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To: Mayor Foster and Members of Council

From: Trevor Pinn, CPA, CA – Director of Financial Services/Treasurer

Date: October 4, 2021

File No.: [File No.]

Re: Referral of Purchasing By-law Update to Council

Background

On June 29, 2021, the Audit and Accountability Committee (AAC) recommended to Council the approval of the proposed updated Purchasing By-law contained within Report FSD-036-21. At the July 5, 2021 Council, Report FSD-036-21 was referred back to the AAC for review. At the AAC meeting of September 28, 2021, the Committee referred the Report back to Council and asked the Director of Financial Services/Treasurer to provide a memo to Council regarding the options for consideration at Council for the proposed Purchasing By-law.

Staff have heard from a Member of Council that there was concern regarding the threshold at which purchasing awards would come back to Council for approval. If any member of Council has additional concerns, other than the thresholds, please contact me so that I can discuss the concerns with you and determine if there are options that could be considered.

Council Approval Thresholds

Paragraph 59 and 60 of the proposed Purchasing By-law relate to all purchasing awards other than consulting services. The recommended reporting process is that purchases not exceeding \$500,000 be approved by the CAO and purchases exceeding \$500,000 would be brought to Committee for approval. The existing by-law has this threshold at \$250,000. The proposed amount recognizes the inflationary factors that have impacted contracts over the past ten years and that more contracts that previously would not have met that threshold will start to, which may increase the time spent by Council on more routine or lower value contracts than in the past.

Purchasing Services Staff surveyed the other Durham municipalities and noted that two others (Whitby and Pickering) currently use \$250,000 as a threshold, Ajax uses \$500,000,

Oshawa uses \$2,000,000 and the Region only requires approval if the bid is not to the low bid or highest scoring proponent (and single/sole source contracts greater than \$100,000). The average threshold of the five lower tiers is approximately \$650,000, which is above the proposed amount. An amount of \$375,000 is the midpoint between the current threshold and the proposed threshold.

Paragraph 64 of the proposed Purchasing By-law relates to the award of consulting contracts. The recommended process would be for consulting contracts exceeding \$50,000 to be brought to Committee for approval, while amounts not exceeding \$50,000 would be approved by the CAO. This threshold was picked to bring us more in line with other municipalities in the Region as well as responding to concerns from Staff and vendors that the current threshold is too low and results in delays to the award of the contract.

Purchasing Services Staff, in the same survey, determined that the Municipality had the lowest threshold for the award of consulting contracts. Both Whitby and Pickering require Council approval for amounts greater than \$50,000, Oshawa has a threshold of \$100,000, Ajax has a threshold of \$500,000 and the Region does not have a specific threshold but reports summary information semi-annually. The average of the five lower tiers is approximately \$146,000 which is significantly higher than Staff's proposal. The midpoint between the recommendation and the current level is \$40,000.

Options for Threshold Levels

Council does have several options, including but not limited to:

1. Approve the purchasing by-law as recommended by Staff with the \$500,000 and \$50,000 thresholds in place.
2. Approve the purchasing by-law with thresholds that mirror the Town of Whitby and the City of Pickering. This would be \$250,000 for purchases and \$50,000 for consulting services. This follows the thresholds that are in place with the highest number of municipalities in the Region.
3. Approve the purchasing by-law with thresholds that are the mid-point between the current level and the Staff recommended level. This would move the purchasing threshold to \$375,000 and the consulting services to \$40,000.
4. Approve the purchasing by-law while keeping the existing thresholds of \$250,000 and \$30,000.
5. Approve the purchasing by-law with different numbers as determined by Council.

As there are several changes that modernize the purchasing process and clean up old processes, it is necessary to adopt the purchasing by-law in order to continue our movement towards electronic processes and more streamlined procurement.

Conclusion

Staff continue to recommend option 1. These thresholds bring the reporting levels for consulting contracts in line with the next lowest amount (Whitby and Pickering), the non-consulting threshold is increased to a level which is still below the average of all of the lakeshore lower tiers. Also, as noted above, increasing the thresholds will provide efficiencies to the procurement process

If Council wishes for consistency, which is not completely possible, with other municipalities in the Region then option 2 should be chosen as this aligns our thresholds with two municipalities which are roughly the same population as Clarington. This would keep the non-consulting levels at \$250,000 but would increase the consulting threshold to \$50,000.

Staff would not recommend option 4 as it does not recognize the increasing costs of goods over the years and would result in the number of awards meeting this threshold increasing due to inflation.

Staff are available to members of Council who wish to discuss any aspect of the proposed Purchasing By-law.

Respectfully submitted,



Trevor Pinn, CPA, CA
Director of Financial Services/Treasurer
Financial Services Department

cc: Andrew Allison – CAO
David Ferguson – Purchasing Services Manager
Catherine Carr – Internal Audit Manager
Department Heads