**Agenda – Executive Policy Committee – April 18, 2007**

Moved by Councillor

That Rule 9.3 of the Procedure By-law be suspended in order that the following item, which was received too late to be placed on the regular agenda, be considered by Committee.

## ADDENDUM REPORTS

**Item No. 9** **Red Tape Commission – Recommendation 22 – Give Public Servants more Freedom in Procurement**
**File FP**

ADMINISTRATIVE RECOMMENDATION:

That the report be received as information regarding Recommendation 22 of the Report of the Mayor's Red Tape Commission.

**Agenda – Executive Policy Committee – April 18, 2007**

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On March 22, 2006, the Executive Policy Committee directed the Chief Administrative Officer to prepare and forward reports on all remaining recommendations of the Red Tape Commission in an expedited manner, in a manner reflecting the following list of priorities:

B. <u>May 2006 Phase</u>
Recommendation 22 Give public servants more freedom in procurement

**RE: RED TAPE COMMISSION REPORT: RECOMMENDATION 22 – GIVE PUBLIC SERVANTS MORE FREEDOM IN PROCUREMENT**

**FOR SUBMISSION TO:** **Executive Policy Committee**

**ORIGINAL REPORT SIGNED BY:** **A/Chief Financial Officer**

**REPORT DATE:** **July 4, 2006**

**RECOMMENDATION:**

**That this report be received as information regarding Recommendation 22 of the Report of the Mayor's Red Tape Commission.**

## Report Summary

**Key Issues:**
Recommendation 22 requests that the City give public servants more freedom in procurement.

**Implications of the Recommendation(s):**

**General Implications**

(x) None

( ) For the organization overall and/or for other departments

( ) For the community and/or organizations external to the City

( ) Involves a multi-year contract

Comment(s):

**Policy Implications**

(x) No

( ) Yes

Comment(s):

**Regulatory Implications**

(x) None

( ) Eliminates or reduces regulatory impact

( ) Proposes regulatory impact

Comment(s):

**Environmental Implications**

(x) No

( ) Yes

Comment(s):

**Human Resources Implications**

(x) No

( ) Yes

Comment(s):

**Financial Implications**

(x) Within approved current and/or capital budget

( ) Current and/or capital budget adjustment required

Comment(s): The financial implications are not known at this time.

## Report

### REASON FOR THE REPORT:

At its meeting of March 22, 2006, the Executive Policy Committee directed the Chief Administrative Officer to prepare and forward reports on all remaining recommendations of the Red Tape Commission in an expedited manner, reflecting a list of priorities. One of these Recommendations was Recommendation 22, namely:

***Recommendation 22***

> *Give public servants more freedom in procurement. Rely on budget oversight rather than prescriptive procurement rules to achieve efficiencies.*

### HISTORY:

On November 23, 2004, the Mayor officially established a Red Tape Commission, chaired by Councillor Franco Magnifico, to review City operations and regulations in order to improve customer service while granting administrators more freedom to innovate.

The Red Tape Commission submitted a final report dated June 28, 2005, containing 30 general recommendations, each with numerous more detailed sub-recommendations.

At its meeting of March 22, 2006, the Executive Policy Committee directed the Chief Administrative Officer to prepare and forward reports on all remaining recommendations of the Red Tape Commission, including Recommendation 22.

### DISCUSSION:

#### Review of Current Practices

Pursuant to the Materials Management Policy, Council has delegated a significant part of its award authority to the CAO. Subsequently, the CAO has delegated varying amounts of her award authority to the CFO, department heads and the Manager of Materials.

All City departments have the right to choose where to purchase goods and services where the value does not exceed $5,000 and the goods and services are not on a standing order for which the City has committed to purchase a type of goods and/or services from a specified contractor. This direct purchase authority represents approximately 71% of the Purchase Orders issued by the City, totaling in excess of $18 million in expenditures.

Currently, all procurement exceeding $5,000 per contract, which are not included in a standing order and for which single source negotiations have not been approved , are

publicly tendered. This is a requirement under the Materials Management Policy (the "Policy") and an expectation of the business community.

Pursuant to Administrative Directive FM-002 the Chief Financial Officer and the Manager of Materials have authority to approve single source negotiations. Approval is not unreasonably withheld.

Flexibility already exists in the Policy and is applied on a regular basis, specifically for emergency vehicles.

The Chief Operating Officer of the Winnipeg Fleet Management Agency ("WFMA") was delegated the authority to approve single source purchases under certain conditions. WFMA is responsible for the majority of equipment repairs at the City. This was done to accelerate the repair process peculiar to vehicles and equipment as it is not, for example, practical to send large trucks out for more than one estimate. The Policy therefore allows for single sourcing when required and appropriate.

An example of the effectiveness of this recently introduced change is the case of the City fire truck that was extensively damaged in a collision a few months ago, reducing the number of fire trucks available to service the public. Single source negotiations and award of contract were immediately approved to replace that truck.

This improvement was also extended to other emergency vehicles as WFMA is responsible for the maintenance of the City's ambulance fleet, resulting in a shorter downtime for ambulances. The fleet management software that WFMA employs has been very successful at not only providing accurate record of repairs, which allows for better life cycle cost management, but also to accelerate the repair process as the system holds the information on vendors that permits getting quote or single sourcing in a time-effective manner.

Prior to the Final Report of the Mayor's Red Tape Commission, a cooperative effort between the Fire Paramedic Services and WFMA has successfully extended this accelerated procurement process to Fire Paramedic Services as the WFMA fleet management software has been installed and is now in use at the Fire Paramedic Services repair facility.

**Considerations for Change**

In response to the Red Tape Commission's recommendation, Administration could consider the following revisions in order to achieve more freedom in procurement for civic employees (public servants):

a) Materials Management to increase the number and value of qualification lists.

Qualification lists are relatively new to the City. Lists currently exist for carpentry, electrical, heating/ventilation/air conditioning and roofing.

Proponents qualify in a public request for qualification process. Departments are required to request 3 quotes from the list, rotating bidders for each project. The requests for quotes are not issued through Materials Management.

The lists are prepared and insurance and workers compensation are administered by Materials Management, saving user departments many hours of time for projects that do not exceed $25,000.

b) Materials Management to provide for more flexibility in selected Request for Proposal ("RFP") documents that will allow for more open negotiation.

The City currently allows limited negotiation in most RFP's. Broader negotiation is offered in select RFP's, where more flexibility is required due to the nature of the project. Materials Management may suggest this option when appropriate, and will provide the expertise to manage such negotiations, which may lead to a best and final offer position.

c) Increase the numbers of standing order contracts for goods and services.

Materials Management continues to expand and add new standing order contracts for goods and services, making procurement easier for civic employees in user departments while satisfying the expectation and legal requirements for competitive bidding.

d) Increase the numbers of standing order contracts that can be paid by Purchasing Card (City issued credit card).

Materials Management continues to expand the ability to pay standing orders for goods and services by Purchasing Card, making procurement easier for civic employees and reducing the costs to the City in the payment process by not requiring the preparation of a Purchase Order. Only selected civic employees are granted Purchasing Cards.

e) CAO to delegate specific single source negotiation authority, exceeding $5,000, to certain department heads.

Such authority would give the departments more freedom in arranging for the emergency repair of equipment. The limits established in the delegation could include provisions for Fleet Management Agency to have the first right of refusal for repair work for all City equipment. The use of such single source authority would be monitored by Materials Management.

## Conclusion

Although the revisions suggested would provide more freedom in procurement for civic employees, they would allow the City to maintain transparency and fairness in its procurement process. Further, the business community should have no objections to the increased authority as the City will continue to provide consistent application of the City's policies, which provides a perception of fair and ethical business practices.

Legal Services advises that there are no legal impediments to the Recommendations for Change set out in this report. None of the proposed changes would require an amendment to the Materials Management Policy. The CAO may amend Administrative Directive FM-002 to provide for the additional delegations of authority to approve single source negotiations.

Legal Services notes that any delegation of authority to approve single source negotiations must be subject to controls and reporting requirements such that senior administration is able to provide appropriate oversight.

## Financial Impact Statement **Date:** June 30, 2006

**The financial implications are not known at this time.**

"Original signed by Carrie Erickson"
Carrie Erickson
Manager of Finance & Administration

**IN PREPARING THIS REPORT THERE WAS:**

**Internal Consultation With and Concurrence By:**
Corporate Finance, Materials Management Branch
Fleet Management Agency
Winnipeg Fire Paramedic Services
Legal Services Division

**External Consultation With:**
N/A

**THIS REPORT SUBMITTED BY:**

| | |
|---|---|
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| Division: | Corporate Controllers |
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| File No. | Red Tape Report Rec 22.doc |