Agenda – Council – May 30, 2024

Report – Executive Policy Committee – May 22, 2024

Item No. 3 Revisions to the Materials Management Policy F1-003

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On May 22, 2024, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the following to Council:

1. That revisions to the Materials Management Policy be approved as follows:

    A. That the name of the Materials Management Policy be revised to read: Purchasing Policy

    B. 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 $10 million.

2. That details attached as Appendix A - Amendment to the Materials Management Policy, become effective from and after the date of approval by Council.

3. That, subject to approval of Recommendation 1, a by-law be enacted to amend the City Organization By-law No. 7100/97 and the Execution of Documents By-law No. 78/2015 by deleting all references to the term "Materials Management" and replacing them with the term "Purchasing", a draft of which is attached as Appendix B to this report.

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

Report – Executive Policy Committee – May 22, 2024

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On May 22, 2024, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to Council.

ADMINISTRATIVE REPORT

Title: Revisions to the Materials Management Policy F1-003

Critical Path: Executive Policy Committee – Council

AUTHORIZATION

Author	Department Head	CFO	CAO
B. D'Avignon, Manager of Purchasing	C. Kloepfer	C. Kloepfer	M. Jack

EXECUTIVE SUMMARY

Revisions to the Materials Management Policy (Policy) are requested to bring the Policy up-to-date with current practices.

Revisions to the Policy include:

- Renaming of the Materials Management Policy to Purchasing Policy;
- Increase to award authorities delegated to the Chief Administrative Officer;
- Various other changes.

RECOMMENDATIONS

1. That Council approve revisions to the Materials Management Policy as follows:

   A. That the name of the Materials Management Policy be revised to read: Purchasing Policy
   B. 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 $10 million.

2. That details attached as *Appendix A - Amendment to the Materials Management Policy*, become effective from and after the date of approval by Council.

3. That, subject to approval of Recommendation 1, Council enact a by-law to amend the City Organization By-law No. 7100/97 and the Execution of Documents By-law No. 78/2015 by deleting all references to the term "Materials Management" and replacing them with the term "Purchasing", a draft of which is attached as Appendix B to this report.

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

REASON FOR THE REPORT

Council has the authority to approve revisions to the Materials Management Policy and make all necessary technical amendments to the relevant City by-laws.

IMPLICATIONS OF THE RECOMMENDATIONS

There are no financial implications with the revisions to the Policy. Revisions to the Policy will provide clarity to elected officials and the Winnipeg Public Service.

HISTORY/DISCUSSION

On March 24, 2004, Council adopted the Materials Management Policy (Policy) which replaced the Policy on Purchasing Procedures and the Disposal of Surplus Supplies and the Policy on Assignment of Consultants.

The Policy Title was created with a vision of the City moving to a Materials Management operation whereby the Materials Management Division would manage all City inventories. After much research, that vision was determined to not be in the City's best interest. The renaming of the Policy aligns to the actual operations of the Division, which is Purchasing.

On November 20, 2013, Council approved the reduction in the Chief Administrative Officer's (CAO) award authority to $5 million.

As a result of the reduction of the CAO's authority to approve an award, based on past experience, it was anticipated that very few additional contract awards would require the approval of the appropriate Standing Policy Committee. Program delivery was not impacted by this reduction.

According to Statistics Canada, total transportation engineering construction inflation for municipalities in Manitoba increased by 34.3 percent between 2013 and 2022.

In 2023, the Public Service tracked 2023 tender pricing against similar average 2022 tender pricing for street renewal costs. This analysis identified a 2023 price escalation of approximately 26 percent, on average, over 2022 pricing, based on similar unit cost items. Factors for cost increases include price increases for materials, equipment, and labour. Based on the above noted inflation and 2023 pricing, a $5 million contract value in 2013 would equate to approximately $8,500,000 in 2023.

Statistics Canada also report the cost of building construction for institutional buildings in Winnipeg increased 3.6 percent in 2023 relative to 2022, on average.

The request for delegation of additional authority to the CAO in clauses B8.2 (a) and (b) of the Policy is based on making decisions and transactions timelier. For example, increases in inflation, combined with increases in capital construction funding, have resulted in larger-valued construction contracts than in the past.

In 2023, an estimated 15–20 awards exceeded $5 million, requiring approval by the appropriate Standing Policy Committee. This number is expected to increase over time.

Council's due diligence in the expenditure of monies is still exercised by way of the budget approval process.

Any delegated authority can only be exercised respecting:

- 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.

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.

2024 cross jurisdictional review

The Public Service surveyed other Canadian cities to determine their delegation of financial authority for contract awards.

The survey did not result in many responses. Table 1 shows the responses at the time of this Report.

All delegations of authority to the Winnipeg Public Service, pursuant to the Policy, are through the Chief Administrative Officer. This is consistent with the City Organization By-Law #7100/97.

Table 1

City/Municipality	Details
Saskatoon	Council approves budget annually and only sees tenders that are not within the approved budget **Delegated Authority** City Manager - Unlimited Department Head - $100,000 General Managers - $5,000.000.00
Edmonton	City Manager – Unlimited where agreement (contract) is resulting from a competitive procurement process.
Toronto	Council approves awards for contracts exceeding 5 years or funds not in a budget approved by Council Standing Committee approves awards for any contract exceeding $20 million. Bid Award Panel (staff) approve awards Between $500,000 and $20 million
Hamilton	Council approves >$250,000 City Manager – up to $250,000 Procurement Manager – up to $250,000 General Manager – up to $100,000

Table 1

City/Municipality	Details
Winnipeg	Council approves any award that commits funds from future budgets Standing Committee approves >$5 million and funds in an approved budget Chief Administrative Officer (CAO) approves awards up to $5 million for contracts that do not exceed 5 years, that were publicly solicited and do not commit funds to future budgets

The Policy is written to contain that which is necessary to set out Council's direction to the Winnipeg Public Service. The Policy is free of administrative standards and procedures.

Pursuant to Recommendation 3, the change from the term "Materials Management Policy" to "Purchasing Policy" will also require technical amendments to two City of Winnipeg By-laws as follows:

- The City Organization By-law No. 7100/97
    - Under section 4, which sets out the Executive Policy Committee's jurisdiction over "Policies related to Materials Management"

and

- The Execution of Documents By-law No. 78/2015, under:
    - section 2 - Definitions (the definition of "Materials Management Policy")
    - section 9(1)(a) (the execution authority of the CAO relating to awards of contract under the "Materials Management Policy"
    - section 16(1) (title and execution authority of the Manager of Materials Management)

Table 2 below demonstrates the detail of the revisions included in *Appendix A – Amendment to the Materials Management Policy.*

Table 2

Current version	Proposed revision	Note/Comment
POLICY TITLE		
Materials Management Policy	**Purchasing Policy**	
General		
Policy refers to Materials Management throughout	Revise *Materials Management* to read ***Purchasing*** throughout.	
Revision to Definitions in B1.1		
New	(n) "procurement model" means the set of procedures used to purchase goods and services	letters following (n) will change as a result
(o) "public sector body" means a government, a non-profit, a charity, a municipality, a school authority, a hospital authority, a public college or a university	(p) "public sector body" means a government, a non-profit **or philanthropic organization**, a charity, a municipality, a school authority, a hospital authority, a public college or a university	More inclusive for Sustainable Procurement and in agreement with the various Trade Agreements.
Revision to B2.1		
(c) inventory and asset management;	**Delete**	Not included in the Division's operations
Revisions to B3		
B3.4 Any solicitation not in compliance with B3.2(a), B3.2(b) or B3.3, must be approved as a single source negotiation in accordance with B4 of the Policy.	B3.4 Any solicitation not in compliance with B3.2(a), B3.2(b) or B3.3, must be approved **in accordance with B8.2.1. or** as a single source negotiation in accordance with B4 of the Policy.	Elevates authority to SPC where value exceeds CAO authority
Revisions to B4		
B4.4 Where the request for Single Source negotiation exceeds the thresholds of the various Trade Agreements, $250,000 for construction/$100,000 for goods and services (other than construction), a cost/benefit analysis must accompany the request.	**Delete**	Current B4.4.1 supersedes the dates and values

Table 2

Current version	Proposed revision	Note/Comment
B4.4.1 Effective January 1, 2019, where the request for Single Source negotiation exceeds the strictest thresholds of the various Trade Agreements, $200,000 for construction/$75,000 for goods and services, a cost/benefit analysis must accompany the request.	**B4.4 Where** the request for Single Source negotiation exceeds the strictest thresholds of the various Trade Agreements, $200,000 for construction/$75,000 for goods and services, a cost/benefit analysis must accompany the request.	Replaces previous B4.4
B8. Authority of the Chief Administrative Officer		
New	B8.1 (i) determine the appropriate procurement model for a project	letters following (i) will change as a result
B8.1.1 Further to B8.1 (i)…	B8.1.1 Further to B8.1 (j) and (k)…	Revised to refer to appropriate clauses
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 $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 $5,000,000, and the contract does not create an absolute commitment for funds not yet approved by Council;	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 million 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 million, and the contract does not create an absolute commitment for funds not yet approved by Council;	Increase in the Chief Administrative Officers award authority

FINANCIAL IMPACT

Financial Impact Statement

Date: March 25, 2024

Project Name:

REVISIONS TO THE MATERIALS MANAGEMENT POLICY F1-003

Comments:
There are no financial implications associated with the revisions to the Materials Management Policy.

Randy Bernard
Randy Bernard, CPA, CMA
Manager of Finance & Administration (Campus)
Corporate Finance Department

CONSULTATION

In preparing this report there was consultation with:

- Legal Services Department (as to legal issues)

OURWINNIPEG POLICY ALIGNMENT

Goal: Leadership and Good Governance
1.4 Integrated Knowledge and Resources

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

Consideration was given as to whether the report connects to the Winnipeg Climate Action Plan (CAP) and it was determined that the CAP is not applicable to this specific report.

WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

Consideration was given as to whether the report connects to the Winnipeg Poverty Reduction Strategy (PRS) and it was determined that the PRS is not applicable to this specific report.

SUBMITTED BY

Department: Corporate Finance
Division: Purchasing
Prepared by: Barb D'Avignon
Date: April 4, 2024

Attachments:

APPENDIX A – Amendment to the Materials Management Policy

APPENDIX B – Amendments to City of Winnipeg By-laws - The City Organization By-law No. 7100/97 and the Execution of Documents By-law No. 78/2015

Winnipeg

CITY OF WINNIPEG POLICY NO. F1-003

POLICY TITLE Materials Management Policy	ADOPTED BY City Council	EFFECTIVE DATE March 24, 2004
ORIGIN / AUTHORITY Executive Policy Committee	CITY POLICY NO F1-003	MOST RECENT CONSOLIDATION

1. Purpose:
Revisions to the Materials Management Policy (Policy) will bring the Policy up-to-date with current procurement practices.

2. Amendment to Materials Management Policy

POLICY TITLE: Revise **Materials Management Policy** to read: **Purchasing Policy**
General: Revise *Materials Management* to read ***Purchasing*** throughout

B1. Definitions:

Addition:
(n) “procurement model” means the set of procedures used to purchase goods and services

Revise:
(p) "public sector body" means a government, a non-profit or philanthropic organization, a charity, a municipality, a school authority, a hospital authority, a public college or a university

Revise/Renumber:
letters on all definitions starting with (n)

B2.0 Scope of Policy

Delete
B2.1 (c) inventory and asset management

B3. Solicitation of Competitive Offers

Replace:
B3.4 Any solicitation not in compliance with B3.2(a), B3.2(b) or B3.3, must be approved as a single source negotiation in accordance with B4 of the Policy.

With:
B3.4 Any solicitation not in compliance with B3.2(a), B3.2(b) or B3.3, must be approved in accordance with B8.2.1. or as a single source negotiation in accordance with B4 of the Policy.

B4. Single Source Negotiations

Delete

B4.4 Where the request for Single Source negotiation exceeds the thresholds of the various Trade Agreements, $250,000 for construction/$100,000 for goods and services (other than construction), a cost/benefit analysis must accompany the request.

Replace:

B4.4.1 Effective January 1, 2019, where the request for Single Source negotiation exceeds the strictest thresholds of the various Trade Agreements, $200,000 for construction/$75,000 for goods and services, a cost/benefit analysis must accompany the request.

With:

New B4.4 Where the request for Single Source negotiation exceeds the strictest thresholds of the various Trade Agreements, $200,000 for construction/$75,000 for goods and services, a cost/benefit analysis must accompany the request.

B8. Authority of the Chief Administrative Officer

Addition:

B8.1 (i) determine the appropriate procurement model for a project

Replace:

B8.1.1 Further to B8.1 (i), where the estimated value of the contract to be negotiated exceeds $1 million, or the procurement is not permitted under the Policy or the various Trade Agreements, the Chief Administrative Officer shall forward a recommendation to:

With:

B8.1.1 Further to B8.1 (j) and (k), where the estimated value of the contract to be negotiated exceeds $1million, or the procurement is not permitted under the Policy or the various Trade Agreements, the Chief Administrative Officer shall forward a recommendation to:

Replace:

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 $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 $5,000,000, and the contract does not create an absolute commitment for funds not yet approved by Council;

With:

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 million 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 million, and the contract does not create an absolute commitment for funds not yet approved by Council;

APPENDIX B

THE CITY OF WINNIPEG

BY-LAW NO. /2024

A By-law of THE CITY OF WINNIPEG to amend the City Organization By-law No. 7100/97 and the Execution of Documents By-law No. 78/2015 in order to replace references to "Materials Management" with "Purchasing".

THE CITY OF WINNIPEG, in Council assembled, enacts as follows:

PART I: AMENDMENTS TO CITY ORGANIZATION BY-LAW NO. 7100/97

City Organization By-law amended

1 The City Organization By-law No. 7100/97 is amended by this part.

2 Section 4 of the City Organization By-law is amended by deleting the reference to "Materials Management" and replacing it with a reference to "Purchasing".

PART II: AMENDMENTS TO EXECUTION OF DOCUMENTS BY-LAW NO. 78/2015

Execution of Documents By-law amended

3 The Execution of Documents By-law No. 78/2015 is amended by this part.

Definitions amended

4 The definition of "**Materials Management Policy**" set out in subsection 2(1) is hereby deleted and replaced with the following definition:

> ***"Purchasing Policy"*** *means the policy originally approved by Council on March 24, 2004 as the Materials Management Policy and subsequently renamed the Purchasing Policy on May 31, 2024, as amended, and any successor policy respecting procurement by the City;*

Other references to Materials Management replaced

5 All references to the term "Materials Management" in section 9, section 16, and the header associated with section 16 are hereby deleted and replaced with the term "Purchasing".

DRAFT

APPENDIX B

Coming into force

6 This by-law comes into force upon being given third reading by Council.

DONE AND PASSED this day of , 2024.

Mayor

City Clerk

Approved as to content:

Chief Financial Officer

Legally reviewed and certified as to form:

for Director of Legal Services
and City Solicitor

DRAFT