Agenda – Executive Policy Committee – November 13, 2013

Report – Standing Policy Committee on Finance – November 7, 2013

Item No. 1 Cross Jurisdictional Review – Delegated Financial Authority

STANDING COMMITTEE RECOMMENDATION:

On November 7, 2013, the Standing Policy Committee on Finance concurred in the recommendation of the Winnipeg Public Service and submitted the following to Council:

1. That clauses B8.2 (a) and (b) of the Materials Management Policy be revised to establish the Chief Administrative Officer's authority to award contracts up to and including $5 million.

2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Agenda – Executive Policy Committee – November 13, 2013

Report – Standing Policy Committee on Finance – November 7, 2013

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On November 7, 2013, the Standing Policy Committee on Finance concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

Further, the Standing Policy Committee on Finance requested that the Winnipeg Public Service review the recommendations contained in the Cross Jurisdictional Review to ensure consistency with the New Fire Paramedic Stations Construction Project Audit Report and report back within 60 days.

On October 10, 2013, the Standing Policy Committee on Finance granted a further extension of time for the Winnipeg Public Service to report back on the matter at its next meeting.

On September 13, 2013, the Standing Policy Committee on Finance Committee granted an extension of time until the next Committee meeting on October 10, 2013 to the Winnipeg Public Service to report back on the matter.

On June 20, 2013, the Standing Policy Committee on Finance granted an extension of time of 60 days to the Winnipeg Public Service to report back on the matter.

On April 11, 2013, the Standing Policy Committee on Finance Committee granted an extension of time of 60 days to the Winnipeg Public Service to report back on the matter.

On December 3, 2012, the Standing Policy Committee on Finance passed the following motion:

WHEREAS Council has delegated approval of certain financial transactions to the Winnipeg Public Service;

AND WHEREAS it is beneficial to review these delegations periodically to compare them to best practices in other municipal jurisdictions;

THEREFORE BE IT RESOLVED:

1. That the Standing Policy Committee on Finance request the Winnipeg Public Service to conduct a review of other municipal jurisdictions and best practices to determine all levels of delegated financial authority given to their city administrative staff.

Report – Standing Policy Committee on Finance – November 7, 2013

DECISION MAKING HISTORY (continued):

STANDING COMMITTEE RECOMMENDATION (continued):

2. That the review include, but not be limited to, municipal buildings such as fire halls, libraries, police stations, community centres, and related delegated spending authority.

3. That the Winnipeg Public Service report back to the Standing Policy Committee on Finance within 120 days setting out current practices, results of the cross jurisdictional review and any recommendations necessary to amend current practices.

ADMINISTRATIVE REPORT

Title: **Cross Jurisdictional Review of Delegated Financial Authority**

Critical Path: **Standing Policy Committee on Finance – Executive Policy Committee – Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
B. D'Avignon P. Olafson	Mike Ruta, CFO	Mike Ruta, CFO	D. Joshi COO

RECOMMENDATIONS

1. That clauses B8.2 (a) and (b) of the Materials Management Policy be revised to establish the Chief Administrative Officer's authority to award contracts up to and including $5 million.

REASON FOR THE REPORT

At its meeting of December 3, 2012, the Standing Policy Committee on Finance passed the following resolution:

1. That the Winnipeg Public Service conduct a review of other municipal jurisdictions and best practices to determine all levels of delegated financial authority given to their city administrative staff.
2. That the review include, but not be limited to, municipal buildings such as fire halls, libraries, police stations, community centres, and related delegated spending authority.
3. That the Winnipeg Public Service report back to the Standing Policy Committee on Finance within 120 days setting out current practices, results of the cross jurisdictional review and any recommendations necessary to amend current practices.

At its meeting of April 11, 2013, the Standing Policy Committee on Finance granted an extension of time of 60 days to report back on this matter.

At a later meeting of the Standing Policy Committee on Finance, a further extension was granted to report back to the Standing Policy Committee on Finance on September 13, 2013.

IMPLICATIONS OF THE RECOMMENDATIONS

Based on past experience, it is anticipated very few additional contract awards will require the approval of the appropriate Standing Policy Committee. This is a manageable amount that should not have significant implications to program delivery.

HISTORY

The Public Service surveyed other Canadian cities to determine their delegation of financial authority for contract awards, claims settlement and budget (operating and capital) over-expenditures. These were selected as they are common financial delegations made by Canadian cities and helped to provide some parameters for surveyed cities to respond to.

Delegating of authority recognizes Council's acceptance to have the Public Service make decisions in order that decisions can be made more expediently. As the authorities have been delegated by Council, it represents the balance Council has set between own control over decision making and process efficiency.

To fully understand the authorities delegated, it is important to consider that before any authority is exercised, there are other overarching principles and policies in place that control and guide the use of that authority. Any delegated authority can only be exercised respecting these, including:

- Council approved budgets
    - If budget has not been approved, the Public Service cannot exercise the authority that has been delegated.
- Council approved Materials Management Policy.
- Administrative Standard, pursuant to the Materials Management Policy that details the delegations of authority.
- City of Winnipeg Charter and City Organizational By-law.

Adherence to these are consistently monitored by professionals in departments and Corporate Finance who understand these principles and policies and provide the necessary checks to monitor that authorities delegated are not exceeded.

The monitoring of City contracts by Materials Management begins with assisting departments with the tender/RFP preparation, evaluation and negotiations, and managing evaluation consensus meetings in order to ensure a fair process in accordance with the tender/RFP.

Maintaining transparency is important. Infrastructure tenders are opened publicly while prices from these and other tenders are posted within hours of submission deadlines.

Award Authority

On March 24, 2004, Council approved the *Materials Management Policy* (the "Policy") that provides governance of the City's materials management functions, including delegation to the Chief Administrative Officer ("CAO") to approve and award contracts where the value of each contract does

not exceed $10 million and there are sufficient funds in a budget approved by Council. The Policy also provides that the CAO may delegate any of his or her authority under this Policy.

Administrative Standard FM-002, further delegates the CAO's authority related to the Policy. The key delegations are summarized in Appendix 1.

Prior to an award authority approving an award of contract, all recommendations for award are reviewed by Materials Management for accuracy in evaluation and compliance with policies and procedures.

Where recommendations for award exceed $100,000, Legal Services also reviews the recommendation for legal concerns and/or ramifications associated with proceeding with the award.

Claims Settlement Authority

City of Winnipeg By-law No. 7100/97 gives Executive Policy Committee the authority to approve settlement of claims against the City that exceed $100,000 and up to a maximum of $250,000. The same by-law authorizes the Chief Administrative Officer to settle similar claims not exceeding $100,000. This authority has been further delegated to the Chief Financial Officer.

City of Winnipeg By-law No. 3349/83 delegates to the City Solicitor the authority to settle all suits, actions, claims or demands against the City by authorizing payment of an amount not exceeding $10,000 for any one claim. The same authority is delegated under this by-law to the Superintendent and the Claims Supervisor of the City's Claims and Insurance Branch for amounts not exceeding $5,000.

Operating and Capital Budget Over-expenditures Authority

Council's annual adopted Operating and Capital Budgets (the "Budgets") are the culmination of a significant effort of the City's Mayor and Councillors, the Public Service and the general public. The adopted Budgets reflect Council's priorities for the year, represented by a spending plan that incorporates various planned revenues.

Budgets are financial estimates of events that will transpire in the future. Inevitably, actual results will vary from those estimates. Approving of Budgets is a requirement set out in The City of Winnipeg Charter. The Charter also provides that Council may by by-law establish a process for reallocating funds provided for in an Operating Budget for a purpose other than that set out in the Operating Budget. The City of Winnipeg Organizational By-law No. 7100/97 delegates this authority to the Standing Policy Committee on Finance who may approve additional appropriations to an operating budget including approval of reallocations of funds provided in an operating budget of the City for a purpose other than that set out in the budget, and approval of additional operating expenditures.

For budgetary control purposes, budgets control expenses within accountable departments for non-salary and benefit expense accounts and for salary and benefit expense accounts. At this detailed level, over-expenditure authorizations are further supplemented by standard administrative procedures.

At its meeting of January 28, 1998, Council approved the following:

- That approval of appropriation transfers within programs be delegated from the Chief Administrative Officer to the Department Heads;

- That approval of appropriation transfers between departmental programs, valued at less than $100,000, be delegated from the Chief Administrative Officer to the Department Heads:
- That approval of appropriation transfers greater than, or equal to, $100,000, be delegated from the Chief Administrative Officer to the Chief Financial Officer; and
- That any appropriation transfer involving currently defined policies, such as transfer of surplus funds from permanent salaries, be approved by the Chief Financial Officer.

For Capital Budgets over-expenditures, the City Organizational By-law and standard administrative procedures delegate this authority to the relevant Standing Policy Committee unless the over-expenditure is less than the lesser of $100,000 and 25% of the base budget.

Results of Review

In general terms, the authorities delegated to the Public Service are neither the most nor least of the Cities surveyed. While Calgary and Edmonton tend to delegate more award and over-expenditure authorities to its administration, Toronto, Mississauga and Montreal generally delegate less. Regarding claims, Winnipeg's delegation of authority is generally less than the other jurisdictions surveyed. Appendix 1 describes the financial authorities delegated for The City of Winnipeg and those cities responding to the survey.

Advantages of Less Delegation of Authority

- Improved transparency and accountability.
- Greater control over decision making for elected officials.

Advantages of More Delegation of Authority

- Decisions and transactions made more timely.
- Reduce red tape.

Except for some unique cases, the delegations granted have functioned well for a number of years without incident. This is especially remarkable given the number of times each of these delegations of authority are exercised annually and can be attributed to the overarching principles and policies referred to earlier that guide the delegation of financial authority. The City of Winnipeg is regularly contacted by other jurisdictions for advice and guidance in developing Materials Management policies and processes.

In the interest of improving transparency and accountability, it is being recommended that the current delegations of authority for contract award authority to the CAO be cut in half from that currently in place. That is, the Chief Administrative Officer's award authority be reduced from $10 million to $5 million. The CAO has authority to further delegate award authority.

The Materials Management Policy amendments are detailed in Appendix 2.

Based on past experience, it is anticipated very few additional contract awards will require the approval of the appropriate Standing Policy Committee. This is a manageable amount that should not have significant implications to program delivery.

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FINANCIAL IMPACT

Financial Impact Statement **Date:** August 23, 2013

Project Name:

Delegation of Financial Authority

COMMENTS:

No financial implications are anticipated from the recommendations.

"Original Signed by"
Fernando Dela Cruz
Acting Manager of Finance & Administration

CONSULTATION

In preparing this report there was consultation with:

Cities of Calgary, Edmonton, Toronto, Mississauga and Montreal

SUBMITTED BY

Department: Corporate Finance
Division: Materials Management/Corporate Controller's
Prepared by: Barb D'Avignon/Paul Olafson
Date: August 23, 2013
File No. NA

CONTRACT AWARD AUTHORITY

	Chief Administrative Officer / City Manager / Chief Operating Officer	Chief Financial Officer / equivalent authority in other cities	Manager of Materials (Purchasing Manager/Director)
Winnipeg	• not to exceed $10 Million, five years, and no commitment of unapproved funds • no limit (revenue generating) • the authority to delegate in writing any of his or her authority under the Policy • $5000 without solicitation	• all authority of CAO, except not to exceed $5 Million	• not to exceed $100,000; • not to exceed $1 Million, five years, and no commitment of future funds (corporate contracts) • $100,000 (revenue generating)
Note: Unless otherwise stated, all delegations are based on sufficient funds available in an approved budget, or, contract does not create an absolute commitment for funds not yet approved by Council or 5 years in length. The $10 Million authority delegated to the Chief Administrative Officer coincides with Council's approval in December 1999 requiring all capital projects with a total estimated cost of at minimum $10 Million be submitted to Standing Policy Committee on Finance for review.			
Calgary	• Unlimited	• Unlimited	• Unlimited
Edmonton	• $20 Million	• $20 Million	• $20 Million
Toronto	• $20 Million (**Bid Committee**: City Manager; CFO; Dept Head; City Clerk)		• $500,000
Saskatoon	• $75,000 Council meets bi-weekly	• Not Available	• Not Available
Mississauga	• $500,000		• $500,000

Montreal	• $100,000		• $50,000

CLAIMS SETTLEMENT AUTHORITY

	Chief Administrative Officer / City Manager / Chief Operating Officer	**Chief Financial Officer**	**Director of Legal Services**	**Risk Manager**
Winnipeg	• $100,000	• $100,000	• $10,000	• $5,000
Calgary	• $2 million		• $200,000	• $75,000
Edmonton	• $500,000			• $100,000
Toronto	• $5 million	• $5 million	• $5 million	• $5 million
Montreal			• Maximum $100,000	

OPERATING BUDGET OVER-EXPENDITURE AUTHORITY

	Chief Administrative Officer / City Manager / Chief Operating Officer	Chief Financial Officer	All Department Heads

Winnipeg		• Operating budget over-expenditure unlimited
		  ○ Non-permanent salary expense budget transfers within a or between departmental programs;
		  ○ Transfer to permanent salary expense accounts; or
		  ○ Transfer from permanent salary accounts limited to costs associated with vacant position recruitment or replacement contracted services
		• Operating budget over-expenditure offset by additional revenue or recovery <$10,000
		• Operating budget over-expenditure offset by directly related additional revenue or recovery unlimited
			• Operating budget over-expenditure <$100,000
			  ○ Non-permanent salary expense budget transfers within a or between departmental programs;
			  ○ Transfer to permanent salary expense accounts; or
			  ○ Transfer from permanent salary accounts limited to costs associated with vacant position recruitment or replacement contracted services

Edmonton	• Operating budget transfer for program <$1,000,000		• Operating budget transfer for program within department lesser of <$250,000 or 15% of department budget • Further delegation to branch managers.

	Chief Administrative Officer / City Manager / Chief Operating Officer	Chief Financial Officer	All Department Heads

Toronto	• Operating Budget over-expenditures <$500,000
	  ○ Reallocation between services within a program which do not affect the net operating budget for the program
	  ○ Use of authority requires reporting to Council		

Mississauga	• None – all budget reallocations require Council approval.		
Montreal	• Operating budget reallocations within department <$100,000		• Operating budget reallocations within department <$50,000 • Further delegations for division managers, section managers, financial agents and administrative support.

CAPITAL BUDGET OVER-EXPENDITURE AUTHORITY

	Chief Administrative Officer / City Manager / Chief Operating Officer	Chief Financial Officer/Treasurer	All Department Heads
Winnipeg			• Capital budget over-expenditure lesser of $100,000 and 25% of project's base budget if excess funds are available in another project.
Edmonton	• Capital project transfer for <$1,000,000		• Capital project transfer within department for lesser of <$250,000 or 15% of budget • Further delegation to branch managers.
Toronto		• Any reallocation of budget between capital project < $250,000	• Capital budget over-expenditure lesser of 10% or $500,000 if excess funds are available in another project
Mississauga		• Capital budget reallocations requiring transfers from specified Reserve Funds, that do not exceed said Reserve Funds.	• Capital budget reallocations that do not require and transfers to or from Reserve Funds.
Montreal	• Capital budget reallocations between projects of a program within department <$100,000		• Capital budget reallocations between projects of a program within department <$50,000 • Further delegations for division managers, section managers, financial agents and administrative support.

Chief Administrative Officer

By way of the Council Approved Materials Management Policy.

B8.2 The Chief Administrative Officer shall have authority to approve and award a contract where:

a) The contract is for a supply to the City, where the value of the contract does not exceed ~~$10,000,000~~ $5,000,000, and there are sufficient funds for the monetary consideration to be paid by the City in a budget therefor approved by Council; or

b) The contract is for a supply to the City, not exceeding five years and where the estimated value of the contract does not exceed ~~$10,000,000~~ $5,000,000, and the contract does not create an absolute commitment for funds not yet approved by Council; or

c) The contract is for a supply by the City. (*revenue generating*)