



CITY OF RICHMOND

REPORT TO COMMITTEE

TO: Public Works and Transportation Committee **DATE:** September 26, 2001
FROM: Jeff Day, P.Eng.
 General Manager, Engineering & Public Works **FILE:** 6340-00
RE: Authority to Award Capital Projects up to \$500,000 to City Forces

STAFF RECOMMENDATION

It is recommended that City Policy 3102 – Purchasing and Publicly Tendered Contracts (copy attached) be amended by adding the following to Section 6:

“Notwithstanding this requirement for publicly tendered contracts, if the Chief Administrative Officer or the General Manager Engineering and Public Works believes it is beneficial to the City, they may authorize approved Public Works capital projects up to \$500,000 in value to be constructed by Public Works staff without public tender.”

A handwritten signature in black ink, appearing to read 'Jeff Day'.

Jeff Day, P.Eng.
General Manager, Engineering & Public Works

App. 1

STAFF REPORT

ORIGIN

Current City policy states that *"The purchase of goods and services of \$250,001 and over (inclusive of applicable taxes) shall require a publicly tendered contract, administered by the Purchasing Section, in consultation with the requesting division in question."* In keeping with the spirit of this policy, where staff finds that it is beneficial to the City to have Public Works staff undertake construction of any approved capital project \$250,001 or over, the City's practice has been to request authorization by Mayor and Council prior to Public Works staff undertaking such construction.

ANALYSIS

Over the past two years, staff have actively identified opportunities to compare the construction work undertaken by Public Works staff relative to the work of private contractors in order to ascertain the overall level of effectiveness of Public Works staff in delivery of capital projects. Projects of similar scope, complexity and timing, particularly in the \$300,000 to \$500,000 range have been selected for comparison purposes. To date, the projects which were reviewed confirm that Public Works staff are cost competitive in relation to private contractors, and the quality of construction is comparable.

In addition, comparison to private sector contractors has encouraged Public Works staff to analyse their construction operation and identify opportunities for innovation in order to become more efficient while maintaining construction quality. Recent examples of such innovations are the extensive use of directional drilling, vector trucks and light equipment to minimize site disturbance, and alternative equipment for trench backfill on the Mores subdivision watermain work.

Since current City policy requires purchase of goods and services of \$250,001 or over to be publicly tendered, the City's practise has been to request authorization from Mayor and Council whenever construction of capital projects of \$250,001 or over is to be undertaken by Public Works staff. Currently, this is done where Public Works staff have demonstrated their effectiveness, and where the projects have already been approved by Council in the annual capital program.

Since Public Works staff have demonstrated their innovation and effectiveness, it is recommended that authority be granted to the Chief Administrative Officer, or the General Manager Engineering and Public Works to have Public Works staff undertake construction of approved capital projects up to \$500,000 in value where, in their judgement, such undertaking is beneficial to the City. This authority will enhance flexibility in delivery of the annual capital construction program, and minimize the process for approval of construction work by Public Works staff including a reduction in workload for Council.

Benefits

The benefits of providing the Chief Administrative Officer or the General Manager Engineering and Public Works with the flexibility to have Public Works staff construct projects up to \$500,000 in value include:

1. Public Works staff will be able to plan their work programs more effectively. Engineering and Public Works staff will be better able to work together to determine which capital projects suit their skills and capacity without impacting current maintenance levels;
2. Added flexibility in planning of work programs by Public Works staff will enable the entire annual capital construction program to be reviewed more effectively for co-ordination opportunities such as the sharing of materials and resources across departments.
3. For urgent projects, the time required from approval of projects to commencement of construction can be reduced when constructed by Public Works staff because they would not require a public tender period or Council approval;
4. The construction skill levels of Public Works staff will continue to be maintained; and
5. Public Works staff morale will continue to be enhanced by the construction work.

Considerations

Points for consideration in selecting projects for construction by Public Works staff are:


1. Council must have previously approved the project and sufficient budget in the annual Capital Program.
2. Public Works staff must have previously demonstrated the ability to successfully undertake projects of similar scope in an efficient and cost effective manner;
3. Public Works staff must have confirmed that schedules are sufficiently flexible to accommodate these projects and sustain current infrastructure maintenance levels; and
4. Public Works staff must have compared favourably with prior project tenders to ensure that Public Works staff are competitive in cost and quality of installation.

FINANCIAL IMPACT

There is no financial impact anticipated from this recommendation.

CONCLUSION

Public Works staff have demonstrated that they can provide cost effective quality construction on various types of projects. Where Public Works staff have demonstrated their effectiveness on similar projects, staff believe it is desirable to have the flexibility to have Public Works staff construct approved capital construction projects up to \$500,000 in value in order to enhance efficiency of operations.


Robert Gonzalez, P.Eng.
Manager, Engineering, Design & Construction

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APPENDIX

City Policy 3102 – Purchasing and Publicly Tendered Contracts

**POLICY 3102:**

It is Council policy that:

1. The purchasing of goods and services by the City shall be undertaken through the Purchasing Section in the Finance and Corporate Services Division (hereinafter called the "Purchasing Section"), with the following exceptions:
 - (a) Fire Department Equipment Maintenance purchases under \$1,000;
 - (b) Purchases under \$500, using either a Local Purchase Order or a Purchasing Card;
 - (c) Payment Vouchers;
 - (d) Petty Cash Payments;
 - (e) Mileage Claims;
 - (f) Travel Expense Reimbursements.

All such exceptions shall, however, be subject to audit by the Purchasing Section.

The purchase of all other goods and services shall be supported by a Standard Purchase Order, and payment shall not be made unless the invoice in question refers to a valid Standard Purchase Order number.

2. **\$0 - \$500 - Local Purchase Orders/Purchasing Card**

The purchase of goods and services up to \$500 in value (inclusive of applicable taxes) are to be undertaken using a Local Purchase Order or Purchasing Card.

3. **\$501 - \$2,500 - Standard Purchase Orders (Verbal Quotations)**

The purchase of goods and services of between \$501 and \$2,500 in value (inclusive of applicable taxes) shall require verbal quotations from at least three suppliers, with such quotations to be noted on a Purchase Requisition. Where "firm price" quotations are available, these may be accepted for the purposes of this policy, but such quotations must be verified at least once per year by the Purchasing Section, to ensure that lower prices are not available.

4. **\$2,501 - \$10,000 - Standard Purchase Orders (Written Quotations)**

The purchase of goods and services of between \$2,501 and \$10,000 in value (inclusive of applicable taxes) shall require written quotations from at least three suppliers, with such quotations to be noted on a Purchase Requisition. Where "firm price" quotations are available, these may be accepted for the purposes of this policy, but such quotations must be verified at least once per year by the Purchasing Section, to ensure that lower prices are not available.



5. 10,001 - \$250,000 - Formal Written Quotations

The purchase of goods and services of between \$10,001 and \$250,000 in value (inclusive of applicable taxes) requires formal written quotations through the Purchasing Section, except in the case of a "sole source" item, and the following process shall be followed:

- (a) The requesting division must provide a written specification to the Purchasing Section, of the goods or services which are required, after which the Purchasing Section will assign a quotation number, determine requirements, and ensure proper distribution of the request to the marketplace.
- (b) Upon receipt of these quotations, a review and evaluation will be undertaken jointly by the Purchasing Section and the requesting division.
- (c) The requesting division shall then complete and authorize a Purchase Requisition to allow the Purchasing Section to issue the Purchase Order and formal contracts, if required.

6. \$250,001 and over - Publicly Tendered Contracts

The purchase of goods and services of \$250,001 and over (inclusive of applicable taxes) shall require a publicly tendered contract, administered by the Purchasing Section, in consultation with the requesting division in question. In such cases, the requesting division shall provide the Purchasing Section with written specifications of the goods or services required, in order to allow the development of a formal publicly tendered contract document.

(Finance Division)