

# Report to Council



**Date:** January 29, 2018  
**File:** 0600-10  
**To:** City Manager  
**From:** Darren Tompkins, Purchasing Manager  
**Subject:** Purchasing Workshop Presentation

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## **Recommendation:**

THAT Council receive for information, the Report from the Purchasing Manager, dated January 29, 2018 regarding the Purchasing Workshop Presentation.

## **Purpose:**

To Provide council with information in response to Council's expressed interest in a greater understanding the Purchasing function at the City.

## **Background:**

### Purchasing's Role

As a centralized purchasing department, the Purchasing Branch is responsible for facilitating all, with limited exceptions, the Best Value acquisition of goods, services, and construction for the City.

Centralized Purchasing has numerous benefits. With all purchasing under the direction of the Purchasing branch, the City can leverage those inherent attributes.

### Regulation Compliance

Purchasing activity must be compliant with all applicable Regulations. These regulations include Canadian Administrative Law, several national and international trade agreements, and the Community Charter to which the City has developed local Purchasing Bylaws from.

Staff have also reviewed the findings and reports of the Auditor General for Local Government and are leveraging those recommendations and findings to ensure the City has due diligence applied for local governments within BC.

### Professional Standards and Practices

Staff as members of, and designated Professionals of, the Supply Chain Management Association of Canada (SCMA) keep current with emerging regulation and legal cases. This ensures not only the City remains compliant with laws and regulations, but also remain as leaders in procurement strategies to ensure best value is attained with each purchase.

Purchasing Branch staff regularly interact with other Purchasing professionals in Communities of Practice.

In addition, staff has a seat on the Standards and Practices committee of the local construction association. This type of direct interaction with the supplier community allows the City to represent public owners and to better understand contractor perspectives on being an “owner of choice” when soliciting competitive bids.

#### Purchasing Bylaw

In November of 2017 a replacement Purchasing Bylaw was adopted by Council. The new Bylaw strengthens alignment with regulations and supports purchasing best practices. Staff reviewed applicable Trade agreements for elements that needed addressing and drew on professional purchasing resources to ensure the Bylaw supported best practices. In addition, staff reviewed reports and recommendations from the Auditor General for Local Government to ensure the Bylaw satisfied the high standards and due diligence recommendations.

#### Purchasing Methods

Staff use a variety of methods, or approaches, to acquire the planned, budgeted, and approved acquisitions. The methods will vary depending on several factors. To name a few they include value, complexity, risk, and length of the agreement.

Complex and project related acquisitions are generally procured through a Request for Proposal (RFP). In these examples, a specific solution is not identified, but the desired outcome is and the suppliers demonstrate best value through their proposal response to the solicitation.

Common higher value, but standard purchases, are procured through a request for quotation process. Goods where repeated acquisitions are needed (i.e. road salt) can be established through a contract purchase order or more commonly known as a blanket PO.

Generally low value acquisitions are purchased through procurement cards. A 2013 report to the City by KPMG sited that a typical PO costs \$89 to process compared with \$22 for the same transaction on a procurement card.

#### Measuring Performance

By using Purchasing data, from various sources including the City’s financial software, we can analyze many aspects of the work to ensure it meets expected outcomes. For instance, are expenditures aligning with contract values.

#### Data Analytics

Through the use of data analysis staff can review historic trends and evaluate procurement options for each type of spend. For example, the spend for corporate wide office supplies offers savings resulting from our cooperative supply agreement with our preferred supplier. The analysis may also identify opportunities to address areas of spend that have not previously been competed or been under

contract.

As shown in the below graph the number of purchase orders has marginally declined over the past five years as the City has trended towards consolidating procurement opportunities onto larger blanket POs versus offering multiple smaller value POs that have not leveraged bulk purchasing pricing.



#### Role of Council

Council's role in the purchasing cycle first includes setting authority for the Purchasing Branch. This is accomplished through Bylaw. This empowers the Purchasing Branch to carry out purchasing activity in keeping with professional practices and standards. Additionally, the role of Council continues as all expenditures are required to have an approved budget, or a duly amended budget, in the current fiscal year to proceed with a transaction. In these essential elements Council is involved with all expenditures.

Purchasing Branch produces reporting on all contracts in excess of \$500,000 to ensure information is available as needed. In addition, the City's Finance division also produces annual reporting, Statement of Financial Information (SOFI), listing all suppliers/expenditures over \$75,000 annually.

#### Internal Circulation:

- Deputy City Manager
- Divisional Director, Infrastructure
- Divisional Director, Corporate and Protective Services
- Divisional Director, Financial Services
- Airport Director

#### Considerations not applicable to this report:

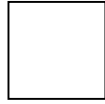
- **Personnel Implications:**
- **External Agency/Public Comments:**
- **Alternate Recommendation:**
- **Financial/Budgetary Considerations:**
- **Communications Comments: Legal/Statutory Authority:**
- **Legal/Statutory Procedural Requirements:**

- **Existing Policy (Bylaw):**

Submitted by:

D Tompkins, Purchasing Manager

**Approved for inclusion:**



RM, Divisional Director, Corporate and Protective Services