



TOWN POLICY NAME:
Procurement and Purchasing Policy

POLICY NO:
004/2020

RESOLUTION:	ADOPTED BY:	SUPERSEDES & RESCINDS:
2020-110	Town Council	009/2010 Purchasing/Tendering Policy

PREPARED BY: Administration	EFFECTIVE DATE: February 18, 2020
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Procurement and Purchasing Policy 004/2020
(Rescinds 009/2010 Purchasing/Tendering Policy)

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1.0 POLICY PURPOSE, STATEMENT AND SCOPE

1.1. Policy Purpose

- a. Town Council deems it desirable to provide a framework for procurement and purchasing activities by the Municipality, that complies with applicable legislation.
- b. The Town endeavours to conduct its financial operations in an ethical and responsible manner.
- c. The Town recognizes the need to control expenditures, thereby maintaining fiscal responsibility. Purchasing policies and procedures represent the single most important step toward obtaining this goal.

1.2. Policy Statement

- a. The Policy is guided by the following principles to ensure a minimum standard of performance for purchasing:
 - i. Promote and encourage the most open and fair procurement process practicable, for the acquisition and disposal of goods and services, acting with fairness in applying these guidelines equally to all bidders or suppliers.
 - ii. The procurement of goods and services shall be conducted objectively, in an unbiased way.
 - iii. Ensure purchasing is conducted subject to all applicable Town policies and bylaws, any specific provisions of the *Municipal Government Act*, and all other applicable, relevant legislation.

1.3. Policy Scope

- a. The Policy applies to the purchase of goods and services by any Town employee or Council member on behalf of the Town.
- b. The Policy governs the acquisition of goods, by purchase or lease, and services with municipal funds from all sources, including operating and capital funds as well as all other funds held in trust or at its disposal.
- c. Values referred to in this Policy do not include GST unless specifically noted.

1.4. General

- a. The Town recognizes the need to procure the necessary quality and quantity of goods and services in an efficient, timely and cost-effective manner. To effectively maximize the value received for each dollar spent, one should purchase or contract in as large a volume as required and solicit prices from as many vendors as possible.
- b. This Policy allows for routine, approved budgetary purchases less than \$1000 in value, with designated signing authority from Management.

- c. In order to protect the overall Town interests and minimize long term financial losses, the Town will not consider award of any contracts to a party that is engaged in litigation or arbitration with the Town of Rocky Mountain House or has a history of litigation with the Town.
- d. No expenditure or total of such expenditures shall exceed the approved line item budget, or adversely affect other budgetary items without CAO or Council approval.
- e. All expenditures must be coded to the budget line item to which they belong.

2.0 **DEFINITIONS**

- a. **Agreement on Internal Trade (AIT)** - means the intergovernmental agreement signed by Canadian First Ministers that came into force in 1995. *As of July 1, 2017, the AIT has been replaced by the CFTA and is no longer in effect. However, for trade disputes initiated before July 1, 2017 and for procurements commenced prior to July 1, 2017, the AIT rules will continue to apply until these processes are concluded.*
- b. **Authorized Invoice** - means an invoice with a copy of a purchase order, packing slips, inspection report and comparison chart, where available or applicable, which has been duly checked, verified, signed and approved for payment to be processed by Accounts Payable. For small dollar value purchases, the invoice need not include all backup documents.
- c. **Best Practices** - includes promoting competition, avoiding Direct Award Purchases where possible, abiding by the legal obligations of competitive bidding and contract law, mitigating risk to the Town, strategic use of methods to engage the marketplace, treating all vendors fairly and equally and conducting fair, open and transparent processes.
- d. **Best Value** - means the most advantageous balance between performance, price and quality achieved through competitive procurement methods, in accordance with stated selection criteria. Best Value should include the useful life of an asset and the track record of the vendor.
- e. **Bid** - means an offering received from a Bidder committing to provide goods or services or both for monetary consideration.
- f. **Bidder** - means a person that submits a Bid, meeting the requirements of the Town's advertisement.
- g. **Canadian Free Trade Agreement (CFTA)** - The CFTA is an agreement between the federal, provincial and territorial governments that seeks to eliminate trade barriers to the free movement of persons, goods, services and investments within Canada and to establish an open efficient, and stable domestic market.
- h. **Chief Administrative Officer or CAO** - means the person occupying the position of Chief Administrative Officer for the Town or his or her delegate.
- i. **Construction Contracts** - means contracts for the construction or renovation of municipal infrastructure including buildings or structures, utilities, roadways and bridges.

- j. **Consulting Services** - means engaging an expert in a particular field to assist with a project, acquisition or services.
- k. **Delegated Employee** – means an employee that has been delegated to sign off on expenditures approved under the budget, as per the Town’s Signing Authority Policy.
- l. **Direct Award Purchase** - means awarding a contract to purchase goods or services or both without a competitive bidding or quoting process. There are two types, Direct Award Purchase - Single Source and Direct Award Purchase - Sole Source.
- m. **Direct Award Purchase - Single Source** - means awarding a contract where there is at least one alternative source of supply that will largely satisfy the requirement and there is strong justification for a particular product, service or contractor.
- n. **Direct Award Purchase - Sole Source** - means awarding a contract where there is only one supplier for a product or service in the marketplace that will satisfy the requirement and where the product or service is substantially unique with no other like, or similar product or services available that will satisfy the requirement.
- o. **Direct Negotiation** - means directly engaging vendors to negotiate pricing for goods or services or both.
- p. **Director** - means the individual occupying the position of Director for the Town or his or her delegate.
- q. **Discretionary Purchase** - means a process by which authorized personnel have discretion to forego competitive bidding or quoting processes when procuring low dollar value goods and/or services.
- r. **Emergency** - means a situation which adversely affects the life or health of Town residents or their property, or where Town property, services or the environment are in jeopardy.
- s. **Financial Plan** - means the Town’s budget as required by the *Municipal Government Act, RSA 2000, c.M-26(MGA)*.
- t. **Formal Competitive Processes (FCP)** - is characterized by the solicitation of sealed bids or proposals, including:
 - i. **RFEI (Request for Expressions of Interest)** - means an invitation for suppliers to express interest in a particular project, commodity or service, providing in general terms, ideas that will meet the requirements, where respondents are then sent a formal RFP.
 - ii. **RFP (Request for Proposals)** - means an invitation for suppliers to submit a proposal on a specific commodity or service, or alternate ways to meet a specific need where the supplier is invited to propose what it considers the best way of meeting the Town’s need and submissions are rated on the principle of value.
 - iii. **RFQ (Request for Qualification)** - means the pre-qualification stage of the procurement process where the proponents who successfully respond

to the RFQ and meet the qualification criteria are included in the subsequent RFP solicitation process.

- iv. **IFQ (Invitation for Quotations)** - means an invitation for suppliers to bid on specific products or services, which include scope of works, information regarding payment terms, and quality expectations.
- v. **Tender** - means an invitation that solicits competitive bids which are evaluated against clearly stated criteria and specifications.
- vi. **Design/Build** - means a process wherein the Town contracts for design and construction aspects of a project with a single entity.
- u. **General Purchases** - means any purchases that do not fall under the categories of Construction Contracts, Consulting Services, Long Term Agreements or Direct Award Purchases etc., where competitive bids have been solicited.
- v. **Informal purchase method** - means a purchase method where requirements are communicated to vendors or written quotes or proposals received via email. Verbal quotes are only to be used if a quote summary sheet is produced.
- w. **Long Term Agreements** - means agreements lasting longer than one year, but not more than five years and includes service contracts, operating contract, revenue sharing or cost sharing agreement, rental and lease agreements, but does not include employment agreements.
- x. **Management** – means the CAO, or Department Director.
- y. **Negligible Market Value** - means when costs associated with the sale or disposal of surplus or obsolete goods, including environmental considerations, are reasonably expected to exceed or outweigh the value obtained through the sale of those goods.
- z. **Net Taxes** - means the sales tax cost to the Town, net of any rebate.
- aa. **New West Partnership Trade Agreement (NWPTA)** – British Columbia, Alberta, Saskatchewan and Manitoba are Parties to the NWPTA and CFTA and must meet the obligations of both agreements. However, the NWPTA has lower procurement thresholds and allows fewer procurement exceptions than the CFTA. Municipalities, school boards, health regions and publicly-funded post-secondary institutions (the MASH sector) as well as corporations or entities owned or controlled by one of the preceding:
 - \$75,000 or greater for goods
 - \$75,000 or greater for services
 - \$200,000 or greater for construction
- bb. **Non-Compliant Bid** - means a Bid that has been disqualified from a competitive bidding process for failing to comply with the rules, terms or conditions of a competitive bidding process.

- cc. **Non-Compliant Bidder** - means a Bidder that has been disqualified from a competitive bidding process for failing to comply with the rules, terms or conditions of a competitive bidding process.
- dd. **Policy** - means this Procurement and Purchasing Policy as amended from time to time.
- ee. **Purchase** - means every time the Town acquires goods or services, including acquisition by purchase, rental, lease or conditional sale of goods, services or construction.
- ff. **Purchase Order** - means a written document containing terms and conditions that is either the Town offering to purchase goods and services for stated prices or the Town accepting an offer received.
- gg. **Purchasing Credit Card** - means a Town credit card typically used for routine, small dollar, travel expenses or foreign currency purchases.
- hh. **Town** - means the Town of Rocky Mountain House.

2.1. Expenditure Types

- a. **Operating Expenditure** - means funds for the acquisition of goods, supplies, or services consumed in either the operations of the Town or provision of programs or services approved by Council during the normal annual business cycle.
- b. **Capital Expenditure** - means funds for the investment in projects to acquire, develop, improve, and/or maintain a capital asset, that exceeds \$5000 in value.
- c. Final determination of operational and capital expenditures rests in the professional judgment of the CAO or designate. Should there be any question, please contact the CAO, or designate for an interpretation.

3.0 ROLES AND RESPONSIBILITIES

3.1. All employees are responsible for:

- a. Maintaining high legal, ethical, managerial, and professional standards in the management of the resources entrusted to them as employees of a publicly funded institution.
- b. Obtaining the best value for money by achieving fulfillment of specified needs including quality, health and safety standards, productivity and service life.
- c. Using a fair and transparent process when calling for, receiving, and evaluating quotations and proposals.
- d. Meeting the legal and ethical obligations in the acquisition of goods and services by purchase or lease.
- e. Using appropriate purchasing techniques including negotiating contractual terms and conditions, cost reduction techniques, and cooperative buying processes.

- f. Considering the environment in all purchasing decisions and selecting environmentally beneficial goods and services where the additional cost is not prohibitive.
- g. Securing purchase authorization prior to any purchase except emergency purchases.
- h. Retaining all related documentation for review and auditing.
- i. Using MOU or contracts when dealing with any intermunicipal organization.
- j. Identifying and investigating a full range of potential goods or service providers before selecting one for an exclusive contract.
- k. Obtaining appropriate authorization for all purchasing of goods and services.
- l. Obtaining legal assistance or advice if necessary, for any non-standard clauses in purchasing contract or purchase transaction.

3.2. All Directors are responsible for:

- a. Ensuring all purchases are performed in accordance with this Policy.
- b. Delegating purchase and expense authorization in writing to the appropriate levels.
- c. Ensuring that standards for purchases as set out in this Policy are adhered to.
- d. Entering into purchasing contracts on behalf of the Town.
- e. Coordinating administration and the continuous review of the department's use of goods or services or both to ensure the Town is receiving the best quality, quantity, service and price.
- f. Coordinating purchasing record keeping (RFP documentation, quotes, etc.) and retention of records in accordance with the Town's Records Retention Bylaw.
- g. Selling or disposing of surplus or obsolete goods and for all costs incurred to dispose of surplus or obsolete goods by proper means, as per the Town's Surplus Disposal Policy.
- h. Using the Tender Process set out in the Policy.
- i. In conjunction with the Director of Corporate Services, determining the type and degree of bid security and work performance assurances for the Town purchasing transactions in accordance with bonding requirements.
- j. Preparing Tender instructions, conditions and pricing formula.
- k. Prepare RFPs in accordance with this Policy.

3.3. The Director of Corporate Services is responsible for:

- a. Ensuring that no payments are made without the appropriate authorization.

- b. Providing training and documentation on how to utilize the Policy efficiently and effectively.
- c. Communication regarding all developments in the field of purchasing by all government agencies.
- d. In conjunction with a responsible department, determining the type and degree of bid security and work performance assurances for the Town purchasing transactions in accordance with bonding requirements.
- e. Maintaining master copies of original Invitation to Tender packages and vendor lists.

3.4. The Chief Administrative Officer is responsible for:

- a. Providing the administrative direction to carry out the Policy by stipulating the procedures and controls necessary to ensure that expenditures are made according to sound business practices with appropriate accountability and ethics.

3.5. Council is responsible for:

- a. Approving updates to this Policy.

4.0 TENDER PROCESS, HIRING EQUIPMENT AND EXTERNAL CONSULTANT

4.1. Tender Process

Procedures & Receipt of Tenders

- a. The Town may accept paper copies of Tenders enclosed in sealed, clearly marked envelopes, in accordance with Tender instructions, at the Tender address until the Tender closing time, in care of:
 - i. The issuing department or Town of Rocky Mountain House.
 - ii. The Town may accept Tenders submitted electronically provided that electronic submissions are identified as being accepted in the Tender document.
- b. The Town will record the date and time each Tender is received and will file the tender in the secure designated area at the Town administration building, located at 5116 – 50th Avenue, Rocky Mountain House, T4T 1B2.
- c. The bids and prices are provided without condition and the award is made without negotiation, notwithstanding the Town’s right to negotiate with the successful vendor after the award has been made.
- d. The Town will not accept Tenders which:
 - i. Are not submitted on the Tender form provided by the Town.

- ii. Are received after the Tender closing time. The Town will return Tenders received after tender closing time unopened, courier collect, to the vendor.
- iii. Are incomplete.
- iv. In the event that security is required under tender instructions and is not provided with the tender, the tender is subject to conditions of the tender document.

4.2. Tender Process for Capital Works Projects

- a. The process whereby tenders for construction projects are solicited by the Town by means of invitations to qualified contractors or by advertising and are opened and read as per the tender document.

4.3. Tender Documents

- a. The Town shall include the following sections in the Tender documents:
 - i. Invitation to Tender
 - ii. Instructions to Bidders
 - iii. Tender Form
 - iv. Contract Forms
 - v. General Conditions of Contract
 - vi. Construction Specifications (if applicable)
 - vii. Construction Drawings (if applicable)
 - viii. Additional Supplementary Conditions and Specifications (as necessary and as appropriate to the project).

4.4. Tendering Protocol

- a. Tender opening may be formal and shall be well documented. It is preferable that more than one tendering authority representative, one of whom may be the project manager, department head or finance representative, be in attendance.
- b. The department will be responsible for the initiation of the log and notification of administrative staff for the purpose of place and staff scheduling. A master copy of the original Invitation to Tender package and vendor list will be supplied to Corporate Services staff for safekeeping in the main vault.
- c. A Tender Log (Schedule A) has been developed that includes:
 - i. Project description and project ID number;

- ii. Official closing date and time of tender closing;
- iii. List of firms, address, telephone number and contact person, and the date the tender invitation was sent out, and;
- iv. Dates and times tenders were received.
- v. Tendering department representatives;
- vi. List of attendees and company represented;
- vii. Bidder's name and company, and;
- viii. Verification list, to include:
 - Signatures/official stamps
 - Bond documentation
 - Amendments
 - Price revisions
 - Total bid price

4.5. Tender Opening

- a. Tender openings may be public.
- b. All tenders will be received up to a specified time and date and shall be opened as specified in the tender document.
- c. 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.
- d. Each tender correctly received in the form prescribed is to be opened and checked to ensure that the bidder is named, that the written amount and the amount in numbers are the same and signatures are present. If these items are not correct, the tender is to be declared invalid.
- e. The presence of the bid bond is to be checked before the price is read out. If the bid bond is not present, the tender is to be set aside and not considered. The price is not to be read out and the tender is to be declared invalid.
- f. 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 \$_____."
- g. The tender amount is to be recorded on the Tender Log.
- h. Individual bids shall be read to the interested public in a professional and consistent manner. No special order exists in which to read tenders, but it is generally courteous to read first the tenders that have the most interested people waiting.

- i. Where only one tender is received, the Town reserves the right not to make public the amount of the tender at the public opening. The amount of the tender will be made public if a contract is awarded.
- j. Once all tenders have been opened and replaced in their envelopes, an announcement will be made that the tenders will be reviewed in detail and all bidders will be notified of the results and that the opening procedures are now closed.
- k. The department, or tender contact, shall secure all tenders in the vault in the Town Administration Office and copies will only be released by Corporate Services staff upon request of the Director or designate. One original copy of all tenders received shall remain in the vault. Any bonds, or other security, shall be lodged with the Corporate Services Department for safekeeping.

4.6. Tender Approval

- a. All tenders within the approved budget set by council shall be approved by the CAO or designate. All tenders exceeding the annual approved budget allotment require the approval of Council.

4.7. Request for Proposals (RFP)

- a. The process whereby the Town describes its requirements and asks proponents for their proposed solutions. This process is best suited for the following situations:
 - i. When the skills, expertise or technical capability of the respondents will be evaluated;
 - ii. When the Town may need the opportunity to ask respondents to clarify their proposals, or to revise their proposal through the issuing of questions or the best and final offer process; or
 - iii. When price is not the primary consideration or specifications of the project cannot be clarified.

Preparation

- b. The Director shall ensure that an RFP defines:
 - i. the nature of the goods or services or both to be provided;
 - ii. how they are expected to be used;
 - iii. Any problems the bidder is expected to address; and
 - iv. the criteria to be used in the evaluation of proposals.
- c. The Director may include mandatory requirements in the RFP, if the Director deems them necessary, recognizing that mandatory requirements should be kept to a minimum and carefully worded so as not to eliminate a vendor with an otherwise acceptable proposal.

Procedures

- d. The Town should:
 - i. allow vendors sufficient time to prepare a good response.
 - ii. Recognize that Vendor proposals are confidential documents.
 - iii. keep proposals secure at all times.
 - iv. evaluate Proposals based on criteria in the RFP.

5.0 PURCHASING METHODS AND PROCESSES

5.1. Unacceptable Purchases

- a. Town employees and Council are prohibited from purchasing items that are not clearly for the purposes of the Town. The following is a list of some examples of unacceptable purchases:
 - i. Splitting purchases to avoid the requirements of the Policy, including Town credit cards.
 - ii. Except for normal inventory items, no commitment will be made unless funds for purchase are contained in an approved budget.
 - iii. Purchase by any employee of any goods and services for personal use, benefit, or gain.
 - iv. Purchase by any employee of any goods and services for personal use where freight, brokerage or other costs are at the expense of the Town.
 - v. Purchase by the Town from an employee or member of Council or their immediate families or any organization in which they have controlling interest or any other source that would result in a conflict of interest.

5.2. Purchasing Authority Matrices (Appendix A)

- a. Appendix A – Purchasing Authority Matrices identifies categories for all Town purchases and contracts as follows: General Purchases, Construction Contracts, Consulting Services, Long Term Agreements and Direct Award Purchases (includes Single Source and Sole Source). Within each category, specific monetary thresholds have been identified, along with the corresponding level of authorization and documentation required, purchase method to be used and document retention guidelines. Purchase methods and process are further explained in this section of the Policy.
- b. The purpose of these matrices is to recognize unique types or categories of purchases/contracts and to create specific and appropriate rules for each.

- c. In the absence of obtaining competitive bids, e.g. directly awarding a contract to a vendor, either the Direct Award Purchase – Single Source, or Direct Award Purchase – Sole Source guidelines will apply. In this instance those guidelines will apply regardless if the purchase would logically fall under another category. Refer to Appendix A.

5.3. Purchasing Methods

- a. The Town has classified purchasing methods to be used for different purchase types and dollar levels into the following general categories:
 - Direct Award Purchase
 - Informal
 - Competitive
 - Formal Competitive
- b. These general categories are referenced in Appendix A - Purchasing Authority Matrices for all purchases and are intended to illustrate the minimum level of process and documentation required. For these general categories, listed above, there are specific processes to be used to engage vendors. Refer to section 5.4 below.

5.4. Purchasing Processes Used to Engage Vendors

- a. Further to the general categories of engaging vendors as listed above, the following list describes the specific processes to be used to engage the vendor community. Please note that some of the specific processes as listed below can be used in more than one of the general categories as stated in 5.3 above.
 - Invitation for Quotation (IFQ)
 - Invitation to Tender (ITT)
 - Request for Proposal (RFP)
 - Request for Standing Offer (RFSO)
 - Direct Negotiation
 - Co-operative Purchasing
- b. Direct Award Purchase (includes Single and Sole Source)
 - i. In the case of a Direct Award Purchase it is difficult to know if best value has been achieved as no comparisons are obtained or available. For this reason, Direct Award Purchases are not normally considered best practice and should be avoided when possible.
 - ii. A Direct Award Purchase may involve an oral agreement, direct negotiation, a written or oral quotation, or even a written contract. The dollars involved, the complexity of the purchase and known risk factors will determine the award process, including the level of documentation required. This method is easy for users in that it is quick to administer, and it requires little analysis or comparison, however, this method foregoes all of the benefits associated with competition.
 - iii. Regular contract law applies to Direct Award Purchases.

- iv. If there are funds available in the budget for the financial year, a department Director, or their designate, can authorize a Direct Award Purchase, subject to the criteria as listed under 5.4(b)(v).
- v. Single Source Guidelines (more than 1 product/service exists in the marketplace): In certain circumstances, justification to support a Direct Award Purchase – Single Source may exist. Single sourcing may be justified with one or more of the criteria listed below:
 - Compatibility with existing equipment - the product being purchased directly interfaces or attaches to equipment currently in service, and/or is a replacement or repair part for existing equipment where having identical vendor equipment or parts makes operational and fiscal sense and where the part is considered to be superior in quality.
 - Continuation of services - where a service agreement or contract requirement is in place and needs to be extended due to circumstances such as increased scope of a project and where bringing in a new service provider would be detrimental to project quality or would unduly extend the project completion date, etc. Every attempt should be made at the start of service agreements to properly identify the project scope and to include, where practical, a contingency to allow for completion of the project.
 - Specialized products or services - the product or service is specialized or unique.
 - Urgent timeline - the timeframe for the acquisition is urgent due to uncontrollable circumstances. Note: A situation where lack of planning has caused the urgent timeline is not considered justification to single source.
 - Highly sensitive or confidential expenditures - certain projects or purchases may be highly sensitive or confidential in nature.
 - Standardization - certain circumstances may warrant buying the same product(s) or service(s) as previously purchased. Justification may include ease of maintenance, minimizing replacement parts required, operator familiarization with equipment, ergonomics etc.
 - Purchases from or for:
 - testing or trial use;
 - exercising a purchase option on a lease or rental contract;
 - a non-profit organization;
 - an auction or bankruptcy situation;
 - real property; and
 - other circumstances as warranted - recognizing there may be other circumstances that warrant single source justification, the Town will consider departmental requests

for single sourcing that have strong rationale. It is likely that a more detailed, justification will be required in this case.

Sole Source Guidelines (only 1 product/service exists in the marketplace)

Sole source purchases of products or services must meet at least one of the following criteria:

- i. Unique qualifications and skills of contractor - only one contractor or service provider has the unique qualifications or skills needed for the project.
- ii. Unique product or service - the product or service in question is unique and cannot be sourced elsewhere in the marketplace and is the only product or service that will satisfy the requirement. If there are similar products or services available that will generally satisfy the requirement, the Single Source guidelines will apply.
- iii. Monopoly controlled market situations - the supply of products or services is controlled by a monopoly supplier and cannot be sourced elsewhere, e.g. a public utility company such as Hydro.
- iv. Computer software renewal licenses and software development or maintenance - this occurs when the license renewal and maintenance for software can only be obtained from a single source, normally the developer of the software. This includes conversions, modifications and/or maintenance of currently owned software.
- v. Purchases from or for:
 - subscriptions and publications;
 - travel, training, and conferences; and
 - Professional dues etc.
- vi. Other - there may be other circumstances where there is no alternative but to sole source to a particular vendor.

c. Invitation for Quotation (IFQ)

- i. Generally, an IFQ is utilized for repetitive/reoccurring and lower risk purchases in order to get pricing and delivery information from suppliers. A standard IFQ document may consist of one to three pages that describe the goods and/or services required and list the terms/conditions applicable to the contract. It can be described as an informal tender and may take place by facsimile or email. Generally, the award goes to the bidder with lowest price that meets specifications.
- ii. IFQs are typically used for projects and services, up to a maximum contract value of \$50,000.
- iii. The following should be recorded:
 - the name of the firm quoting the price;
 - the name of the person quoting the price;
 - the manufactures and model of item (or items) offered;

- the unit price;
- the payment terms (prompt payment discounts), 2%, 5%-10 days, etc.;
- the projected date of delivery;
- the time and date of the communication;
- the name of the Town Person involved in the communication;
- the length of time the bid will be in effect until;

d. Request for Qualification (RFQ)

- i. This method is used when there is potential for significant interest for specific contract opportunity. This method can be used to pre-qualify proponents who will then compete on the opportunity at the RFP stage. This can make the procurement process more efficient as there will be fewer responses and all those received will be qualified. This can also be used to create a pre-qualification list for future opportunities. For example, a pre-qualification list can be prepared for the transportation opportunity and whenever the service is required, quotations are invited from this pre-qualification list.
- ii. The purpose of this process is to officially signal the Town's intent to proceed with procurement or a project, to encourage participation and competition in the procurement process, to present the proposed scope of the project and to confirm there is sufficient interest in the procurement process.

e. Invitation to Tender (ITT)

- i. This method is used for higher dollar value purchases or contracts which are more complex in nature, may have additional risks identified with the acquisition or contract and are normally widely advertised. An ITT can be used to contract for services when one knows what needs to be done and how it should be done; or to purchase products when they can be clearly specified. Generally, the bidder meeting the specifications and offering the lowest price will be awarded the contract. As acquisitions become more complex and/or of greater dollar value, the more formal and more detailed the process and documentation needs to become.

f. Request for Proposal (RFP)

- i. RFPs are used when one knows what needs to be achieved and there may be different solutions available to achieve the desired outcome. Proponents are invited to provide solutions that are evaluated using a weighted evaluation matrix. An RFP can be verbal or written, simple or complex, depending on the nature and value of the acquisition. RFPs differ substantially from tenders, in terms of greater flexibility, and in terms of the evaluation and award criteria. An RFP seeks the creative input of the marketplace, and unlike the tendering process, the cost or monetary consideration is not usually the primary factor upon which the successful proponent is chosen. The proponent offering the best solution will achieve the highest evaluation score and will normally be awarded the contract.

- ii. The RFP process brings structure to the procurement decision and allows the risks and benefits to be identified clearly up front. The RFP purchase process is lengthier than others, so it is used only where its advantages outweigh any disadvantages and delays caused.

g. Request for Standing Offer (RFSO)

- i. RFSOs are often used when products or services are needed over a longer period of time, or repeatedly, and allows the Town to engage a contractor(s) or supplier(s) quickly when the particular need arises. Circumstances may arise where more than one contractor or supplier is simultaneously engaged or where the Town wants or needs to change from one vendor or supplier to another in a timely fashion.

In such cases, vendors and contractors would essentially be pre-qualified with the appropriate licenses and insurance in place and on file. An example of this may be for ad hoc electrical contractor requirements where it is important to engage contractors quickly when timely work or repairs are required.

h. Direct Negotiation

- i. Direct Negotiation is recognized as a method of engaging vendors under particular circumstances and may be appropriate where more than one vendor is being engaged, and
 - there are a limited number of vendors to engage in the marketplace;
 - a limited number of preferred vendors exist following an RFP, Request for Expression of Interest (RFEI) or Pre-Qualification of Supplier process;
 - administration costs of a formal ITT or RFP are prohibitive;
 - time to engage vendor community is limited due to unforeseen, unavoidable circumstances that prohibited advance planning;
 - it is a strategic approach to engage vendor(s); and/or
 - may replace or complement conventional competitive bidding methods such as Invitation to Tender and Request for Proposal.
- ii. Where only one vendor is being negotiated with, and where the negotiation does not follow a selection process (i.e. Pre-Qualification of Supplier), then Direct Award Purchase guidelines will apply.
- iii. Authorization required to use Direct Negotiations to engage vendors is as follows:

Contract Value Approval Required to Directly Negotiate (within approved Budget - see Signing Authority Policy):

- ≤ \$25,000 – Director/Designated Employee
- ≤ \$25,000 – Director/Designate if not low bid or best proposal
- > \$25,000 – CAO & Director

> \$25,000 – CAO & Director if not low bid or best proposal

- iv. Purchases of up to \$25 may be made through the use of petty cash, without the issuance of a purchase order. Such expenditures shall be kept to a minimum and should represent extraordinary expenditures that are required immediately and are not otherwise available. All petty cash vouchers shall be signed by the individuals duly authorized by a department head to make the purchase.

Contract terms and conditions are often captured in a contract document or purchase order once negotiations are concluded.

i. Co-operative Purchasing

A system whereby a number of local authorities, such as hospitals, school districts and/or other municipalities, agree to invite quotes or tenders for selected commodities and services.

It is the responsibility of the Director, in cooperation with other public buying agencies, to periodically review purchases with a view to encouraging co-operative purchases.

The Director shall gather and classify the historical data necessary toward the identification of commodities and services to combine purchasing power and expertise to reduce prices.

The Director shall review each item to be tendered co-operatively and only participate when there is an advantage.

j. Hiring of Equipment

Hiring of Equipment for Town Services and Capital Works Projects.
Departmental managers and supervisors are authorized to hire equipment with operators on an hourly basis, as per the Provincial Government's rate schedule rate, as required for undertaking maintenance work, which is part of the normal operations of the Town, or capital projects and is provided for in the Annual Budget.

In order to ascertain which contractors are available to undertake hourly paid work, the Town shall advertise each year for submission of contractors' names, equipment and operators and their experience in municipal services maintenance and construction.

A copy of all print advertisements placed during a call for expressions of interest will be retained on file in the Town's records management system by the initiating department.

A list of these submissions shall be made and retained on file. Each of the submissions will be reviewed and the type of work they are qualified to complete for the Town will be determined and a qualifications list will be prepared. Each contractor is required to have valid license and registration, insurance and WCB coverage. Call out of contractors to undertake hourly paid work shall be made from this qualifications list on a rotational basis.

k. Hiring External Consultant

Before a Director initiates any action to call for proposal and select the services of an external consultant, it must have the budget approval to spend such funds for this purpose.

- i. The department must include all current account consultant funding requirements in the budget estimate under the main object of expenditure "Contracted services".
- ii. The department, to the extent possible, should include in their budget submissions detailed information on projects for which proposals from external consultants will be called. The information should include a description of the work to be performed, as well as the desired budgetary funding level.
- iii. The department, during the budgetary process, may employ the block funding approach when requesting funds to cover anticipated consultant fees when detailed project information is not available during the preparation of the Estimates.

l. Policy, approval, terms of reference and other considerations

It is the intention of this Policy to employ, to the extent feasible, the practice of requesting multiple proposals when engaging the services of external consultants. The Town favors a public request/RFP/RFQ for proposals and encourages department to use this method whenever it is feasible to do so.

Circumstances may exist which mitigate against the public calling of proposals/RFQ/RFP, and, consequently, departments are permitted to deviate from this preferred method. In such cases, it is encouraged to invite proposals from any competent consultants as known to the department; three proposals being considered as a minimum number.

Furthermore, even though the Policy identifies practical exceptions and exemptions, this should only occur after serious consideration.

To approach the work in cost effective manner, terms of reference for the work to be performed by the external consultant must be prepared.

This document should assist the department in the planning and management of the work, as well as assisting prospective consultants.

It may include background, the objective, the scope, details of each party's responsibility, time schedule for completion of each stage, progress report requirements and approval and acceptance requirement of work.

Once a consultant is selected it is an important and encouraged to draft and sign the documents, which should generally include the provisions for nature and scope of the assignment, financial implications (contract price, expenses reimbursement, billing and payments etc.), time frame of the contract, termination clause (exit route), delays and penalties provision, ownership of

the work, confidentiality of information, reassignment and subcontracting, employment status (if required CRA ruling may be obtained in advance), non-performance and holdback.

5.5. Specification of Requirements

- a. Where, for reason of suitability to purpose, technical compatibility, cost effectiveness or safety and where specific technical requirements must be met, the Town shall specify those requirements in the most meaningful and broad terms possible, where practical in terms of performance criteria.
- b. Responsibility:
 - i. It shall be the responsibility of the operating departments to prepare specifications.
 - ii. It shall be the responsibility of the operating department to insist that specifications be as broad as practicable to assure an economic supply and to avoid the possibility of being "locked in" to a single supplier.
- c. Procedures:

Preparation of Specifications

Specifications:

- i. Should be clear, definite and concise to enable prospective bidders a basis on which to submit proposals;
- ii. Should identify variances to bid specifications;
- iii. Should attempt to standardize equipment where possible for long term saving in maintenance and to the cost of inventory levels and parts availability, and;
- iv. Should not call for features or for a level of quality not needed for the intended use, except in cases where such features or the level of quality are essential for some future consideration.

Other considerations must be stated in Special Terms and Conditions.

Specifications must state whether items other than cost will be considered in awarding the contract, i.e. results of product testing, delivery time, length and terms of any warranty provisions, maintenance costs, guaranteed buy-back value, parts availability, local product support, subject to reference checks, etc.

5.6. Contract Security Requirements

- a. Security instruments include Bid, Performance, Labour and Material Bonds.

- b. Bidders shall provide the contract specific security bonds, certified cheques or irrevocable letters of credit in favour of the Town of Rocky Mountain House.
- c. Bid bond is to accompany the tender submission (if applicable).
- d. Performance and/or Labour and Material Bond must be delivered to the Town within seven (7) days of the date of notice of contract award.
- e. In certain circumstances bonding requirements may be increased or decreased, at the discretion of the department Director, CAO, or their designate.

6.0 ADMINISTRATION, PROCESSES AND DOCUMENTATION

6.1. Regulated Requirements

- a. The Town must comply with the *Agreement on Internal Trade* (AIT) and the *New West Partnership Trade Agreement* (NWPTA).
- b. The Town must nationally advertise all procurements of goods or services valued at \$75,000 or greater, or construction valued at \$200,000 or greater.
- c. The Town will use the Alberta Purchasing Connection (APC) as its "posting agent" to advertise tenders and RFPs at <http://www.purchasingconnection.ca/>, and the Town website. The Town may use alternate media depending on specific requirements of the tender.
- d. Grant providers may request competitive bidding at any threshold in which case the grant provider's administrative procedures will supersede this Policy. Purchases shall be made at the lowest cost available and consistent with the criteria outlined under this policy.

6.2. Awarding of Contracts

Procurement awards or contracts for all goods and services acquired on behalf of the Town of Rocky Mountain House are to be in accordance with this Policy.

- a. One Year or Shorter-Term Contracts - All annual or shorter-term contracts for products and services are to be authorized according to the known or maximum dollar value budgeted (including contingency but excluding GST).
- b. Multi-Year Contracts - For contracts with durations of greater than one year, the approval level is calculated as the maximum financial obligation for the Town for the minimum duration of the contract (including contingency but excluding GST). If the contract has options for extending beyond the minimum duration, the dollar value of the extension timeframe will be subject to an additional, future approval process. In other words, extensions should not be entered into without obtaining the proper approvals and without following the applicable processes. No contract may exceed five years in duration.

6.3. Legal Advice or Expert Services on Procurement Issues

- a. If a Director determines that a situation requires legal advice or an expert opinion, the Director will contact the lawyer or experts for any advice or opinion.

6.4. Emergency Purchases

- b. In the event of an emergency, the CAO, or designate may:
 - i. temporarily suspend the provisions of this Policy; and
 - ii. for the period of the emergency, authorize Directors to purchase goods or services at their discretion, regardless of the amount of the expenditure.
- c. In the event of an emergency, the CAO shall provide a report to Council at the next regularly scheduled council meeting detailing the emergency and any related expenditures that exceeded established ceilings or unbudgeted expenditures.

6.5. Environmentally Sustainable Goods and/or Services

- a. The Town supports the use of products and services that are more responsible to the environment in the way that they are made, used, transported, stored, packaged and managed at the end of their useful lives, recognizing that there is a need to weight the costs associated with purchasing environmentally sustainable goods or services against the benefits they may provide.
- b. Town departments are to review their contracts and tender specifications, ensuring that wherever possible and economically feasible, specifications are amended to favour environmentally sustainable goods and services.

6.6. Ownership of Proposals and FOIP

- a. The Town is governed by FOIP, which regulates the collection, use and disclosure of information.
- b. When submitting documents under this Policy to the Town, all proponents are to include a provision that the submitted documents become the property of the Town and are governed by FOIP; and they are to identify information submitted on a confidential basis.
- c. The Town reserves the right to distribute information about any proposal to Council, Town employees, and to Town consultants and contractors where the distribution of that information is considered by the Town to be necessary to its internal consultation and evaluation process.

6.7. Disposal of Goods or Equipment

- a. In disposing of or selling surplus or obsolete goods, a Director:

- i. May take into account environmental impact considerations when disposing of surplus or obsolete goods.
- ii. Should dispose of goods with a reasonable market value by methods such as transfer, trade-in, advertised sale, or auction.
- iii. May sell or dispose of items having a market value of less than \$1000 in a manner the Director determines appropriate, provided it will bring the best value to the Town.
- iv. Must use the form attached to the Surplus Disposal Policy for reporting purposes.

This Policy rescinds Purchasing/Tendering Policy 009/2010.

Redacted under Sec. 17 of the *FOIP Act*

Tammy Burke, Mayor

Redacted under Sec. 17 of the *FOIP Act*

Dean Krause, CAO

"Appendix A"
Purchase Authority Matrices

Recognized Purchasing Methods

Purchase Method	Corresponding Process
Direct Award	Not applicable as one vendor directly awarded contract (Single Source and Sole Source).
Discretionary	Includes directly engaging vendors based on an electronic (e-mail) agreement or quotation. 3 email quotes are required.
Informal	Quotations solicited from vendors without necessarily issuing a written Invitation for Quotation or Request for Proposal. Direct Negotiation may also be appropriate in certain circumstances and can be preceded by a Prequalification of Supplier process.
Competitive	Written Invitation for Quotation, Invitation to Tender, Request for Proposal, are issued with written responses received. Typically, the competitive documents used are non-complex in nature and limited to a few pages with limited terms and conditions. Direct Negotiation may also be appropriate in certain circumstances and can be preceded by a Prequalification of Supplier process.
Formal Competitive	Formal written ITT or RFP is issued with written responses received. Normally advertised. Direct Negotiation ¹ may also be appropriate in certain circumstances and can be preceded by a Prequalification of Supplier process.

Notes:

1. Direct Award guidelines (either single source/sole source) as outlined herein prevail and will be applied when there is an absence of competition, regardless of the nature of the purchase/contact (i.e. general purchases, construction contracts, consulting contracts or long-term agreements).

Example: A department wants to directly engage a consultant without engaging the marketplace and obtaining competitive quotes. Guidelines for Direct Award – Single Source will apply (*NOT the Consulting Contracts guidelines*).

2. It is always recommended that any purchase order should not be approved by same person who has also created the purchase order for internal control.

For any intermunicipal contract/agreement/supply a MOU or purchase order is required. **This matrix applies to all purchases in all categories.**

GUIDELINES FOR PURCHASES INCLUDED IN THE CURRENT YEAR'S APPROVED BUDGET

****REFER TO THE SIGNING AUTHORITY POLICY FOR CONFIRMATION****

Value	<\$1,000	\$1,000 to \$5,000	> \$5,000 to \$25,000	> \$25,000 to \$100,000	> \$100,000 to \$250,000	> \$250,000
	<p>Purchase Order by Director or Designated signing authority within approved operating or capital budget.</p> <p>Invoice approval by Director or Designated signing authority within approved operating or capital budget.</p> <p>(these are typically lower value single purchases or services – Routine purchases)</p>	<p>Purchase order by Director or Designated signing Authority within approved operating or capital budget.</p> <p>Invoice approval by Director or Designated signing authority within approved operating or capital budget.</p>	<p>Purchase order by Director up to \$25,000 within approved operating or capital budget.</p> <p>Invoice approval by Director up to \$25,000</p>	<p>Purchase order by CAO & Director within approved operating or capital budget.</p> <p>Invoice approval by CAO & Director within approved operating or capital budget.</p>	<p>Purchase order by CAO & Director within approved operating or capital budget.</p> <p>Invoice approval by CAO & Director within approved operating or capital budget.</p>	<p>Purchase order by CAO & Director within approved operating or capital budget.</p> <p>Invoice approval by CAO & Director within approved operating or capital budget.</p> <p>Council reporting required.</p>
Level of Authority Required	Director or Designated Employee or Supervisor	Director or Designated Employee	Director approval up to \$25000 if not low bid or best proposal.	CAO/Director for approval within approved operating or capital budget or if not low bid or best proposal.	CAO/Director for approval within approved operating or capital budget or if not low bid or best proposal.	CAO/Director if not low bid or best proposal.

Documents Required	Purchase Order Required. 2-3 telephone or written quotations (include recorded notes) should be obtained where appropriate.	Purchase order is required. Supporting documentation (authorized invoice, packing slip etc.) submitted to accounts payable.	Purchase order is required. Supporting documentation (authorized invoice, quotes, packing slip etc.) submitted to accounts payable.	Purchase order is required. Formal contract document. Supporting documentation (authorized invoice, quotes, packing slip etc.) submitted to accounts payable.	Purchase order required. Formal contract document. Supporting documentation (authorized invoice, tender documents, packing slip etc.) submitted to accounts payable.	Purchase order required. Formal contract document. Supporting documentation (authorized invoice, tender documents, packing slip etc.) submitted to accounts payable.
Purchase Method	Discretionary	Discretionary	Informal or Competitive	Competitive or Formal Competitive	Competitive or Formal Competitive	Formal Competitive

Notes:

1. Awards resulting from a quotation are to the lowest compliant bidder. Awards resulting from a proposal process are to the proponent with the highest scoring proposal.
2. All awards where a bid or bidder is deemed non-compliant for any reason, and would otherwise have been awarded the contract, require the approval of Director of Corporate Services prior to contract award, regardless of the value.
3. Value is calculated inclusive of all charges and expenses, but exclusive of GST.
4. For any intermunicipal contract/agreement/supply a MOU and purchase order is required.
5. Long term projects require a financial analysis for long term impact.
6. Sole Source and Direct Award purchases require approval of department director or designate.
7. All capital purchase/POs/Invoices require the approval of the Director.