

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: March 24, 2010

SUBJECT: TTC CORPORATE POLICY REVIEW – POLICY 13.5
AUTHORIZATION FOR EXPENDITURES & OTHER
COMMITMENTS

ACTION ITEM

RECOMMENDATION

It is recommended that the Commission approve the following TTC Corporate Policy as amended for implementation effective April 1, 2010, which policy is attached hereto as Appendix 'A':

1. Policy 13.5, Authorization for Expenditures and Other Commitments.

DISCUSSION

The Procurement policy sets out the rules under which the TTC will process its purchase requirements while the Authorization for Expenditures and Other Commitments policy primarily sets out the levels required for Commission and senior management approval for such purchases and related activities. The Authorization for Expenditures and Other Commitments policy is submitted for Commission approval with suggested changes as detailed in Appendix 'A'.

JUSTIFICATION

The recommended changes update the Authorization for Expenditure and Other Commitments policy with various specified administrative revisions.

March 5, 2010

9-59

Attachments: Appendix A

Appendix A

The following are attached:

- A copy of Policy 13.5.7, Authorization For Expenditures and Other Commitments showing changes (old changes stuck-out and new changes are underlined in bold), and
- A clean and final version of Policy 13.5.8, Authorization For Expenditures and Other Commitments, as revised.

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Authorization for Expenditures and Other Commitments	Finance	Dec. 17, 2008 Mar 24, 2010	13.5.7 13.5.8

1.0 RESPONSIBILITY

Chief Financial Officer, and **Manager – Materials and Procurement Department.**

2.0 PURPOSE

To establish the guidelines and requirements for the classification and control of expenditures and other commitments by staff and the authority levels to authorize such activities.

3.0 DELEGATION

3.1 The authorization for expenditures and other commitments covers both budgeted and unbudgeted items as outlined in Table 1 below. Budgeted items are comprised of: acquisition of goods and services; contract amendments; leasing, realty and concession agreements; utilities, statutory payments and agencies limits including City of Toronto contracts and other operating agreements. Authorizations for unbudgeted items cannot be delegated below the Department Head level.

3.2 The signing authority of the Chief General Manager may only be delegated in writing, as the Chief General Manager deems appropriate. (Refer to **policies** 1.4 Delegation of Management Authority and 13.11 Delegation of Departmental Expenditure Authority-~~Policy~~).

3.3 Authorization for expenditures and other commitments are established up to the following limits, noting that these represent total contractual values including applicable taxes per commitment request, unless noted otherwise:

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Commencing Projects/Authorizing Contracts and Commitments (Table 1)					
APPROVER	UNBUDGETED ITEMS	BUDGETED ITEMS			
		Goods & Services	Contract Changes / Amendments	Leasing Realty & Concession (per annum)	Utilities, Agencies & Municipalities
Commission	\$250,000 +	\$5.0 million + * (Exceptions \$500,000 +)	\$2.5 million +	\$100,000+ \$200,000 +	Budget
Chief General Manager	\$250,000	\$5.0 million	\$2.5 million	\$100,000 \$200,000	Budget
General Manager / Program Manager – Transit City	\$50,000	\$2.5 million	\$1.0 million	\$50,000 \$100,000	Budget
Deputy General Manager / Executive Director / Chief Project Manager / Program Manager	\$25,000	\$1.0 million	\$500,000	N/A	Budget
Department Head **	\$10,000	A \$500,000 B \$100,000	A \$250,000 B \$50,000	N/A	Budget

Note:

All contract awards greater than \$500,000 and amendments greater than \$250,000 will also

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require authorization from the Manager – Materials and Procurement, and all contract awards greater than \$1 million and amendments greater than \$500,000 also require authorization from the General Manager – Executive & General Secretary.

* Exceptions: Commission approval is also required for:

- (a) Sole source requirements greater than \$500,000 in accordance with the **Procurement Policy**; and
- (b) Requirements greater than \$500,000 where the recommended company is not: (1) the lowest priced compliant tenderer; or (2) the best qualified and either lowest priced or acceptable priced proposal. These exceptions will also require the review and approval of the Legal and Claims Department regardless of the value.

** Department Heads of the following Departments ~~to~~ have “A” limits: Bus Maintenance; Plant Maintenance; Rail Cars & Shops; Signals / Electrical / Communications; Track & Structure; Wheel-Trans Operations; **Materials and Procurement; Information Technology Services**; and Engineering. All remaining Department Heads not listed above ~~to~~ have “B” limits.

- 3.4 ~~Smaller~~ **Items which normally would not require Commission approval** may be brought to the Commission at the discretion of the Chief General Manager.
- 3.5 The Commission delegates authority to the Chair, Vice-Chair and Chief General Manager to authorize items that would normally be authorized by the Commission when the approval is required prior to the next Commission meeting. If the Chair and/or the Vice-Chair are not available, authority will be deemed to be delegated to any two (2) Commissioners and the Chief General Manager. These authorizations are to be followed up by a notice of award Commission report that is to be submitted to the next scheduled Commission meeting for information.
- 3.6 Exception to Contract Changes / Amendments in Table 1 “Re-allocation of Funds Amendments” – In the event an authorized procurement involves contract awards to multiple companies, who are awarded contracts with the same scope and nature, the Commission delegates amendment authority to the Chief General Manager, and the Manager – Materials and Procurement to re-allocate funds amongst the companies as needed provided the originally

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approved total aggregate amount, including any subsequent authorized amendments, is not exceeded. The Manager – Materials and Procurement has such amendment authority up to \$2.5 million per contract, and the Chief General Manager for amounts greater than \$2.5 million per contract.

3.7 Management will submit a monthly report to the Commission on expenditure commitments between \$1 million to \$5 million. This report will also include sole source purchases greater than \$60,000 (up to ~~\$1 million~~ \$500,000) that have been authorized by the Chief General Manager.

3.8 Notes:

3.8.1 The authority levels delegated below the Department Head level noted in Table 1 will be subject to written approval of the Department Head. **The delegation of authorization is required to be in writing, signed, and is to be** in accordance with the Delegation of Departmental Expenditure Authority Policy (13.11) and as approved on the Authorized Signatures Listing.

3.8.2 Each level of management must delegate their full authority during periods of absence in accordance with the Delegation of Management Authority Policy (1.4).

3.8.3 The General Counsel has authorization delegated by the Commission specifically related to legal issues and claims settlements which are subject to the procedures outlined under 9.1 Engagement of Outside Counsel and 9.2 Settlement of Claims Policy in conjunction with 13.11 Delegation of Departmental Expenditure Authority Policy.

3.8.4 The General Manager - Executive has the authority to write-off uncollectible amounts up to a value of \$20,000. The Chief Financial Officer has the authority to write-off uncollectible amounts up to \$10,000. An information report outlining amounts written off will be submitted to the Audit Committee on an annual basis. Specific authority to approve other write-offs may be delegated by the Chief General Manager in accordance with the Delegation of Departmental Expenditure Authority policy 13.11 (e.g., tangible property is issued but

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no money is received, such as lost fare media) for decisions undertaken in the normal exercise of duties.

- 3.8.5 The Manager - Materials and Procurement may approve up to \$1,000,000 for the purchase of materials for inventory and ~~\$250,000~~ **\$500,000** amendment authority for inventory purchases and proceeding with a sole source procurement process in the amount up to \$60,000.
- 3.8.6 Department heads may approve an increase on upset limit contracts up to the lesser of 10% or \$10,000 above the original purchase order value. This applies only once per purchase order and up to the level of contract amendment authority outlined under 13.11 Delegation of Departmental Expenditure Authority policy.
- 3.8.7 For unbudgeted project activity or procurement items, any original amount plus amendments that cumulatively total more than \$250,000 requires Commission approval.

For requests up to \$250,000, an Approver may authorize proceeding with an Unbudgeted Item within their limit as listed in Table 1, providing that the expenditure can be accommodated within existing budgets. If as a result of a required amendment(s) the cumulative value of the Unbudgeted Item will exceed the Approver's limit, then the appropriate higher level of approval will be required prior to proceeding with the amendment(s).

- 3.8.8 If all or any part of the work associated with a new contract or a change to a contract that must commence immediately for reasons of safety, security, critical schedule requirements or to avoid delay claims, and authorization for such work cannot be obtained in a timely manner, then designated staff may authorize such work to commence on an interim basis up to their level of authority. Approval for the full value of such work should be obtained before expenses incurred exceed the interim authorization or such further interim authorization that may be

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subsequently obtained by a higher authority; otherwise the work on the change should be stopped until appropriate authorization is obtained. For safety critical requirements, work should proceed and appropriate authority must be sought at the earliest opportunity.

~~Repeated unjustified~~ **Inappropriate** use of this process may result in a reduction of authority limits at the discretion of the Chief Financial Officer and the Manager - Materials and Procurement.

3.8.9 Where the value of an original contract for the purchase of goods / services is less than \$5 million, prior to the point where the aggregate of the original purchase plus subsequent approved and planned amendments will exceed \$7.5 million, then Commission approval of an amendment will be required even if the value of such amendment is less than \$2.5 million. Once the Commission authorizes an amendment, normal authorizations will resume as per Table 1 for any additional amendments.

3.8.10 The authorization levels shown are for individual contract amendments and apply to the increases in the contract value for an addition to the scope of work, however, where multiple amendments relate to the same scope of work the cumulative change value for all "same scope work" should be considered as the authorization level required. The authorization levels do not apply to the following: reductions in scope which do not conflict with Commission approved design objectives; direct substitutions for work within the scope which do not represent a change to the intent of the scope of work; increases or decreases due to changes in the rate or applicability of a tax or duty; the value of a cash allowance or escalation costs included in a contract; closeout of the remaining unspent value of upset limit contracts; or a no cost time extension that otherwise includes no change to the scope of the existing upset limit contract.

3.8.11 Leasing, realty, and concession contracts having a term over ten years (including all renewal options) require Commission approval regardless

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of the amount. For leasing contracts having a term up to ten years the authorization level contained in Table 1 denotes the guaranteed annual value.

3.8.12 The Manager – Property Development may approve leasing / realty / concession agreements up to ~~\$25,000~~ \$50,000 per annum for terms which do not exceed ten years.

3.8.13 Utilities, statutory payments and other agencies payments and commitments (including municipal payments) **not covered by a specific contract**, are deemed authorized within the approved budget authority (expenditures or revenues) and may be approved by staff with the appropriate delegated authority related to the following: utilities, taxes, permits, employee related deductions and payments, continuation of operating service and use of facility agreements with other agencies (new agreements will require Commission approval) and municipal payments such as city staff Legal and Facility & Real Estate, Special Project and Transportation Planning resource requirements for work performed directly on TTC approved budget activities.

3.8.14 City of Toronto contracts for work undertaken on behalf of the Commission and for which City contracts will be issued to third parties will be approved as per Table 1 with the exception that the Chief General Manager will have unlimited authority.

~~3.8.15 Equipment rentals and recurring services will require authorization as shown under goods and services as in Table 1.~~

4.0 REFERENCE SOURCES

- Delegation of Management Authority Policy
- Delegation of Departmental Expenditure Authority Policy
- Engagement of Outside Counsel Policy

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- Settlement of Claims Policy
- **Procurement Policy**

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1.0 RESPONSIBILITY

Chief Financial Officer, and Manager – Materials and Procurement Department.

2.0 PURPOSE

To establish the guidelines and requirements for the classification and control of expenditures and other commitments by staff and the authority levels to authorize such activities.

3.0 DELEGATION

3.1 The authorization for expenditures and other commitments covers both budgeted and unbudgeted items as outlined in Table 1 below. Budgeted items are comprised of: acquisition of goods and services; contract amendments; leasing, realty and concession agreements; utilities, statutory payments and agencies limits including City of Toronto contracts and other operating agreements. Authorizations for unbudgeted items cannot be delegated below the Department Head level.

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Deputy General Manager / Executive Director / Chief Project Manager	\$25,000	\$1.0 million	\$500,000	N/A	Budget
Department Head **	\$10,000	A \$500,000 B \$100,000	A \$250,000 B \$50,000	N/A	Budget

Note:

All contract awards greater than \$500,000 and amendments greater than \$250,000 will also require authorization from the Manager – Materials and Procurement, and all contract awards greater than \$1 million and amendments greater than \$500,000 also require authorization from the General Manager – Executive & General Secretary.

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(b) Requirements greater than \$500,000 where the recommended company is not: (1) the lowest priced compliant tenderer; or (2) the best qualified and either lowest priced or acceptable priced proposal. These exceptions will also require the review and approval of the Legal and Claims Department regardless of the value.

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3.5 The Commission delegates authority to the Chair, Vice-Chair and Chief General Manager to authorize items that would normally be authorized by the Commission when the approval is required prior to the next Commission meeting. If the Chair and/or the Vice-Chair are not available, authority will be deemed to be delegated to any two (2) Commissioners and the Chief General Manager. These authorizations are to be followed up by a notice of award Commission report that is to be submitted to the next scheduled Commission meeting for information.

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- 3.7 Management will submit a monthly report to the Commission on expenditure commitments between \$1 million to \$5 million. This report will also include sole source purchases greater than \$60,000 (up to \$500,000) that have been authorized by the Chief General Manager.
- 3.8 Notes:
- 3.8.1 The authority levels delegated below the Department Head level noted in Table 1 will be subject to written approval of the Department Head. The delegation of authorization is required to be in writing, signed, and is to be in accordance with the Delegation of Departmental Expenditure Authority Policy (13.11) and as approved on the Authorized Signatures Listing.
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- 3.8.3 The General Counsel has authorization delegated by the Commission specifically related to legal issues and claims settlements which are subject to the procedures outlined under 9.1 Engagement of Outside Counsel and 9.2 Settlement of Claims Policy in conjunction with 13.11 Delegation of Departmental Expenditure Authority Policy.
- 3.8.4 The General Manager - Executive has the authority to write-off uncollectible amounts up to a value of \$20,000. The Chief Financial Officer has the authority to write-off uncollectible amounts up to \$10,000. An information report outlining amounts written off will be submitted to the Audit Committee on an annual basis. Specific authority to approve other write-offs may be delegated by the Chief General Manager in accordance with the Delegation of Departmental Expenditure Authority policy 13.11 (e.g., tangible property is issued but no money is received, such as lost fare media) for decisions undertaken in the normal exercise of duties.
- 3.8.5 The Manager - Materials and Procurement may approve up to \$1,000,000 for the purchase of materials for inventory and \$500,000 amendment authority for inventory purchases and proceeding with a

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sole source procurement process in the amount up to \$60,000.

- 3.8.6 Department heads may approve an increase on upset limit contracts up to the lesser of 10% or \$10,000 above the original purchase order value. This applies only once per purchase order and up to the level of contract amendment authority outlined under 13.11 Delegation of Departmental Expenditure Authority policy.
- 3.8.7 For unbudgeted project activity or procurement items, any original amount plus amendments that cumulatively total more than \$250,000 requires Commission approval.

For requests up to \$250,000, an Approver may authorize proceeding with an Unbudgeted Item within their limit as listed in Table 1, providing that the expenditure can be accommodated within existing budgets. If as a result of a required amendment(s) the cumulative value of the Unbudgeted Item will exceed the Approver's limit, then the appropriate higher level of approval will be required prior to proceeding with the amendment(s).

- 3.8.8 If all or any part of the work associated with a new contract or a change to a contract that must commence immediately for reasons of safety, security, critical schedule requirements or to avoid delay claims, and authorization for such work cannot be obtained in a timely manner, then designated staff may authorize such work to commence on an interim basis up to their level of authority. Approval for the full value of such work should be obtained before expenses incurred exceed the interim authorization or such further interim authorization that may be subsequently obtained by a higher authority; otherwise the work on the change should be stopped until appropriate authorization is obtained. For safety critical requirements, work should proceed and appropriate authority must be sought at the earliest opportunity.

Inappropriate use of this process may result in a reduction of authority limits at the discretion of the Chief Financial Officer and the Manager - Materials and Procurement.

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3.8.9 Where the value of an original contract for the purchase of goods / services is less than \$5 million, prior to the point where the aggregate of the original purchase plus subsequent approved and planned amendments will exceed \$7.5 million, then Commission approval of an amendment will be required even if the value of such amendment is less than \$2.5 million. Once the Commission authorizes an amendment, normal authorizations will resume as per Table 1 for any additional amendments.

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3.8.11 Leasing, realty, and concession contracts having a term over ten years (including all renewal options) require Commission approval regardless of the amount. For leasing contracts having a term up to ten years the authorization level contained in Table 1 denotes the guaranteed annual value.

3.8.12 The Manager – Property Development may approve leasing / realty / concession agreements up to \$50,000 per annum for terms which do not exceed ten years.

3.8.13 Utilities, statutory payments and other agencies payments and commitments (including municipal payments) not covered by a specific

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contract, are deemed authorized within the approved budget authority (expenditures or revenues) and may be approved by staff with the appropriate delegated authority related to the following: utilities, taxes, permits, employee related deductions and payments, continuation of operating service and use of facility agreements with other agencies (new agreements will require Commission approval) and municipal payments such as city staff Legal and Facility & Real Estate, Special Project and Transportation Planning resource requirements for work performed directly on TTC approved budget activities.

3.8.14 City of Toronto contracts for work undertaken on behalf of the Commission and for which City contracts will be issued to third parties will be approved as per Table 1 with the exception that the Chief General Manager will have unlimited authority.

4.0 REFERENCE SOURCES

- Delegation of Management Authority Policy
- Delegation of Departmental Expenditure Authority Policy
- Engagement of Outside Counsel Policy
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