

**Township of Douro-Dummer**  
**Policy No. F-2**

**Purchasing/Procurement Policy**

**Approved by:** Council

**Approval Date:** June 7, 2011

**Revision Date:** ~~October 4, 2016~~ October 4, 2022

**Policy Statement**

**This policy will provide a process to  
ensure fair and transparent purchasing  
practices.**

**Purpose:** To set a policy for purchasing procedures.

**Application:** This policy extends to programs, services and facilities directly delivered by the Municipality.

**Definitions:** N/A

**Exclusions:** N/A

**References & Related Policies:**

**Consequences of Non-Compliance:**

Failure to comply with this policy may result in disciplinary actions being taken against the Manager who fails to follow this policy.

Non-Compliance could result in inconsistent methods of purchasing that isn't fair and transparent.

**Review Cycle:** This policy will be reviewed on an as needed basis.

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<b>Procedures</b>
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The following steps shall be adhered to in order to implement this policy:  
outlines the procedures to be followed in the context of this policy statement.

**Index**

<b>Section I</b>	<b>Definitions</b>	<b>Page 2</b>
<b>Section II</b>	<b>Procurement Principles &amp; Goals</b>	<b>Page 6</b>
<b>Section III</b>	<b>General Conditions</b>	<b>Page 8</b>
<b>Section IV</b>	<b>Requirement for Approved Funds</b>	<b>Page 10</b>
<b>Section V</b>	<b>Specifications</b>	<b>Page 11</b>
<b>Section VI</b>	<b>Standardization</b>	<b>Page 11</b>
<b>Section VII</b>	<b>Responsibilities and Authorities</b>	<b>Page 12</b>
<b>Section VIII</b>	<b>Methods of Procurement</b>	<b>Page 13</b>
<b>Section IX</b>	<b>Bid Analysis</b>	<b>Page 21</b>
<b>Section X</b>	<b>Reporting</b>	<b>Page 22</b>
<b>Section XI</b>	<b>Disposal of Surplus Goods</b>	<b>Page 23</b>
<b>Section XII</b>	<b>Conflict of Interest</b>	<b>Page 23</b>
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<b>Schedule A</b>	<b>Exemptions from Provisions of Purchasing Policies</b>	<b>Page 24</b>
<b>Schedule B</b>	<b>Bid Irregularities</b>	<b>Page 26</b>

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Schedule C	Tender Process	Page 29
Schedule D	Request for Proposal Process	Page 31
Schedule E	Insurance Requirements	Page 33
Schedule F	Life Cycle Costing	Page 34

## Section I Definitions

In this Policy,

1. **Acquisition**  
means the process used for obtaining goods and services
2. **Agent**  
Means CAO or designate
3. **Agreement**  
means a legal document that binds the Corporation of the Township of Douro-Dummer and all other parties, subject to the provisions of the contract
4. **Annual Aggregate Value**  
means the total amount anticipated to be spent annually by all departments on a particular type of good or service
5. **Approval**  
means authorization to proceed with the purchase or disposal of goods and/or services
6. **Bid**  
means an offer or submission received in response to a request for quotation, tender or proposal which is subject to acceptance or rejection
7. **Bid Irregularity**  
means a deviation between the requirements (terms, conditions, specifications, special instructions) of a bid request and the information provided in a bid response (see Schedule B)
8. **Bid Request**  
means a written request for bids or a solicitation, which may be in the form of a Request for Quotation, Request for Tender or Request for Proposal
9. **Blanket Order (Supply Contract)**  
means a Purchase Order which establishes prices or a method for determining prices, terms and conditions and the period of time during which a vendor agrees to provide goods and services to the purchaser upon the purchaser's demand
10. **Chief Administrative Officer (CAO)**  
means the Chief Administrative Officer for the Corporation of the Township of Douro-Dummer
11. **Clerk**  
means the Municipal Clerk for the Corporation of the Township of Douro-Dummer

12. **Contract**  
means a legally binding agreement between two or more parties. Such agreements will consist in the form of a formal agreement between two or more parties that creates an obligation to provide defined goods and/or perform defined services
13. **Conflict of Interest**  
refers to a situation in which private interests or personal considerations may affect an employee's judgment in acting in the best interest of the Township of Douro-Dummer. It includes using an employee's position, confidential information or corporate time, material, or facilities for private gain or advancement or the expectation of private gain or advancement. A conflict may occur when an interest benefits any member of the employee's family, friends, or business associates
14. **Corporate Values**  
means the statement of the corporation's values as adopted by Council and as amended from time to time in the Strategic Plan.
15. **Corporate Signing Officer**  
means the Mayor, and Municipal Clerk or other individuals designated by Council or this policy
16. **Cost Effective Bid**  
means a bid received in response to a request that offers the best value for the dollars expended taking into consideration a quantitative and qualitative selections procedure
17. **Council**  
means the Council for the Corporation of the Township of Douro-Dummer
18. **Co-op**  
means a Co-operative acquisition venture
19. **Department Head**  
means the person responsible for direction and operational control of a Department, or authorized designate
20. **Designate**  
Shall mean either the Treasurer or the Clerk/Planning Coordinator.
21. **Direct Appointment**  
means to directly appoint a consultant on the basis of defined selection criteria, including but not limited to qualifications and experience
22. **Disposal**  
means the removal of materials owned by the Township by sale, trade-in, transfer, auction, alternative use, gift, or destruction which are deemed surplus
23. **Emergency**  
means a situation where the purchase of goods and services requires immediate action to prevent or correct dangerous or potentially dangerous safety conditions, further damage, to restore minimum service or ensure the safety of the public

**24. Evaluation Committee**

Means as required according to purchasing thresholds

**25. Execute**

means to legally bind the Corporation of the Township of Douro-Dummer to the terms and conditions defined within the Agreement

**26. Expression of Interest**

means a situation where vendors are solicited by the Township to advise the Township of their ability or desire to undertake Township requirements

**27. Goods and/or Services**

includes supplies, equipment, property insurance, maintenance, professional and consulting services and service contracts not otherwise provided for

**28. List of Bidders**

means a list, retained by the Township of those vendors who are interested in submitting bids

**29. Lowest Responsive Bid**

means the lowest bid price submitted which meets the requirements and specifications as set out in the bid request, minor deviations excepted

**30. Material Safety Data Sheets (MSDS )**

means Material Safety Data Sheets which must be submitted by the vendor for all hazardous materials, including an index of chemical compounds with details of properties, handling details, precautions and first-aid procedures

**31. Negotiation**

means the action or process of conferring with one or more vendors leading to an agreement on the acquisition of the required goods and services under the conditions outlined in this Policy

**32. Open Market Procedure**

means obtaining price quotations from vendors verbally or in writing

**33. Privilege Clause**

means the standard clause used in bid documents and advertising that reads in part “the lowest or any tender not necessarily accepted”

**34. Procure/Procurement/Purchase**

means to acquire by purchase, rental or lease of goods and service

**35. Professional and Consulting Services**

includes architects, auditors, engineers, designers, planners, surveyors, management and financial consultants, brokers, legal services, and any other professional and consulting services rendered on behalf of the Township

**36. Proponent**

Means one who submits a proposal

**37. Proposal (Request for Proposal /RFP)**

means an offer to provide goods or services to the Township, where it is not practical to prepare precise specifications, or where “alternatives” to detailed specifications

will be considered, which may be subject to further negotiation. This process allows vendors to propose solutions to arrive at the end product, and allows for evaluation on criteria other than price.

38. **Purchase Order**  
means a written offer to purchase goods and services or a written acceptance of an offer where such offer has been made on forms prescribed by the Township
39. **Purchase Requisition**  
means a request for goods and/or services initiated by the user, for which budget approval has been granted.
40. **Quotation (Request for Quotation/RFO)**  
means an offer to sell goods and services to the Township or an offer to purchase surplus goods from the Township
41. **Real Property**  
means land or buildings and any interest, estate or right of easement affecting same
42. **Responsive and Responsible Vendor**  
means one who complies with the provisions of the bid solicitation, including specifications, contractual terms and conditions, and who can reasonably be expected to provide satisfactory performance on the proposed contract based on reputation, or references, or performance on previous contracts, and adequate financial and other resources
43. **Senior Management Team**  
is comprised of the Chief Administrative Officer (CAO), Clerk/Planning Coordinator, Treasurer, Manager of Recreation Facilities, Manager of Public Works, Manager of Emergency Services/Fire Chief and Chief Building Official.
44. **Single Source**  
means there is more than one source in the open market but only for reasons of function or service one vendor is recommended for consideration of the particular goods and/or services
45. **Surety**  
means a specified dollar amount in the form of cash, certified cheque, bid bond, performance bond, labour and materials bond, letter of credit or any other form as deemed necessary and stated in any quotation, tender or proposal documents issued by the Township
46. **Tender**  
means an offer received from a supplier of goods and/or services in response to a public advertisement requesting tenders sealed in an envelope
47. **Township**  
means the Corporation of the Township of Douro-Dummer
48. **Treasurer**  
is the Treasurer for the Corporation of the Township of Douro-Dummer

## Section II Procurement Principles and Goals

The purchasing principles of the Corporation of the Township of Douro-Dummer are as follows:

1. ~~¶~~To procure by purchase, rental or lease the required quality and quantity of goods and/or services, including professional and consulting services in an efficient, timely and cost effective manner;
2. ~~¶~~To encourage open competitive bidding for the acquisition and disposal of goods and services where practicable;
3. ~~¶~~To consider all costs, including, but not limited to, taxes, delivery, acquisition, operating, training, maintenance, quality, warranty, payment terms, disposal value and disposal costs, in evaluating bid submissions from qualified, responsive and responsible vendors
4. ~~¶~~To give full consideration to the annual aggregate value or to consider the total project cost of specific goods and services that will be required by each department and by the Township as a whole prior to determining the appropriate acquisition method;
5. ~~¶~~To encourage the procurement of goods and services with due regard for people with disabilities;
6. ~~¶~~To monitor and report on the economic climate and legislative changes which may have an impact on the Township of Douro-Dummer and to determine the appropriate actions to be taken through purchasing policies and procedures;
7. ~~¶~~To encourage the procurement of goods and services with due regard to the preservation of the natural environment, vendors may be selected to supply goods made by methods resulting in the least damage to the environment and supply goods incorporating recycled materials where practicable.
8. When procuring goods, services and facilities, the Township of Douro-Dummer will comply with the requirements of the Ontarians with Disabilities Act 2001, the Accessibility for Ontarians with Disabilities Act, 2005 and its associated standards enacted through regulation, as well as related Township policies.
9. Fairness: Councillors and employees must not:
  - Acquire any goods and services for personal use in representation of the Township of Douro-Dummer
  - Purchase or offer to purchase, on behalf of the Township of Douro-Dummer, any goods and services, except in accordance with this Policy
  - **Knowingly cause**, permit or omit anything to be done or communicated to anyone which is likely to cause any potential Vendor to have an unfair advantage or disadvantage in obtaining a Contract for the supply of a Commodity to the Township, or any other either jointly or in cooperation with the Township;



- **Knowingly cause**, permit or omit anything to be done which will jeopardize the legal validity or fairness of a Purchase of a Commodity under this policy, or which might subject the Township to any claim, demand, action or proceeding as a result.

10. this policy will be reviewed every 5 years or earlier, to evaluate its effectiveness

11. to investigate the purchase of energy efficient/advanced technology equipment, vehicles, supplies, and appliances wherever possible. This requires that product specifications be compliant with:

- Energy Star guidelines and recommendations; or
- Natural Resources Canada Office of Energy Efficiency (NRCOEE) guidelines and recommendations.

This policy applies to a wide spectrum of products including, but not limited to:

- Appliances
- HVAC Equipment
- Electric Motors
- Office Equipment
- Lighting and Signage
- Consumer electronics
- Vehicles (where applicable)
- Heavy Equipment

All proponents where necessary shall provide manufacturers energy cut/specifications sheets with their proposal.

The obligation to purchase energy efficient products in very exceptional cases, can be waived if there is a substantial reason for not choosing an energy efficient product.

Such justification may, for example be that:

- There is not energy efficient products that meet specific institution specific operational requirements (eg. Products for disabled or elderly), special requirements for product quality (specific requirements for durability, or other) or other special requirements warranted,
- Energy efficient products with significant environmental problems which are not deemed to be outweighed by environmental benefits achieved as a result of lower energy and,
- Additional costs for purchasing the product cannot pay off in saved energy costs during the 1.5- 2 years for appliances with a lifetime of over 6 years or over 4 years for other energy saving products with a lifespan of 20 years or more.

12. for major building renovations and new building construction it is recommended to do/request life cycle cost assessments of the energy, financial and environmental benefits associated with:

- base case design
- performance standards of LEED certified design
- performance standards of LEED silver design.

13. Requirements for Approved Funds

Net Department expenditures are authorized by Council each year as part of either the Capital or Operating Budget process. Pending Council's approval of proposed budgetary estimates, Department Managers are authorized to spend up to 50% of the previous year's approved Operating Budget.

Department Managers are not authorized to overrun net departmental operating budgets, except in accordance with this Policy. Where it is expected that over budgets may occur a report will be presented to Council.

The exercise of authority to award a contract is subject to the identification and availability of sufficient funds in appropriate accounts within the Council approved Operating budget.

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### Section III

#### General Conditions

1. The C.A.O. or designate shall act as agent in all matters pertaining to the purchasing / procurement function.
2. Where a Department Head is authorized to undertake any act pursuant to this Policy, such act may be undertaken by the Department Head's authorized designate.
3. Any commitments being made where it is recommended that a contract be executed by the Mayor and the Clerk must first be approved by Council by by-law.
4. No expenditure or commitment shall be incurred or made and no account shall be paid by the Township for goods and services, except as approved by Council or as otherwise authorized in accordance with this policy.
5. The CAO or designate in consultation with the Department Head of the requisitioning department may remove a vendor's name from the list of bidders for a period of up to two years on the basis of documented poor performance, non-performance, or conflict of interest.
6. All Township employees shall follow the guidelines of the Strategic Plan Goals as approved by Council, in adhering to the Policy as set out.
7. Material Safety Data Sheets must be maintained on file by the user department for all relevant products whether acquired through tendering, quoting or the proposal process.
8. When using the privilege clause which reads in part "the lowest or any tender may not necessarily be accepted", the specific reasons must be stated why the bids may not be accepted.

9. The C.A.O. or designate will assist in developing evaluation criteria and submission analysis for all procurement needs.
10. Prior to awarding any procurement of goods and/or services, the user department will forward recommendations to the C.A.O. or designate for final review and comments.
11. No employee or elected official shall purchase or offer to purchase, on behalf of the Township, any goods and services, except in accordance with this Policy.
12. Elected Officials shall not approve nor acquire any goods and services.
13. Any employee who intentionally and knowingly acquires or disposes of any goods and services for the Township in contravention of any section of this Policy, as amended from time to time, shall be subject to disciplinary actions in accordance with Township Policy.
- ~~14.~~ All petty cash purchases must exclude tendered goods and services unless approved by the C.A.O. or designate and must not be used to avoid the provisions of this policy.
- ~~14.~~15. Any purchases using a Township issued credit card (P-Card) must follow the guidelines of this policy and the P-Card agreement signed by the manager which dictates when the P-Card may be used.
- ~~15.~~16. No requirement for goods and services may be divided into two or more parts to avoid the provisions of this policy.
- ~~17.~~ Where Electronic Bid submission is indicated, all bids must be submitted using the E bidding process. Electronic bids sent in any manner other than the prescribed solution will be rejected as invalid unless otherwise indicated.
- ~~16.~~18. A Department Head shall not award a contract where the C.A.O. or designate has determined that the provisions of this policy have not been adhered to and has so advised the Department Head.
- ~~17.~~19. The C.A.O. or designate shall, in conjunction with the Department Head, reject all purchase requisitions for services where the services could result in the establishment of an employee-employer relationship.
20. Opening of Submissions:
  - ~~18.~~ Non-electronic Bid Submission: where the anticipated value of the goods and is in a dollar amount as listed below, the following shall be the protocol for opening of the submissions:
    - \_\_\_\_\_ Less than \$50,000- the initiating manager of the department plus one other staff member not associated with said department.
    - \_\_\_\_\_ More than \$50,000- the initiating manager of the department and the CAO or designate.
  - Electronic Bid Submission: the results will be posted on the Township's Bids and Tenders portal.

## Section IV

### Requirement for Approved Funds

1. Net Departmental expenditures are authorized by Council each year as part of either the Operating or Capital Budget process. Pending Council's approval of proposed budgetary estimates, Department Heads are authorized to spend up to 50% of the previous year's approved Operating Budget. Department heads are not authorized to overrun net departmental operating budgets, except in accordance with this Policy.
2. The exercise of authority to award a contract is subject to the identification and availability of sufficient funds in appropriate accounts within the Council approved Operating budget.
3. Where goods and services are routinely purchased or leased on a multi-year basis, the exercise of authority to award a contract is subject to:
  - a. the identification and availability of sufficient funds in appropriate accounts for the current year within Council approved estimates, and
  - b. the requirement that the goods and/or services will continue to exist in subsequent years and, in the opinion of the C.A.O. or designate, the required funding can reasonably be expected to be made available, and

The C.A.O. or designate may reject all purchase requests for which sufficient funds are not available and identified. If the Department Head advises the C.A.O. or designate that the deficiency is minimal and alternative funding has been identified, the purchase request may proceed provided appropriate authorizations are met in accordance with this policy.

The Department Head will co-ordinate, with the C.A.O. or designate, all leasing requirements including term capitalization rate, lease vs. buy (or other) analysis, etc. The C.A.O. or designate will ensure that all lease commitments comply with Municipal Act 2001 as amended and regulations made there under.

4. Where this policy prescribes financial limits on a contract that may be awarded under the authority of a Department Head, or provides for financial limits on contracts required to be reported to Council, for the purpose of determining whether a contract falls within these prescribed limits, the contract amount shall be the sum of:
  - a. all costs to be paid to the supplier under the contract, excluding all taxes
  - b. less any rebates

## Section V

### Specifications

1. The department whose budget provides for the procurement of goods and services shall be responsible, in consultation with the C.A.O. or designate and any other Township department, for the preparation and approval of all specifications and/or Terms of Reference (Scope of Work) to be used for the procurement of such goods and services.
2. Where practical, specifications or Terms of Reference should be considered that are detailed but not brand specific to leave room for potential vendors to provide alternatives in the event an equal or better-proven product or method is available.
3. Vendors or potential vendors should not be requested to expend time, money or effort on design or in developing specifications or otherwise help define a requirement beyond the normal level of service expected from vendors.

When such services are required:

- a. the C.A.O. or designate shall be advised
- b. the contracted vendor will be considered as a consultant and unable to make an offer for the supply of the goods and services
- c. a fee may be paid (if necessary)
- d. the detailed specification shall become the property of the Township of Douro-Dummer for use in obtaining competitive bids

## Section VI

### Standardization

It will be the policy of the Township of Douro-Dummer, wherever possible, to standardize the procurement of goods and services to allow for:

1. reduced number of goods and services required
2. increased volume on common items or services
3. maximizing volume buying opportunities
4. providing economies of scale
5. reduced handling, training and storage costs
6. minimizing maintenance costs
7. co-operative purchasing activities
8. competitive bid results
9. reduced overall cost

## Section VII

### Responsibilities and Authorities

1. The Department Heads have responsibility for procurement activities within their departments and are accountable for determining and achieving specific objectives as outlined for each procurement project.
2. Department Heads have the authority to award contracts in the circumstances specified in this policy provided that the delegated power is exercised within the limits prescribed in this policy, and the requirements of this policy are met.
3. The C.A.O. or designate is responsible for:
  - a. providing procurement advice and services to Department Heads,
  - b. monitoring compliance with this policy.
4. Department Heads, in consultation with C.A.O. or designate, shall inform Council if non-compliance with this policy has occurred.
5. The C.A.O. or designate has the authority to instruct the Department Head not to award a contract and may direct staff to submit recommendations to Council for approval and may provide additional restrictions concerning procurement where such action is considered necessary and in the best interests of the Township.
6. The Department Head is required to forward to the C.A.O. or designate, a copy of all legally executed contracts relating to the procurement of goods and services.
7. Copies of all issued and accepted tender documents shall be kept on file in the municipal office and be included on the shared drive.
8. The Department Head is responsible for maintaining current insurance certificates (see Schedule E), WSIB certificates, and compliance certificates to the Occupational Health and Safety Act as called for in the bid documents.

## Section VIII

### Methods of Procurement

Notwithstanding any other provisions of this Policy, the acquisition of the items listed in Schedule “A” do not fall under the guidelines of the Purchasing Policy and shall be subject to applicable Policies and Procedures established from time to time.

#### 1. Direct Acquisition – under \$5,000

Where it is estimated that the value of the good services including applicable taxes will be less than \$5,000 then the Department Head has the authority to make a direct acquisition.

#### 2. Request for Quotation

Where it is estimated that the value of the goods and services including tax costs, inclusive of all charges will cost:

##### a. \$0 to \$2500

Direct acquisition is acceptable.

##### b. \$25,501 to \$25,10,000

The initiating Department in consultation with the C.A.O., or designate, shall obtain three (3) written quotations.

A written report to the C.A.O. or designate is necessary for endorsement prior to commitment to vendor. The C.A.O. or designate has the authority to approve the acquisition.

No report to Council is required.

##### c. \$1025,001 to \$50,000

The C.A.O. or designate, in consultation with the initiating Department Head, shall issue a Request for Quotation. A minimum of three written proposals (where possible) are to be received before the Township commits to a Vendor.

If less than three (3) quotations are received, the Township may exercise its right to cancel the call for quotations. Quotations are not formally opened in public nor is it necessary to disclose prices or terms at the time of submission.

A report, endorsed by the CAO or designate, to Council is necessary to advise them of the Township’s commitment to a vendor.

##### d. Over \$50,000

Either a formal Tender or RFP process will be required.

#### 3. Tenders – Defined Requirements Formal detailed process

The C.A.O. or designate in consultation with the Department Manger shall issue a Tender for any approved projects, regardless of the budget, based on defined requirements (specifications are available to readily compare products).

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Tenders require a reply by a designated date and time, signed by a Corporate Officer, authorized to bind the Corporation. Any requested bid deposits, security or bonds must be included with the submission.

Replies to non-electronic Tenders are to be delivered directly to the Municipal Office and are opened at a public tender meeting. If only one tender is received, the Township has the option of not opening the bid and closing the call for tender.

Replies to electronic Tenders will be submitted through the Township's online portal and the results will be posted on the same portal.

~~directly to the Municipal Office and are opened at a public tender meeting. If only one tender is received, the Township has the option of not opening the bid and closing the call for tender.~~

Each sealed bid received in response to a formal tender request shall be ~~opened and~~ reviewed by the initiating Department Head and C.A.O. or designate to determine whether a bid irregularity exists. Action is taken according to the nature of the irregularity (see Schedule B).

**a. \$10,001 to \$50,000**

~~A report initiated by the issuing Department Head and endorsed by the C.A.O. or designate shall be prepared for Council to advise them of the Township's commitment to a vendor.~~

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**b. \$50,001 and over**

If the results of the tender are within \$5,000 of the approved budget then the Department Head, with the C.A.O.'s approval may enter into an agreement with the vendor. The funding of any budget overages under \$5,000 must be identified by the Department Head and approved by the Treasurer. Council shall be notified of the Township's commitment to a vendor and the source of funds that will be used to fund any budget overages under \$5,000.

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If the results of the tender are greater than the approved budget by \$5,000 then —  
—A report initiated by the issuing Department Head and endorsed by the C.A.O. or designate shall be prepared for Council consideration and approval; the report shall indicate the sources of the additional funds (ie. A reserve and/or funds from a previous under budget project).

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Upon Council's approval, and where deemed necessary by council, the where necessary, the C.A.O. or designate shall ensure that a legally binding agreement is executed, by the Mayor and Clerk by by law.

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### 3. Requests for Proposals

#### (Including the engagement of Professional and Consulting Services)

This method of acquisition can be used for **any dollar value** and involves the solicitation of proposals when the requirements for goods and/or services cannot be definitely specified, the requirements of the Township are best described in a general performance specification, and innovative solutions are sought. Depending on its terms, the process may involve negotiations subsequent to the submission of proposals on any or all of the specifications, contract terms, and prices.

The C.A.O. or designate shall maintain a list of suggested evaluation criteria for assistance in formulating an evaluation scoring scheme using a standard Request for Proposal that includes factors such as qualification and experience, strategy, approach, methodology, scheduling, and past performance, facilities, and equipment. Department Heads shall identify appropriate criteria from the list but are not limited to the standard criteria from the list.

Requests for Proposals are not formally opened in public nor is it necessary to disclose prices or terms at the time of submission. If only one proposal is received, the C.A.O. or designate, in consultation with the Department Head, and where applicable the council committee chair, has the option of not opening the bid and closing the call for proposal.

~~Where the required goods or service cannot be specified and it is estimated that the value of the goods and services (excluding all tax rebates) cost:~~

~~a. \$0 to \$2,500~~

~~Direct acquisition is acceptable.~~

~~b. \$2,501 to 10,000~~

~~The initiating Department in consultation with the C.A.O., or designate, shall obtain three (3) written quotations.~~

~~A written report to the C.A.O. or designate is necessary for endorsement prior to commitment to vendor. The C.A.O. or designate has the authority to approve the acquisition.~~

~~No report to Council is required~~

~~c. \$10,001 to \$50,000~~

~~The C.A.O. or designate, in consultation with the initiating Department Head, shall issue a Request for Proposal. A minimum of three written proposals (where possible) are to be received before the Township commits to a Vendor. The three quotations will be evaluated on the basis of quantitative and qualitative criteria.~~

~~If less than three (3) proposals are received, the Township may exercise its right to cancel the request for proposals. Proposals are not formally opened in public nor is it necessary to disclose prices or terms at the time of submission.~~

~~A report, endorsed by the CAO or designate, to Council is necessary to advise them of the Township's commitment to a vendor.~~

~~d. Over \$50,001~~

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Written proposals shall be acquired through the Request for Proposal (RFP) process and evaluated on the basis of quantitative and qualitative criteria.

If the results of the Proposals are within \$5,000 of the approved budget then the Department Head, with the C.A.O.'s approval may enter into an agreement with the vendor. The funding of any budget overages under \$5,000 must be identified by the Department Head and approved by the Treasurer. Council shall be notified of the Township's commitment to a vendor and the source of funds that will be used to fund any budget overages under \$5,000.

If the results of the Proposals are greater than the approved budget by \$5,000 then a report initiated by the issuing Department Head and endorsed by the C.A.O. or designate shall be prepared for Council consideration and approval; the report shall indicate the sources of the additional funds (ie. A reserve and/or funds from a previous under budget project)  
~~Written proposals shall be acquired through the Request for Proposal (RFP) process and evaluated on the basis of quantitative and qualitative criteria.~~

~~A report initiated by the issuing Department Head and endorsed by the C.A.O. or designate shall be prepared for Council consideration and approval.~~

Upon approval, where necessary, the C.A.O. or designate shall ensure that a legally binding agreement is executed.  
~~Upon Council's approval, and where deemed necessary by council, the C.A.O. or designate shall ensure that a legally binding agreement is executed by the Mayor and Clerk by by-law.~~

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#### 43. Expression of Interest and/or

##### Request for Pre-Qualification

Used where bidders offer their interest in submitting a bid on a product or service.

Advertised publicly, and information is requested to determine reference checks, past performance, and financial liability. A reply to the Request for Expression of Interest and/or Pre-Qualification is required by a designated date and time to the Municipal Office, signed by an Officer authorized to legally bind the Corporation.

Submissions are reviewed and subsequently a Request for Quotation or Tender is prepared for a short list of invited pre-qualified bidders.

**Methods of Procurement – Summary Template**

The following are authorized procedures for the procurement of goods, services, and construction, not available from pre-existing agreements.

Method of Procurement	Type of Quotation	Source of Bids	Type of Contract	Reporting Status
<b>1. Request for Quotation</b>				
<del>a. under \$2500</del>			direct acquisition	no report
<del>b. \$2,501 – 10,000</del>	Written quotation required	3 written quotes to be obtained where possible		no report to Council required. Report endorsed by C.A.O.
<del>c. \$10,001 – 50,000</del>	Written quotation required	3 written quotes to be obtained where possible		Advice report to Council endorsed by C.A.O.
<b>Tenders – Defined Requirements</b>				
<del>a. \$10,001 – 50,000</del>	Written quotation acquired by REQUEST FOR TENDER	Advertised on website and/or local media and/or trade paper.	Executed contract or agreement where deemed necessary by council.	Advice report to Council required endorsed by C.A.O.
<del>b. over \$50,001</del>	Written quotation acquired by REQUEST FOR TENDER	Advertised on website and/or local media and/or trade paper.	Executed contract or agreement where deemed necessary by council.	report to Council for approval endorsed by C.A.O.
<b>2. Requests for Proposals (Including the engagement of Professional and Consulting Services)</b>				
<del>a. under \$2,500</del>			Direct acquisition	No report

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	<del>b. \$2,501 to \$10,000</del>	Written quotation required	3 written quotes to be obtained where possible		No report to Council required. Report Endorsed by C.A.O.	Formatted: Centered, Indent: Left: 0", First line: 0" Formatted: Centered
	<del>c. \$10,001 to \$50,000</del>	Written quotations through REQUEST FOR PROPOSAL	Advertised on website and/or local media and/or trade paper.	Agreement where deemed necessary by council	Advice report to Council required endorsed by C.A.O.	Formatted: Centered, Indent: Left: 0", First line: 0" Formatted: Centered
	<del>d. over \$50,000</del>	Written quotations through REQUEST FOR PROPOSAL	Advertised on website and/or local media and/or trade paper.	Agreement /contract where deemed necessary by council	Solicitor may be requested review report to council for approval endorsed by C.A.O.	Formatted: Centered, Indent: Left: 0", First line: 0" Formatted: Centered
	<b>3- Expression of Interest and/or Requests for Pre-Qualification</b>					Formatted: Centered
		Request for information only; Expression of Interest/request for pre-qualification	Advertised on website, may advertise in local and/or trade paper	no contract. Followed by further request— RFQ or Tender	no report to Council required	Formatted: Centered, Indent: Left: 0", First line: 0" Formatted: Centered

## Exceptions to Methods of Acquisition

### a. Volatile Market Conditions

Notwithstanding the provisions of this policy, where market conditions are such that long term price protection cannot be obtained for goods and services, the C.A.O or designate or initiating department head will obtain competitive prices for short term commitments until such time a reasonable price protection and firm market pricing is restored.

### b. Sole Source Procurement

Purchase by negotiation may be adopted, if in the judgment of the C.A.O. or designate and in consultation with the requisitioning Department Head any of the following conditions apply:

- (i) goods and services are in short supply due to market conditions
- (ii) the sources of supply are restricted to the extent that there is not effective price competition, or consideration of substitutes is precluded due to any of the following:
  - a. components or replacement parts for which there is no substitute
  - b. compatibility with an existing product, facility or service is required
  - c. specific standards are adopted by Council
- (iii) there is documented evidence that the extension or reinstatement of an existing contract would prove most cost effective or beneficial (to a maximum of 10% of the original contract)
- (iv) work is required at a location where a contractor has already been secured through a tender process, with established unit prices by another party and it is considered to be beneficial and cost effective to extend the unit prices for the work to be completed for the Township
- (xii) after the RFP process has closed, it may be necessary for discussion to clarify and/or make significant revision(s) to the initially defined requirements of the call for quotations/proposals
- (xiii) when only one bid/proposal is received through the procurement process and it is impractical to recall the requirements of the call for quotations/proposals

### c. Emergency Procurement

Notwithstanding the provisions of this policy, the following shall only apply in case of an emergency, when an event occurs that is determined by a Department Head or the CAO to be:

- a threat to public health
- the maintenance of essential Township services
- the welfare of persons or of public property or

- the security of the Township's interests and the occurrence requires the immediate delivery of goods or services and time does not permit for competitive bids

The above criteria are to be applied on the basis of:

(i) **Procurement under \$50,000:**

Wherever feasible, the Department Head with the approval of the C.A.O. or designate, shall secure by the most open market procedure at the lowest obtainable price, any goods and services required.

(ii) **Procurement Over \$50,001:**

The Department Head, with the prior approval of the CAO and the council committee chair (when feasible).

An information report shall be submitted to Council explaining the actions taken and the reason(s) therefore.

**d. Co-operative or Joint Ventures**

The Township may participate with other Government agencies or public authorities in co-operative procurement/acquisition ventures or utilize a 'piggy back clause' within public sector contracts, whenever it is determined to be in the best interest of the Township to do so.

**e. Unsolicited Proposals**

Unsolicited proposals received by the Township shall be reviewed by the Department Head. Any procurement activity resulting from the receipt of an Unsolicited Proposal shall comply with the provisions of this policy. A contract resulting from an unsolicited proposal shall be awarded on a non-competitive basis only when the procurement requirements comply with the non-competitive procurement policies and procedures.

## Section IX

### Bid Analysis

Analyzing of bid responses shall be as follows;

1. Tenders shall be tabulated and analyzed by the initiating department head and C.A.O. or designate, ~~and a recommendation forwarded to Council for approval when required.~~
2. Bid responses dealing with the lease, rental or purchase of physical assets shall be tabulated and analyzed by the initiating department head, and C.A.O. or designate, ~~and a recommendation forwarded to Council for approval.~~
3. All other bid responses shall be tabulated and analyzed by the initiating department Manager, and C.A.O. or designate and a recommendation, when necessary, ~~forwarded to council for approval.~~
4. The analysis of all proposals under the general principle and goals of this policy- Section II- paragraph 10- shall be done using the life cycle analysis process- See Schedule F for detail on life cycle analysis.

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## Section X



## Reporting

### Goods and Services and Professional and Consulting Services

1. Where the;
  - a. value of the goods and services is less than \$105,000, and
  - b. procedures defined by this policy has been followed, and
  - c. acquisition is within the approved departmental net budget amount, and
  - d. lowest responsive bid/or highest evaluation criteria has being recommended.

No report to Council is required. A written report to the C.A.O. or designate is necessary for approval and such shall arrange for a contract (where necessary) to be signed by the Corporate Signing Officer(s).

2. Where the;
  - ~~a. value of the goods and services is more than \$10,000 but less than \$50,000, and~~
  - ~~b. a.~~ procedures defined by this policy has been followed, and
  - ~~b. acquisition is within \$5,000 of the approved budget specific to the good or service, and~~
  - ~~c. any budget overages under \$5,000 can be accommodated acquisition is~~ within the approved departmental net budget ~~a~~ amount, and
  - d. lowest responsive bid/or highest evaluation criteria has being recommended.

An advice report to Council is required. A written report to the C.A.O. or designate is necessary for approval and such shall arrange for a contract (where necessary) to be signed by the Corporate Signing Officer(s).

3. Council approval is required where the:
  - a. acquisition exceeds the approved capital budget amount by more than \$5,000+10%, or value of the goods and services is over \$50,001, or
  - ~~b. purchase is for vehicles or heavy equipment, or~~
  - ~~e. b.~~ purchasing policy is being waived, or
  - ~~d. acquisition exceeds the approved capital budget amount by more than 10%, or~~
  - ~~e. lowest responsive bid/or highest evaluation criteria has being recommended or~~
  - ~~f. c.~~ there was no provision in the budget for the item, or
  - ~~g. d.~~ CAO requests that a report be presented for Council consideration and approval

Upon approval, where necessary, the C.A.O. or designate shall ensure that a legally binding agreement is executed. Based on the above criteria, a contract, when deemed necessary, executed by the Mayor and Clerk in accordance to the reporting guidelines in this policy.

4. All contracts will be held by the Municipal Clerk with copies being sent to the issuing department and filed on shared drive.

## Section XI

### Disposal of Surplus Goods

1. The Department Head shall notify the C.A.O. or designate once any item has been deemed as surplus assets for sale or disposal. If the value is greater than \$10,000, the Department Head shall obtain the approval of Council prior to sale or disposition.
2. The Department Head shall circulate a list of surplus assets available to all departments free of charge prior to the sale or disposition of such items.  
  
Surplus assets not required by any other department shall be sold or disposed of by Township via formal auction, internet auction, tender, quotation or trade-in.

## Section XII

### Conflict of Interest

All consultants (eg: architects, engineers, etc.) retained by the Township of Douro-Dummer shall disclose to the Township prior to accepting an assignment, any potential conflict of interest. If such a conflict of interest does exist, the Township as directed by the Department Head may, at its discretion, withhold the assignment from the consultant until the matter is resolved. And furthermore, if during the conduct of a Township assignment, a consultant is retained by another client giving rise to a potential conflict of interest, then the consultant shall so inform the Township.

**Schedule “A”**

**Goods and Services “Exempt” from Provisions of the Procurement Policies**

**1. Petty Cash Items**

**2. Training and Education**

- a) Conferences
- b) Courses
- c) Conventions
- d) Memberships
- e) Seminars
- f) Periodicals
- g) Magazines
- h) Staff training
- i) Staff development
- j) Staff workshops
- k) Subscriptions

**3. Employee Expenses**

- a) Advances
- b) Meal allowances
- c) Travel & Hotel accommodation
- d) Entertainment
- e) Miscellaneous – Non-Travel

**4. Employer’s General Expenses**

- a) Payroll deduction remittances
- b) Licenses (vehicles, elevators, radios, etc.)
- c) Debenture payments
- d) Grants to agencies
- e) Payments of damages
- f) Tax remittances
- g) Charges to/from other Government or Crown Corporations
- h) Employee income

**5. Professional and Special Services**

- a) Committee fees
- b) Witness fees
- c) Court reporters’ fees
- d) Honoraria

- e) Arbitrators
- f) Legal settlements
- g) Ongoing computer hardware & software maintenance
- h) Banking services where covered by agreement
- i) Legal services
- j) External audit services

**6. Utilities**

- a) Postage
- b) Water and sewer charges
- c) Hydro
- d) Cable television, Telephone, Internet/Website hosting charges

## **Schedule “B”**

### **Bid Irregularities**

#### **Bid Irregularity**

A bid irregularity is a deviation between the requirements (terms, conditions, specifications, special instructions) of a bid request and the information provided in a bid response.

For the purposes of this policy, bid irregularities are further classified as "major irregularities" or "minor irregularities".

A "**major irregularity**" is a deviation from the bid request that affects the price, quality, quantity or delivery, and is material to the award. If the deviation is permitted, the bidder could gain an unfair advantage over competitors. The C.A.O. or designate must reject any bid, which contains a major irregularity.

A "**minor irregularity**" is a deviation from the bid request, which affects form, rather than substance. The effect on the price, quality, quantity or delivery is not material to the award. If the deviation is permitted or corrected, the bidder would not gain an unfair advantage over competitors. The C.A.O. or designate may permit the bidder to correct a minor irregularity.

#### **Mathematical Errors - Rectified by Staff**

The C.A.O. or designate will correct errors in mathematical extensions and/or taxes, and the unit prices will govern.

#### **Action Taken:**

The C.A.O. or designate, Township Solicitor, and Department Head may all be responsible for all action taken in dealing with bid irregularities, and acts in accordance with the nature of the irregularity:

- ✓ major irregularity (automatic rejection)
- ✓ minor irregularity (bidder may rectify)
- ✓ mathematical error (additions or extensions) as above

In the event that the vendor withdraws his bid due to the identification of a major irregularity, the Township may disqualify such vendor from participating in Township quotations/tenders/requests for proposals for a period of up to two years.

**Bid Irregularities - Summary**

Item	Description	Major	Minor	Action
1.	late bids (by any amount of time)	X		automatic rejection
2.	bids completed in pencil	X		automatic rejection
3.	bid surety not submitted with the bid (or any addenda) when indicated that such surety is required	X		automatic rejection
4.	Execution of Agreement to Bond a. Bond company corporate seal or equivalent proof of authority to bind company or signature missing b. surety company not licensed to do business in Ontario	X		automatic rejection
5.	Execution of Bid Bonds: a. corporate seal or equivalent proof of authority to bind company or signature of the Bidder or both missing b. corporate seal or equivalent proof of authority to bind company or signature of Bonding Company missing	X		automatic rejection
6.	Other Bid Security: Cheque which has not been certified	X		automatic rejection
7.	bidders not attending mandatory site meeting	X		automatic rejection
8.	unsealed tender envelopes	X		automatic rejection
9.	proper response envelope or label not used		X	acceptable if officially received on time
10.	pricing or signature pages missing	X		automatic rejection
11.	insufficient financial security (ie: no deposit or bid bond or insufficient deposit)	X or	X	where security is required and amount is not specified in request, automatic rejection unless insufficiency is <u>de minimus</u> (trivial or insignificant) -where security is required and amount of security is specified in request, automatic rejection
12.	bid received on documents other than those provided in request	X		not acceptable unless specified otherwise in the request
13.	Execution of Bid Document proof of authority to bind is missing	X		automatic rejection
14.	part bids (all items not bid)	X or	X	acceptable unless complete bid has been specified in the request

15.	bids containing minor clerical errors		X	2 working days to correct initial errors. Township reserves the right to waive initialling and accept bid
16.	uninitialed changes to the request documents which are minor (ie; the bidder's address is amended by overwriting but not initialled)		X	2 working days to correct initial errors. Township reserves the right to waive initialling and accept bid
17.	alternate items bid in whole or in part		X	available for further consideration unless specified otherwise in request
18.	unit prices in the schedule of prices have been changed but not initialled		X	2 working days to correct initial errors. Township reserves the right to waive initialling and accept bid
19.	other mathematical errors which are not consistent with the unit prices		X	2 working days to initial corrections. Unit prices will govern.
20.	pages requiring completion of information by vendor are missing	X		automatic rejection
21.	bid documents which suggest that the bidder has made a major mistake in calculations or bid			consultation with a Solicitor on a case-by-case basis and referenced within the staff report if applicable

**Note:** The above list of irregularities should not be considered all-inclusive. The C.A.O. or designate, in consultation with the requisitioning department will review minor irregularities not listed. The C.A.O. or designate may then accept the bid, or request that the bidder rectify the deviation.

Schedule "C"  
Tender Process

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**Tenders will be called for all work, equipment, and materials with a value exceeding \$50,001 where the product/service is based on a defined requirement by way of public advertising or invitational bid.**

The Department Head will send a draft advertisement and tender documents to the C.A.O. or designate for review, providing the following information:

- ✓ dollar value
- ✓ account number & Council authority
- ✓ description of work
- ✓ closing date

The Department Head will forward plans and specifications to the C.A.O. or designate, at least one week before the ad appears.

The C.A.O. or designate will authorize the advertising and distribution of tenders, and book a suitable room for the tender opening:

- ✓ all public tenders are advertised on the Township of Douro-Dummer Website. Additionally, at the discretion of the Department Head, tenders may be advertised in a local, regional, and/or construction newspaper.
- ✓ In some instances the contract may be advertised to pre-qualified potential bidders. Pre-qualification of bidders includes the screening of potential vendors in which such factors as financial capability, reputation, qualified staff and equipment management and product quality are considered. After evaluation of responses, only those contractors who are "pre-qualified" are allowed to submit tenders

Advertisements must include the following information (if applicable): site meeting time/date/location, contact names for technical and purchasing inquiries, document fee (if applicable), and location for pick up and drop off of bid documents.

The closing date is usually 15 calendar days after date of issue. However, a tender may be closed in a shorter or longer period of time depending on the urgency or complexity of the item(s) being tendered.

Advertised tender packages are available from the Municipal Office, 894 South Street, Warsaw, Ont. K0L 3A0. The tender fee (if applicable) is paid to the Township and information is recorded from bidders as documents are picked up. A copy is available for viewing prior to purchase.

All tender submissions must be addressed to the C.A.O., Township of Douro-Dummer, and returned in a sealed envelope. The Municipal Office will receive all sealed tender submissions and issue a date and time-stamped receipt (if requested).



### **Tender Process (continued)**

Corporate Services will refuse to accept any tender submission that is

- ✓ not sealed
- ✓ received after the 12:00 noon closing deadline
- ✓ submitted after a tender has been cancelled.

Requests for withdrawal of a tender shall be allowed if the request is made before the closing time for the contract to which it applies. Requests must be directed to the C.A.O. by letter or in person, by a Senior Official of the company, with a signed withdrawal confirming the details. Telephone requests will not be considered. The withdrawal of a tender does not disqualify a bidder from submitting another tender on the same contract.

Tenders close at 12:00 noon on the appointed day, and are opened publicly as determined in the tender documents.

Each tender is reviewed to determine whether a bid irregularity exists, and action is taken according to the nature of the irregularity (see Schedule B).

Tenders are tabulated and evaluated by the using department.

~~If the results are within \$5,000 of the approved budget then the results may be approved. A report initiated by the issuing Department Head and endorsed by the C.A.O. or designate shall be prepared prior to any commitments and where necessary for Council consideration and approval. If the results are more than \$5,000 over the approved budget then a report to Council will be required to approve the tender results; the report will identify the source of the additional funds. Upon approval, where necessary, the C.A.O. or designate shall ensure that a legally binding agreement is executed.~~

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~~Following Council's approval, the CAO or designate shall ensure that a contract, where necessary, which legally binds the corporation, is executed by the Mayor and Clerk.~~

**Tender results, if requested, shall be made public by the C.A.O. or designate.**

### **Schedule "D"**

### **Request for Proposal Process**

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Requests for Proposals (RFP's) may be called instead of tenders, by way of public advertising or invitational bid:

- ✓ when requirements or services cannot be definitively specified, or
- ✓ when the requirements or services are non-standard or specialized in nature, or
- ✓ the cost is only a minor component making up the award.

The User Department will initiate the RFP process by preparing documents, with input and assistance from the C.A.O. or designate if required.

Prior to printing, documents must be submitted to the C.A.O. or designate for review to ensure that all provisions other than specifications have been included in the proper format.

The C.A.O. or designate will authorize the advertising and distribution of the RFP packages.

All public RFP's are advertised on the Township of Douro-Dummer Website. Additionally, at the discretion of the Department Head, RFP's may be advertised in a local, regional, and/or construction newspaper. Advertisements must include the following information (if applicable): site meeting time/date/location, contact names for technical and purchasing inquiries, document fee (if applicable), and location for pick up and drop off of bid documents.

The closing date is usually 15 calendar days after date of issue. However, an RFP may be closed in a shorter or longer period of time depending on the urgency or complexity of the item(s).

Public Request for Proposal document packages are available from the Municipal Office, 894 South Street, Warsaw, Ont. K0L 3A0 and on the township website [www.dourodummer.on.ca](http://www.dourodummer.on.ca).

### Request for Proposal Process (continued)

RFP's must be addressed to the C.A.O. or designate. The Municipal Office will receive all sealed submissions and issue a date and time-stamped receipt, if requested.

The Township of Douro-Dummer will refuse to accept any submission that is

- ✓ not sealed
- ✓ received after the 12:00 noon closing deadline
- ✓ submitted after an RFP has been cancelled.

Requests for withdrawal of an RFP shall be allowed if the request is made before the closing time for the contract to which it applies. Requests must be directed the C.A.O. by letter, or in person by a Senior Official of the company, with a signed withdrawal confirming the details. Telephone requests will not be considered. The withdrawal of an RFP does not disqualify a bidder from submitting another RFP on the same contract.

Proposals shall be opened as determined in the RFP documents on the appointed day for registration of bids. Only names of bidders will be made public.

Proposals received shall be evaluated on the basis of requested quantitative and qualitative criteria by an Evaluation Committee.

RFP's with an anticipated value over \$50,000 may require the Township Solicitor's review prior to issuance.

~~If the results are within \$5,000 of the approved budget then the results may be approved by C.A.O. or designate. If the results are more than \$5,000 over the approved budget then a report to Council will be required to approve the RFP results; the report will identify the source of the additional funds. Upon approval, where necessary, the C.A.O. or designate shall ensure that a legally binding agreement is executed. and a report from the department endorsed by the CAO or designate, to Council for consideration and approval prior to the award. Following Council's approval, a contract must be executed by the Mayor and Clerk when deemed necessary by Council.~~

Once an award is made by Council, the successful proponent report recommending an award shall be a matter of public record.

RFP results, if requested, shall be made public by the C.A.O. or designate.

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### **Schedule “E” Insurance**

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1. The standard insurance minimums are as follows:

\$2 million- general liability policy  
\$2 million- automobile liability policy  
\$2 million- homeowners (e.g. for rental of facilities)  
\$5 million- general liability and automobile liability policies- for contract work done for most public works and environmental services projects.  
\$2 million- professional errors and omissions liability  
Builders Risk- the amount of the project cost.

Bid documents must clearly indicate insurance requirements to be provided by the successful bidder.

2. The successful bidder must furnish the township at his/her cost a “certified copy” of a liability insurance policy covering public liability and property damage for no less than the minimum amounts stated in section 1 of Schedule “E” to the satisfaction of the Township and in force for the entire contract period. The policy must contain:

A “cross liability” clause or endorsement;  
An endorsement certifying that the Corporation of the Township of Douro-Dummer and the successful bidder are included as an additional named insured;  
An endorsement to the effect that the policy or policies will not be altered, cancelled or allowed to lapse without thirty days prior written notice to the Township of Douro-Dummer.

3. Contractor’s Liability Insurance Policy shall not contain any exclusions of liability for damage, etc. to property, building or land arising from:

The removal or weakening of support of any property, building or land whether such support be natural or otherwise;  
The use of explosives for blasting;  
The vibration from pile driving or caisson work, provided that the minimum coverage for any such loss or damage shall be \$5,000,000.00

## **Schedule “F” Life Cycle Costing**

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### **1.1 Why use Life Cycle Costing?**

The determination of costs is an integral part of the asset management process and is a common element of many of the asset manager’s tools, particularly Economic Appraisal, Financial Appraisal, Value Management, Risk Management and Demand Management.

In the past, comparisons of asset alternatives, whether at the concept or detailed design level, have

been based mainly on initial capital costs.

Growing pressure to achieve better outcomes from assets means that ongoing operating and maintenance costs must be considered as they consume more resources over the asset’s service life. For example, the operating costs of a hospital consume an equivalent of the capital cost every two to three years and can continue to do so for forty years or more. The operating costs of a school can consume the equivalent of its capital cost every four to five years and remain in service for a century.

Both the capital and the ongoing operating and maintenance costs must be considered wherever asset management decisions involving costs are made. This is the Life Cycle Cost approach. Life Cycle Costing is a process to determine the sum of all the costs associated with an asset or part thereof, including acquisition, installation, operation, maintenance, refurbishment and disposal costs. It is pivotal to the asset management process as an input to the evaluation of alternatives via Economic Appraisal, Financial Appraisal, Value Management, Risk Management and Demand Management.

### **1.2 What is Life Cycle Costing?**

The Life Cycle Cost (LCC) of an asset is defined as:  
the total cost throughout its life including planning, design, acquisition and support costs and  
any other costs directly attributable to owning or using the asset.

Life Cycle Costing adds all the costs of alternatives over their life period and enables an evaluation on a common basis for the period of interest (usually using discounted costs). This enables decisions on acquisition, maintenance, refurbishment or disposal to be made in the light of full cost implications.

#### **Life cost planning**

Life Cost Planning concerns the assessment and comparison of options/alternatives during the design/ acquisition phase. It utilises similar techniques as those for Economic Appraisal in that future, nominal costs are discounted to today’s dollar Discounted Cost.

The application of Discounted Cost analyses to Life Cost Planning differs from that in Economic

Appraisal in that Life Cost Planning generally:

- considers all cost components within asset options over the asset's life
- does not directly consider benefits or revenue streams that are generally assumed to be equal among the options being compared (benefits and revenues are considered in the evaluation of options).

#### Life cost analysis

Life Cost Analysis enables the creation, operation and disposal costs of a selected alternative to be monitored throughout its life to enable accurate and timely decision-making as to how these costs can be minimised. Where ownership of the asset changes over time, each owner, takes responsibility for decisions required during the period of ownership only.

Life Cost Analysis is used as the basis for monitoring and management of costs over an asset's life. It is essentially a financial management tool costs are generally not expressed as real or discounted costs but as nominal costs (i.e. estimated costs that are to be paid when due) to enable a comparison of the predicted cost and the actual cost. This enables better prediction and adjustment of the Life Cycle Costing model (LCC).

#### Basic Formula for Calculating Life-Cycle Cost

The formula for calculating life-cycle cost is:

$$LCC = I + \text{Repl} - \text{Res} + E + W + \text{OM\&R} + O$$

**LCC:** Total life-cycle cost in present value (PV) dollars of a given alternative

**I:** Initial cost

**Repl:** PV capital replacement costs

**Res:** PV residual value (resale value, salvage value) less disposal costs

**L:** Desired useful life in years of the building or system

**E:** Total energy cost (PV)

**W:** Total water costs (PV)

**OM&R:** Total operating, maintenance, and repair costs (PV)

**O:** Total other costs, if any—contract administration costs, financing costs, employee salaries and benefits, and so forth (PV)