



ADMINISTRATIVE REPORT

Report Date: April 3, 2018
Contact: Nick Kassam
Contact No.: 604.829.2097
RTS No.: 12352
VanRIMS No.: 08-2000-20
Meeting Date: April 18, 2018

TO: Standing Committee on Policy and Strategic Priorities
FROM: Chief Purchasing Official
SUBJECT: Annual Procurement Report 2017

RECOMMENDATION

THAT Council receive this report for information.

REPORT SUMMARY

This annual procurement report documents the procurement activities of the City of Vancouver from January 1, 2017 to December 31, 2017. The scope of this report includes the Supply Chain Management (SCM) department's procurement activities and statistics, sustainable and ethical procurement activities and the activities of the warehouse and inventory management functions.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

In December 2009 City Council approved Procurement Policy number AF-015-01 with an implementation date of April 2010. The policy provided direction from City Council for the procurement of goods and services for the City of Vancouver, the Vancouver Park Board, the Vancouver Police Board and the Vancouver Library Board, with respect to contract approval authority limits, contract signing authority, establishment of the Bid Committee, and incorporation of sustainable and ethical procurement policies into the procurement process.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

SCM oversees the procurement of third party goods and services, as well as the management of the City's warehouses, storage facilities and material inventory which support City operations and services. Third party goods and services represent approximately 30% of total City expenditures. In order to support the City's sustainability and social goals, SCM also works to enhance social, ethical and sustainable practices in its procurement and warehouse activities. Under the stewardship of the Supply Chain Management department, the City solicited bids and proposals, negotiated and awarded \$181.4 million worth of contracts for goods and services in

2017. These contracts resulted in procurement savings of \$39.9 million, achieved through deployment of procurement strategies such as consolidation of citywide spend, competitive bidding and robust negotiation processes.

This annual report also highlights some accomplishments by the Supply Chain Management team as part of its commitment to continuous improvement in ensuring value for money for Vancouver residents.

The General Manager, Finance, Risk and Supply Chain Management and the City Manager recommend that Council receive the foregoing.

REPORT

Background/Context

City of Vancouver's Procurement Policy (AF-015-01), (Section 10-Monitoring and Review) notes that the Chief Purchasing Official will annually report to Council on policy implementation progress.

Strategic Analysis

1. Supply Chain Management Departmental Activities and Statistics:

One of SCM's key priorities in supporting the City's long-term strategic goals is ensuring the City is financially healthy and administratively effective. A number of SCM's activities including, but not limited to, procurement planning, sourcing/locating suppliers and product, tendering, negotiating, buying, contract management and administration, transportation and delivery, inventory management and distribution, aim to ensure financial and administrative effectiveness. The department also continuously engages in internal process improvements and implementing leading industry practices that enhance operations and services provided to its customers. This report discusses some of the results from these on-going activities.

Following are key procurement statistics for the period from January 1, 2017 to December 31, 2017:

a. Departmental Procurement Savings

As shown in previous procurement reports, the SCM department indicates savings derived from competitive procurements. Typically, the procurement savings identified could result from single purchases or over a period of time for longer term contracts. Savings shown below are represented as such.

Total Value of Contracts Awarded in 2017	\$ 181,417,426
Total Value of Procurement Savings* from Contracts Awarded in 2017	\$ 39,919,171
2017 Procurement Savings from Contracts Awarded in 2017	\$ 17,478,330
Future Year Procurement Savings from Contracts Awarded in 2017	\$ 22,440,840

*Procurement savings represent a positive variance between either: the current cost, anticipated cost or budget for the goods or services prior to the competitive procurement process and the actual contract value at time of contract award for each procurement.

Included in the procurement savings for contracts awarded in 2017 was a \$17 million savings relative to budget on a contract awarded for the Vancouver Landfill Western 40 Hectares Closure and Gas Works project. Additional details are available in RTS 11831 and 11876.

b. Bid Committee and Council Contract Approvals

In accordance with the City's Procurement Policy, Bid Committee is authorized to award contracts up to \$2,000,000. City Council approval is required for contract awards with a value greater than \$2,000,000.

In 2017, Bid Committee approved staff recommendations to award 52 contracts at a total estimated value of \$123,412,775.

City Council approved staff recommendations to award 17 contracts valued at an estimated combined value of \$88,224,378. The summary of the contracts that received final approval for award from Council in 2017 are listed in Appendix B.

Approval of contract award recommendations by Bid Committee and Council authorize SCM to finalize negotiations, award and execute the contracts. Of the \$123,412,775 approved by Bid Committee in 2017, 32 contracts valued at \$87,430,966 were awarded and executed in 2017. Of the \$88,224,378 approved by Council in 2017, 12 contracts valued at \$64,839,308 were awarded and executed in 2017. The remainder of the approved contracts will be awarded and executed in 2018.

c. Summary of Contracts Awarded

All contract awards valued at \$75,000 or greater are posted on BC Bid and reports showing award information are available on the City of Vancouver web site and Open Data Catalogue (links below).

<http://vancouver.ca/doing-business/bid-committee-documents.aspx>*

<http://vancouver.ca/your-government/open-data-catalogue.aspx>

**This link will redirect you to the City of Vancouver public website - Awarded Bids section.*

d. Sole Source Contract Awards

The SCM department processed a total of \$181,417,426 in contracts in 2017. Of that value, \$174,236,322 (96.0%) was awarded using a competitive bid process and just \$7,181,104 (4.0%) was awarded to bids on a sole source basis under the procurement policy. Of the 4.0% sole source, 0.9% was awarded following the public posting of a Notice of Intent to Contract (NOITC) and 3.1% were urgent and/or highly specialized and awarded prior to issuance of a public notice. In all instances, a public posting of the sole source award was issued on the City of Vancouver web site.

The Procurement Policy outlines circumstances whereby competitive bidding is not required and contracts may be sole sourced. The competitive award ratio demonstrates that the City is successful in achieving on its core procurement objectives of conducting a competitive and open process while maximizing the value for money in the acquisition of goods and services.

The complete list of sole source contract awards for 2017 is posted on the City of Vancouver web site.

<http://bids.vancouver.ca/bidopp/noi.htm>

e. Surplus Asset Disposal

The procurement policy provides for the orderly disposal of any materials owned by the City which are declared to be surplus to present and future department requirements. In 2017, a total of \$847,426 in revenue was generated through the orderly disposal of surplus vehicles and small equipment assets through the WIM operations.

2. Sustainable and Ethical Procurement (SEP)

The City's Sustainable and Ethical Procurement (SEP) Program focusses on 6 priorities that support key City service strategies including Greenest City Action Plan, the Renewable City Action Plan and the Healthy City Strategy. Supply Chain Management and City department staff worked collaboratively in 2017 to address these SEP priorities in a broad range of procurement projects.

Living Wage Certification

On May 1, 2017, City of Vancouver became a Living Wage Employer and launched a living wage policy for contracted work and staff working for the City. As part of the initial assessment, four City contracts were identified in RTS 11610 as paying below the living wage. In 2017, the graffiti removal services contract was extended for one year at living wage rates. In addition, 17 contracts were signed that met the requirements for being in-scope within the living wage policy and the majority of them were already compensating their staff with a living wage. Resulting from the living wage policy, in 2017, 8 contracted service employees received a living wage that would not otherwise have been paid a living wage. The additional costs accrued were \$35,280. In 2018, renewal of contracts for City-wide janitorial and security services will include living wage. The 2018 report to Council will highlight those and other contracts benefitting from the living wage policy.

Summary of SEP 2017 Accomplishments

SEP PRIORITY	2017 ACTION / ACCOMPLISHMENTS
Social Enterprise & People with Barriers/Social Procurement	City purchased services valued at about \$1.35 million, from 26 different social enterprises including United We Can, MP Enterprises, Embers, Friendship Catering Services, Hive for Humanity and Street Youth Job Action. These services included micro-cleaning, general maintenance, landscaping, and catering.
Local & Sustainable Food	<p><u>Food and Beverages:</u></p> <ul style="list-style-type: none"> • 60 per cent of food and beverages purchased by Park Board concessions, golf courses, and Pitch and Putts in 2017 were local - raised, grown, produced or processed in BC. The increase was due to improved tracking and changes to key beverages and meat proteins. In addition, select Park Board concessions and golf course restaurants sold salads made from 78 kg of baby greens, herbs and edible flowers grown in golf course edible gardens by Park Board staff. • 32 per cent of all food and beverages purchased by Evelyne Saller Centre were local and 4 per cent were certified sustainable. • Fairtrade Town: 23 City of Vancouver locations including concessions, golf course restaurants, civic theatres, and key Community Services facilities served FAIRTRADE Mark coffee.
GHG Emissions Reductions	<p><u>Green Fleet:</u> Vehicles and equipment acquired in 2017 will result in emissions reductions and air quality improvements in 2018. Notable acquisitions include:</p> <ul style="list-style-type: none"> • 20 electric vehicles for policing services • 4 CNG rear loader garbage trucks • Installation of GPS and telematics devices in 89 per cent of City fleet to facilitate route optimization and more energy efficient vehicle use
Waste Reductions	<p><u>Facilities Deconstruction:</u> 4,800 tonnes of material was diverted from landfill during deconstruction of City Hall East Wing Annex. A diversion rate of 99% of non-hazardous materials was achieved.</p> <p><u>E-Waste:</u> The City diverted 29,700 kg of E-waste from the landfill (27,100 kg for reuse; 2,600 kg for recycling). In addition to personal computers, monitors and printers, network and server equipment were added to the reuse program in 2017.</p>
Healthy Ecosystems / Reduced Toxicity	<p><u>Green janitorial supplies:</u> About 68% of the janitorial cleaning and paper spend is on ECOLOGO, Green Seal, or FSC third-party certified products.</p>

Local companies continue to provide a significant amount of goods and services to the City. In 2017, 66% of the contracts awarded (by \$ value) were to companies with a presence in Metro Vancouver, and 97% in Canada.

The City is a founding member of the Municipal Collaboration on Sustainable Procurement (MCSP), a network of Canadian municipalities and post-secondary institutions working to

advance sustainable procurement. In the MCSP's 2017 *Annual Report on the State of Sustainable Public Procurement in Canada*, the City of Vancouver continues to lead the way in the 10 Best Practice Program Areas for a successful sustainable procurement program. A snapshot of progress on this framework is shown in Appendix A: Chart A6.

CONCLUSION

In 2017, the SCM department was again involved in a variety of procurement activities, supporting many City operational and capital programs in achieving the City's goals. Supply Chain Management conducted internal process improvements to enhance procurement operations and utilize warehousing and inventory management practices. In addition, attaining the Living Wage certification represented a significant step in the City's social and ethical procurement practices and the Healthy City Strategy.

* * * * *

Chart A1: Awarded Contracts by Final Contract Approval Level

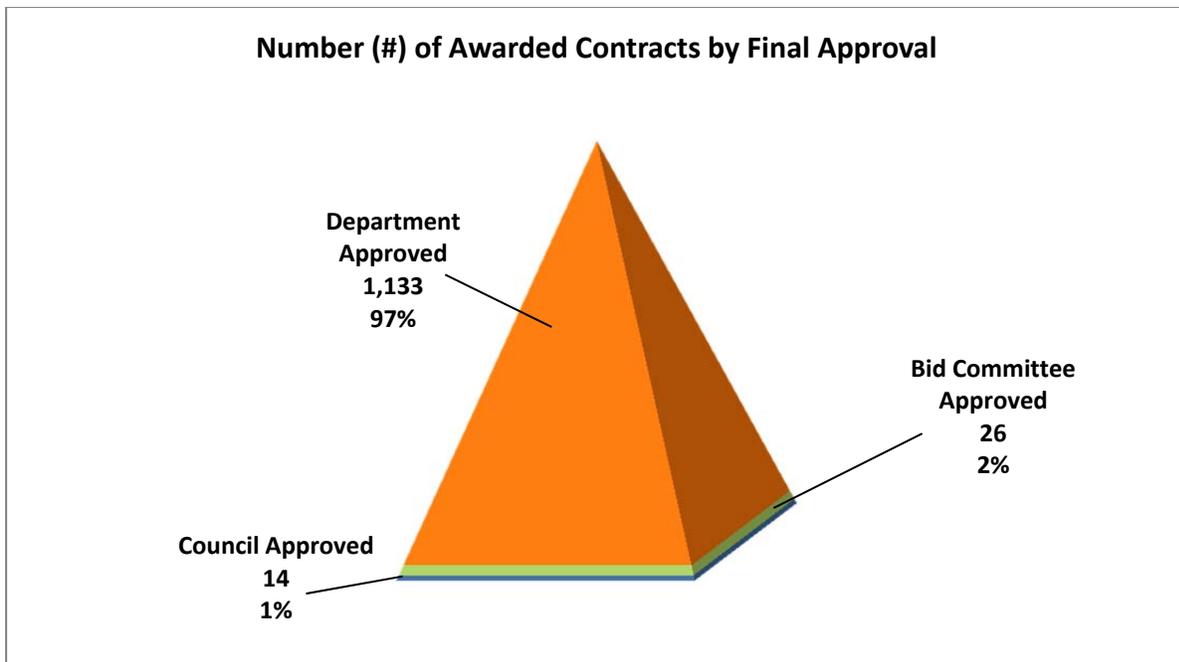
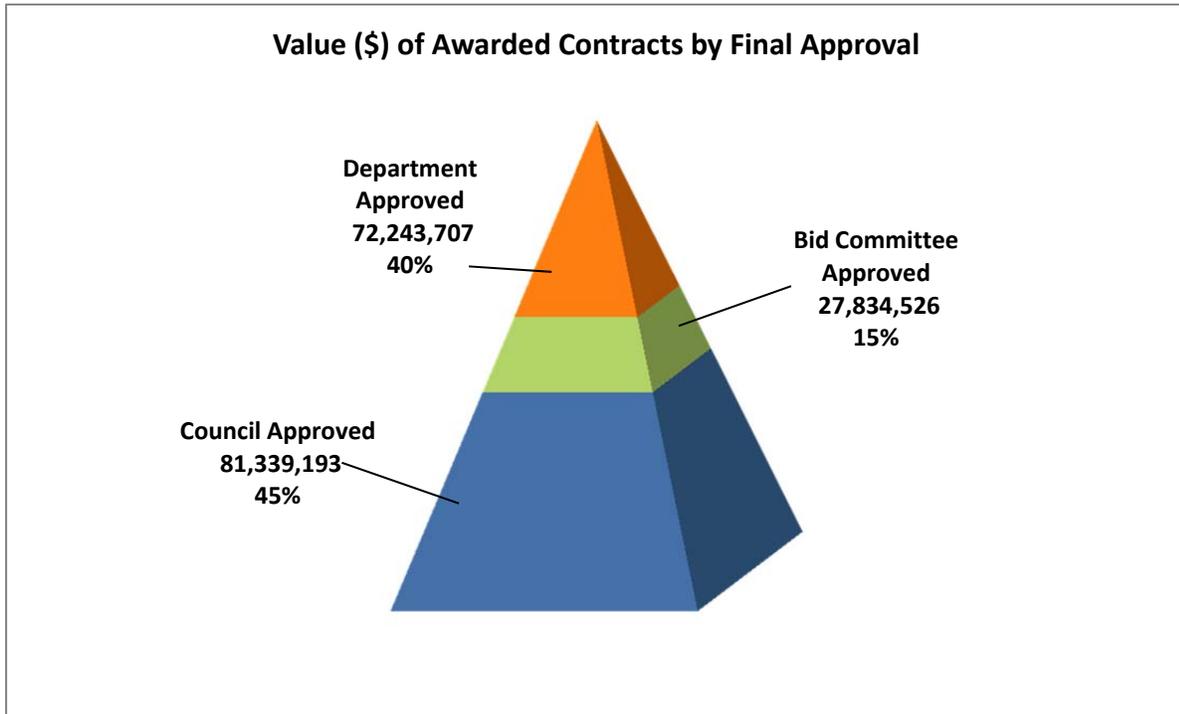


Chart A2: Contract Awards by Department

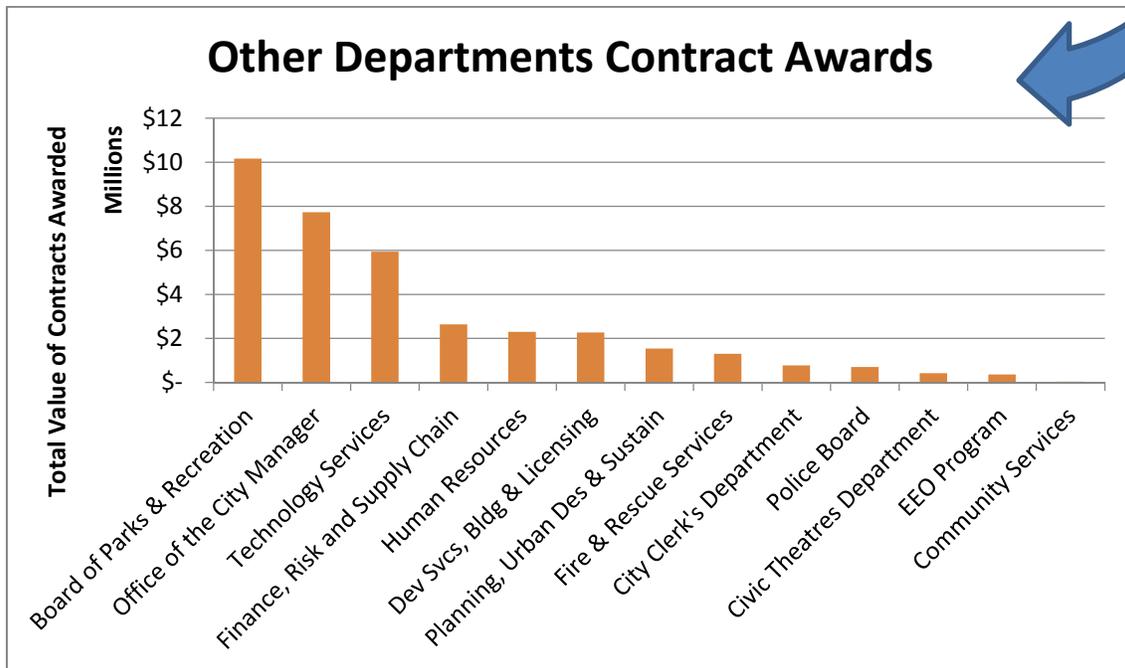
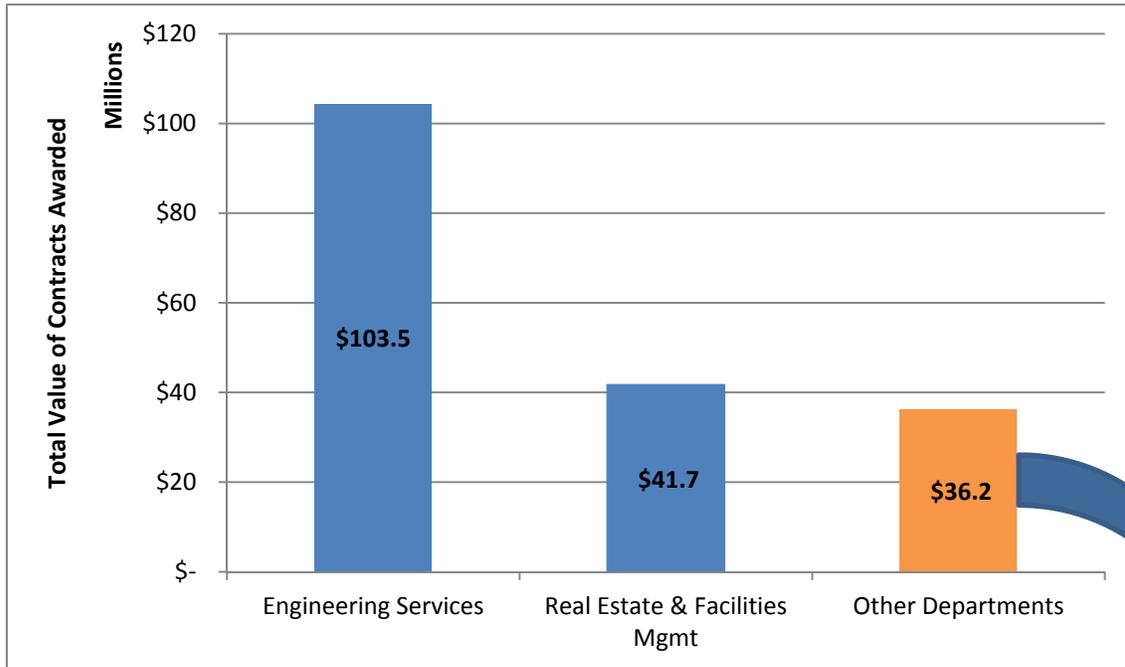


Chart A3: Contract Transactions by Value Range

Value Range	Number of Awards	Percentage by Number	Contract Value in Range	Percentage by Value
Less than \$75,000	941	80.2%	\$ 21,499,413.35	11.9%
\$75,000 to \$499,999	178	15.2%	\$ 32,044,836.67	17.7%
\$500,000 to \$1,999,999	39	3.3%	\$ 41,513,064.93	22.9%
\$2,000,000 or greater	15	1.3%	\$ 86,360,110.73	47.6%
Total	1173	100%	\$ 181,417,425.68	100%

Chart A4: Sole Source – Emergency, Urgent or Highly Specialized Contract Awards

Type of Sole Source	Number of Awards	Percentage by Number	Contract Value in Type	Percentage by Value
Notice of Intent to Contract	27	32.1%	\$ 1,624,788.95	22.6%
Urgent or Highly Specialized	57	67.9%	\$ 5,556,314.89	77.4%
Total	84	100%	\$ 7,181,103.84	100%

Chart A5: Contract Awards by Vendor Location

Location	Number of Vendors	Percentage by Number	Contract Value in Location	Percentage by Value
Vancouver	354	28.2%	\$ 49,376,546.55	27.2%
Metro Vancouver	520	41.4%	\$ 71,146,760.04	39.2%
British Columbia	89	7.1%	\$ 40,363,190.74	22.2%
Canada	237	18.9%	\$ 15,705,670.55	8.7%
North America	52	4.1%	\$ 4,460,665.22	2.5%
Other	4	0.003%	\$ 74,031.34	0.04%
Total	1256	100%	\$ 181,417,425.68	100%

Chart A6: City of Vancouver Sustainability and Ethical Procurement (SEP) Progress

10 Best Practice Program Areas Progress Chart

Program Areas	Strategy & Action Plan	Sustainable Purchasing Policy	Supplier Code of Conduct	Social Sustainability & Innovation	Dedicated Staffing & Resources	Procurement Tools & Procedures	Training & Communication	Supplier Engagement	Measurement & Reporting	Leadership & Collaboration
Calgary	◐	◐	●	◐	◐	◐	◐	◐	◐	●
Edmonton Airport	○	◐	○	◐	○	◐	○	◐	○	◐
Grande Prairie	◐	◐	○	◐	◐	◐	◐	◐	◐	◐
Kelowna	◐	◐	○	○	○	○	○	○	○	◐
Ottawa	◐	●	●	◐	◐	●	●	◐	●	◐
Saanich	◐	◐	○	◐	◐	◐	◐	◐	◐	◐
Saskatoon	◐	◐	○	◐	◐	◐	◐	◐	◐	◐
SFU	◐	◐	◐	◐	◐	◐	◐	◐	◐	◐
Surrey	◐	◐	○	◐	◐	◐	◐	◐	◐	◐
UBC	●	◐	◐	○	◐	◐	○	◐	◐	◐
U Alberta	◐	◐	◐	◐	◐	◐	◐	◐	◐	◐
Vancouver	●	●	●	●	◐	●	◐	◐	◐	●
Victoria	◐	◐	○	◐	○	◐	◐	◐	◐	◐
Winnipeg	◐	◐	◐	◐	◐	◐	◐	○	○	◐

○ Just beginning or future priority ◐ Some progress made ◑ In progress with room for improvement ◒ In place; fairly well developed ● Well developed with solid experience

Source: MCSP's 2017 Annual Report on the State of Sustainable Public Procurement in Canada

Contract Reference	Council Report RTS #	Description	Contract Amount
PS20161665	11876	Contractor for Vancouver Landfill Western 40 Hectares Closure and Gas Works	\$18,982,068.52
PS20170443	12125	Group Benefits Administration	\$14,774,557.00
PS20161840	11927	Construction of Levels 8 & 9 of the Central Library	\$12,748,621.00
PS20161666	11980	Vancouver Landfill - Phase 3 Southeast Closure & Gas Works	\$ 7,338,645.00
PS20160599	11754	Provision of Mobile Parking Payment System	\$ 5,444,000.00
PS20120187	12001	Sole Source Contract Extension for Supply and Delivery of Dodge Charger Enforcers	\$ 4,744,000.00
PS20170604	12080	Construction of Sewer Separation - Vancouver West	\$ 4,407,561.28
PS20170210	12060	Construction of Knight Avenue & Marine Intersection Improvements	\$ 3,185,581.00
PS20170553	12038	South False Creek Seawall Upgrades	\$ 3,078,800.00
PS20170906	12078	Construction of Sewer Separation - Oakridge	\$ 2,898,000.00
PS20171183	12186	Kitsilano Outdoor Pool Rehabilitation	\$ 2,585,091.00
PS20171555	12185	Tenth Ave Transportation Corridor Project	\$ 2,502,517.00
PS20170292	11997	Consulting Services for Arbutus Greenway Master Plan	\$ 2,220,599.98
PS20161295	11857	Supply of a Fleet Management Information System	\$ 1,610,000.00
PS20161055	11879	Provision of Weigh Scale Management & Point of Sale System	\$ 1,127,000.00
PS20160189	11465	Provision of Parking Enforcement Platform Solution	\$ 577,336.00