in this Policy;

Privilege Clause: means the standard clause used in bid documents and advertising that reads in part "the lowest or any tender not necessarily accepted";

Purchase: means to acquire by purchase, rental or lease of goods and/or services;

Purchasing Card: a credit card issued to permit authorized staff members to procure goods and services from an authorized vendor within established guidelines;

Professional and Consulting Services: includes architecture, audit, engineering, designing, planning, surveying, management and financial consulting, brokering, legal services and any other professional and/or consulting services rendered to or on behalf of the Town;

Proposal (Request for Proposal /RFP): means an offer to provide goods or services to the Town, where it is not practical to prepare precise specifications, or where "alternatives" to detailed specifications will be considered, which may be subject to further negotiation. This process allows vendors to propose solutions to arrive at the end product, and allows for evaluation on criteria other than price;

Purchase Order: means a written offer to purchase goods and services or a written acceptance of an offer where such offer has been made on forms prescribed by the Town;

Quotation (Request for Quotation/RFO): means a written or verbal offer to sell or buy goods and services in response to a direct request from the Town. The requisitioning department will document any offer made in writing;

Real Property: means land or buildings and any interest, estate or right of easement affecting same;

Responsive and Responsible Vendor: means one who complies with the provisions of the bid solicitation, including specifications, contractual terms and conditions, and who can reasonably be expected to provide satisfactory performance on the proposed contract based on reputation, or references, or performance on previous contracts, and adequate financial and other resources;

Single Source: means there is more than one source in the open market but only for reasons of function or service one vendor is recommended for consideration of the particular goods and/or services;

Surety: means a specified dollar amount in the form of cash, certified cheque, bid bond, performance bond, labour and materials bond, letter of credit or any other form as deemed necessary and stated in any quotation, tender or proposal document issued by the Town;

Tender: means an offer received from a supplier of goods and/or services in response to a public advertisement requesting tenders sealed in an envelope;

Total Acquisition Costs: means the cost which would result in the lowest cost of ownership, operation, purchase or lease over the life of the product or service to the Town. This cost is arrived at after considering all factors such as firm stability and reputation, quality, courtesy, expertise, qualifications, interest, expedience, environmental impact, health and safety implications, ethical business practices, after sales service, terms and conditions, guarantees and warranties, all taxes and discounts, and unit price;

Verbal Quotation: means the requisitioning department will receive pricing via telephone or in person, and will retain written documentation of the conversation and document the information on the requisition.

2) Procurement Principles and Goals:

The principles and goals guiding the procurement of goods and services for The Corporation of the Town of Kingsville are as follows:

- a) To procure by purchase, rental or lease the required quality and quantity of Goods and/or Services, including Professional and Consulting Services in an efficient, timely and cost effective manner;
- b) To encourage an open and transparent competitive bidding process for the acquisition and disposal of goods and services where practicable;
- c) To consider the Total Acquisition Costs including, but not limited to, acquisition, operating, training, maintenance, quality, warranty, payment terms, disposal value and disposal costs, in evaluating bid submissions from qualified Responsive and Responsible vendors;
- d) To recognize the authority of the annual Budget approved by Council as providing a framework in the determination of goods and services to be purchased;
- e) To make every effort possible to purchase centrally and standardized Goods and Services that are of a common nature to the Departments, so as to promote lower Total Acquisition Costs;
- f) To monitor and report on the economic climate and legislative changes which may have an impact on the Town of Kingsville and to determine the appropriate actions to be taken through purchasing policies and procedures;
- g) To encourage the purchasing of goods and services with due regard to the preservation of the natural environment, vendors may be selected to supply goods made by methods resulting in the least damage to the environment and supply goods incorporating recycled materials where practicable;
- h) This policy will be reviewed every five (5) years or earlier, to evaluate its effectiveness;
- i) To participate with other publicly funded bodies in cooperative purchasing activities where they are in the best interests of the Town;
- j) To ensure that specifications shall not be designed or written to allow only one manufacturer, supplier, distributor or bidder to Tender a Bid. Specifications shall not limit the bidding to only one make or model for equipment or to one type of service unless there is documented evidence to warrant such actions;
- k) To delegate the appropriate level of authority to enable the Town Departments to meet their service requirements and ensure those employees who are responsible for requisitioning and purchasing goods and services are accountable for their actions and decisions.

3) Conditions of Procurement for Goods and/or Services

Unless otherwise approved by Council, all purchases of goods and services must be approved in the annual budget. Formal approval of the budget constitutes financial approval to proceed with the procurement process. The ability to incur the actual expenditures is delegated to staff based on the following approval levels:

Where it is estimated that the value of the Goods and/or Services, inclusive of all delivery charges will cost:

- a) \$0 to \$5,000
 - Direct acquisition is acceptable.
 - Completed cheque requisition form required.
- b) \$5,000 to \$10,000
 - The user department shall obtain three (3) quotations, where possible and practicable.
 - No report to Council is necessary.
 - The quotation will serve as the Purchase Order.
- c) \$10,000 to \$50,000
 - The Initiating Department Head shall issue a Request for Quotation. A minimum of three quotations (where possible) are to be received before the Town commits to a Vendor.
 - If only one quotation is received, the Town may exercise its right to cancel the call for quotations. Quotations are not formally opened in public nor is it necessary to disclose prices or terms at the time of submission.
 - No report to Council is necessary.
 - The Request for Quotation (RFQ) is issued to initiate the process and will serve as the Purchase Order.
- d) \$50,000 and over
 - The requisitioning Department Head shall issue a Tender for all approved projects based on defined requirements (specifications are available to readily compare products).
 - Tenders require a reply by a designated date and time, signed by a Corporate Signing Officer authorized to bind the Corporation. Any requested bid deposits, security or bonds must be included with the submission. Replies are delivered directly to the Clerk's Department and are opened at a public tender meeting. If only one tender is received, the Town has the option of not opening the bid and closing the call for tender.
 - Each sealed bid received in response to a formal bid request is reviewed to determine whether a bid irregularity exists, action is taken according to the nature of the irregularity.
 - A report initiated by the issuing Department Head shall be prepared for Council consideration and approval.
 - Upon Council's approval, the Department Head shall ensure that a legally binding agreement is executed by the Mayor and Clerk, or a Purchase Order is issued.
 - The Department Head is responsible for maintaining current insurance certificates and WSIB certificates, as called for in the Bid documents.
 - No requisition, purchase or contract shall be divided in order to circumvent the requirements of the spending limits of this section.

4) General Conditions

- a) Any commitments being made where it is recommended that a contract be executed by the Mayor and the Clerk must first be approved by Council.

Where it is recommended that a Contract other than a Purchase Order be executed, it will be authorized:

- For contracts over \$50,000

By the Mayor and Clerk or CAO after being approved by Council.

- For contracts under \$50,000

By a Department Head and CAO, or where requested the Mayor and Clerk.

- b) No expenditure or commitment shall be incurred or made and no account shall be paid by the Town for Goods and/or Services, except as approved by Council or as otherwise authorized in accordance with this policy.
- c) The Department Head of the requisitioning Department may remove a vendor's name from the list of bidders for a period of up to two years on the basis of documented poor performance, non performance or conflict of interest.
- d) Material Safety Data Sheets must be maintained on file by the user Department for all relevant products whether acquired through tendering, quoting or the proposal process.
- e) When using the Privilege Clause which reads in part "the lowest or any tender not necessarily accepted", the specific reasons must be stated why the bids may not be accepted within the contract document.
- f) No employee or elected official shall purchase or offer to purchase, on behalf of the Town, any Goods and/or Services, except in accordance with this Policy.
- g) Elected officials shall not approve nor acquire any goods and services that are not authorized in an Approved Budget.
- h) A Department Head shall not award a contract where the provisions of this policy have not been adhered to.
- i) The Department Head shall reject all purchase requisitions for services where the services could result in the establishment of an employee-employer relationship.
- j) The Director of Financial Services shall provide Council with quarterly budget year-to-date reports.

5) Procurement Procedures

- a) **Petty Cash:** A Petty Cash fund shall be maintained to expedite small purchases and acquire Goods and Services where immediate payment is required upon receipt of goods, where the value does not exceed \$300.
- b) **Purchasing Card:** A Purchasing Card may be used for Goods and/or Services from an approved supplier for individual transactions under \$2,000 and shall not include capital assets. This method of procurement shall be used primarily for low value goods where other methods of procurement are deemed impractical or inefficient.
- c) **Direct Purchase:** A direct purchase refers to the ordering and purchase of goods and services from a supplier with or without negotiation. This method is to be used primarily for low value goods where the cost and administrative burden of other methods of procurement are considered too great in relation to the value of the acquired good or service under \$5,000. Where it is in the interest of the Town to obtain one or more informal quotes by phone or in writing prior to acquiring the goods and/or services that process should be followed.
- d) **Informal Quotation Process:** The quotation process is a competitive method to acquire goods and/or services under \$10,000, where the specifications for the goods and services and terms of purchase have been established with sufficient clarity to permit comparable quotations to be provided by suppliers. A sufficient number of suppliers shall be requested to submit verbal

quotations on the specific goods and services such that at least three responses of quotations are received where practical. The informal process does not involve advertising, sealed bids or the preparation of formal quotation documents. The purchase order will be attached to the cheque requisition.

- e) **Formal Request for Quotation Process:** The formal quotation process is a competitive method to acquire goods and/or services under \$50,000 where the specifications for goods and services and terms of purchase have been established with sufficient clarity to permit comparable quotations to be provided by the supplier. A sufficient number of suppliers shall be requested to submit quotations on the specific goods and services such that at least three responses of quotations are received where practical. The formal process shall include the preparation of a quotation document which provides the prospective suppliers with clear instructions, specifications, terms and conditions. The quotation document shall provide a quotation form and a quotation envelope in which the quotation can be submitted. The requesting Department will give notice of the request for quotation in at least one local newspaper and/or corporate web site. Request for quotation may also be sent directly to approved vendors. The quotation document shall clearly indicate the final time and place for the receipt of quotations. At least three quotations should be received if possible. Quotations received shall act as the purchase order.
- f) **Request for Tender:** The request for tender process is a competitive method of procurement used for all goods and/or services over \$50,000 and may include prequalification criteria for the supplier or contractor. The specifications for the goods and services and contract terms of purchase are detailed within the tender documents to such a degree that there is no prospect of negotiation between the parties. It is the intention that the lowest price bid would be accepted if the vendor meets all the terms, conditions and specifications. The requesting Department shall give notice in accordance with Town's advertising policy. A report initiated by the issuing Department Head shall be prepared for Council's approval.
- g) **Request for Proposal (RFP):** The Request for Proposal process is a competitive method of procurement, which may include supplier or contractor prequalification. Specification for the goods and services are not predetermined or may not be specified however the outcome or end result expected should be reasonably stated. By issuing a request for proposal the Town is inviting suppliers to provide a proposal or a creative solution to the problem, requirement or objective. The selection of the successful proponent is based on the effectiveness of the proposed solution rather than on price alone. The evaluation process will be more complex and the process should be clearly outlined in the document. It is expected that negotiations with one or more bidders may be required with respect to any aspect of the proponent's solution to the problem, requirement or objective. The requesting Department shall give notice of the request for proposal in at least one local paper and or electronic network where available for any amount over \$10,000. Request for Proposals are not formally opened in public nor is it necessary to disclose pricing or terms at the time of submission.

6) Exceptions to Procurement Procedures

Emergency Procurement Requirements: where an emergency situation occurs requiring immediate purchase of goods and services essential to the prevention of safety hazards, serious delays, and further damage, or to restore minimum services, a Department Head may purchase the required goods and/or services notwithstanding any other provision of this policy. In the event that the purchase is greater than \$50,000 a report to the CAO outlining the emergency and noted goods and services acquired will be produced as soon after the emergency situation as practical. In the event that the purchase is greater than \$50,000 and Council is not available prior to the purchase, the report will be brought forward outlining the emergency and noted goods and services acquired as soon after the emergency situation as practical.

Single Source Negotiated Process: the provisions of this policy may be suspended in whole or in part, under the direction of the CAO, to allow negotiations with one or more bidders in order to obtain the lowest total acquisition costs for the Town when any of the following conditions apply:

- i) When due to market conditions the goods and services required are in short supply.
- ii) When there are limited numbers of sources where the goods and services can be purchased.
- iii) When two or more identical lowest bids have been received.
- iv) When all acceptable bids exceed the budget cost of the goods or services and it is impractical to recall tenders for quotations.
- v) When the extension or enhancement of an existing contract would prove more cost effective or beneficial.
- vi) When no bids are received on a formal quotation, tender or Request for Proposal.
- vii) When compatibility with an existing product or process is the overriding consideration.
- viii) When participating in cooperative or joint ventures with other government agencies or public authorities whenever it is deemed to be determined to be the best interest of the Town to do so.
- ix) Unsolicited proposals received by the Town shall be reviewed by the Department Head. Any procurement activity resulting from the receipt of the unsolicited proposal shall comply with the provisions of this policy. A contract resulting from an unsolicited proposal shall be awarded on a non-competitive basis only when the procurement requirements comply with non-competitive procurement policies and procedures.

7) Disposal of Surplus Assets

Disposal of surplus assets is the responsibility of the Department disposing the asset in consultation with the CAO and the Director of Financial Services. Where any goods, equipment or inventory stock is deemed surplus, obsolete or non-repairable, they shall be declared surplus by the disposing Department.

The CAO shall have the authority to transfer surplus assets to other departments. When no other use can be found, the asset will be added to the surplus list for disposal. If in the opinion of the Department disposing of the asset, a higher return can be achieved by trade in, such Department shall have the authority to do so. Proceeds from the sale of assets will be credited to an appropriate reserve account.

8) Responsibilities and Authorities

- i. Department Heads have the responsibility for purchasing activities within their respective departments and are accountable for determining and achieving specific objectives as outlined for each purchase project.
- ii. Department Heads have the authority to award contracts in the circumstances specified in this policy provided that the delegated power is exercised within the limits prescribed in this policy, and the requirements of this policy are met.
- iii. For awards of value of \$50,000 or less, the Department Head and CAO shall execute all related agreements, unless otherwise mandated by Federal/Provincial regulations.
- iv. The CAO may direct staff to submit recommendations to Council for approval and may provide additional restrictions concerning a purchase where such action is considered necessary and in the best interests of the Town.
- v. The Clerk or Department Head is required to forward to the Director of Financial Services a copy of all legally executed contracts relating to the purchasing of goods and services.
- vi. Every account shall be paid by the Director of Financial Services when due, but before being paid shall be certified by the Department Head under whose direction the work was

done, material provided, or debt incurred.

- vii. The Director of Financial Services may pay any expenditures fixed by municipal statute or contract, debentures, interest due, fixed salaries, postage, grants approved by By-Law or as budgeted without such presentation or passing.
- viii. Items of a capital nature, auditors' fees, consulting fees over and above contractual amounts, legal expenses not already approved in the budget estimates are to be referred to Council for approval.

9) Exemptions of Procurement Policy

1. Petty Cash Items

2. Training and Education

- i) Conferences
- ii) Courses
- iii) Conventions
- iv) Memberships
- v) Seminars
- vi) Periodicals
- vii) Magazines
- viii) Staff training
- ix) Staff development
- x) Staff workshops
- xi) Subscriptions, Licensing and Staff Membership Fees

3. Employee Expenses

- i) Advances
- ii) Meal allowances
- iii) Travel & Hotel accommodation
- iv) Entertainment
- v) Miscellaneous – Non-Travel

4. Employer's General Expenses

- i) Payroll deduction remittances
- ii) Licences (vehicles, elevators, radios, etc.)
- iii) Debenture payments
- iv) Grants to agencies
- v) Payments of damages
- vi) Tax remittances
- vii) Charges to/from other Government or Crown Corporations
- viii) Employee income and benefit plan payments

5. Professional and Special Services

- i) Committee fees
- ii) Witness fees
- iii) Court reporters' fees
- iv) Honouraria
- v) Arbitrators

vi) **Legal settlements**

6. Utilities

- i) **Postage**
- ii) **Water and sewer charges**
- iii) **Hydro, Gas**
- iv) **Cable television charges**
- v) **Internet Charges**

Schedule "A"

BID IRREGULARITY

A bid irregularity is a deviation between the requirements (terms, conditions, specifications, special instructions) of a bid request and the information provided in a bid response.

For the purposes of this policy, bid irregularities are further classified as "major" or "minor" irregularities.

A major irregularity is a deviation from the bid request that affects the price, quality, quantity or delivery, and is material to the award. If the deviation is permitted, the bidder could gain an unfair advantage over competitors. The Department Head must reject any bid which contains a major irregularity.

A minor irregularity is a deviation from the bid request, which affects form, rather than substance. The effect on the price, quality, quantity or delivery is not material to the award. If the deviation is permitted or corrected, the bidder would not gain an unfair advantage over competitors. The Department Head may permit the bidder to correct a minor irregularity.

MATHEMATICAL ERRORS - RECTIFIED BY STAFF

The Department Head will correct errors in mathematical addition and/or taxes, and the unit prices will govern. The responsibility for correcting mathematical errors may be delegated to the requisitioning department.

ACTION TAKEN:

The Department Head and the Town Solicitor will be responsible for all action taken in dealing with bid irregularities, and acts in accordance with the nature of the irregularity:

- (a) a major irregularity requires automatic rejection
- (b) a minor irregularity may be rectified by the bidder
- (c) a mathematical error may be corrected as above

METHODS OF PURCHASING – SUMMARY TEMPLATE

The following is a summary of the authorized procedures for the Purchasing of Goods and Services not available from pre-existing agreements.

METHOD OF PURCHASING	TYPE OF QUOTATION	SOURCE OF BIDS	TYPE OF CONTRACT	REPORTING STATUS
1. GOODS AND SERVICES				
under \$5,000	Verbal quotations	Verbal competitive quotations received.	Direct acquisition	No report to Council required
\$5,000 to \$10,000	At least three informal quotations received	Purchases made from the competitive marketplace where possible and practicable three quotes required	Purchase Orders attached to cheque requisition	No report to Council required
\$10,000 to \$50,000	Written formal quotation acquired by request for Quotations (RFQ)	Subject to Town advertising policy	Request for Quotation Serves as the Purchase Order.	No report to Council required
over \$50,000	Written quotation acquired by request for Tender	Subject to Town advertising policy	Executed Contract Tender Summary Attached to Contract	Report to Council

2. REQUESTS FOR PROPOSALS (INCLUDING THE ENGAGEMENT OF PROFESSIONAL AND CONSULTING SERVICES)				
under \$10,000	Written quotation acquired by Department Head			No report to Council required
\$10,000 to \$50,000	Written quotations through Requests for Proposal (RFP)	Subject to Town advertising policy		No report to Council Required
over \$50,000	Written quotations through Requests for Proposal (RFP)	Subject to Town advertising policy		Review by Solicitor report to Council