



# PURCHASING POLICY

## CONTENTS:

**POLICY:** The Village of Heisler shall conduct its purchasing in accordance with generally recognized purchasing practices including, wherever possible, the competitive process, and shall provide the framework for all Village purchasing activities.

**PURPOSE:** To set guidelines for the Village's purchasing activities and to ensure objectivity and fairness of purchasing practices for all personnel involved, either directly or indirectly, in the purchasing function.

## DEFINITIONS:

**"Councillor"** means a duly elected Councillor of the Village of Heisler

**"Employee"** is any person whose name appears on the payroll records of the village and whose manner of work is controlled by the Village.

**"Immediate Family"** includes the spouse, common-law spouse, parents, children and siblings of an employee.

**"Pecuniary Interest"** is defined as an interest in a contract that could monetarily affect:

- a) The employee or councillor;
- b) A corporation, other than a distributing corporation, in which the employee or councillor is a shareholder, director, or an officer;
- c) A distributing corporation in which the employee or councillor beneficially owns more than 1% of the issued shares, or of which the employee or councillor is a director or officer;
- d) A partnership or firm in which the employee or councillor is a member; or,
- e) A corporation, partnership, firm, or person that employs the employee or councillor.

And includes the pecuniary interests of the employee's spouse, parents, children, brothers, and sisters that are known to him or of which he reasonably should know, but shall not include an interest by reason only of his having been appointed by Village Council.



## POLICY # 1502

“**Sole source procurement**” occurs when a source is predetermined to be the only source capable of performing the service or supplying the material.

“**Village**” means the Village of Heisler.

### RELATED INFORMATION:

1. The Village of Heisler will conduct all purchases in a manner that results in the acquisition of products and services of acceptable quality at the most cost effective price available in consideration of availability, urgency of demand and required service level.
2. Procurement of computer systems and related software are included in this policy. Village operations use standard packaged software and vendor support whenever possible.
3. Purchasing exceptions which this policy does not regulate include:
  - a. Real estate transactions
  - b. Sole source procurement (refer to sole source procedure)
  - c. Investment or borrowing
  - d. Utility contracts
  - e. Credit card purchases
  - f. Petty cash or refund disbursements
  - g. Entertainer/performer fees
  - h. Postage purchases
  - i. Mileage expenditures
  - j. Legal services
  - k. FFCS grants
  - l. Payroll withholding remittances
  - m. Training fund disbursements
  - n. Membership and subscription or requisition payments
4. All purchasing transactions shall ensure equal opportunity, due process and fairness to actual and potential suppliers. The methods by which decisions are made must ensure not only fairness, but the appearance of fairness.
5. Purchasing agreements must contain the purchase approval and commercial terms to the vendor and must be completed before the purchase occurs, except in emergency situations.
6. Village employees and councillors shall have no pecuniary interest, direct or indirect, in any contract with the Village of Heisler. No employee or Councillor of the Village or partnership in which an employee or a councillor is a member may submit a tender for the supply of goods or services to the Village. Any corporation (other than those whose shares are publicly traded) submitting a tender must disclose the names of any shareholders who may be a Village employee or councillor and the number of shares owned by that individual. No employee or councillor shall make any recommendations about the awarding of any tender or quotation when the employee or councillor is a member of the immediate family or any individual who is:



## POLICY # 1502

- a. Submitting the tender;
  - b. A shareholder or employee of a company submitting the tender; or
  - c. A member or employee of any partnership submitting the tender.
7. In order to protect the overall Village interests and minimize long term financial losses, the Village reserves the right not to consider award of any contracts to a party that is engaged in litigation or arbitration with the Village of Heisler.
8. For purchases exceeding two thousand dollars (\$2,000.00) one of the following processes will be used:
- a. **Tenders:** an invitation to tender solicits competitive bids. It is used when detailed specifications are available that permit the evaluation of tenders against clearly stated criteria and specifications. A request for tenders is a formal, competitive, sealed-bidding process. It is normally used for the procurement of goods, services, equipment and construction. Normally Bid Deposits and performance security are required. The bids and prices are provided without condition or reservation and where an award can be made without negotiation. Submissions are compared to the specification and requirements contained in the tender documents. The award is normally to the lowest total cost bid received from a responsible bidder meeting the requirements of the tender.
  - b. **Two Phase Bids:** Where detailed specifications are not available or it is impractical to prepare a specification based on price, a two phase bid may be issued, inviting the submission of bids as follows:
    - i. **Phase One:** One or more steps in which bidders submit proposals, for evaluation either with or without prices in a separate submission and;
    - ii. **Phase Two:** Only those bidders whose bids were determined to be acceptable will be entitled to submit priced bids for consideration or, where prices have been separately submitted in phase one, such bids are opened and awarded to the lowest overall cost.

This process of procurement has the advantage of a request for proposal in phase one and the advantages of a tender in phase two.
  - c. **Request for Proposal (RFP):** A Request for Proposal is a formal invitation to suppliers to describe how their services, methods, equipment or products can address and/or meet specific needs of the Village. It is used when a supplier is invited to propose a solution to a problem, requirement, or objective. Unlike tenders, RFP's are compared to each other to assess the best proposal.

Negotiations may be conducted with bidders after the date for the receipt of proposals provided such discussions, negotiations are conducted to:

- i. Award equitable treatment of each acceptable bidder with respect to an opportunity for discussion and the revision of the proposal.



## POLICY # 1502

- ii. Prevent the disclosure of the content of the discussion or negotiations with one bidder to another bidder.

Proposals submitted in response to an RFP need not be opened in public but will be opened in the presence of at least one witness. A list of the submissions will be available to the public and the proponents upon request.

An award of a contract based upon an RFP will be made to the supplier, whose proposal is determined to be the most advantageous to the Village based upon criteria for evaluation set out in the RFP and equitably applied to all proposals.

- d. Request for Quotation (RFQ): Is an informal request for prices for goods and services and is normally used where bid deposit and performance bonds are not required and where the cost of the work does not warrant the time and level of effort required for a formal tender process. Quotations should be written but can be verbal depending upon the cost of the goods or services and time constraints.
- e. Negotiation: Negotiations with one or more suppliers for the supply of goods and/or service would take place when any of the following conditions exist:
  - i. Due to market conditions, goods and/or services are in short supply
  - ii. There is only one source of the goods or services
  - iii. Efforts at breaking identical bids have previously been unsuccessful and the same goods or services are required again
  - iv. All bids received are not acceptable or exceed the amount budgeted for the purchase
  - v. The extension, or reinstatement of, and existing contracts would be more cost effective or beneficial to the Municipality. The extension or re-instatement of existing contracts are subject to the approvals listed in section 8.0 Award of Contracts.
  - vi. When authorized by Council
- f. Sole Source Purchases: This occurs when there is only one available supplier of a required product or service that meets the needs of the Village. Negotiation is the method of purchase used to complete the terms and conditions for this purchase. A single source purchase occurs:
  - i. Where the compatibility of a purchase with existing equipment, facilities or service is a paramount consideration and the purchase must be made from a single source;
  - ii. Where an item is purchased for testing or trial use;
  - iii. Where the Village purchases supplies for resale.
  - iv. Where the Village has a rental contract with a purchase option and such purchase option could be beneficial to the Village;
  - v. Notwithstanding anything in this policy, where a purchase is determined by Council to be fair and reasonable and is made from a non-profit corporation

## POLICY # 1502

supported by the Village may make such a purchase as a single source purchase.

- vi. Where items are offered for sale by tender, auction or negotiation such purchase will be deemed to be a single source purchase and the CAO. may authorize the submission of a bid or the conduct of negotiations where the CAO determines the purchase to be clearly in the best interest of the Village.
  - vii. For matters involving security, police matters, or confidential issues, a purchase may be made in a manner that protects the confidentiality of the contractor or the Village. Such purchases may be made as a single source purchase. Purchases of this nature must be approved by the CAO. These contracts must be reported to Council (in camera) when appropriate.
- g. **Emergency Purchases:** An emergency purchase occurs when a situation creates immediate and serious need which may not be reasonably met by any other procedure and includes without limitation:
- i. A condition where lack of supplies or services may adversely affect the functioning of civic government, threaten public or private property or the environment, or jeopardize the health or safety of the public;
  - ii. Interim contractual arrangements following the expiration; or breach of a contract; or the receipt of unacceptable or uncompetitive bids.

Emergency purchases are completed using the most expedient method, but will take economy into consideration.

Limits for emergency purchases shall be as indicated in Section 8. However, in each case the authorizing person is required to report the emergency purchase, in writing, to the next level of authority with a copy to the Manager of Procurement.

9. In all cases where the acquisition price exceed two thousand dollars (\$2,000.00) or the term of the contract exceeds three (3) years, approval of the award recommendation shall be obtained from Council prior to purchase. For purchases of a value less than two thousand dollars (\$2,000.00), authority shall be established and delegated by the Chief Administrative Officer. All purchases require an authorization by someone with designated authority. Purchase or spending authority must be documented.
10. The Village of Heisler personnel and Council shall maintain impartiality and arm's length distance in all dealings with potential suppliers of goods and services.
11. Purchase may be made without prior approval in an emergency situation when the lack of immediate action to supply would disrupt critical services to the public or involve the safety of personnel.
12. When a payment is made to a Village employee or Councillor, the cheque requisition must be requested by the employee or Councillor, and must be approved by that individual's supervisor.



**POLICY # 1502**

13. Once a capital project has been approved by Council, up to 10% of the total preliminary estimated cost of the project may be expended for design costs.

**RELATED DOCUMENTS & LEGISLATION:**

**Council Approved:** \_\_\_\_\_

**Motion #** \_\_\_\_\_

**Responsibility:** Administration

**Next Review Date:** \_\_\_\_\_