

CATEGORY: Administration  
POLICY #: C.c.001 Purchasing  
OWNER DEPT: Finance  
DATE APPROVED BY COUNCIL:

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REVISED:

*June 9, 2009*  
*[Signature]*

**TITLE: PURCHASING**  
**POLICY**



**TOWN OF SLAVE LAKE**

**POLICY STATEMENT**

To define the purchasing standards of the Town of Slave Lake and to provide direction to Town employees, by means of a comprehensive Council approved purchasing policy, for purchases of goods and services necessary to perform duties of a municipal government as well as provide procedures to authorize unbudgeted/unplanned expenditures that are not included in a budget and the verification thereof.

**OBJECTIVES:**

- 1) To procure the highest quality in supplies, materials, equipment and services at the least expense;
- 2) To ensure that procurement for the Town of Slave Lake is accomplished in a manner that is fair, competitive, efficient, effective and transparent;
- 3) To encourage and promote standardization in materials and equipment;
- 4) To use recycled and/or environmentally friendly products or materials where available and consistent with the required quality and costs objectives;
- 5) To prescribe such procedures which may be necessary for the efficient operation of the purchasing function.
- 6) To establish procedures to clarify decision making accountability for the Town to expend funds not included in the adopted budget (but within the approved budget dollars) and for the expending of funds from a replacement reserve fund, but not identified in the budget.
- 7) To provide Senior Managers with the ability to maintain core service levels within Council Approved parameters (i.e. the budget, this policy, or other area of resolution of Council)

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**GENERAL DEFINITIONS**

**1.01 Chief Administrative Officer (CAO):**

The Senior Administrator for the Town of Slave Lake.

**1.02 Senior Management:**

Department Directors and Chief Administrative Officer (CAO).

**1.03 Employee:**

Any individual employed by the Town of Slave Lake.

**1.04 Town**

The Town of Slave Lake as duly incorporated in the Province of Alberta

**1.05 Emergency Expenditure**

A situation in which the municipality must expend money in order to protect people or property and which there is inadequate time for Council to give its prior authorization for the expenditure.

**1.06 Amounts Legally Required to be Paid**

Amounts to be paid by the Town that are deemed payable by a written legal opinion, Order of a Court or quasi judicial body.

**1.07 Unbudgeted/Unplanned Expenditures**

Amounts with a net impact of \$5,000 or more that is not included in the annual adopted budget or other expenditures authorized throughout the year by Resolution of Council.

**1.08 Function**

The principal service category or operation carried out through a number of related sub functions consisting of several activities. e.g. Common Services, Community Services, etc.

**1.09 Sub-Function**

A collection of activities planned and designed to contribute to the total objective of one or more functions which are components of the service category e.g. Shop, Equipment, Arena, Family and Community Support Services, etc.

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**RESPONSIBILITIES**

2.01 Council

Council may authorize expenditures throughout the budget year through resolutions. Sources of revenue shall be identified at that time.

2.02 C.A.O.

Ensuring purchasing policy meets the needs of the Town and holds to current legislation. Ensure Council is advised in a timely manner of impacts or potential impacts to the Town budgets.

2.03 Director of Corporate Services

Ensures appropriate reporting is delivered to CAO on a timely basis and coordinates reporting to Mayor and Council with the CAO.

2.04 Directors and Senior Managers:

Ensure all employees are aware of and in compliance with policy. Directors and Senior Managers will report items with a net impact of \$5,000 or more to the applicable department adopted budget to the Director of Finance as soon as the amount is confirmed and becomes available.

2.05 Supervisors:

Assists Director in maintaining policy and promotes understanding with employees.

E.O.

## **TITLE: PURCHASING**

### **PROCEDURES**

#### **PURCHASES:**

##### **1. General Purchase Guidelines**

The Town of Slave Lake will adhere to the highest possible standards of business ethics, professional courtesy, and competence in all of its purchasing practices. The Town shall observe all applicable legislation i.e. Municipal Government Act, Internal Trade Agreement, Freedom of Information Provisions, Trade, Investment and Labour Mobility Agreement (TILMA) and our own Policies and Guidelines. In particular, the Town shall provide fair and equal treatment to all suppliers and their representatives.

In any purchasing decision, the Town of Slave Lake shall take into consideration all factors in the final cost of a product or service. The following factors may be weighted differently depending upon the scope and nature of the service or product obtained:

- transportation costs
- quality
- brands
- price
- current accounts with the Town
- availability (delivery time)
- warranties
- support and service availability
- expertise in product/service area
- references of current/previous customers

Therefore, the lowest cost supplier may not necessarily be the chosen supplier depending upon the acceptance criteria for the goods or services purchased.

No sub-function of the Town should incur expenditures or commitments in excess of the budget or funding received and/or confirmed as receivable. This applies to all financial accounts including operating accounts and capital accounts

Occasionally, it may be necessary to exceed budgetary parameters due to emergency, legal requirement to pay, or other unplanned/unbudgeted expenditures to maintain service levels. No over-expenditure is permitted without prior discussion and approval with the CAO at which time, Attachment 2 of this procedure is consulted to determine the appropriate course of action. Any request to incur overexpenditure must be accompanied by a plan of possible funding.

Projections and actual variances for line items over \$5,000 shall be reported quarterly to Council. When these have a budget impact of over \$10,000 or more, the reporting to Council will occur monthly.

*E.O.*

**TITLE: PURCHASING**  
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**Local Purchasing**

The Town of Slave Lake recognizes the importance of supporting local business and contributing to the health of the local business community. Purchases may give preference to suppliers within the Town of Slave Lake. Quotations will be from local suppliers unless there are not enough suppliers within the Town of Slave Lake. If a local supplier and a non-local supplier provide quotes, the following preference factors will be added to the non-local supplier's quotation to obtain a comparative cost:

<u>Cost of Purchase</u>	<u>Preference Factor</u>
Up to \$5,000	5%
\$5,001 to 15,000	3%
Above \$15,000	0%

FULL DISCLOSURE WHEN USING LOCAL PURCHASING PREFERENCE FACTOR MUST BE GIVEN TO ALL VENDORS AT THE TIME THAT QUOTATIONS ARE TAKEN OR ADVERTISED TO ENSURE THAT THERE IS FAIRNESS TO ALL PARTIES INVOLVED IN THE PURCHASING PROCESS.

**2. General Purchasing Method**

The Town of Slave Lake shall utilize the following purchasing methods:

**a. Direct Purchase Method**

The Direct Purchase process is utilized in obtaining goods or services for the operations of the Town of less than \$2,500. In this process, no quotation is required.

**b. Quotations**

The quotation process is to be used when:

- i. the costs of goods or services is greater than \$2,500 but less than or equal to \$75,000 for goods, \$75,000 services, \$200,000 for construction, and
- ii. the purchase is for routine operational or capital needs.

In a quotation process, the Town shall:

- i. provide drawings and/or specifications to describe the goods or services required.
- ii. provide any quotation acceptance criteria, if applicable
- iii. obtain quotations from a minimum of two suppliers, wherever possible
- iv. results of the Quotation request will be held on file by the applicable department.

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#### **c. Request for Proposals**

The Request for Proposal process is less formal than the Tender Process, usually involving cost amounts with the service component being more significant than the provision of standard off-the-shelf types of goods. The process is generally utilized in, but not limited to, the following types of purchases:

- i. purchases greater than \$10,000
- ii. equipment or supplies where the specifications vary widely amongst a limited number of qualified vendors
- iii. professional services
- iv. consulting services

In a request for Proposal process, the Town shall:

- i. state the nature of the goods and services desired, and
- ii. invite a minimum of two qualified suppliers, wherever possible, to respond, and
- iii. results of the Request for Proposal will be kept on file by the applicable department.

#### **d. Tender Process**

The tender process is a formal method of obtaining competitive prices for goods and services. This method is generally for the supply of goods and services with a dollar value that is equal to or greater than \$75,000 for goods, \$75,000 for services and \$200,000 for construction. These thresholds are in accordance with the Trade, Investment and Labour Mobility Agreement (TILMA).

Under TILMA regulations, no preference can be given to Vendors.

All tenders are to be advertised according to TILMA regulations.

Prequalification of Vendors is permitted to ensure that only those Vendors or Group of Vendors who meet all necessary criteria for bidding purposes are allowed to submit a tender.

In circumstances where the compliance of this Policy would place the Town in jeopardy, which includes, but is not limited to receiving competitive pricing for the supply of goods and services deemed necessary by the administration of the Town, Council may, by 2/3 majority, pass a resolution which approves of dispensing with compliance with this Policy.

E.O.

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**e. Vendor Selection Worksheet**

During the tender/purchase process the Vendor Selection Criteria Worksheet, (attachment 1), will be completed before seeking quotes or tenders. In this manner, project criteria, e.g. cost, delivery time, warranty, etc., are all taken into consideration first before contracts and quotes are accepted by administration.

**PETTY CASH**

A petty cash fund in the amount of \$350 is maintained by the Finance Department but is only to be used when necessary and as approved by the Director of Corporate Services. Reimbursement of expenses will be made upon presentation of a receipt, signed and coded by the employee.

**PURCHASING AUTHORITY**

The authority for purchases is obtained from Town Council via this policy and approval of the annual budget that identifies allowable expenditures by department and programs. Capital expenditures are also approved via budget approval, although related individual by-laws may also be passed for authorization of borrowing. Within this framework, the authority for individual purchases is described below.

**Purchase Order/Spending Limit**

Council Resolution	Over \$80,000
CAO	Up to \$80,000
Directors	Up to \$40,000
Project Manager	Up to \$40,000
Superintendent of Operations	Up to \$20,000
Operations/Utility Foreman	Up to \$10,000
Deputy Fire Chief	Up to \$10,000
Facility Maintenance Coordinator	Up to \$10,000
Supervisor of Corporate Services	Up to \$ 5,000
Supervisor of Planning and Development	Up to \$ 5,000
Aquatics Supervisor	Up to \$ 5,000
Mechanic	Up to \$ 5,000
Family and Community Support Coordinator	Up to \$ 5,000
Other authorized staff that hold a P.O. Book	Up to \$1,000

*C.D.*

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All purchases, which are charged to the account of the Town with various suppliers, must be preceded by the issuance of a Purchase Order. The following payments do not require a Purchase Order: purchases made with the Town's Royal Bank Visa card, government transfer payments, petty cash, expense accounts, progress payments for capital projects, professional fees, instructor fees and volunteer honorariums.

It is the ordering department's responsibility to ensure that goods or services ordered and invoiced for, have been received in satisfactory condition

#### **PURCHASE ORDERS**

Purchase Orders must be completed and bear the appropriate authorizations as per the above authorizations and approvals prior to ordering goods or services on behalf of the Town. The approving individual is responsible to ensure that the purchase is appropriate and within the budget guidelines. The following information must be provided:

- date
- supplier name and address
- number of items ordered
- brief description of goods or services
- code of applicable expense account
- firm price or if firm price is not available, an estimate with a note that an estimate is being provided
- signature of authorizing individual within their signing authority

**The following processes are how payments are authorized for processing in the Accounting Department:**

**For Goods/Services Received Immediately**

1. Fill out PO with correct amount, GST, total and budget code.
2. Ensure that the approval signature is appropriate to the expenditure.
3. Signature of Receiver line is signed by the Town employee designated to pick up goods or when services delivered.
4. White copy is given to Vendor for their records.
5. Attach yellow and goldenrod copies of the PO with the invoice/packing slip as supplied by the vendor.
6. Deliver this to the Accounting Department for processing.

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**For Goods/Services Received at a Later Date**

1. Fill out PO with correct amount, GST, total and budget code.
2. Ensure that the approval signature is appropriate to the expenditure.
3. .White copy is given to Vendor for their records.
4. Give yellow copy to Accounting Department for holding and matching to invoice when it is received.
5. When the goods/services are received, Signature of Receiver line is signed by the authorized Town employee.
6. Deliver goldenrod copies of the PO with the delivery slip(s) as supplied by the vendor to the Accounting Department for processing.

The Accounts Payable Accounting Clerk will maintain a log book of purchase order books issued. The log will indicate when and to whom the book was issued and the date that the book was returned.

**EXPENSE REPORTS**

The Mayor will approve the expense reports for the Councillors and CAO.

The CAO will approve the expense report for the Mayor.

The CAO will approve the expense reports of all Directors.

The Directors will approve the expense reports of all employees reporting to them.

The Supervisors will approve the expense reports of all employees reporting to them.

*E.D.*

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**EMERGENCY EXPENDITURES**

This policy will not supersede the Town Emergency Response Plan Policy with dictates the procedures of the necessity to protect people and property of the Town of Slave Lake.

**AMOUNTS LEGALLY REQUIRED TO BE PAID**

Whenever circumstances allow, these amounts will be included in the annual budget adopted by Council.

Council delegates the CAO to make such payment and verify and authorize it. Verification shall consist of a written legal opinion or Order of a Court or quasi judicial body.

Such CAO approved expenditures shall be reported to Council monthly. Reports will include nature of the legal obligation, method of verifying that obligation exists, nature and amount of the expenditures.

**OTHER UNBUDGETED/UNPLANNED EXPENDITURES**

These expenditures shall be identified by the Senior Managers to the CAO and Mayor and Council amounts of \$10,000 or more.

A report to the CAO, Mayor and Council should contain a recommendation of where possible funding for the amount could be funded (i.e. reserves, general surplus).

**Please refer to Attachment 2 for a Decision Making Chart with regard to emergency expenditures, amounts legally required to be paid and other unbudgeted/unplanned expenditures.**

*E.D.*

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**PROCEDURES - ATTACHMENT 1**

**SELECTION OF VENDOR FOR (PURCHASE)  
 BEST VALUE ASSESSMENT SHEET**

Value Criteria Description	Weight (W)	Vendor A		Vendor B		Vendor C	
		Score (S)	Total (WxS)	Score (S)	Total (WxS)	Score (S)	Total (WxS)
<b>Total</b>							
*Selected Tender							

COMMENTS: \_\_\_\_\_

Prepared By: \_\_\_\_\_ Date: \_\_\_\_\_

**INSTRUCTIONS:**

STEP: 1. Value criteria and weighting to be completed BEFORE seeking quotes or tender. Weight of the value most important criteria shall equal 10. Other weights will be weighted in relation to the most important criteria.

STEP: 2. Score each vendor on each value criteria, being careful to be objective in your scoring. Give a score of 10 to the best vendor in each value criteria, and then score the others in relation to the top score, i.e. On price item, give best price a 10 and score others in comparison to best price'. To ensure "confidential" local preference guideline is applied, score price of local bidder after adjusting price fully. For example, if local price guideline is 5% and Bidder C (non-locals) price F.O.B. Slave Lake is \$600.00 and Bidder D (local) is \$666, they both get 10 price If bidder "A's" price was \$1,000 and "B" \$800 you might give them scores of 0 + 5 respectively.

STEP: 3. Total the scores by multiplying the score by the weighting of each value and then totaling.

Value Criteria Description	Weight (W)	Vendor A		Vendor B	
		Score (S)	Total (WxS)	Score (S)	Total (WxS)
After Sales Service	10	6	60	10	100
Price	10	10	100	5	50
Operating Costs	5	10	50	5	25
<b>Total</b>			<b>*210</b>		<b>175</b>
* - Selected Tender					

STEP: 4. Award tender to vendor with greatest points, i.e. A in example shown in step 3.

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**PROCEDURES - ATTACHMENT 1**

**EXAMPLES  
SELECTION OF VENDOR FOR (PURCHASE)  
BEST VALUE ASSESSMENT SHEET**

Value Criteria Description	Weight (W)	Vendor A		Vendor B		Vendor C	
		Score (S)	Total (WxS)	Score (S)	Total (WxS)	Score (S)	Total (WxS)
<b>Example 1 Fire Pump</b>				<b>Local</b>			
Price	8	10	80	8	64	7	56
Dependability	10	5	60	10	100	10	100
Service	6	3	18	5	30	10	60
<b>Total</b>			<b>158</b>		<b>194</b>		<b>*216</b>
<b>Example 2 Police Cruiser/Loader</b>		<b>Local</b>					
Price	10	7	70	8	80	10	100
Longevity	5	5	25	6	30	7	35
Ease of Use	10	8	80	10	100	8	80
Service	10	9	90	8	80	7	70
Repair Frequency	10	9	90	9	90	6	60
Reorder Capability	5	7	35	7	35	7	35
<b>Total</b>			<b>390</b>		<b>*413</b>		<b>380</b>
<b>Example 3 Photocopy Paper</b>		<b>Local</b>					
Price	10	9	90	8	80	7	70
Delivery	5	10	50	8	40	10	50
Quality	2	10	20	10	20	10	20
<b>Total</b>			<b>*164</b>		<b>140</b>		<b>142</b>
<b>*Selected Tender</b>							

Highest Price,  
Best Value

Best Value

Lowest Price,  
Worst Value

*[Handwritten signature]*

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**PROCEDURES - ATTACHMENT 2**

Decision Making Chart

Situation		Signing Authority	Approved By	Standards
Emergency (As per Emergency Policy)	Serious injury or damage if action not taken immediately	CAO	CAO	1. Over \$80,000 Advise Mayor immediately, Council within 24 hours. 2. Between \$10,000 to \$80,000 Report to Council Meeting Monthly. 3. Below \$10,000 Quarterly Budget Report
Amounts Legally required to be Paid	All	CAO	Council	Status reports on previously approved expenditures to Council on quarterly basis
Unbudgeted/Unplanned Expenditures				
Core Service - Required to sustain (Capital, Operational Budgets or Health and Safety concerns ) See Note 1.	a. Has own budget envelope room within sub-function/project through identified savings or revenue b. Has no budget room within sub-function/project but within the overall annual Town budget	Department Managers up to \$10,000 CAO	CAO up to \$80,000 Council over \$80,000	Status reports to Council on quarterly basis Status reports to Council on monthly basis
Discretionary Spending	Most effective use of funds within budget parameters and service level requirements	Department Managers up to \$10,000	CAO up to \$80,000	Status reports to Council on quarterly basis
Core Service and/or Discretionary Spending	Not within operational or capital budget parameters	Council	Council	Status reports to Council on quarterly basis

Note 1. Wage savings/vacant positions may only be reallocated toward other personnel related costs.

*C.D.*