

Policy

Title: SPENDING AND COMMITMENT AUTHORITY		Number: 0174
Reference: Administrative Committee - August 10, 2022 Administrative Committee – January 10, 2024 Corporate Services Committee - September 8, 2022	Adopted by City Council: October 3, 2022	
	City Clerk	Chief Administrative Officer
Supersedes: Policy No. 0126		
Prepared by: FINANCE – SUPPLY CHAIN		

STATEMENT

THE CITY WILL DELEGATE SPENDING AND COMMITMENT AUTHORITY TO THE APPROPRIATE AUTHORIZED PERSONNEL IN THE ORGANIZATION IN ORDER TO FACILITATE THE TIMELY AND EFFECTIVE APPROVAL OF EXPENDITURES AND PAYMENT OF INVOICES.

PRINCIPLES

1. Spending Authority and Commitment Authority is delegated to the appropriate level in the organization as described herein, to enable City departments to meet service requirements in an effective and efficient manner.
2. Ensure that Spending Authority and Commitment Authority is subject to appropriate conditions and Authorized Personnel are accountable for their actions and decisions.
3. Authorized Personnel will ensure that requirements of federal and provincial legislation and City bylaws have been satisfied and budget approvals are in place, and adhere to all Procurement policies, procedures, and protocols.

ROLE OF COUNCIL

1. To receive, review and adopt this policy and any recommended amendments thereto.

Procedure



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City Clerk	City Manager	
Prepared by: Finance – Supply Chain		

1. DEFINITIONS

- 1.01 "Administrative Committee" means the Administrative Committee established by the CAO under the City's Administrative Organization Bylaw.
- 1.02 "Authorized Personnel" means a Senior Manager or other City employee who has been delegated Spending Authority.
- 1.03 "CAO" means the Chief Administrative Officer – City Manager for the City.
- 1.04 "City" means the Corporation of the City of Medicine Hat.
- 1.05 "Commitment Authority" means the authority to enter into a Contract and any applicable amendments with a Supplier on behalf of the City by signing a legal agreement and/or issuing a Purchase Order evidencing the Contract.
- 1.06 "Contract" means a commitment by the City for the procurement of Deliverables from a Supplier, which may be evidenced by an agreement signed by the Supplier and the City or a Purchase Order issued by the City to the Supplier.
- 1.07 "Council" means the municipal council for the City of Medicine Hat.
- 1.08 "Deliverables" means any goods, services or construction, or combination thereof.
- 1.09 "Department" means the department, division or unit of the City that is requisitioning the purchase of the Deliverables.
- 1.10 "Director" means an individual in the position of a Director and, for the purposes of this policy and procedure, includes the City Solicitor, City Clerk, Fire Chief and Chief of Police.
- 1.11 "Head of Procurement Services" means the individual, officer or employee, or authorized designate, who is responsible for Procurement Services (i.e. Manager, Supply Chain).
- 1.12 "Invitational Competition" means Invitational Competition as defined in the City's Procurement Policy.
- 1.13 "Low Value Purchase Threshold" means Low Value Purchase Threshold as defined in the City's Procurement Policy.

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- 1.14 "Non-Standard Procurement" means the acquisition of Deliverables through a process or method other than the process or method normally required for the type and value of the Deliverables. Non-standard procurement processes include:
 - a) A "Non-Competitive Procurement", where the Deliverables are acquired directly from a particular supplier without conducting a competitive process when an Invitational Competition or an Open Competition would normally be required; or
 - b) A "Limited Competition," where bids are solicited from a limited number of suppliers when an Open Competition would normally be required.
- 1.15 "Open Competition" means Open Competition as defined in the City's Procurement Policy.
- 1.16 "Procurement" means the acquisition of Deliverables by purchase, rental or lease.
- 1.17 "Procurement Protocols" means the processes and procedures that are essential for the Procurement of goods, services and construction. The City's Procurement Protocols document should be used as a guideline to complete procurement activities. The Procurement Protocols can be found on the City's internal website in the General Policies, Procedures & Guidelines section.
- 1.18 "Procurement Services" means the City Department or unit responsible for purchasing Deliverables for the City.
- 1.19 "Procurement Value" means the total value of the Deliverables being procured, and must include all costs to the City, including, as applicable, acquisition, maintenance, replacement, disposal; and training, delivery, installation and extension options, less applicable rebates or discounts and exclusive of sales taxes (GST, PST, HST).
- 1.20 "Purchase Order" ("PO") means the City's formal document issued by a duly authorized employee of the City to a Supplier formalizing all the terms and conditions of the purchase and supply of the Deliverables identified on the face of the Purchase Order.
- 1.21 "Qualified Supplier Roster" means Qualified Supplier Roster as defined in the City's Procurement Policy.
- 1.22 "Schedule of Delegated Spending Authority" means a document maintained by the Human Resources department to record all delegations of Spending Authority to Authorized Personnel.
- 1.23 "Senior Managers" includes the CAO, Managing Directors and Directors.
- 1.24 "Spending Authority" means the authority to approve Procurement expenditures, including Contract awards, Contract amendments and payment of invoices in accordance with Appendix A.
- 1.25 "Standard Procurement" means the acquisition of Deliverables through the standard process or method identified in the City's Procurement Protocols for the type and value of the Deliverables.
- 1.26 "Standing Offer" means Standing Offer as defined in the City's Procurement Policy.
- 1.27 "Supplier" means a person carrying on the business of providing Deliverables.

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2. RESPONSIBILITIES

2.01 Administrative Committee

- (a) make recommendations to Council regarding any amendments to this policy; and
- (b) make amendments to this procedure.

2.02 Chief Administrative Officer (CAO)

- (a) ensure that Spending Authority and Commitment Authority are adhered to in accordance with this policy and procedure.

2.03 Senior Managers

- (a) ensure that Spending Authority is delegated and exercised in accordance with this policy and procedure;
- (b) assess the need and delegate appropriate Spending Authority to personnel based on operational requirements and the employee's position;
- (c) ensure that all Authorized Personnel in their department understand their responsibilities and adhere to this policy and procedure and the Procurement policy and Procurement Protocols;
- (d) monitor the activities of Authorized Personnel and address any identified non-compliance; and
- (e) notify Procurement Services and Accounts Payables of any interim delegation of their Spending Authority (update substitute authority within ERP system).

2.04 Procurement Services

- (a) make recommendations to the Administrative Committee regarding amendments to this policy and procedure;
- (b) communicate this policy and procedure to all Departments;
- (c) develop and maintain detailed procedures to support the Spending and Commitment Authority policy; and
- (d) ensure requests processed through Procurement Services are authorized in accordance with Spending Authority limits and conditions.

2.05 Authorized Personnel

- (a) comply with all aspects of this policy and the procedure; and
- (b) ensure all approvals processed are authorized in accordance with this policy and procedure.

3. PROCEDURES

3.01 Interpretation and Application

- (a) Application and Exemptions
 - i. Spending Authority applies to authorizations required for the Procurement of all Deliverables by or on behalf of the City but does not apply to emergency purchases as set out in Section 3.03 of this procedure or any of the items and expenditures set out in Appendix B – Exempt Expenditures.

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- ii. Commitment Authority is the authority to commit the City to legally binding Contracts but does not apply to emergency purchases as set out in Section 3.03 of this procedure or any of the items and expenditures set out in Appendix B – Exempt Expenditures.

(b) Dollar Values

- i. All dollar values specified or referred to in this procedure are exclusive of sales taxes (GST, PST, HST).

3.02 Spending and Commitment Authorities

Segregation of duties must be established prior to the delegation of Spending Authority and Commitment Authority. Segregation of duties prevents any one person from controlling the entire procure-to-pay process by segregating approvals for the key stages of the process. In particular, no one individual shall have the ability to requisition, approve the requisition, approve the release and issuance of Contracts/Purchase Orders, receive deliverables, and authorize payment(s).

(a) Spending Authority

The CAO has delegated Spending Authority to approve Procurement expenditures, including:

- i. Contract awards up to \$1,000,000 and contract amendments for Standard Procurements of any value;
- ii. Contract awards and amendments for Non-Standard Procurements up to \$500,000; and
- iii. payment of invoices.

Spending Authority does not include the authority to issue a Purchase Order, accept Supplier's quotes, or to sign an agreement or an amending agreement on behalf of the City. The Commitment Authority to issue Purchase Orders or sign agreements on behalf of the City is set out in Section 3.02(d) of this procedure.

(b) Sub-Delegation of Spending Authority

- i. The CAO may delegate Spending Authority to other Senior Managers of the City. The delegated Spending Authority limits are tied to positions as set out in APPENDIX A of this Policy.
- ii. Senior Managers may delegate Spending Authority to other City employees (Authorized Personnel) on a permanent basis. The authorization level of delegation must be appropriate for the employee's general responsibilities and must be aligned with employee's position. General guidelines for appropriate levels are set out in APPENDIX A of this Policy.
- iii. Authorized Personnel may delegate Spending Authority to other City employees up to the limit of their own Spending Authority on a temporary basis (e.g. during vacation or other time of leave) through activating a substitute within the ERP system.
- iv. To delegate Spending Authority or to change existing Spending Authority limits, Senior Managers must submit a "Spending Authority Request/Change" form to the People Services Department for any employee requiring Spending Authority.

- v. Once processed, the People Services Department will notify the Senior Manager, Procurement Services and the employee that Authorized Personnel status is now effective and will provide copies of this policy and procedure and all Procurement policies, and procedures to the Authorized Personnel.
- vi. The People Services Department will maintain a Schedule of Delegated Spending Authority documenting all delegations of Spending Authority by the CAO, including the Authorized Personnel's position and delegated Spending Authority limit.
- vii. When employees change positions or leave the City, the delegated Spending Authority must be revoked and the need for delegated Spending Authority must be re-assessed.

(c) Conditions of Delegated Spending Authority

Spending Authority is subject to all of the following conditions:

- i. No Contract award may be approved unless sufficient funding is available in an approved budget or otherwise approved by Council, and the procurement process was conducted in accordance with the Procurement Policy and procedure. In the case of multi-year or multi-phase Contracts, appropriate termination clauses should be included in case anticipated funding is not approved in future budgets.
- ii. No Contract amendment may be approved unless sufficient funding is available in an approved budget and the amendment is made in accordance with the Procurement Policy and procedure.
- iii. No invoice payment may be approved unless the invoice is prepared and provided in accordance with the payment terms in the Contract and the payment is for Deliverables that have been satisfactorily delivered in accordance with the requirements of the Contract.

(d) Commitment Authority

- i. Commitment Authority is the authority to enter into a Contract or an amendment to a Contract with a Supplier on behalf of the City. A Contract may be entered into through the execution of a legal agreement and/or the issuance of a Purchase Order evidencing the Contract.
- ii. Signing of contracts – in accordance with the Municipal Government Act and the Administrative Organizational Bylaw of the City of Medicine Hat, only the City Clerk and the Mayor may sign Contracts unless staff is specifically authorized to do so by bylaw or Council resolution.
- iii. No Contract may be entered into, either through the issuance of a Purchase Order or the execution of an agreement, unless the award of the Contract has been approved in accordance with the Procurement Policy and related procedures.
- iv. Where the Procurement Value is below the Low Value Purchase Threshold and the Deliverables are not covered under an existing Standing Offer or Qualified Supplier Roster, the Procurement process must be conducted in

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accordance with the Low Value Purchase Protocol or P-card protocol as included in the Procurement Protocols.

(e) Legal Approval

- i. No Contract may be entered into through the use of documents, other than the City's standard documents, unless reviewed and approved by the City's Legal Department.

(f) Council Approval

- i. If any of the applicable conditions of delegated Spending Authority are not met, Council approval must be obtained before proceeding with any Procurement or contracting activity.
- ii. Council approval is required for all Non-Standard Procurements in excess of \$500,000. This includes contract changes and PO revisions that are the results of Non-Standard Procurement, when the original total value plus any/all increases exceed \$500,000.

All items requiring Council approval will be directed through the Administrative Committee.

3.03 Emergency Purchases

(a) Situations of Emergency

An emergency exists when an unforeseeable situation or event occurs that is a threat to any of the following:

- i. public health and/or safety;
- ii. the maintenance of essential services;
- iii. the welfare of persons or public property; or
- iv. the security of the City's interests.

Situations of urgency resulting from the failure to properly plan for a Procurement do not constitute an emergency.

(b) Emergency Procurement Authority

- i. Where an emergency exists, the limits of Spending Authority do not apply and any Authorized Personnel may approve and acquire the purchase of required Deliverables in accordance with the emergency purchase program set out in the Procurement Protocols.
- ii. Where a Department emergency exists, the Department will conduct the emergency purchase. An emergency order requisition is to be completed detailing the Deliverables and is to be used as reference for generating an emergency Purchase Order. The emergency order requisition along with any additional supporting documentation must be saved as an attachment to the Purchase Order. The Department must report all emergency purchases to their Department Director. Where an emergency exists that requires use of the Incident Command System, emergency purchases will be conducted in accordance with Incident Command System protocols.

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3.04 Compliance Monitoring and Reporting

(a) Compliance Monitoring

- i. Senior Managers are required to observe and address non-compliance with this policy and procedure within their Departments. Where instances of non-compliance are identified, the Senior Manager is expected to notify the Head of Procurement Services and obtain advice with respect to mitigating potential risks to the City arising from the non-compliance.
- ii. The Head of Procurement Services is responsible for monitoring compliance across the organization. Based on the results of compliance monitoring, reports outlining instances of non-compliance may be issued by the Head of Procurement Services to the relevant Senior Manager. The Senior Manager must address the identified compliance concerns and submit a written confirmation of actions taken to the Head of Procurement Services.

(b) Consequences of Non-Compliance

- i. Violation of this policy or procedure may be subject to disciplinary action, up to and including discharge.

4. APPENDICES

Appendix A – SPENDING AUTHORITY LEVELS

Appendix B – EXEMPT EXPENDITURES

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APPENDIX A – SPENDING AUTHORITY LEVELS

1. STANDARD PURCHASES - GENERAL

POSITION	SPEND LIMIT
Level 1* - Laborer, Field Operator, General Staff	\$5,000
Level 2* - Administrative Roles, Specialist, Storekeeper, Maintenance Worker	\$10,000
Level 3* - Supervisor, Foreman, Technician, Co-Ordinator, Senior Operator	\$25,000
Level 4* - Superintendent	\$50,000
Manager	\$100,000
Director	\$250,000
Managing Director	\$500,000
City Manager/CAO	\$1,000,000
Administrative Committee (through CAO)	\$1,000,001 +

2. STANDARD PURCHASES - MEDICINE HAT POLICE SERVICE

POSITION	SPEND LIMIT
Level 1 – Constable, Sergeant, Program Manager	\$5,000
Level 2 - Administrative Roles, Storekeeper	\$10,000
Manager, Inspector	\$50,000
Deputy Chief of Police	\$100,000
Chief of Police	\$250,000
Police Commission	\$250,001 +

* Positions listed for Level 1 - 4 are not extensive, they are to provide a general guideline when determining appropriate Spend Authority Limits for positions.

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3. NON-STANDARD PURCHASES (Non-Competitive, Sole Sourced, Limited Competition)

POSITION	SPEND LIMIT
Same as STANDARD approvals	below \$75,000
City Manager/CAO	\$500,000
Council (Only for Non-Standard (Non-Competitive, Sole Sourced) procurements and changes to those)	\$500,001 +

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APPENDIX B – EXEMPT EXPENDITURES

This policy and procedure does not apply to any of the following items and expenditures:

1. Contracts or agreements relating to hiring of employees or employee compensation and benefits or reimbursement of employee expenses
2. Contracts or agreements for the sale, purchase, lease or license of land or existing buildings
3. Investments
4. Insurance Premiums
5. WCB Premiums
6. Corporate Debt Service Costs
7. Permits and License Fees
8. Joint Venture Payments
9. Royalty Payments
10. Surface and Mineral Lease Payments
11. Pipeline Transportation Costs
12. Property Tax Requisitions
13. Membership Registration
14. Subscriptions and Publications
15. Education/training courses, seminars, conferences provided by third parties which are delivered off-site of any City facility
16. Event/Performance Fees
17. Water Purchase Agreement Payments for Drilling & Completions Operations and Soil Purchase Agreement Payments for Wellsite and Pipeline Reclamations
18. Communications/Utilities Services
19. Bulk Energy Purchases (such as Power Pool Electricity, Spot Market Gas Purchases, Energy Purchase Agreements etc...)
20. Postage
21. Charges or remittances to other governmental bodies
22. Operating grants to community and social groups
23. Original artwork
24. Licenses, or maintenance agreements for existing, proprietary software systems
25. Any other Procurements exempted by applicable trade agreements.

Payment of Exempt Expenditures:

The exempt expenditures and related invoice payments may be approved by the employee responsible for the activity and the Director of the Department responsible for the activity up to the approved budget. Provided the expenditure does not exceed the approved budget and the employee's Spending Authority, no additional approval is required. The issuance of a Purchase Order is not required.

Special workflow approval for payments may be established if warranted. Any special workflow approval must be authorized by the Director of Finance.

Notwithstanding that the transactions listed above are not subject to the Competitive Process outlined in this procedure, Departments should ensure that the City is achieving good value for all purchases.