

PROCEDURE NAME: Purchasing Procedures

CATEGORY: Government – Effective Governance
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DEPARTMENT RESPONSIBLE: Finance and IT Services

I. INTRODUCTION

The purchasing of goods and services, which are required to enable the City to carry out its functions, is an activity that involves virtually all parts of the organization. It is also an activity that is of considerable interest to the business community and the general public.

The City requires an approach to purchasing which delivers the required goods and services, in the necessary quantity of the desired quality, at the time they are required, and at a reasonable price. The community needs to be assured that the City's purchasing decisions are made without favour or bias, that there is ample opportunity for qualified suppliers to bid for City business, and that there is a high standard of financial stewardship.

These Purchasing Procedures support and align with the City of Prince George Purchasing Bylaw No. 8841, 2017. Most notably, these Purchasing Procedures include provisions that are consistent with applicable trade agreements in relation to competitive solicitations, exemptions to competitive processes and minimum standards for those processes. Procedures regarding the disposition of surplus assets are also covered.

These Purchasing Procedures apply to all departments of the City. The Risk and Procurement Division facilitates the purchasing of goods and services through formal solicitations and the disposal of surplus assets according to these Purchasing Procedures.

II. OBJECTIVES, PRINCIPLES, AND PROCEDURES

A. Purchasing Objectives

1. Purchasing activities are to be carried out so that required Goods and Services are obtained in a timely manner, in the desired quantity, of the desired quality, and at a reasonable price. In short, the City seeks “value for money”.
2. Formal Solicitations are to be conducted in a manner that promotes open, non-discriminatory, fair and transparent opportunities for qualified suppliers.
3. Purchasing activities should encourage the development of local sources of supply to the extent permitted under Applicable Trade Agreements, and where there is no substantial increase in cost to the City.

4. Purchasing decisions are to be based on demonstrable technical and operational considerations, price and other relevant criteria.
5. Where practicable, Purchasing decisions are to be based on the “life cycle” cost of the acquisition. “Life cycle” costs include operation, repair, staff, and disposition costs rather than just the initial invoice price.
6. City staff should review their requirements in order to provide for the Purchase of Goods and Services in ways that support the Sustainability Procedures of these Purchasing Procedures.
7. In all Formal Solicitations for building construction, the City commits to requesting that a wood option be included for consideration.

B. Purchasing Principles and Procedures

1. Procedure #1 (Based on Applicable Trade Agreements):

Except as otherwise specifically permitted under the Purchasing Bylaw or these Purchasing Procedures, the City will provide open and non-discriminatory access to procurements where the procurement value is:

- (i) \$75,000 or greater for goods;
- (ii) \$75,000 or greater for services; or
- (iii) \$200,000 or greater for construction

(collectively, the “Dollar Thresholds”).

If a procurement value is less than the Dollar Thresholds, then an open and non-discriminatory process (in whole or in part) is an option, but not an obligation in relation to that procurement.

For the purposes of this Procedure #1:

“City” includes any corporation or entity owned or controlled by the municipality of the City of Prince George;

“non-discriminatory” means: (i) the City gives to potential suppliers of goods and services of other areas of Canada treatment no less favourable than the best treatment it gives, in like circumstances, to potential suppliers in Prince George or BC (or those of any other jurisdiction); (ii) the City does not adopt or maintain any forms of discrimination based on the province of origin of goods, services, construction materials or the suppliers of such goods, services or construction materials in its procurement practices; and (iii) the City avoids discriminatory procurement practices which include, but are not limited to, those listed in Appendix B;

“open” means: (i) the City posts a Formal Solicitation document (or a notice regarding a Formal Solicitation document) for the procurement through BC Bid, or through another electronic tendering system provided by the BC Government (and in addition, the City may advertise the procurement on its website, BCBid, in the local newspaper, and/or by other means); and (ii) the Formal Solicitation documents (and/or the notice regarding the Formal Solicitation documents, if applicable) meet the minimum requirements listed in Appendix A.

For the purposes of these Purchasing Procedures:

“construction” means a construction, reconstruction, demolition, repair or renovation of a building, structure or other civil engineering or architectural work and includes site preparation, excavation, drilling, seismic investigation, the supply of products and materials, the supply of equipment and machinery if they are included in and incidental to the construction, and the installation and repair of fixtures of a building, structure or other civil engineering or architectural work, but does not include professional consulting services related to the construction contract unless they are included in the procurement;

“department head” means the director that the Procurement division reports to;

“goods” means moveable property (including the costs of installing, operating, maintaining or manufacturing such moveable property) and includes raw materials, products, equipment and other physical objects of every kind and description whether in solid, liquid, gaseous or electronic form, unless they are procured as part of a general construction contract (and for greater certainty, does not include real property);

“procurement” means the acquisition by any means, including by purchase, rental, Lease or conditional sale, of goods, services or construction, but does not include:

(a) any form of government assistance such as grants, loans, equity infusion, guarantees or fiscal incentives; or

(b) provision by government organizations, including government entities, of goods and services to other persons or entities;

“procurement value” means the estimated total financial commitment resulting from a procurement, taking into account optional renewals when the compulsory part of the contract is of at least one year’s duration;

“services” means all services (unless they are procured as part of a contract for goods or construction);

“supplier” means a person that provides or could provide goods, services or construction in the context of a procurement.

2. Procedure #2 (Informal Competition Below the Dollar Thresholds):

If the procurement value exceeds Ten Thousand Dollars (\$10,000) but is less than the Dollar Thresholds, then the City will, except as otherwise specifically permitted under the Purchasing Bylaw or these Purchasing Procedures, solicit a minimum of three Quotations using an Informal Request for Quotations, and may select the best valued Submission meeting the requirements of the City.

3. Procedure #3 (Lowest Dollar Value; Exempt Purchases):

If the procurement value does not exceed Ten Thousand Dollars (\$10,000) or is subject to an Exemption, then to the extent practicable, an Officer or Employee will Purchase reasonably priced goods, services or construction meeting the requirements of the City.

4. Procedure #4 (All Purchases that are subject to Procedure #1):

The City aims to pursue the Purchase of Goods and Services in a manner that integrates financial responsibility, social issues, and community and environmental stewardship, and

the City's commitment to the Government of British Columbia's *Wood First Act*. To this end, Employees will incorporate relevant sustainability factors when writing performance specifications and evaluation criteria and will follow other Sustainability Procedures as described in Appendix C, in relation to Formal Solicitations. However, to the extent that this Procedure #4 may conflict with the City's obligation to provide open and non-discriminatory access to procurements under Procedure #1, Procedure #1 will govern.

If Procedure #2 or Procedure #3 applies to a Purchase, it is encouraged that consideration be given, where practicable, to sustainability factors and other Sustainability Procedures, but it is not obligatory to do so.

There are dollar value thresholds defined internally for the purpose of valuating our Tangible Capital assets. When purchasing different asset types, if the thresholds are exceeded, they are considered capital projects and must be approved by Council before purchasing can continue. The asset types and their thresholds are as follows:

- Machinery and equipment - \$10,000
- Parks Infrastructure - \$50,000
- All other infrastructure (buildings, roads, sewer, water, storm, energy and comms) - \$100,000

5. Procedure #5 (Advance Planning; No Contract Splitting):

User divisions will advise the Risk and Procurement Division of their purchasing plans and requirements for Goods and Services in advance of program needs. Aggregating similar requirements can substantially reduce prices and costs relating to maintenance, delivery, ordering and payment processing. All user divisions will work with the Risk and Procurement Division to review and identify opportunities for demand aggregation that provide overall savings to the City. Procurements cannot be subdivided in a manner designed to avoid requirements of the Purchasing Bylaw, these Purchasing Procedures, or Applicable Trade Agreements. For more guidance on avoiding such subdivisions (sometimes referred to as 'contract splitting'), refer to Appendix G.

C. Exemptions to Procedures #1 and #2

The following Exemptions are set out under Applicable Trade Agreements to justify direct contract awards, regardless of procurement value, provided that procurement procedures are not used by the City to avoid competition, discriminate between suppliers, or protect its suppliers:

- Only One Supplier. A procurement where it can be demonstrated that only one supplier is able to meet the requirements of the procurement, provided that circumstances listed in Appendix D are applicable.

Commentary: Although it may be helpful, a notice of intent to award to a supplier need not be posted on BC Bid in order to demonstrate that no other suppliers are able to meet the City's requirements. It may be sufficient to complete an appropriate level of market research, and document the results of that market research in the purchasing file. The person initiating the procurement and the person approving it must both be satisfied that there are no other suppliers able to meet the requirements associated with the procurement.

For greater certainty, where it can be demonstrated that only two suppliers are able to meet the requirements of the procurement (and the other provisos described above are met in relation to the two suppliers), then Procedure #2 shall be construed as requiring the solicitation of a minimum of two Quotations.

- Unforeseeable Urgency. A procurement where an unforeseeable situation of urgency exists and the goods, services or construction could not be obtained in time by means of open procurement procedures (if Procedure #1 would otherwise apply) or by means of an Informal Request for Quotations (if Procedure #2 would otherwise apply).

Commentary: This is a situation where there is an urgent or emergent need for the procurement, without which there would be significant operational issues or potential injury, loss of life and/or loss of or damage to property or the environment. This does not include situations where insufficient time was allowed for the normal process to occur, or where there was a lack of planning for the procurement.

- Confidential Acquisition. A procurement when the acquisition is of a confidential or privileged nature and (i) disclosure through an open process could reasonably be expected to compromise City or other government confidentiality, cause economic disruption or be contrary to the public interest (if Procedure #1 would otherwise apply) or (ii) disclosure through an Informal Request for Quotations could have any such effect (if Procedure #2 would otherwise apply).

Commentary: In situations where maintaining information as confidential is a concern, consider whether requiring suppliers to sign Non-Disclosure Agreements early in the process can offer sufficient protection for the information. If the procurement itself must remain secret for the reasons set out above, or if particular information is confidential and an NDA offers insufficient protection, consider making use of this Exemption.

The following Exemption may apply to justify direct contract awards, regardless of procurement value:

- Contrary Laws. A procurement where competition is precluded due to the application of any federal or provincial legislation or regulations.

If an Exemption applies, then following Procedures #1 or #2, in whole or in part, may still be an option in relation to that procurement, but would not be an obligation.

For additional Exemptions that are applicable on a relatively infrequent basis, refer to Appendix E.

III. DEFINITIONS AND RESTRICTIONS

A. Definitions and Interpretations used in these Purchasing Procedures

“Bid” means a formal written offer submitted in response to an Invitation to Tender;

“Contract” means a contract for Purchase by the City of Goods and Services, including the issuance of a purchase order by the City and acceptance of the purchase order by the supplier, purchases under standing purchase orders or the execution of any agreement evidencing obligations;

“Engineering Consulting Services” means the services of engineers and legal survey services required by the City;

“Exemption” means an exemption from Procedures #1 and #2, as described in section II.C and Appendix E to these Purchasing Procedures;

“Formal Solicitation” means a Request for Proposal, an Invitation to Tender and/or a Request for Qualifications;

“Informal Request for Quotations” means a verbal or written request from the City to suppliers to provide a Quotation to the City for the supply of specified Goods and Services of a specified type, quality and/or quantity (regardless of the title given by the City to any related solicitation document);

“Invitation to Tender” or “ITT” means a formal bidding process that contemplates an award being made to a qualified bidder whose Bid offers the lowest cost (regardless of the title given by the City to the solicitation document);

“Proposal” means a written submission from a supplier in response to a written Request for Proposal wherein the supplier describes how its Goods and Services, and related methods, can meet the specified needs of the City and at what cost;

“Purchasing Bylaw” means City of Prince George Purchasing Bylaw No. 8841, 2017;

“Quotation” means a verbal or written submission from a supplier quoting a firm price (with or without additional relevant information) in response to an Informal Request for Quotations;

“Request for Proposal” or “RFP” means a formal solicitation process that contemplates the selection of a qualified proponent based on price and other evaluation criteria (regardless of the title given by the City to the solicitation document);

“Request for Qualifications” or “RFQ” means a solicitation document used for the pre-qualification of Goods and Services, or to invite suppliers, if they meet the required qualification criteria, to register on a source list (regardless of the title given by the City to the solicitation document);

“Rotational Selection Process” means a process used to select a supplier for Engineering Consulting Services whereby suppliers are pre-qualified by the City and, in alphabetical order, are given an invitation to enter into a Contract with the City for a project according to a specified methodology;

“Submission” means a supplier’s response to an Invitation to Tender, a Request for Proposal, a Request for Qualifications, or a response to any other solicitation document issued by the City in connection with a possible Purchase; and

“Sustainability Procedures” means Procedure #4, above, and Appendix C to these Purchasing Procedures.

The definitions set out in these Purchasing Procedures, including Appendices, are not exhaustive. For additional definitions that may be relevant to the interpretation of these Purchasing Procedures, refer to the Purchasing Bylaw, and Applicable Trade Agreements. In the event that a conflict or inconsistency is found between any provisions of these Purchasing Procedures and related documents, the following order of priority will govern: (i) Purchasing Bylaw; (ii) Applicable

Trade Agreements; (iii) these Purchasing Procedures, except as specifically stated to the contrary in relation to the particular subject matter, and except that these Purchasing Procedures will be paramount in relation to any clarifications set out herein to the definitions in Applicable Trade Agreements.

In the event that a solicitation document issued by the City does not bear a title matching a solicitation document defined in these Purchasing Procedures, or if a solicitation document issued by the City exhibits elements of more than one of the solicitation documents defined in these Purchasing Procedures, then the solicitation document issued by the City shall be deemed to be the defined solicitation document to which the issued solicitation document most closely relates. For example, the City has developed a “Request for Standing Offers” or “RFSO” in relation to its summer and winter equipment for hire registration program, which essentially functions as an RFQ (i.e. for the pre-qualification of Goods and Services, and/or to establish a source list); thus, despite its title, the RFSO is deemed to be an RFQ for the purposes of these Purchasing Procedures.

B. Restrictions, Privileges, and Exceptions

1. Drafting Formal Solicitations:

When drafting Formal Solicitation documents, mandatory requirements that may prompt disqualification of a Submission should be kept to a minimum (as opposed to performance specifications, which can be extensive). These kinds of mandatory requirements have proven to be a steady source of support for lawsuits against public sector entities. Before adding a mandatory requirement to a Formal Solicitation, the user division should be sure that it will be willing to reject an otherwise first-rate Submission for any material shortcoming in relation to that one mandatory requirement.

2. Grounds for Ineligibility:

The Purchasing Bylaw authorizes setting out Grounds for Ineligibility in these Purchasing Procedures, according to which a person, corporation or partnership, or a Submission from a person, partnership or corporation in relation to a solicitation document issued by the City regarding a possible Purchase, will or may be rejected, on a one-time, time-limited or ongoing basis and otherwise in accordance with these Purchasing Procedures.

“Grounds for Ineligibility” means:

- a) a supplier has entered a Contract for a Purchase and thereafter fails to perform the Contract in accordance with its terms, conditions and specifications; or
- b) a supplier is, or has been engaged, either directly or indirectly, in a legal action against the City or its representatives, or the City has initiated a legal action against the supplier, in relation to:
 - (i) any Contract with the City, or
 - (ii) any matter arising from the City’s exercise of its powers, duties, or functions under the *Local Government Act*, the *Community Charter* or another enactment; or
- c) bankruptcy; false declarations; crimes or other serious offences; professional misconduct or other acts or omissions that adversely reflect on the commercial integrity of the supplier; failure to pay taxes, or any other grounds that the City Manager determines are likely to adversely affect the supplier’s ability to work with the City or its representatives, or are likely to result in increased uncertainty

regarding staff time or legal costs to the City in relation to contract performance or administration, or similar acceptability considerations.

Without limiting the City's privilege to reject any or all tenders and/or cancel a solicitation, if the City determines that Grounds for Ineligibility apply to a supplier or its Submission, then the City may reject the Submission from that supplier, provided that any applicable Formal Solicitation document contemplates the rejection of any tender. Ideally, the Formal Solicitation document will set out specific Grounds of Ineligibility, in whole or in part, or will incorporate Grounds of Ineligibility into the solicitation document by reference.

If it becomes known that Grounds of Ineligibility apply to a particular supplier, the City Manager may, in his/her absolute discretion, give notice to the supplier of the City's intent to reject the supplier's Submissions for a period of up to three (3) years from the date of such notice.

3. Screening Submissions to Formal Solicitations:

Before fully considering a Submission, the Risk and Procurement Division checks that the Submission meets all mandatory requirements specified in the Formal Solicitation document. In general, only Submissions that are materially compliant with the Formal Solicitation document are acceptable to the City, subject to the rights and privileges set out in those documents. If a question arises regarding whether non-compliance is material or immaterial, the Risk and Procurement Division should consult with legal counsel.

In relation to each Formal Solicitation, the City selects a Submission on the basis of the evaluation criteria, selection methodologies and other relevant provisions set forth in the Formal Solicitation documents, subject to the rights and privileges set out in those documents. The rationale for the ranking and selecting of Submissions must be documented.

IV. AUTHORITIES AND RESPONSIBILITIES

A. Authorities and Spending Limits

Refer to the Purchasing Bylaw for authorizations to make Purchases within specified dollar limits.

If it is anticipated that a particular Officer or Manager with the authorization for a Purchase will be executing a Contract in regards to that Purchase, then that Officer or Manager should:

- i. Assume responsibility for all key decisions, and approve all required documentation (including the Contract), or
- ii. Assign one Employee reporting to that Officer or Manager (directly or indirectly), or one Employee in the user division, as appropriate, with responsibility to make key decisions, and approve required documentation (other than the Contract).

If the Officer or Manager is assigning responsibilities to an Employee under paragraph (ii), then the extent of the assignment should be communicated to the Employee in writing (e.g. by email); otherwise paragraph (i) will apply.

For greater certainty, this procedure is subject to any other authorizations and limitations specifically set out under the Purchasing Bylaw or Purchasing Procedures (e.g. authorization for an Employee in an acting position to execute a Contract; limitation on an Employee in an acting position to sub-delegate duties to another person).

B. Reporting to Council

The Department Head prepares Procurement Quarterly Reports to Council providing quarterly procurement activity information, including information regarding Purchases that exceed the Dollar Thresholds. These reports will also include basic information related to the specific topics that are subject to reporting obligations under these Purchasing Procedures.

V. METHODS OF PROCUREMENT

A. Methods for Gathering Market Information

1. Request for Information: A Request for Information or “RFI” is a document that provides suppliers with a general or preliminary description of a problem or need and requests that they provide information or advice about how to better define the problem or need, or alternative solutions. It may be used as a preliminary step to assist in preparing a Formal Solicitation or Informal Request for Quotations.
2. Request for Expressions of Interest: A Request for Expression of Interest or “RFEOI” is a document used to survey the market for suppliers interested in supplying particular Goods and Services, and/or responding to a Formal Solicitation or an Informal Request for Quotations or to survey the market for parties interested in an investment and/or a development opportunity. An RFEOI may also be used to search for non-profit corporations, associations or entities interested in accepting the City’s surplus Assets.

An RFI or RFEOI can be particularly helpful as a preliminary step in the context of Purchasing situations with a high dollar value, a high degree of uncertainty and/or a high degree of complexity. However, an RFI or RFEOI, on its own, is not considered a Formal Solicitation or an Informal Request for Quotations. After issuing an RFI or RFEOI, the City may or may not take further steps in relation to the Purchase, depending on the responses.

B. Formal Solicitations

1. Distinguishing between ITTs and RFPs
 - a) Invitations to Tender: An Invitation to Tender solicits competitive Bids by setting out detailed performance specifications and clearly stated mandatory criteria. The Bids and prices are typically provided without conditions and the award without negotiation. Submissions are compared to the performance specifications and mandatory criteria contained in the tender documents. The award is normally to a qualified bidder whose Bid meets the performance specifications and mandatory criteria of the tender and is the lowest cost.

- b) Requests for Proposal: A Request for Proposal is another formal solicitation to suppliers. It is typically used when there are alternative ways to meet a specific need, or when it is difficult for the City to fully define performance specifications. The supplier is invited to propose what they consider to be the best way of meeting the City's need, including filling gaps in the City's specifications, depending on what the City has requested in the RFP itself. At other times, an RFP is used when detailed specifications have been defined by the City, yet the City wishes to evaluate qualitative criteria on a points system (e.g. experience on similar projects; employee resumes; financial stability), in addition to price.

In response to a Request for Proposal, the supplier describes how its Goods and Services, and/or related methods can meet the City's specific need and at what cost. The City normally selects the supplier whose Proposal is determined to be the highest-ranked, as the most advantageous to the City based on the evaluation criteria set out in the Request for Proposal and applied equitably to all the Proposals. In short, Requests for Proposal allow the City to carefully weigh many factors, including quality and price.

2. Deciding between ITTs and RFPs

In connection with Procedure #1 and in light of Procedure #4, issuing an RFP is generally preferable over issuing an ITT. ITTs are based on the premise that lowest price wins. Yet, the lowest price can also correspond with the lowest (perhaps barely acceptable) quality. The lowest price can also correspond with socially irresponsible or otherwise unsustainable practices (e.g. relatively poor environmental practices or health and safety safeguards, for example). Often, paying a little more money for a much better offering makes a lot more sense. In the pursuit of value for money, it is often crucial to evaluate the quality of the Goods and Services, relevant sustainability factors, and other relevant qualitative criteria, along with price. As the Supreme Court of Canada has suggested: “the prudent owner will consider not only the amount of the bid, but also the experience and capability of the contractor, and whether the bid is realistic in the circumstances”,¹ for example.

Nevertheless, an ITT may be required or preferred over an RFP under the following scenarios:

- a) When an ITT is required according to the terms of applicable federal or provincial legislation or regulations; or
- b) When an ITT is widely viewed as the “industry standard” for Purchasing particular Goods and Services; or
- c) When all three of the following conditions are met: (1) the City is making a Purchase of goods (but not technology, not construction, and no services of significance); (2) product specifications are precise, clear and complete (e.g. the market offers off-the-shelf goods of a certain quality, and suppliers distinguish themselves only on price), and (3) lowest price is genuinely viewed as the only relevant criterion.

In relation to scenario (c): If a user division is calling for Submissions that will include significant disclosures of non-price information (perhaps running many pages in length), then the user division is interested in more than price; therefore, an RFP should be used over an ITT. Further, if the user division is drawing debatable distinctions between ‘pass’ and ‘fail’ in relation to mandatory criteria under an ITT, criteria that would typically be framed as desirable criteria under

¹ *MJB Enterprises* (1999, SCC, at paragraph 45).

an RFP, all in an attempt to weed out Submissions based on non-price information, then the user division is seriously interested in more than price; therefore, an RFP should be used over an ITT. Adding a qualitative criterion to an ITT template framed as a mandatory criterion, and then making debatable pass/fail decisions based on that mandatory criterion, can lead to lawsuits. Instead, draft and score qualitative criteria on a sliding scale under an RFP model (perhaps with a minimum acceptable score set out in relation to particularly important criteria).

3. Adding an RFQ to the Process

An RFQ may be used to establish a short-list of pre-qualified suppliers as a preliminary step in advance of an ITT or RFP regarding that same Purchase. Alternately, an RFQ may be used to establish a permanent or time-limited source list that the City uses to make subsequent Purchases, provided that the RFQ describes how contracts will ultimately be awarded to suppliers on the source list (e.g. rotational or other process).

Opportunities to be registered on a source list should be provided either continuously or at regular intervals, and the applicable RFQ should describe those intentions. The period for which a source list will be valid should also be specified in the RFQ document.

For greater certainty, if the procurement value for a particular procurement meets or exceeds the applicable Dollar Threshold and an RFQ is intended to be part of the solicitation process, then Procedure #1 applies to that RFQ (unless an Exemption is used).

4. Competitive Purchases through a Buying Group

A buying group is a group of two or more members which combines the purchasing requirements and activities of the members of the group into one joint procurement process. Buying groups include cooperative arrangements in which individual members administer the procurement function for specific contracts for the group, and more formal corporate arrangements in which a corporate entity administers procurement for group members. Buying groups may involve a variety of entities, including public sector, private sector and not-for-profit organizations.

a) *If the City is participating in a buying group, the City shall ensure that any procurement undertaken through the buying group is carried out in a manner consistent with the City's obligations under Applicable Trade Agreements, and in particular, Procedure #1 (if applicable).*

For greater certainty, when considering the Dollar Thresholds for the purposes of Procedure #1, and in the context of a particular procurement by a buying group, the City should consider the entire procurement value, not only the portion of the procurement value attributable to the City.

b) *Despite paragraph (a) but subject to paragraph (c), Applicable Trade Agreements (including Procedure #1) do not apply to procurements by the City undertaken through a buying group that includes a participating non-government entity if the buying group is not controlled or directed by the City or by one or more government entities.*

c) *If the City participates in a buying group as described in paragraph (b) (i.e. a buying group that is not controlled by government entities) then:*

- i. the City must still ensure that any specific procurement in which the City participates is undertaken by that buying group in a manner that gives to potential suppliers of goods and services of other areas of Canada treatment no less favourable than the best

treatment the City gives, in like circumstances, to the City’s own potential suppliers (or those of any other jurisdiction); and

- ii. the City has no obligations relating to any specific procurement of that buying group in which the City does not participate.

C. Informal Competitive Methods of Procurement

1. Informal Requests for Quotations

When Informal Requests for Quotations are used, the request is made verbally or in writing to at least three suppliers (or to two suppliers, under the circumstances explained under the “Only One Supplier” Exemption in relation to Procedure #2). Verbal requests and responses should be summarized in writing in the applicable purchasing file.

When there are more than three suppliers who can supply the Goods and Services, it is not necessary to contact all of them to obtain Quotations. However, the City expects that, rather than always contacting the same three suppliers, staff should rotate the opportunity to quote amongst additional qualified suppliers from time to time.

The suppliers contacted should be given the same information so that they will be quoting on the same Goods and Services. Quotations should remain confidential, even after the purchasing decision has been made. The purchasing decision need not be based on “lowest cost”, and may take quality, sustainability, and other considerations into account in the pursuit of “value for money”.

If such Informal Request for Quotations responses include submissions from businesses outside the Prince George area, the City will apply the hierarchy listed below and a submission must offer a financial advantage of no less than 10% over a submission in a higher hierarchy level before being considered for award:

1. City of Prince George;
2. Regional District of Fraser Fort George;
3. Province of British Columbia;
4. Canada;
5. International

2. Rotational Selection Process

Despite Procedure #2 regarding Informal Requests for Quotations, if a Purchase is for Engineering Consulting Services and the procurement value is less than the applicable Dollar Threshold (i.e. \$75,000), then the Rotational Selection Process is typically utilized for the Purchase. The Risk and Procurement Division, through an informal evaluation process, has pre-qualified professional consulting firms that can be directly awarded contracts for Engineering Consulting Services through the Rotational Selection Process. The methodology for this process is more fully set out in the applicable pre-qualification documents, and includes the following elements:

1. The Rotational Selection Process may be used for civil, electrical, structural, geotechnical, environmental, mechanical, architectural, and hydro-geological engineering services as well as for legal survey services.

2. To become an approved consultant for the Rotational Selection Process, interested consultants are required to undergo a pre-qualification process. During that process, consultants are required to demonstrate that they meet certain prerequisites (e.g. that they have sufficient related experience and adequate staff resources to provide the anticipated services).
3. Approved consultants are listed alphabetically by firm name. If the Rotational Selection Process is used, then as each new mandate for engineering services arises, the firm next-in-line on the list is given first opportunity to negotiate that mandate.
4. If a firm is able to meet the City's request, the firm shall be expected to provide the City with a fee proposal for the project and if the Manager of Risk and Procurement determines the fee proposal is excessive, the Manager of Risk and Procurement may negotiate a reduction in the fee proposal with the firm, and/or may seek a fee proposal from the next firm on the list, in the sole discretion of the Manager of Risk and Procurement.
5. If the firm declines to provide engineering services for that project for whatever reason, or if the Manager of Risk and Procurement moves down the list as described under the Rotational Selection Process, then that firm loses its turn in the rotation. Each year, the City picks up where it left off on the list.

When a Purchase of Engineering Consulting Services has a procurement value of less than the applicable Dollar Threshold, then Procedure #1 is not applicable, including the requirement for a non-discriminatory process. Thus, the City may make its listing and/or purchasing decision based, in part, on locally available capacity, thereby giving a local preference to engineering consultants and/or their sub-consultants. Under the Rotational Selection Process, the City should encourage the development of local sources of supply, where there is no substantial increase in cost to do so.

3. Other Informal Processes and Programs

Despite Procedure #2 regarding Informal Requests for Quotations, the Manager of Risk and Procurement may establish other informal or innovative competitive methods of Purchasing, provided that: (i) the methods promote "value for money"; (ii) particular categories of goods, services or construction are specifically identified, and (iii) the procurement value of the particular goods, services or construction is less than the applicable Dollar Thresholds.

For example, a "Request for Standing Offers" or "RFSO" has been developed by the Risk and Procurement Division to establish a summer and winter equipment for hire registration program, covering equipment for hire such as loaders, crawler tractors, graders, backhoes, excavators, trucks, etc., for summer construction/maintenance projects, and winter snow clearing operations. Through the RFSO's annual registration and ranking process, the City's operator/equipment registration list can be updated, and qualifying operators can be selected for particular work assignments on an as-and-when required basis, based in part on hourly rates, and all according to the methodologies contemplated under the RFSO.

The Risk and Procurement Division will inform user divisions whenever such processes and programs are available on a trial, case-by-case, or ongoing basis, and user divisions will make use of such processes and programs to the extent contemplated under the process or program. Under these processes and programs, the City should encourage the development of local sources of supply, where there is no substantial increase in cost to do so.

D. Non-Competitive Methods of Procurement

1. Direct Contract Awards

Direct contract awards may occur as specifically permitted under these Purchasing Procedures, including for Purchases at the Lowest Dollar Values, or when an Exemption is available under Applicable Trade Agreements. All notable Exemptions are set out under these Purchasing Procedures. A supplier may be selected from the local marketplace (or from elsewhere), and the terms and conditions for the Purchase are generally completed through negotiation.

Refer to the Purchasing Bylaw for information on management approvals based on the Total Cost of the Purchase.

In addition, the following advisory and reporting procedures are applicable to direct contract awards if the procurement value meets or exceeds the Dollar Thresholds:

- a) A user division that is aiming to complete a direct contract award meeting or exceeding the Dollar Thresholds contacts the Manager of Risk and Procurement.
- b) The Manager of Risk and Procurement provides advice to the user division concerning whether the situation may warrant a direct contract award.
- c) If the user division wishes to continue to pursue a direct contract award after receiving the advice described under paragraph (b) above, then the user division prepares a report explaining what Exemption is being proposed; the alternatives that are available; how value for money will be achieved; the overall cost limitations, and any other circumstances, rationale and supporting documentation relevant for assessing the direct contract award. The report should indicate whether the Goods and Services should be Purchased by way of direct contract award on a one-time or ongoing time-limited basis, and should include the advice from the Manager of Risk and Procurement to the user division described under paragraph (b) above.
- d) The user division submits the report to the Manager of Risk and Procurement. If the Manager of Risk and Procurement is empowered to authorize the Purchase under the Purchasing Bylaw, then the Manager of Risk and Procurement reviews the report (and takes into account any other considerations under the Purchasing Bylaw and these Purchasing Procedures), and either approves the direct contract award, or declines to approve it.

If the Manager of Risk and Procurement is not empowered to authorize the Purchase under the Purchasing Bylaw, then the Manager of Risk and Procurement may add comments to the report and then forwards it to the Department Head.

If the Manager of Risk and Procurement is empowered to authorize the Purchase under the Purchasing Bylaw but declines to approve a direct contract award, then the user division may escalate the report to the Department Head.

- e) If the Department Head receives the report as described above, and if Department Head is empowered to authorize the Purchase under the Purchasing Bylaw, then the Department Head reviews the report (and takes into account any other

considerations under the Purchasing Bylaw and these Purchasing Procedures), and either approves the direct contract award, or declines to approve it.

If the Department Head is not empowered to authorize the Purchase under the Purchasing Bylaw, then the Department Head may add comments to the report and then forwards it to the City Manager.

If the Department Head is empowered to authorize the Purchase under the Purchasing Bylaw but declines to approve a direct contract award, then the user division may escalate the report to the City Manager.

- f) If the City Manager receives the report as described above, then the City Manager reviews the report (and takes into account any other considerations under the Purchasing Bylaw and these Purchasing Procedures), and either approves the direct contract award, or declines to approve it.
- g) Whether or not the direct contract award is approved, a copy of the report should be retained in the purchasing file.
- h) If direct contract awards meeting or exceeding the applicable Dollar Thresholds are made during a quarter, then the Department Head reports those direct contract awards in the Procurement Quarterly Report to Council.

2. Specific Manufactured Product Brand Purchases

There are times when, for the sake of compatibility with existing equipment, facilities, or services, or for legitimate objectives, it is desirable or necessary to Purchase a specific manufactured product brand. As always, refer to the Purchasing Bylaw for information on management approvals based on the Total Cost of the Purchase.

If the procurement value meets or exceeds the Dollar Thresholds and the intent is to pursue a direct contract award on the basis of the 'Only One Supplier' Exemption to Procedure #1 (or any other Exemption), then the procedure for direct contract awards under section V.D.1, above, will be followed, and the rationale for the specific manufactured product brand Purchase included in the applicable report.

If the intent is to pursue a Formal Solicitation under Procedure #1 or on a voluntary basis, then the solicitation document should specify the specific manufactured product brand, with the words "or equivalent" included. Otherwise, the following advisory and reporting procedure will be followed:

- a) A user division that is aiming to complete a specific manufactured product brand Purchase *without explicitly allowing for an equivalent product* contacts the Manager of Risk and Procurement.
- b) The Manager of Risk and Procurement provides advice to the user division concerning whether the situation may warrant a specific manufactured product brand Purchase.
- c) If the user division wishes to continue to pursue the specific manufactured product brand Purchase after receiving the advice described under paragraph (b) above, then the user division prepares a report akin to the report regarding direct contract awards under section V.D.1 above, and includes the rationale for a specific manufactured product brand Purchase.

- d) The user division submits the report to the Manager of Risk and Procurement. From there, the same approval, escalation and retention process applicable to direct contract awards under section V.D.1 above is followed.
- e) If the Manager of Risk and Procurement, the Department Head, or the City Manager, as appropriate, approves the user division's desired approach to the Purchase, the Risk and Procurement Division then seeks Submissions from suppliers of the specific manufactured product brand.

E. Performance Specifications and Evaluation Criteria

1. Preparing Performance Specifications and Evaluation Criteria

User divisions are responsible for preparing the performance specifications for the Goods and Services that are to be Purchased, in a manner that can be easily interpreted by qualified suppliers. In addition, user divisions are expected to prepare performance specifications that can be fulfilled by more than one product, manufacturer or supplier (except for Purchases at the Lowest Dollar Values; when a direct contract award under an Exemption is approved, and/or when a specific manufactured product brand Purchase is approved).

Where price is not the only consideration in a Formal Solicitation, user divisions must describe in advance the evaluation criteria, weights assigned to those criteria, and method of evaluation that will be used to determine the relative merits of Submissions.

2. Review of Performance Specifications and Evaluation Criteria

The Manager of Risk and Procurement is required to review all performance specifications and evaluation criteria set out in Formal Solicitations, prior to Formal Solicitations being issued. In reviewing proposed performance specifications and evaluation criteria, the Manager of Risk and Procurement is expected to consider:

- alternative Goods and Services that are available and that offer cost or other advantages;
- whether the proposed performance specifications and evaluation criteria adequately protect the City's interests;
- whether the proposed performance specifications and evaluation criteria contain ambiguities that are likely to confuse suppliers;
- whether the proposed performance specifications or evaluation criteria are contrary to industry practices or violate the intent of these Purchasing Procedures (including the Sustainability Procedures), or any City policy; and
- whether the proposed methodology for evaluating Submissions is clear and consistent with the City's practices.

Before making changes to performance specifications and/or evaluation criteria, the Manager of Risk and Procurement consults with the user division.

3. Evaluating Submissions by Committee

To evaluate Submissions in response to Formal Solicitations, a single evaluator may be used, or a selection committee may be formed, depending on the availability of human resources, the type of Formal Solicitation, the complexity of the performance specifications and evaluation criteria, and other factors. The Manager of Risk and Procurement makes the decision regarding whether a selection committee is warranted.

When a selection committee is formed, it is typically composed of at least one representative of the user division (preferably including a representative who was involved in drafting the performance specifications and/or evaluation criteria), and one or more subject matter experts (as appropriate). A representative of the Risk and Procurement Division may be included on the selection committee, if the Manager of Risk and Procurement decides it to be necessary or desirable.

When scoring Proposals against the evaluation criteria set out under an RFP, a selection committee's review would typically include the following steps in relation to each Proposal: (i) each member of the selection committee independently reviews the Proposal against each evaluation criterion, and records raw scores; (ii) at least one consensus meeting is held to compare and discuss raw scores; (iii) errors or outliers found in raw scores may result in disregarding or adjusting them, if determined by consensus to be justified; (iv) an average score is calculated for the Proposal in relation to each evaluation criterion; and (v) the total score is calculated for the Proposal, based on the weightings and methodology set out in the Formal Solicitation document.

If a subject matter expert is included on the selection committee, other members of the committee may defer to the judgment of the expert in relation to evaluation criteria falling within the expert's area of expertise. For example, the selection committee may decide in advance that only the subject matter expert will score certain criteria, or during the consensus meeting, the selection committee may defer to the opinion of the subject matter expert in relation to certain criteria.

For greater certainty, if the Formal Solicitation document sets out an evaluation methodology that differs from the foregoing, in whole or in part, the inconsistency will be resolved in favour of the Formal Solicitation document. In any event, the outcomes and related justifications for each step in the evaluation process will be documented for each Formal Solicitation in its purchasing file.

VI. CITY ASSETS

A. City Facilities and Revenue-Related Agreements

1. To operate or maintain real property (i.e. land, buildings) and/or Assets owned or controlled by the City (collectively, "City Facilities"), the City may decide to Purchase the services of a supplier in accordance with the Purchasing Bylaw and these Purchasing Procedures. Alternatively, the City may decide to enter an agreement to lease-out, license-out or otherwise assign City Facilities to a third party and allow the third party to operate and/or maintain the City Facilities on a profit-loss (or break-even) basis, without any significant payment obligations or financial commitments by the City to the third party; rather, payments are typically made by members of the public or other entities directly to the third

- party, and revenue or profit may be shared with the City under the applicable agreement (“Revenue-Related Agreement”).
2. For certainty, whether or not payments to the City by the third party are required or received, a Revenue-Related Agreement is not considered a “Purchase” as defined under the Purchasing Bylaw, and is not considered a “procurement” as defined under these Purchasing Procedures.
 3. The Risk and Procurement Division receives information concerning a user division’s intent to enter a Revenue-Related Agreement. The Risk and Procurement Division may recommend to the user division that specific Purchasing Procedures be followed (e.g. Formal Solicitation; Informal Request for Quotations) as an option, but not as an obligation in relation to that Revenue-Related Agreement.
 4. For each potential Revenue-Related Agreement (except for agreements assigning City receivables to a collection agency, or similar financial arrangements involving only intangible Assets), the user division prepares a project plan that reflects or refers to any recommendations of the Risk and Procurement Division. The user division must not begin implementing the project plan until it has been approved by the City Manager. Likewise, the terms of the final form of Revenue-Related Agreement are subject to the prior approval of the City Manager.
 5. Each Revenue-Related Agreement must be approved and signed by the City Manager.

B. Disposition of Surplus City Assets

1. The Risk and Procurement Division receives information concerning user divisions' surplus Assets and provides information concerning these Assets to other City divisions. User divisions' surplus Assets are transferred to other divisions that may find them useful. If a Manager has identified surplus City-owned Assets which are not useful to any City division, ~~and which retain some value,~~ **the Manager of Risk and Procurement will confirm with Finance the netbook value of the Assets. If the Assets do retain value, then:**
 - a) **Subject to Section 3 below,** the City Manager may approve that surplus Assets be disposed of by donating them, without compensation, to any non-profit corporation, association, or entity, with or without **the formal process of a Request for Expressions of Interest (RFEOI).** ~~or other competitive process~~ **If a formal process is determined to be required, a RFEOI process would be issued by the City for response from non-profit corporations, associations or entities (including charitable and public bodies). Such RFEOI would be communicated to the community by posting to BC Bid. If the RFEOI process is used to dispose of Assets, pre-determined scoring criteria would be used and City staff would evaluate the RFEOI responses to and recommend which responding entity should receive the surplus Assets. Such criteria may include, but is not limited to, the following:**
 - **Must be a non-profit corporation, association or entity;**
 - **Respondent must be from within the Prince George area, which includes rural areas within 150kms of city limits, of which priority will be given as per the following hierarchy:**
 1. **Within city limits of Prince George;**
 2. **Regional District of Fraser-Fort George; or**
 3. **Communities within 150 kms of Prince George.**
 - **Proposed use of the Asset – the proposal that uses the Asset in a manner**

that best benefits the community.

- b) ~~The Department Head may approve that City owned IT Assets be disposed of by donating them, without compensation, to any non profit corporation, association, or entity. The donation of such surplus City owned IT Assets is subject to the following process. The City issues a Request for Expressions of Interest, and non profit corporations, associations or entities (including charitable and public bodies) may submit responses to the City's RFEOI. Using pre determined criteria, City staff evaluates the responses to the RFEOI and recommends which entity should receive the surplus IT Assets. The Department Head approves the donation of the surplus IT Assets and the Risk and Procurement Division arranges the donation of the IT Assets; and~~ **The Asset could be traded in. An Asset at the end of its economic life may be traded in for another Asset of similar use and purpose as a replacement Asset.**
 - c) ~~The Manager of Risk and Procurement may dispose of surplus City-owned Assets through auction or for value through another formal or informal process~~ **a formal Request for Expressions of Interest (RFEOI), as described in 1(a).**
 - d) **Mobile devices may be purchased by departing employees as per the Information Technology Services – Mobile Devices Administrative Procedure.**
2. **If a Manager has identified surplus City-owned Assets which are not useful to any City division, are at the end of their useful life, and which retain no value, then such Assets may be recycled or disposed of in accordance with the Purchasing Bylaw.**
 3. **If the City Manager deems an Asset to have significant cultural or historical value to the City, a recommendation based on the process described in 1(a) will be brought forward to Council for its consideration.**

VII. CONTRACTING FOR GOODS, SERVICES AND CONSTRUCTION

A. Contracting for Goods, Services and Construction

Contracts should generally be in writing and signed and delivered by all parties prior to the shipment of the goods, or commencement of services or construction (or, in the case of an emergency, as soon as possible thereafter). Exceptions may include: Purchases completed by Purchasing Card, or Purchases completed by accepting a verbal Quotation.

City staff must not do or say anything to create a verbal Contract on behalf of the City. Even in situations where a Purchase is completed without a written, signed Contract, the Purchase must be documented to the extent practicable, in the purchasing file. For example, verbal Quotations must be accepted in writing (e.g. by email) and a written record retained; supplier invoices (with any terms and conditions attached) must be retained.

Contracts must be made in the supplier's legal name. Each Contract must be approved and signed by the appropriate authority, as set out in the Purchasing Bylaw. In no circumstances should an unauthorized Officer, Employee or agent legally bind the City with only apparent authority.

B. Contracting for Engineering Consulting Services

Under the Rotational Selection Process, the consultant is required to sign a separate Contract each time it is given rotational work. Contract documents prepared by the consultant will not be accepted.

C. Requirements for Bid or Performance Security

Invitations to Tender with a Total Cost of at least 200,000 may include a requirement that Bids be accompanied by a bid bond valued at not less than 10% (ten percent) of the price on offer, as security that if a Contract is awarded to the supplier, that supplier will enter into the Contract for the supply of Goods and Services.

In lieu of a bid bond a supplier may be permitted to provide a certified cheque, a bank draft or an irrevocable letter of credit in the face value required by the bond. However, if the Invitation to Tender will be posted to BCBid, the Invitation to Tender should not permit certified cheques, bank drafts or letters of credit as a substitute for a bond, due to technical difficulties submitting negotiable instruments through BCBid.

Invitations to Tender for construction projects with a Total Cost of at least \$200,000 may include a requirement that the selected contractor provide as performance security a Labour and Materials Payment Bond at 50% (fifty percent) of the Contract value and/or a Performance Bond at a value of 50% (fifty percent) of the Contract value (or a certified cheque, bank draft or irrevocable letter of credit on terms determined by the City to be the equivalent to the bonding requirements otherwise applicable).

Apart from these scenarios, the City's Formal Solicitations and Informal Requests for Quotations typically do not include bid bonds, or other forms of bid security or performance security, except on a case-by-case basis in the discretion of the Manager of Risk and Procurement. If a question

arises regarding the advisability or drafting of bonding requirements, the Risk and Procurement Division should consult with legal counsel.

D. Length of Contract, Renewals and Extensions (or Other Amendments)

Multi-year Contracts are permitted when the stability of the longer timeframe supports better value to the City. It is acceptable to structure the Term of the original Contract to include an initial term and one or more optional renewal periods, particularly when the time period required for contractual performance is uncertain or relevant factors suggest a multi-phased approach.

However, multi-year Contracts should not be established through ongoing amendments to extend shorter term Contracts, unless planned and included as renewal options at the outset. Annual or multi-year Contract renewals are only allowed when the potential for renewal has been explicitly included in the original Contract, including the establishment of a limit on the number of renewals. Refer to the definition of “procurement value” to determine whether or not the value of the optional renewals must be taken into account for the purposes of applying Procedure #1 or #2.

Despite the preceding paragraph, an amendment to extend the duration of the Contract for a reasonable period of time is allowable when an unforeseen event has delayed the delivery of specific contract outputs.

If an increase in the Total Cost of a Contract is contemplated (by way of amending agreement, change order, or otherwise, and with or without an extension period), authority approval, when applied, reflects the increase in the Total Cost associated with the amendment.

E. Contract Dispute Resolution Procedures

Contractual disputes are to be addressed through the provisions of the applicable Contract.

F. Review by Legal Counsel

Wherever possible, it is important to use the standard City formats for Formal Solicitation documents available from the Risk and Procurement Division. Officers or Employees must obtain the approval of the Risk and Procurement Division for any changes to the standard formats (and in turn, the Risk and Procurement Division may seek advice from legal counsel). Only current versions of the Formal Solicitation documents may be used.

VIII. OTHER PRACTICES

A. Purchasing Card Procedures

Officers and Employees (except Fleet Division staff) may use Purchasing Cards to Purchase any Goods and Services where the Total Cost does not exceed \$10,000. Fleet staff may use Purchasing Cards to Purchase any Goods and Services where the Total Cost does not exceed \$50,000 (and may carry a balance of up to \$150,000 in total on their Purchasing Cards).

B. Unsolicited Proposals

Unsolicited proposals received by the City will be reviewed by City staff in the applicable division. Any purchasing activity resulting from the receipt of an unsolicited proposal must comply with the provisions of these Purchasing Procedures. For example, a Contract resulting from an unsolicited proposal will only be entered through a direct contract award when the procurement complies with the ordinarily applicable direct contract award procedures.

C. Guidance on the Use of Subcontractors

The extent to which subcontractors and subconsultants may be used by suppliers, and related terms and conditions (e.g. regarding evaluations; substitutions; insurance), should be set out in the applicable solicitation documents and/or contract documents.

D. Compliance with Competitive Bid Laws, Trade Agreements, and Other Obligations

Officers and Employees are accountable to ensure that Purchases are within budget and comply with applicable bylaws, policies, and procedures, as well as any applicable provincial and federal legislation and regulations.

E. Document Creation and Retention

All steps in the Purchase process should be recorded in writing to the extent practicable, and the documentation retained for seven years following expiry of the Contract, and otherwise in accordance with the City's policies on document retention. The City is subject to BC's *Freedom of Information and Protection of Privacy Act*; therefore purchasing decisions may be subject to public scrutiny from time to time. It is critical that staff be able to demonstrate compliance with these Purchasing Procedures, and other obligations.

F. Supplier Complaint Process

A supplier may initiate a complaint if dissatisfied with the general procurement process or the application of the principles or procedures outlined in this document. The City is only able to address procurement issues through this Supplier Complaint Process. Any concerns related to Contract performance are to be addressed through the provisions of the applicable Contract.

The following steps are available as part of the Supplier Complaint Process:

Step 1 – Contact the City contact person named in the solicitation document. They may be able to provide the information or clarification required to satisfy the concern.

Step 2 – If the result of Step 1 does not resolve the concern, the complaint can be submitted in writing with the specific details and concerns and any specific action or review being requested. The complaint should be sent to the City contact person named in the solicitation document and it will be directed to the appropriate person to respond. A response will be provided within 30 days of the complaint being received. Where a response cannot be provided within the 30 days,

such notification will be provided by the City within the 30 days and the expected response time will be provided.

Step 3 – If the final response from Step 2 does not resolve the matter, a request can be made to the Manager of Risk and Procurement. A response will be provided within 30 days of the escalation being initiated. Where a response cannot be provided within the 30 days, such notification will be provided by the City within the 30 days and the expected response time will be provided.

Step 4 – If the outcome of Step 3 does not resolve the matter, further escalation to a member of the City Senior Leadership Team may be undertaken. Such request would only be considered after following the prior steps and the process would be initiated upon submitting the request to the Department Head.

Complaints can either be directed to the contact person named in the solicitation document or by sending the complaint to the title of the person noted for the specific step above, in each case using the address outlined in the solicitation document.

The City will consider complaints submitted in writing through this process. However, responses will be provided in consideration of timing of making a specific award decision and may be required to be delayed so the integrity of the procurement process is not compromised.

G. Debriefing of Unsuccessful Proponents

In relation to Formal Solicitations, the City shall ensure that its notices of contract award are made readily accessible. For example, if a Formal Solicitation was advertised on BC Bid, a contract award summary will also be posted on BC Bid.

The debriefing process provides a mechanism for unsuccessful proponents to obtain reasons why their Proposals were unsuccessful and information concerning their Proposals' strengths and weaknesses. Participating in a debriefing process can assist an unsuccessful proponent to prepare a more competitive Proposal in the future.

After an award has been made and a Contract is in place, and in response to the request of an unsuccessful proponent, City staff will conduct a debriefing. City staff will attempt to conduct a debriefing within two weeks of the later of a proponent's request or the signing of the Contract.

An unsuccessful proponent is expected to submit his/her request for a debriefing to the Manager of Risk and Procurement, within two weeks of the City announcing the contract award. Depending upon the information the proponent requests, the evaluation team members may or may not be asked to participate in the debriefing process.

Debriefings may be conducted by telephone or in writing, in the City's sole discretion.

So that debriefings are conducted fairly and consistently, the following process will be followed:

- Staff will explain the solicitation process. Explanations will include specifications, criteria, evaluation team structure, and approval process.
- The verbal or written discussion with a proponent will be based only on his/her Proposal.
- Comparisons will not be made between his/her Proposal and the successful supplier's Proposal.

- Staff will indicate the areas in which the proponent’s Proposal was strong and the areas in which it was not strong.
- Staff will provide advice concerning how the proponent could improve his/her future Proposals.

IX. ETHICAL CONSIDERATIONS

A. Code of Conduct

For information concerning ethical ways in which Officers and Employees should conduct themselves in relation to purchasing and contracting activities, including the avoidance and reporting of conflicts of interest, everyone involved in the purchasing process should refer to the City's Employee Code of Conduct.

B. Conflict of Interest of Supplier

If suppliers may be exposed to an actual, perceived or potential conflict of interest in relation to a particular Purchase, including a Formal Solicitation, then provisions regarding conflicts of interest should be included in the applicable solicitation documents and/or contract documents.

C. Non-Disclosure Agreements

If it is anticipated that the City or a supplier may be disclosing confidential information to the other party in the course of a Purchase, then a Non-Disclosure Agreement should form an early part of the purchasing process. Moreover, a Non-Disclosure Agreement must be signed and delivered by all parties prior to the disclosure of confidential information by the City to a supplier. If the City and a supplier will not be exchanging confidential information until after a Contract is signed, then including confidentiality provisions within the Contract may be sufficient.

It is presumed that suppliers may be disclosing confidential information to the City when a Request for Proposal is issued, because detailed information about the supplier, its offerings, and related pricing breakdowns are often requested through an RFP. As a result, the City’s template RFP includes a Non-Disclosure Agreement. A similar form of Non-Disclosure Agreement may be appropriate in many other purchasing contexts. The Risk and Procurement Division manages the use of Non-Disclosure Agreements in the context of Formal Solicitations, and user divisions manage the use of Non-Disclosure Agreements in other contexts.

Certain kinds of City confidential information may not be disclosed by employees to third parties, even with proper documentation in place. Refer to the Employee Code of Conduct for details.

D. Lobbying

The extent to which lobbying by suppliers is prohibited or restricted when a solicitation document has been issued should be set out in the applicable solicitation document.

X. VARIANCE FROM PURCHASING PROCEDURES, INCLUDING REQUIRED METHODS OF PROCUREMENT

An approved Statement of Variance is required when City staff wishes to deviate from these Purchasing Procedures. For greater certainty, making use of an Exemption to a required method of procurement does not represent a deviation from these Purchasing Procedures, as long as supporting circumstances are documented. It is an example of a deviation to proceed with a procurement as if an Exemption applies when circumstances supporting the use of an Exemption are absent.

A blank Statement of Variance is attached as Appendix F to these Purchasing Procedures. The Statement of Variance will be completed by the Officer or Employee proposing the deviation, and is subject to the approval of the City Manager prior to deviating from these Purchasing Procedures. The approved Statement of Variance should be retained in the purchasing file.

Appendix A

Minimum Requirements for Formal Solicitations (and Related Notices) under Applicable Trade Agreements

Minimum Requirements for Formal Solicitation Documents Issued under Procedure #1:

- In the Formal Solicitation document, the City shall clearly identify the requirements of the procurement (e.g. performance specifications), the criteria that will be used in the evaluation of submissions and the methods of weighting and evaluating the criteria.
- The City shall, where appropriate and to the extent practicable, specify performance specifications and evaluation criteria in terms of results, performance and/or competence.
- The City may, in evaluating submissions, take into account the submitted price, quality, quantity, delivery, servicing, the capacity of the supplier to meet the requirements of the procurement and any other criteria that are non-discriminatory.
- The City shall ensure that its needs are met through a fair acquisition process that is based on the highest degree of competition, efficiency and effectiveness.

For greater certainty, in relation to RFQs issued under Procedure #1:

- If the RFQ is used to establish a short-list of suppliers as a preliminary step in advance of an ITT or RFP regarding that same procurement, then the RFQ and ITT/RFP, read together, shall meet the minimum requirements set out above.
- If the RFQ is used to establish a permanent or time-limited source list that the City uses to make subsequent Purchases without an ITT or RFP, then the RFQ read alone shall meet the minimum requirements set out above.

Minimum Information for a Notice regarding a Formal Solicitation Document:

If, in order to comply with Procedure #1, a notice regarding a Formal Solicitation document is posted to BC Bid (as opposed to the Formal Solicitation document itself), then the information provided in the notice shall include at least the following:

- (a) a brief description of the procurement contemplated;
- (b) the place where a person may obtain information and the Formal Solicitation documents;
- (c) the conditions (if any) for obtaining the Formal Solicitation documents;
- (d) the place where the submissions are to be sent;
- (e) the date and time limit for submitting submissions;
- (f) the time and place of the opening of the submissions in the event of a public opening; and
- (g) a statement that the procurement is subject to the New West Partnership Trade Agreement and Annex 502.4 of the Agreement on Internal Trade.

Appendix B

Discriminatory Practices

Discriminatory procurement practices which are not allowed include, but are not limited to:

- (a) registration requirements and restrictions in Formal Solicitations based upon the location of a supplier and its subcontractors, or the place where the goods or services are produced and, generally, qualification procedures that discriminate between suppliers by province of origin;
- (b) the biasing of specifications in favour of, or against, a particular good or service for the purpose of circumventing these Purchasing Procedures;
- (c) the timing of opening of submissions and closing dates for submissions so as to prevent qualified suppliers from making submissions;
- (d) the specification of quantities and delivery schedules of a scale and frequency that may reasonably be judged as deliberately designed to prevent qualified suppliers from meeting the requirements of the procurement;
- (e) the division of required quantities or the diversion of budgetary funds to subsidiary agencies in a manner designed to circumvent these Purchasing Procedures;
- (f) the consideration, in evaluating submissions, of provincial content or economic benefits that favour a supplier or good of one area of Canada over another;
- (g) the giving of preference to selected submissions after submissions have been submitted and without any mention of the intended preference in the Formal Solicitation;
- (h) the use of price discounts or preferential margins to favour suppliers of one area of Canada over another;
- (l) the unjustifiable exclusion of a qualified supplier from submitting;
- (j) the requirement that a construction contractor or subcontractor use workers, materials or suppliers of materials originating from the area of Canada where the work is being carried out.

Appendix C

Sustainability Procedures

Purpose:

Sustainable procurement is a management process to acquire Goods and Services in a way that gives preference to suppliers that generate positive financial, social, and environmental outcomes, and that integrates sustainability considerations into product selection so that impacts on society and the environment are minimized throughout the full life cycle of the product.

The City recognizes its responsibility to minimize negative impacts on human health and the environment while supporting a diverse, equitable, and vibrant community and economy. The City also recognizes that the types of Goods and Services that it Purchases have inherent social, human health, environmental, and economic impacts and that it should make purchasing decisions that embody its commitment to sustainability.

These Sustainability Procedures are intended to:

- Identify those sustainability factors (social, environmental, and financial) that shall be considered, and if relevant, incorporated into Formal Solicitations;
- Incorporate the City of Prince George’s commitment to the Government of British Columbia’s *Wood First Act*;
- Encourage and promote the primary use of wood in municipal structures and develop a culture of wood during the selection process for architects, designers, and engineers;
- Promote healthy lifestyles and help resource social programs;
- Pursue Purchases of Goods and Services that benefit the economy and create economic opportunity for vulnerable populations;
- Pursue Purchases of Goods and Services that produce less air and water pollution and reduce harmful emissions;
- Complement city-wide and community partner sustainability goals and related policies; and
- Communicate the City’s commitment to sustainable procurement to staff, suppliers, and residents.

Sustainability Factors:

- Environmental factors to be considered include, but are not limited to, the lifecycle assessment of: pollutant releases; toxicity, especially the use of toxic chemicals; waste generation; greenhouse gas emissions; energy consumption; depletion of natural resources; and impacts on biodiversity.
- Social factors to be considered include, but are not limited to, human health impacts; support of community social programs; and ethical sourcing standards (e.g. the International Labour Organization’s prohibition on child labour).
- Financial factors to be considered include, but are not limited to: product performance and quality; life cycle cost assessment; leveraging opportunities; impact on health and safety costs; increasing operational and economic efficiencies; and creating economic value through commitment to the *Wood First Act*.

When Officers or Employees choose a Request for Proposal (rather than an Invitation to Tender), the weight placed on the price evaluation criteria will range from 25% to 65%. For each RFP, the actual weight will be determined, in part², by considering the importance of price relative to other factors such as sustainability, capability and methodology. Any exception to the base range will require written justification and approval from the City Manager.

² The weighting given to price can be influenced by several factors, including: the number and relative importance of non-price criteria; the degree to which suppliers are expected to distinguish their offerings from one another based on price (which can be heavily influenced by whether or not a budget limit is set out in the solicitation document), and ultimately, the degree to which the City is willing to pay a higher price in return for a higher-quality offering.

Appendix D

Exemptions - Circumstances for “Only One Supplier” Procurement

The following are the circumstances for the purposes of the “Only One Supplier” Exemption:

- (a) to ensure compatibility with existing products, to recognize exclusive rights, such as exclusive licences, copyright and patent rights, or to maintain specialized products that must be maintained by the manufacturer or its representative;
- (b) where there is an absence of competition for technical reasons and the goods or services can be supplied only by a particular supplier and no alternative or substitute exists;
- (c) for the procurement of goods or services the supply of which is controlled by a supplier that is a statutory monopoly;
- (d) for the purchase of goods on a commodity market;
- (e) for work to be performed on or about a leased building or portions thereof that may be performed only by the lessor;
- (f) for work to be performed on property by a contractor according to provisions of a warranty or guarantee held in respect of the property or the original work;
- (g) for a contract to be awarded to the winner of a design contest;
- (h) for the procurement of a prototype of a first good or service to be developed in the course of and for a particular contract for research, experiment, study or original development, but not for any subsequent purchases;
- (i) for the purchase of goods under exceptionally advantageous circumstances such as bankruptcy or receivership, but not for routine purchases;
- (j) for the procurement of original works of art;
- (k) for the procurement of subscriptions to newspapers, magazines or other periodicals; and
- (l) for the procurement of real property.

Appendix E

Additional Exemptions to Procedures #1 and #2

Although applicable on a relatively infrequent basis, the following additional Exemptions flow from Applicable Trade Agreements to permit direct contract awards, regardless of procurement value, provided that these procurement procedures are not used by the City to avoid competition, discriminate between suppliers, or protect its suppliers:

Procurements:

- (a) from philanthropic institutions, prison labour or persons with disabilities;
- (b) from a public body or a non-profit organization;
- (c) of goods purchased for representational or promotional purposes (and services or construction purchased for representational or promotional purposes outside of British Columbia);
- (d) of health services and social services;
- (e) on behalf of an entity not covered by Article 14 of the New West Partnership Trade Agreement;
- (f) by the City in relation to operating sporting or convention facilities, in order to respect a commercial agreement containing provisions incompatible with Procedures #1 and #2;
- (g) of services provided by lawyers and notaries;
- (h) of goods intended for resale to the public; or
- (i) in the absence of a receipt of any submissions in response to a solicitation.

Procedures #1 and #2 need not apply to the following situations (whether or not procurement procedures are used by the City to avoid competition, discriminate between suppliers, or protect its suppliers):

- (a) Measures (e.g. procurement requirements, specifications and/or practices) adopted or maintained relating to Aboriginal peoples;
- (b) Measures adopted or maintained relating to water, and services and investments pertaining to water where “water” means surface and ground water in liquid, gaseous, or solid state, but does not include water packaged in containers with a capacity of 20 litres or less; or
- (c) Any procurement of treasury services, where “treasury services” are defined at length in Part VI of NWPTA.

Cautionary Note: The lists of Exemptions set out above and under the heading “Exemptions to Procedures #1 and #2” in the main body of these Purchasing Procedures are not entirely exhaustive, and may change from time to time.

For a complete and current cataloguing of exemptions/exceptions, refer to NWPTA, Part V, “A. General Exceptions”; NWPTA, Part V, “C. Government Procurement”, and NWPTA, Part II, Article 6 (regarding “Legitimate Objectives”), along with relevant definitions.

Appendix F

Statement of Variance			
User division:	Purchase or disposition?	Today's date:	
<i>Background information</i>			
Description of goods, services, or construction:			
ITT or RFP No.: <small>(if applicable)</small>			
"Total Cost": <small>(refer to definition in Purchasing Bylaw)</small>	\$		
"procurement value": <small>(refer to definition in Purchasing Procedures)</small>	\$		
Length of initial term:			
Number and length of renewal periods (if any):			
<i>Information regarding proposed course of action</i>			
What course of action is proposed?			
How does this course of action deviate from the Purchasing Procedures? <small>(include references to headings or section #'s in Purchasing Procedures)</small>			
Why is the deviation being proposed?			
APPROVED BY:	<small>(To assist with assessments, attach any relevant supporting documentation. Retain this Statement of Variance and any supporting documentation in the purchasing file.)</small>		
Officer or Employee proposing deviation	Name:	Signature:	Date:
Manager of user division	Name:	Signature:	Date:
City Manager	Name:	Signature:	Date:

Appendix G

Frequently Asked Questions

Question: The Purchasing Bylaw calls for the calculation of the ‘Total Cost’ of the purchase, but the Purchasing Procedures call for the calculation of the ‘procurement value’. Why use two different phrases, with two different meanings?

Response: The definition of ‘procurement value’ is driven by applicable trade agreements. Depending on the ‘procurement value’ for a particular purchase, the City may be obliged under the trade agreements to post the opportunity to BC Bid, for example. In contrast, the definition of ‘Total Cost’ is driven by the City’s own preferences and practices regarding internal authorizations, as expressed in the Purchasing Bylaw. In short, the City is a ‘rule-taker’ when it comes to when-and-how to run a Formal Solicitation, but a ‘rule-maker’ when it comes to who-signs-off-on-what.

One important difference between the two definitions: the ‘Total Cost’ concept allows City personnel to disregard the value of potential renewals when the initial contract is approved and signed; each renewal is approved later, prior to the renewal being exercised (without regard to the value of the initial term of that same contract). In contrast, the ‘procurement value’ concept requires the City to consider, at the outset, both the value of the initial term of the contract together with the value of renewal periods, if the initial term of the contract is less than one year.

Question: The City might make some purchases through a buying group of municipalities. Let’s say the City is contemplating purchasing a commodity (like gasoline) through a buying group, and the buying group is contemplating putting together a contract with an initial term of one year, and annual renewal periods. If the cash outlay for the City’s share of the commodity is expected to be \$240K during the one year initial term, and \$260K during the first one year renewal term, how should City staff apply the ‘Total Cost’ versus ‘procurement value’ concepts?

Response: First, consider the approval requirements under the Purchasing Bylaw, using the ‘Total Cost’ concept. The ‘Total Cost’ of the initial term would be \$240K, so the Department Head could authorize the purchase. As the initial term is drawing to a close, if the \$260K estimate for the first renewal period proves to be accurate, then the ‘Total Cost’ of the renewal would be \$260K, and the authorization of the City Manager would be required to renew.

Second, consider the method of procurement under the Purchasing Procedures. The compulsory part of the contract would be at least one year, so the ‘procurement value’ would disregard renewals entirely (both at the outset, and when the contract is ultimately renewed). Note that the ‘procurement value’ could be much greater than \$240K, because it would include the estimated financial commitment of the entire buying group. Clearly, the ‘procurement value’ would exceed the Dollar Threshold for goods under the trade agreements (i.e. \$75,000 or greater), so City staff should work to ensure that this opportunity is posted by the buying group to BC Bid.

Question: Could using two different concepts – like ‘Total Cost’ for approval purposes and ‘procurement value’ for solicitation purposes – lead to unwanted outcomes?

Response: Possibly, but unlikely. An unwanted outcome would be a situation where a Manager (other than the Manager of Risk and Procurement) is authorized to make a particular purchase, even though the City is obliged to advertise the opportunity on BC Bid. If the Manager overlooks the need to calculate a ‘procurement value’, or calculates it improperly, the Manager might inadvertently fail to arrange to advertise the opportunity to BC Bid. This outcome is only possible if the contract that is

contemplated will have an initial term of less than one year, and will have a renewal term with a much higher dollar value than the initial term.

For example, if the initial term for a service contract is only six months; if the value of that initial term is expected to be \$24K, and if the value of the renewal term is expected to be \$52K, then the 'Total Cost' would be \$24K (because the definition of 'Total Cost' states that only the initial term is relevant to the initial approval), and the 'procurement value' would be \$76K (because the definition of 'procurement value' says, in effect, that both the initial and renewal terms are added together when the compulsory part of the contract is less than one year). Thus, an ordinary Manager could approve the initial term (because the 'Total Cost' is less than the \$25K threshold applicable to a Manager), despite the fact that the opportunity should be destined for BC Bid (because the 'procurement value' is greater than the \$75K Dollar Threshold applicable to the procurement of services). Note that higher-level authority would be required down the road, if the user division wishes to renew this hypothetical contract (because at \$52K, the anticipated value of the renewal would exceed the approval threshold of \$25K applicable to Managers).

Bottom line: If you are a Manager contemplating a contract within your sphere of authority (i.e. a contract with a 'Total Cost' not exceeding \$25K), and (i) the initial term is less than one year, and (ii) a renewal term is included with a radically higher dollar value than the initial term, and (iii) the sum of the anticipated values of the initial and renewal terms may exceed the "Dollar Thresholds" under the Purchasing Procedures, then you should contact the Risk and Procurement Division for assistance. These situations should be rare. In any other situation, Managers can be confident that if they are authorized to approve the purchase (because the 'Total Cost' does not exceed \$25K), then no obligation to advertise the opportunity on BC Bid will apply (because the 'procurement value' will not equal or exceed \$75K for goods/services, or \$200K for construction).

Question: It often makes sense to carve a services mandate into manageable chunks or phases, but isn't that called 'contract splitting', and isn't 'contract splitting' offside the applicable trade agreements?

Response: Yes, 'contract splitting' is inconsistent with obligations under applicable trade agreements, the Purchasing Procedures, and the Purchasing Bylaw. However, carving a project into manageable chunks is not necessarily 'contract splitting'. It depends mainly on your project planning needs and intentions. Ask yourself: is setting up this project in multiple phases designed to meet a business need, or *designed to avoid* the application of any provision of the Purchasing Bylaw or Purchasing Procedures?

Focusing on the Purchasing Procedures: If you are carving a procurement of services into phases for *valid business reasons* (independently of any consideration of Dollar Thresholds), and covering each phase with a separate contract, and if it so happens that the 'procurement value' of the contract for each phase falls below the Dollar Thresholds, then a direct contract award should be supportable for each phase, and no violation of the City's obligations should arise.

One way to manage a multi-phased purchase is to set up a contract with an initial set of services framed as a first phase completed during the initial term, and subsequent services framed as a subsequent phase under an optional renewal. The value of the renewal would not be included in the 'Total Cost' when the initial term is approved, and as long as the initial term is at least a year, then the value of the renewal would not be included in the 'procurement value' for the purposes of determining whether the City is obliged to advertise the opportunity on BC Bid.

Question: So let's say I want to hire a local engineer to do a preliminary design, and later, when the preliminary design services are nearing completion, I want the option to hire that same engineer to do the detailed design for that same project (assuming we can secure the funding, and assuming all goes well on the preliminary design). Let's say I estimate that the initial design will cost \$40K, and the detailed design will cost \$60K. Would I be able to use the Rotational Selection Process for Engineering Consulting Services, or would the City be obliged to use BC Bid?

Response: A cornerstone of the analysis would be a careful consideration of bona fide business needs, along with the 'procurement value' of the services. Let's assume that valid business reasons justify setting up an initial term of one year for preliminary design services, plus a renewal term covering detailed design services. Perhaps a high degree of uncertainty exists regarding whether the project will proceed any further than the initial design, due to legitimate doubts about funding or feasibility. Perhaps a high degree of uncertainty exists regarding the precise scope of detailed design services. If the initial term will be at least one year, then the 'procurement value' would be only \$40K, and the Rotational Selection Process could be used to set up a contract for both the initial term and the renewal. Again, this result flows from the definition of 'procurement value', which does not take the renewal into account as long as the compulsory part of the contract is at least a year.

Question: What if we can't wait a year for the initial design services to be completed?

Response: If you set up an initial term of just a few months for the preliminary design services, then the 'procurement value' would be \$100K, because the definition of 'procurement value' takes the renewal into account when the compulsory part of the contract is less than a year. In that case, the Rotational Selection Process could not be used. The 'procurement value' of the services would be over the applicable Dollar Threshold of \$75K, so the opportunity would be advertised on BC Bid (unless an Exemption applies).

Question: I think I get it. Now I'm thinking I should structure this deal as two entirely separate contracts. I use the Rotational Selection Process to create a short-term contract covering initial design services; those services are only expected to cost \$40K. And in a few months, I give a second contract to the same engineer for detailed design services; those services are only expected to cost \$60K. I'm still well below the Dollar Threshold of \$75K, on each contract.

Response: This is beginning to look an awful lot like 'contract splitting'. It looks like you are letting the Dollar Thresholds drive your decision-making. Arguably, you would be putting together a set of transactions *designed to avoid* the application of the Purchasing Procedures. In any event, the Rotational Selection Process would likely assign the second contract to another engineer (i.e. whoever is up next in the rotation). If the City and the new engineer are going to be comfortable with that result, then you could make a case for proceeding along this path.

Question: But a second engineer may be reluctant to pick up the design services where the first engineer left off, and our team would be reluctant to bring a new engineer up-to-speed (due to increased costs, for starters). Why can't I just use the "Only One Supplier" Exemption to permit a second contract to be struck with the same engineer who did the preliminary design, in order to get the detailed design done?

Response: This course of action may or may not be supportable. Take a closer look at the wording of that Exemption. Would you be willing and able to conduct market research to *demonstrate that only one supplier is able to meet the requirements* of the second procurement? Would the research support the conclusion that "there is an absence of competition for technical reasons and the goods or services can be supplied only by a particular supplier and no alternative or substitute exists" (or that other circumstances in Appendix D are present)? Your answers to these questions may depend on the nature

and complexity of the preliminary design, for example, and those factors might vary widely from project to project.

Question: This sounds good, but is it really workable?

Response: Consider an analogy. The City might decide to buy specialized IT Assets. There would be no obligation on the City to cover its IT needs for all time, with one purchase. The City might reasonably decide that it has a bona fide need covering the next two years, calling for a two-year contract. After two years have passed, the City would re-assess its needs, and may find that it doesn't need any more of those specialized IT Assets at all, or that more of those IT Assets are needed and for compatibility reasons, only the incumbent can supply them, or that more than one supplier can meet the subsequent need. This logic can work in much the same way for engineering services covering multiple phases, and many other goods and services.

Question: But what if, at some point in time, the cumulative value of all of those goods or services crosses a Dollar Threshold?

Response: That might be fine. At some point in time, you can bet that the cumulative value of repeat purchases of goods and services will cross a Dollar Threshold. The City is not obliged to buy 100-years worth of pencils in one shot, in order to artificially cross a Dollar Threshold, and force an RFP. The flip side is that the City shouldn't artificially slice-and-dice its needs simply to avoid a Dollar Threshold.

Question: I'm still not clear on this 'contract splitting' idea. Can you give another example?

Response: Ask yourself: are you setting up this project in a way *designed to avoid* the application of any provision of the Purchasing Bylaw or Purchasing Procedures? Here are two sample contract planning conversations; the first looks like contract splitting; the second looks like relying on valid business reasons to plan a project:

Sample Conversation #1:

User Division: "We need two years of design services from an engineer, and I think it's going to cost about \$100K."

Buyer: "OK. Now that's over the \$75K dollar threshold for services under the trade agreements, so we'll have to put together a formal solicitation for that work, on BC Bid."

User Division: "Oh, come to think of it, I really need just one year of services right now, and I think that's going to cost about \$50K, so we can go rotational, right?"

Sample Conversation #2:

User Division: "We need one year of preliminary design services from an engineer, and I think it's going to cost about \$50K. We're not sure what we're going to do after that. We'll have to see how it goes with the preliminary design work, and with next year's budget."

Buyer: "OK. Now those initial services fall under the \$75K dollar threshold under the trade agreements, so we can use our Rotational Selection Process. Do you think there will be a need for detailed design services from that same engineer, next year?"

User Division: "Well, maybe, but I don't know what those services are going to look like; certainly not with enough certainty to write specs covering year 2. Even if I put together a half-baked set of specs for next year, no one would be able to price it with any confidence. We'll have to see what the preliminary design looks like. We'll have to wait until next year to figure out what to do next."

Buyer: "I'd suggest we use the Rotational Selection Process to create a one year contract covering design services, and include a renewal option to cover the detailed design. In a year's time, you can choose to renew, or not. Better to have the renewal option and not need it, than need it and not have it. We can try to negotiate firm hourly rates with the engineer covering both the initial term and the renewal period. That would give us some degree of price certainty through both phases. Otherwise,

the renewal option can be drafted in a way that allows some flexibility regarding scope of services. We can negotiate the exact scope of services as the renewal period is approaching.”

User Division: “But won’t the engineer have us over a barrel in a year’s time? After all, firm hourly rates don’t tell us how much the detailed design is going to cost. That will be determined in large part by the shape of the preliminary design, the scope of detailed design services, and the number of hours worked in year two. The engineer might overestimate their hours during negotiations leading up to year two, knowing that the City will want to renew.”

Buyer: “Yes, that’s one risk of taking this path forward. We face certain trade-offs. If we don’t lock down terms today, then we gain future flexibility, but we lose future certainty. You’d likely want to start a conversation with the engineer about renewal parameters as soon as possible during the initial term, and early enough to leave other alternatives open. For example, you may want to start negotiations with time enough to spare for us to go out with an RFP if negotiations fail.”

User Division: “But wouldn’t the first engineer have the inside track, if an RFP is issued?”

Buyer: An incumbent often has an information advantage. It would be our job to get as much background information as possible into the RFP, to help level the playing field. Obviously, the preliminary design would form part of that RFP, just for starters. All that aside, you can expect that the existing engineer would rather negotiate in good faith to set the scope and price for the renewal of a contract-in-hand, rather than see the City pursue other options.”

This kind of planning conversation could legitimately branch out in diverse directions, from beginning to end. In you pay close attention to the City’s bona fide business requirements during project planning (and pay little or no attention to any personal preference you may hold regarding choice of procurement method), and if you carefully document those bona fide business requirements in the purchasing file, then the risk of any serious allegation of ‘contract splitting’ by an aggrieved supplier should be markedly reduced. Rely on valid business reasons, not Dollar Thresholds, to drive decision-making.