



## **Administrative Report**

**To:** Warden MacDonald and Members of Essex County Council

**From:** Melissa Ryan, CPA  
Director, Financial Services/Treasurer

**Date:** Wednesday, September 4, 2024

**Subject:** Procurement Updates-Contracts Exceeding Budget

**Report #:** 2024-0904-FIN-R18-MR

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### **Purpose**

The purpose of this report is to inform Council about the procurement of goods and services at the County (excluding ESWA and The Library) that exceeded the approved budget, in accordance with the updated Procurement Policy.

### **Background**

On February 7th, 2024, a report was presented to the Council outlining several amendments to the County's procurement policy.

One of the amendments states:

"The Treasurer shall monitor and report to Council regarding procurements that were over budget, but less than 10% of the Council approved budget, and explain how the amount in excess of the Council approved budget is being covered."

In alignment with this revised policy, the current report is being submitted to County Council for informational purposes.

### **Discussion**

Since January 1, 2024, several contracts have been signed to facilitate County operations. In accordance with the procurement policy, all contracts are monitored by the operating department in consultation with their Financial Analyst as well as the Procurement department.

Any Contracts that are over \$500,000 and exceed 10% of the approved budget require Council approval, while those under \$500,000 in total cost but over budget require the Treasurer's approval.

The attached Appendix A, Awarded Projects with Over Budget Variances provides a detailed list of all projects that have been awarded as of July 31, 2024 and have exceeded their budgets. Please note there are several 2024 Projects that have not yet been awarded and therefore a variance could develop throughout the second half of the year which would be reported on next year's report.

This year has been successful, as we are observing a decline in in-year inflation after the significant increases experienced over the past few years. Typically, project quotes are obtained during budget preparation in August/September of the prior year. However, in recent years, these quotes were underestimated due to inflation when projects were actually awarded during the budget year. Appendix A identifies projects from IT, EMS, and IPS that exceeded their budgets. However, none of these overages were significant compared to the overall project budgets within the individual departments. Thanks to savings from other awarded projects within these departments, no additional funds were required from the rate stabilization reserve. Each department remained within their funding envelope, despite deficits in a few projects.

It is important to highlight that the updated Procurement Policy, with its higher limits and expanded authority for Administration to independently manage more tasks, has greatly reduced the need for frequent council reports, streamlining the decision-making process and enabling more efficient and timelier project execution. Minor variances are monitored and managed by Administration, allowing Council to concentrate on more critical issues.

As this reporting is a new requirement under the procurement policy effective February 2024, this initial report is being presented as a regular agenda item to Council. In the future, it will be moved to the consent agenda, as it is intended for informational purposes only. We anticipate that subsequent reports will identify more contracts falling within this threshold, as they will cover a full calendar year. Administration will provide at least an annual report to Council to share this information. For this first year, the report includes only those projects that secured contracts between January 1, 2024 and July 31, 2024 due to the new policy taking effect in February 2024.

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**Financial Implications**

All awarded projects listed in Appendix A have exceeded their budgets; however, current projections indicate that other projects within the same line item have come in under budget. As a result, the total cost can be absorbed within the regular annual budget without the need to draw any previously unplanned funds from the rate stabilization reserves. If any overages occur in 2024, we will address them by utilizing the rate stabilization reserve, in accordance with our Reserve Management Policy approved by Council on August 14, 2024.

**Consultations**

Manager, Procurement & Compliance-Sandy Pillon

**Strategic Plan Alignment**

<b>Working as Team Essex County</b>	<b>Growing as Leaders in Public Service Excellence</b>	<b>Building a Regional Powerhouse</b>
<ul style="list-style-type: none"> <li><input type="checkbox"/> Scaling Sustainable Services through Innovation</li> <li><input checked="" type="checkbox"/> Focusing "Team Essex County" for Results</li> <li><input type="checkbox"/> Advocating for Essex County's Fair Share</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Being an Employer with Impact</li> <li><input type="checkbox"/> A Government Working for the People</li> <li><input checked="" type="checkbox"/> Promoting Transparency and Awareness</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Providing Reliable Infrastructure for Partners</li> <li><input type="checkbox"/> Supporting Dynamic and Thriving Communities Across the County</li> <li><input type="checkbox"/> Harmonizing Action for Growth</li> <li><input type="checkbox"/> Advancing Truth and Reconciliation</li> </ul>

**Recommendation**

That Essex County Council receive report number 2024-0904-FIN-R18-MR, Procurement Updates-Contracts Exceeding Budget as information.

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## Approvals

Respectfully Submitted,

*Melissa Ryan*

Melissa Ryan, CPA, Director, Financial Services/Treasurer

Concurred With,

*Sandra Zwiers*

Sandra Zwiers, MAcc, CPA, CA, Chief Administrative Officer

<b>Appendix</b>	<b>Title</b>
A	Awarded Projects with Over Budget Variances