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CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date: March 7, 2006
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Meeting Date: March 21, 2006

TO: Vancouver City Council
FROM: General Manager of Corporate Services
SUBJECT: Ethical Purchasing Policy Update

RECOMMENDATION

THAT Council receive this report for information purposes

CITY MANAGER'S COMMENTS

The City Manager recommends approval of the recommendation.

COUNCIL POLICY

Policy AF-014-01 Ethical Purchasing Policy and Supplier Code of Conduct.

The goal of the Ethical Purchasing Policy (EPP) is to ensure that all suppliers to the City meet, at a minimum, the performance standards outlined in the Supplier Code of Conduct (SPP).

SUMMARY

The City has made significant progress in implementation of the Ethical Purchasing Policy according to the work plan approved by Council on February 17, 2005.

PURPOSE

This report fulfills staff obligation to report back prior to March 31, 2006 on the status of the implementation of the Ethical Purchasing Policy in accordance with the work plan approved by Council at its meeting of February 17, 2005.

BACKGROUND

At its meeting of February 17, 2005 Council made the following resolution:

A. THAT subject to Recommendation F, Council modify the Ethical Purchasing Policy and Supplier Code of Conduct related to the purchase of apparel and fair trade certified agricultural products approved in principle at its meeting of December 16, 2004 as contained in Appendix A and B to the Policy Report dated February 7, 2005, entitled "Sustainable and Ethical Purchasing Policy", respectively;

B. THAT subject to Recommendation D, Council direct staff to implement the Ethical Purchasing Policy in accordance with the work plan outlined in the aforementioned Policy Report;

C. THAT subject to Recommendation D, Council direct staff to implement the work plan outlined in the aforementioned Policy Report as Phase II of the development of a comprehensive Sustainable and Ethical Procurement Policy;

D. THAT Council approve the creation of one full time permanent position in corporate purchasing department to provide support to all City departments and boards to implement and for ongoing administrative support of the Ethical Purchasing Policy related to the purchase of apparel and fair trade certified agricultural products and to develop and implement a comprehensive Sustainable and Ethical Purchasing Policy that incorporates broader environmental and social objectives as Phase II at an estimated annual cost of \$68,000, (\$51,000 for 2005) subject to classification by the General Manager of Human Resources; and one time additional \$20,000 be provided for consulting and other required services to support the implementation of the recommended Ethical Purchasing Policy and development of a comprehensive Sustainable and Ethical Procurement Policy; funding to be provided in the 2005 annual operating budget without offset;

E. THAT Council approve an increase in the 2005 operating budget of \$185,000 (\$246,000 for full year) for Park Board and \$151,000 (\$284,500 for full year) for all other City departments to cover estimated increase in costs of apparel and agricultural products resulting from the implementation of the Ethical Purchasing Policy; funding to be provided in the 2005 annual operating budget without offset;

F. THAT all contractual provisions required to be placed into the City's procurement documentation to implement the recommended Ethical Purchasing Policy and Supplier Code of Conduct be reviewed and approved by the Director of Legal Services prior to their use in any procurement document.

G. THAT in the proposed work plan referred to in the Policy Report dated February 7, 2005, entitled "Sustainable and Ethical Purchasing Policy", the following words be added to Item c) under the section entitled "Research and Development":

Staff to report back to Council on the establishment of an advisory task force, recommending its membership composition and roles, no later than April 30, 2005.

The report pointed out that the implementation of the policy would be an ongoing process as capacity develops both within the City to administer and manage the policy, and within the marketplace as suppliers position themselves to meet and exceed performance standards and expectations. The following is a general overview of the implementation work plan for 2005.

Work Plan Description:
a) Assessing supply chain risks
b) Building internal capacity
c) Communicating with staff and suppliers
d) Developing implementation tools and procedures
e) Determining remedial action processes
f) Collaborating with others
h) Reviewing and reporting on progress
i) Coordinating with other City initiatives

Work Plan Update:

a) Assessing supply chain risks:

Monthly meetings have been organized to review upcoming tender/bid opportunities and to determine what Ethical and Sustainable bid criteria should be included in each; to date we have reviewed the following bid opportunities

Courier and Cartage:

This RFP is underway. This will include ISO 14001 environmental management criteria which will be applied to the evaluation process to reduce green house gas emissions and target other improvements.

Cell Phones:

The Sustainability office would like paperless billing listed as a requirement and end-of-life management program. Working with suppliers to achieve this outcome.

Luminaries (aka street lights):

Opportunities include end-of-life management and the design specs for fixtures. The COV is running a pilot with solar technology at Science World and SEFC planning staff.

Equipment Branch:

Equipment Services is trialing a saturated steam unit to clean equipment and vehicles. Saturated steam uses 2-3 tablespoons of water-per-minute versus 5-6 gallons of water-per-minute with conventional cleaning equipment.

Branch Coveralls:

Involves requirements for 750+ engineering services staff. This falls into the ethical purchasing mandate and will include EPP and SCC criteria for compliance.

Business cards:

COV Print Shop ensures we use 100% post-consumer recycled paper that is chlorine free and printed with vegetable-based inks and that these facts are advertised on the card.

Clothing and Uniform RFP:

Representing 2200 City Staff in the following departments, Parking Enforcement, Corporate Security, By-Law Fines, Fire and Rescue Services, Animal Control and Vancouver Park Board. This was an extensive RFP process that includes as a requirement of compliance with the City of Vancouver EPP Policy and Supplier Code of Conduct.

b) Building internal capacity:

To increase staff awareness and knowledge on Ethical Purchasing Policy a course was developed and presented through the City Learn program. This course is listed as a Business Essential in the City Learn Calendar and was scheduled twice in 2005. The course is being offered three times in 2006.

The following COV staff have attended the course and provided the CityLearn office with course evaluations. The feedback has been positive with attendance by staff in Corporate Purchasing; Central Stores; Sustainability Office; Social Planning; Food Policy; Vancouver Fire and Rescue; Parking Enforcement; Vancouver Police Department; Carnegie; Gathering Place; Evelyn Saller Centre.

The contracting specialist attends weekly purchasing and sustainability staff meetings; monthly Vancouver Food Policy Council meetings, monthly Sustainability Purchasing

Network (SPN) meetings and is a steering committee member for the Social Purchasing Network.

c) Communicating with staff and suppliers:

Copies of the Ethical Purchasing Policy and Supplier Code of Conduct were distributed to incumbent suppliers to increase their awareness. City staff have discussed the objectives and processes identified within the policy with suppliers.

Civic Theatres - Working with Civic theatres on implementation of fair trade certified agricultural products; ongoing discussion on clothing and uniform requirements as well as utilization of biodegradable food ware and advertising of local food products at events. Currently researching the recycling of paper products.

Vancouver Park Board - working with Park Board staff on purchase of clothing items and fair trade certified agricultural food products and sharing information on use of biodegradable food ware.

Carnegie Center - Staff are working with local suppliers to supply agricultural food products to for the City's non-market centres at competitive prices (e.g. Discovery Organics, a food distribution company representing 50 local farmers). Working to source agricultural food products from Discovery Organics supports the initiatives of Food Policy Council on local sourcing, securing good quality food for clients of the centers and at competitive pricing on a variety of products currently sourced outside of the lower mainland. Also working with Carnegie Center on utilization of fair trade coffee, sugar, tea, cocoa products and agricultural items. Preliminary discussions have been held with staff at the Centre on using biodegradable food ware.

Gathering Place - Organized staff tours to visit Discovery Organics and provided staff with information and pricing on finished baked goods, finished soups and stews from food providers located in the Downtown East Side (DTES), researched local food suppliers of herbs, dry goods and produce items, while developing price lists for local produce and herb suppliers for the Gathering Place to source from. Continuing to negotiate competitive food pricing for the Gathering place with the emphasis on local sourcing. This arrangement is working very well and supports the Food Policy Council focus on local sourcing as well as supporting local businesses within the City.

Evelyn Saller Center - EPP contract specialist is working with staff at the Centre on utilization of fair trade coffee, sugar, tea, cocoa products and agricultural items. Centre staff is interested investigating the use of biodegradable food ware.

Fit City - EPP contract specialist is working on the promotional products and clothing items Fit City provides to staff ensuring suppliers of products are in compliance with the City's Ethical Purchasing Policy and Supplier Code of Conduct.

Engineering Services - EPP contract specialist is working with staff at Equipment Yards Branch to ensure suppliers of promotional products are compliant with the EPP and SCC.

Parking Enforcement - EPP contract specialist working with staff on clothing requirements for parking enforcement. This group's uniform is designed to complement Vancouver Police Department and is very specific in material and markings. A great deal of time and research was invested working with vendors to ensure that the integrity of the uniforms is maintained and vendors are compliant with the City's EPP and SCC.

Urban Search and Rescue Team - EPP contract specialist meeting with members to review the City's EPP and SCC to ensure suppliers for their garments are compliant with the City's EPP and SCC.

EPP contract specialist is seeking out and investigating potential suppliers of fair trade certified agricultural products. The number of suppliers of fair trade agricultural products is increasing and the market is adjusting to meet the demand for these items. However, there is a premium for most fair trade certified products and it requires due diligence to ensure suppliers are meeting fair trade certified criteria under the EPP and SCC of having TransFair Canada® certification.

d) Developing implementation tools and procedures:

Bid documents have incorporated standard wording to ensure vendors are aware of the City's EPP and SCC. Legal contract documentation has been modified by the Director of Legal Services to ensure that vendors are legally obligated to comply with City's EPP and SCC upon award of the clothing and uniform contract.

The City web-site is ready to post factory locations for the respective clothing and uniform suppliers when contracts are executed. Suppliers must sign off on agreement to comply with policy and take steps to correct any identified shortfalls within a mutually acceptable time frame.

e) Determining remedial action process:

As we have elected to adopt a complaint driven process, complaints will be directed through the Manager, Materials Management for follow up, as and when required. Third party audit services may be utilized where City resources are not available.

f) Collaborating with others:

City staff have informed other Canadian municipalities and other interest groups at meetings and conferences. These include the Purchasing Management Association of Canada members within British Columbia and Alberta. A presentation was made at the McMaster University's 3rd Supply Chain Management Symposium in Ontario. Presentations were also made to the Education Cooperative Public Buyers Group. We participate in the newly formed Social Purchasing Network with other private and public sector organizations. Information is shared with VANOC's staff.

g) Reviewing and reporting on progress:

Report out to Council as directed. Continue to research other opportunities such as composting and waste management practices including electronic waste. Once the clothing and uniform contracts have been executed we will monitor the supplier's ability to meet and exceed our requirements.

h) Coordinating with other City initiatives:

Miscellaneous activities coordinated by the EPP Contracting Specialist with other City staff and the Director of Legal Services:

- B.C. Petroleum Products Buying Group (BCPPBG) Fuel Tender involving the RFP for biodiesel fuel purchases and distribution and evaluations
- Technical assessment and business analysis for the formation of a Neighbourhood Energy Utility in the False Creek Precinct - drafted RFP and service contracts
- Natural Gas contracts with Direct Energy - contract management services
- E-Waste disposal - key researcher and coordinating trial of corporate services electronic waste. This led to the shipment of (50) pallets of obsolete electronic devices/equipment being shipped to the Teck Cominco plant for proper disposal
- Idle Free program with BEST (Better Environmentally Sound Transportation) - drafted contract documents for campaign promotional materials
- Idle Free program - drafted RFQ, contracts and POs for media services
- One Day booth - staff representative at event; drafted for multi-language media contracts
- Wellness show - staff representative at the event
- Car Free Day - drafted contracts for campaign and launch - staff representative at kiosk
- "Way to Go" program - drafted contract documents
- City Bike co-operative program - researched and purchased bicycles for program
- 2006 Urban Forum - drafted service contracts
- Olympic hand-over event - contract documents for professional services
- Developed "Doing Business with the City of Vancouver" brochure for the Aboriginal Employment Partnership Initiative
- Attended Aboriginal Entrepreneurial conference in Vancouver to explore opportunities

FINANCIAL IMPLICATIONS

In its motion on February 17, 2005, Council approved an increase in the 2005 operating budget of \$151,000 (\$284,500 for full year) for all City departments and \$185,000.00 (\$246,000.00 for full year) for Park Board to cover estimated increase in costs of apparel and agricultural products and revenue reduction in concessions and clubhouse due to reduced

menus from the implementation of the Ethical Purchasing Policy to cover estimated increase in costs of apparel and agricultural products resulting from the implementation of the Ethical Purchasing Policy. Funding was provided from the contingency reserve. To date, costs of implementing the policy have been nominal.

The contract award for the supply of clothing and uniform for City departments has resulted in a reduction in costs based on expected requirements through a number of factors including better volume pricing due to consolidation of requirements; standardization of clothing items; and increased competition in the market place. It is expected to realize an annual savings of \$14,000 over current costs.

The fair trade certified agricultural products have resulted in an increase to the City. The cost of fair trade coffee increased the 2005 budgets at Carnegie Centre and the Gathering Place by \$11,000 on an annual budget of \$74,700. The market is introducing more fair trade certified products which are being considered for their value and quality. Generally, fair trade certified products cost more than non-certified products. As we introduce more fair trade certified products we will gain experience and be able to report back on cost implications. The \$11,000 was allocated back to the departments out of the contingency fund set aside by Council for this purpose.

The purchase of fair trade certified agricultural products has resulted in an overall decrease in cost to the Park Board. Although the Park Board is paying higher costs for hot chocolate, bulk sugar, portion pack sugar, and chocolate bars, this has been offset with the lower cost for fair trade coffee.

While the costs of fair trade agricultural products to the Park Board appear to be neutral, there was a decline in revenue in concessions in 2005. Part of the decline could be attributable to reduced menus due to the introduction of fair trade agricultural products. Based on the experience in 2005, the concession revenue has gone down by \$180,000. There may be many factors causing the decline in revenue from food operations. If we assume 50% is due to the fair trade agricultural products and reduced menus, staff recommend to allocate a budget of \$75,000 in 2006 to continue the purchase of the fair trade agriculture products to offset the reduction in revenue due to the purchase of the fair trade agriculture products.

In its motion on February 17, 2005, Council also approved the creation of one full time contracting specialist position to implement and assist all buying groups to administer the EPP as well as develop a sustainable purchasing policy that addressed broader social, economic and environment issues. The funding for this position was from the contingency reserve. The cost in 2005 for the contracting specialist position, effective April 5, was ~\$47,000 (with benefits). The annual cost for 2006 is ~\$72,160 (with benefits).

ENVIRONMENTAL IMPLICATIONS

Wherever possible, suppliers are encouraged to use products, methods, and processes which minimize a negative impact on the environment. Staff continuously research alternatives in these areas and work with suppliers to be innovative.

SOCIAL IMPLICATIONS

All suppliers have committed to meeting the expectations of the Ethical Purchasing Policy and Supplier Code of Conduct which includes working conditions, health and safety issues, and based on internationally recognized standards, including disclosure of factory locations on the City web site.

IMPLEMENTATION PLAN

Contracts will be executed and monitored in compliance with the Ethical Purchasing Policy and Supplier Code of Conduct, as well as the supplier's performance. All current commitments will be honoured and the new contractual terms and conditions will come into effect when any current contracts expire or upon mutual agreement by the City and the incumbent supplier.

CONCLUSION

After one-year's experience with the policy, there has not been as significant costs as originally estimated. These estimates were based on information from the supplier community at the time. The clothing and uniform RFP led to a recommended outcome which allows the City to contract for these items from suppliers who are compliant with the City policy and are cost competitive.

A limited number of fair trade certified agricultural products are available at a premium. The selection and availability is increasing slowly and will continue to be monitored for value.

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