

FINANCIAL MANAGEMENT COMMITTEE

*HIS WORSHIP, THE MAYOR
AND COUNCILLORS*

SUBJECT: PURCHASING APPROVAL LIMITS

RECOMMENDATIONS:

1. THAT Council approve the changes to the City's Spend and Approval Limits for the procurement of goods, services and construction, as set out in this report.
2. THAT Council authorize the City Solicitor to prepare a bylaw amending the Burnaby Routine Transaction Authority Bylaw 1999, as outlined in Section 4 of this report.

REPORT

The Financial Management Committee, at its meeting held on 2016 November 24, received and adopted the attached report seeking Council approval to change the City's existing Spend and Approval Limits Authorization Policy.

Respectfully submitted,

Councillor D. Johnston
Chair

Councillor C. Jordan
Vice Chair

Councillor P. McDonell
Member

Copied to: City Manager Members of Management Committee
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TO: CHAIR AND MEMBERS
FINANCIAL MANAGEMENT COMMITTEE

DATE: 2016 November 14

FROM: DIRECTOR FINANCE

FILE: 6900-01

SUBJECT: PURCHASING APPROVAL LIMITS

PURPOSE: To obtain Council approval to change the City's existing Spend and Approval Limits Authorization Policy.

RECOMMENDATIONS:

1. **THAT** Financial Management Committee recommend Council approve the changes to the City's Spend and Approval Limits for the procurement of goods, services and construction as set out in this report; and
2. **THAT** Financial Management Committee recommend Council authorize the City Solicitor to prepare a bylaw amending the Burnaby Routine Transaction Authority Bylaw 1999 as outlined in Section 4 of this report.

REPORT

The recommended change in the Spend and Approval Limits Authorization Policy is to improve the timeliness of contract awards and increase efficiencies by reducing the number of individual reports going forward seeking Council approval.

1.0 BACKGROUND

The City of Burnaby has a well-established centralized procurement process that relies on the utilization of expenditure authorization limits for the procurement of municipal goods, services and construction. This financial control helps to ensure the appropriate authorization of municipal purchases and also provides the City's external auditors with reasonable assurance that they can rely on management's oversight of the City's procurement practices.

1.1 Authority to Award a Contract

An update to the City's limit policy on the authority to award a contract was undertaken in 1998 and adopted by Council on 1998 August 24. The current limit thresholds are listed in Table 1:

Table 1 – Current Authority Limit Thresholds

Authority	Limit Thresholds (\$)
City Council	> 250,000
City Manager	100,001 – 250,000
Purchasing Agent	1 – 100,000

1.2 Limits on City Shopping Cart Purchases

In 2007 the City implemented an enterprise financial business system. The system provides an electronic purchasing system to support staff in optimizing purchasing and procurement best practises. To facilitate the use of workflow for electronic approval of Shopping Cart functionality, a more detailed breakdown of the adopted approval levels was required. On 2007 September 18 the addition of purchasing authorization levels was approved by the City Manager/ Director Finance and staff positions were assigned to these levels. The current thresholds are found in Table 2.

Table 2 – Purchasing Authorization Level Changes in 2007

Authority	Limits Threshold (\$)
Authorized in 1998:	
Council	> 250,000
City Manager	100,001 – 250,000
Purchasing Manager	1 – 100,000
Added Shopping Cart Limits in 2007:	
Directors	25,001 – 50,000
Department and Division Heads	10,001 – 25,000
Managers and Superintendents	5,001 – 10,000
Supervisors and Foremen 2 and 3	1,001 – 5,000
Coordinators and Foremen 1	501 – 1,000
Technical, Professional and Administrative Staff	101 – 500
All other staff who regularly order supplies	1 – 100

2.0 LOWER MAINLAND EXPENDITURE APPROVAL LIMITS

2.1 Comparative Expenses

In 2008 the City's total expenses net of amortization were \$240.9m and in 2015 expenses totalled \$335.1m an increase of approximately 39%.

In the Lower Mainland, Richmond is the only city similar in size to Burnaby in terms of total annual expenses; all other cities are smaller with expenses of less than \$200m, with the exception of the cities of Surrey and Vancouver which have expenses considerably larger than Burnaby. Table 3 provides 2015 preliminary consolidate expense reporting figures (net of amortization).¹

Table 3 – 2015 Preliminary Consolidated Expense

	Burnaby	Richmond	Surrey	Vancouver
2015 Consolidated Expenses	\$335.1m	\$319.6m	\$544.7m	\$1.2b

¹ Local Government Statistics – Draft 2015 Consolidated Expenses

2.2 Approval Limits

Each organization is unique and will have different business processes and expenditure authorization controls in place, purchasing limits are only one policy tool. A review of contract award and expenditure approval limits in place at Richmond and Surrey are shown in Table 4.

Table 4 – Contract Award and Expenditure Approval Limits 2016 Survey

Authority	Burnaby	Richmond	Surrey
Council	Over \$250,000	Over \$500,000	Over \$500,000
City Manager	Up to \$250,000	Up to \$500,000	Up to \$500,000
Purchasing Manager	Up to \$100,000	Up to \$ 25,000	Up to \$ 25,000
Directors	Up to \$ 50,000	Up to \$100,000	Up to \$300,000

3.0 EXPENDITURE LIMITS ON THE PURCHASE OF GOODS, SERVICES AND CONSTRUCTION

It is recommended that Council increase the authority limits to award a contract for the purchase of goods, services or construction included in the Annual Financial Plan as in Table 5:

Table 5 – Recommended Increases to Authority Limits

Authority	Limit Thresholds (\$)
Council	> 500,000
City Manager	250,001 – 500,000
Purchasing Manager	50,001 – 250,000
Members of Management Committee (excluding OIC, RCMP)	50,001 – 200,000

3.1 Purchasing Policy

All contract awards shall continue to be made by the Purchasing Manager based on the recommendation of the Purchasing Manager and the concurrence of the respective authority requesting the purchase.

This practise helps to ensure appropriate segregation of duties and compliance with procurement policies and legislative requirements. Expenditures being requisitioned will be identified as being included within the adopted Annual Financial Plan by the authority requesting the purchase.

Capital and operating budgets must include sufficient detail to allow Purchasing and Financial Planning to verify awards for contracted services or goods that have been provided for in the planned expenditures and funding requirements outlined in the Annual Financial Plan approved by Council.

Compensating financial controls in the form of increased reporting through the Financial Management Committee to Council will be put in place to enable Council to be informed on expenditures being incurred within the City and to enable transparency and stewardship of public funds. Specifically each quarter:

- Purchasing Reports that provided all contract awards over \$250,000.
- Operating and Capital Expenditures Reports that provide expenditures to budget comparisons with variance explanations.

4.0 BYLAW AMENDMENTS

It is recommended that the City Solicitor be authorized to prepare bylaw amendments to implement the following revisions in Section 2 of the Burnaby Routine Transaction Bylaw 1999:

Section 2(a)

Council at the 'Open' Council meeting held on 2006 May 29, adopted a report authorizing an increase in the maximum staff training allowance from \$2,500 to \$5,000 with the approval of the City Manager.

- (i) *The authority to approve all requests by officers and employees of the City to attend courses, conferences and meetings when the estimated cost of any such attendance does not exceed \$5,000.*

Upon approval of Council, authority limits as set out in this report as follows.

- (ii) *The authority to approve for award of contract by the City Purchasing Manager for authorized procurement of municipal goods, services and construction by each of the following authorities where the authorized level does not exceed the amount shown as set out:*

Authority	Limit Thresholds (\$)
Council	> 500,000
City Manager	250,001 – 500,000
Purchasing Manager	50,001 – 250,000
Members of Management Committee (excluding OIC, RCMP)	50,001 – 200,000

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Section 2(c)

Upon approval of Council, that the Director Engineering's authority to acquire be increased from \$5,000 to \$100,000 for the purposes of section (i) and (iii) as stated:

- (i) *to acquire on behalf of the City easements and statutory rights of way required for City purposes where the compensation to be paid for any such easement or statutory right of way does not exceed \$100,000.*
- (iii) *to acquire truncations from privately owned parcels of land required for City purposes where the compensation does not exceed \$100,000 including the cost of restoring or relocation landscaping and plants.*

Section 2(e)

Upon approval of Council, that the City Solicitor's authority to approve payment for claims be increased from \$5,000 to \$25,000, which is the limit for claims filed in Small Claims Court.

It is further recommended that any outdated references to the Municipal Act be updated to the Local Government Act.

5.0 RECOMMENDATION

It is recommended that Financial Management Committee recommend Council approve the changes in the City's Spend and Approval Limits for the procurement of goods, services and construction as set out in this report, and authorize the City Solicitor to prepare a bylaw amending the Burnaby Routine Transaction Authority Bylaw 1999, as outlined in Section 4 of this report.



Denise Jorgenson
DIRECTOR FINANCE

DJ:BK /ml

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Members of Management Committee