



ADMINISTRATIVE REPORT

Report Date: April 4, 2011
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Meeting Date: April 5, 2011

TO: Vancouver City Council
FROM: Chief Purchasing Official
SUBJECT: Annual Procurement Report

RECOMMENDATION

THAT Council receive the report for information.

GENERAL MANAGER'S COMMENTS

The General Manager of Financial Services Group RECOMMENDS that Council receive the foregoing.

CITY MANAGER'S COMMENTS

The City Manager RECOMMENDS that Council receive the foregoing.

COUNCIL POLICY

This Administrative Report is submitted pursuant to Procurement Policy number AF-015-01.

PURPOSE

This Procurement report is submitted for Council's information.

BACKGROUND

In December 2009 City Council approved Procurement Policy number AF-015-01 with an implementation date of April 2010. Under Section 10 (Monitoring and Review) of the Procurement Policy, the Chief Purchasing Official will annually report to Council on policy implementation progress.

DISCUSSION

This annual procurement report covers the period from January 1, 2010 to December 31, 2010 (unless otherwise noted) and documents the City of Vancouver's procurement activities and performance. The scope of this report includes departmental achievements, procurement statistics, an overview of the competitive bidding process, the application of sustainable and ethical procurement standards, and major objectives for 2011.

1. Departmental Achievements

2010 was a year of significant transformation and progress for the procurement department. Following are highlights of the major activities and achievements by the procurement department in 2010:

- Implemented new Procurement Policy effective April 1, 2010
- Hired new Director of Supply Chain Management
- Implemented strategic sourcing methodology and hired 5 Category Managers to lead the activities
- Hired new Manager of Contracts and Administration
- Achieved strategic sourcing procurement savings of \$9.3 Million
- Established the Sustainable and Ethical Procurement steering committee
- Incorporated vendor sustainability leadership as a key evaluation criteria in the requests for proposals process
- Completed Federal Infrastructure Stimulus Fund procurement activity
- Established the business blueprint for the centralized procurement department under the supply chain shared services procure-to-pay project
- Attained \$557,000 of revenue for the City through the orderly disposal of surplus assets

2. Procurement Statistics

Following are the major procurement statistics for the period from January 1, 2010 to December 31, 2010:

a. Bid Committee

The Bid Committee authorized the award of 44 contracts at a total value of \$79,730,096. This includes contracts processed by central Procurement on behalf of City departments and contracts processed by Vancouver Public Library and the Board of Parks and Recreation. Of the 44 contracts approved, 34 contracts were at a purchase price range between \$500,000 and \$2,000,000 and 10 contracts were over \$2,000,000 and also approved by Council. Six of the 10 contracts over \$2,000,000 were time sensitive federal infrastructure and capital works projects that were approved by the Bid Committee on behalf of Council during summer recess as permitted under the Procurement policy. The 6 contracts were reported to Council on October 19, 2010. Chart 1 in Appendix A to this report provides a breakdown of Bid Committee approvals by department and program.

b. Summary of Contracts Awarded

The central Procurement department in Financial Services Group processed a total of \$78,603,697 in contracts. Of that value, \$76,332,666 (97.1%) was awarded using the competitive bid process and just \$2,271,031 (2.9%) was awarded on a sole source basis.

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 of goods and services received for money spent.

c. Strategic Sourcing

In April 2010 the City of Vancouver implemented the use of strategic sourcing methodology to reduce the cost of purchased goods, services and construction. Strategic sourcing initiatives led to the award of a total value of \$93,247,227 in contracts on behalf of City departments which resulted in strategic sourcing savings totalling \$9,316,418. Chart 2 in Appendix A to this report provides a breakdown of the number of contract transactions processed by value range.

d. Sole Source Contract Awards

The Procurement policy provides circumstances by which a contract may be sole sourced. Chart 3 in Appendix A to this report provides a breakdown of the types of approved sole source contracts, the number of transactions of each type and the total spend. In all instances a public notice of the sole source award was issued on the City of Vancouver web site. Attached as Appendix B is the list of sole source contract awards in 2010.

e. Surplus Asset Disposal

The procurement policy provides for the orderly disposal of any materials owned by the City that are declared to be surplus to present and future department requirements. In 2010 a total of \$556,735 in revenue was generated through the orderly sales disposal of surplus assets. Chart 4 in Appendix A to this report provides a breakdown of the category of assets sold and the revenue generated for each category.

3. Competitive Bidding Process

The general Procurement policy is to conduct an open, public and competitive procurement process. For purchases under \$75,000 (\$200,000 for construction) the City endeavours to obtain at least three bids. For purchases over \$75,000 (\$200,000 for construction) the two primary bid mechanisms used for a public call by the City are the Invitation to Tender (ITT) process and the Request for Proposals (RFP) process. In 2010, Procurement utilized the Invitation to Tender process for the majority of its public call bid activities. Thirty-four (34) public call Invitations to Tender were issued at a total contract value of \$56,527,366. Eight (8) public call Requests for Proposals were issued at a total value of \$7,747,308.

The Invitation to Tender process is used primarily when specifications are clearly defined (for example, construction and vehicles). The contract is awarded to the lowest priced compliant bidder. In keeping with generally accepted best practice regarding openness, bids are publicly opened in the Procurement office at City Hall on the date specified in the ITT. All proponents attend the bid opening and learn the value of the bid submitted by each proponent.

The Request for Proposals process is used when the City is acquiring goods or services other than construction. In the case of the RFP process, the contract is awarded to the supplier that has been determined by the City to provide "best value". Best value is defined as the optimal combination of total cost of ownership, economic sustainability, environmental sustainability, social sustainability, reduced carbon dependency, and zero waste as

determined in accordance with the specific criteria and weighting for each criterion established for the applicable procurement.

In keeping with procurement best practices, the evaluation criteria and weighting are determined by the City prior to the closing date of the RFP. The evaluation criteria and weighting are established based on achieving best value and include such key components as experience, qualifications, sustainability, proposed solution and price.

Proposal submissions are evaluated and scored by a four to six person committee established for each bid process and led by procurement. Following the evaluation and scoring process, the committee makes its source selection recommendation. The final selection rationale is documented in the form of a Contract Approval Summary for contracts less than \$500,000 and in a Bid Committee report for contracts greater than \$500,000. The City utilizes the services of Dun and Bradstreet to assess the financial capacity and viability of the recommended supplier prior to contract award. The City's Legal Services and Risk Management departments assist in minimizing potential contractual risks by providing the insurance, liability, indemnity and other contractual requirements that are appropriate for the goods or services being acquired. The Bid Committee, which provides senior management oversight to the procurement process, reviews the details of the overall business implications of the procurement recommendation as documented in the Bid Committee report.

Although all of the criteria are clearly defined in the RFP, consistent with procurement best practice implemented by a majority of private and public sector municipalities and institutions including Burnaby, New Westminster, Coquitlam, Richmond, Abbotsford and Edmonton the relative weighting is not disclosed for various reasons which include:

- The City expects its vendors to meet its requirements and expectations for all criteria. When the weighting is included in an RFP, vendors tend to devote the majority of their attention to criteria with the highest weighting to the exclusion of criteria that have a lower weighting. This can lead to lower quality proposals and otherwise qualified proponents receiving a lower overall score and potentially not being selected.
- Organizations that include weighting in the RFP may be at risk of being subjected to litigation by an unsuccessful proponent who will argue that their score is less than what they believe they merited.

The City recognizes that the vendor community is highly competitive and that many suppliers are eager to do business with the City. Therefore, the City treats all material and information submitted by proponents to an RFP (and the City's evaluation of proposals) in confidence in substantially the same manner it treats its own confidential information. Proposals often contain strategic and proprietary material and information developed at private expense and if disclosed by the City to proponent's competitors could undermine the proponent's commercial advantage leading to loss of business. By preserving the confidentiality of each proponent's proposal information, the City instils confidence with the vendor community and significantly increases the likelihood of the City receiving proposals from many qualified vendors.

During debrief meetings with unsuccessful proponents, the City provides constructive feedback to proponents on their proposal submission in relation to the evaluation criteria as set out in the RFP. In keeping with the confidential treatment of proponent information, the City does not discuss nor divulge the proposal information and ratings of the other proponents (their competitors).

Bid results are posted on the BC Bid and City of Vancouver web sites. For “fixed price” contracts, the value of the contract award is posted. In the case of contracts that are based on “as and when required” utilization by the City, a contract value is not posted.

4. Sustainable and Ethical Procurement

The Procurement policy aligns the City’s approach to procurement with its sustainable and ethical procurement objectives. More specifically, the Procurement policy’s objectives include:

- Recognize and reward within the supplier selection process excellence and innovation among suppliers who demonstrate leadership in sustainability, environmental stewardship and fair labour practices.
- Selecting suppliers based on best value both in terms of the supplier’s overall social and environmental performance and the social and environmental attributes of the goods and/or services.
- Ensuring that all suppliers meet and, where possible, exceed the performance standards outlined in the Supplier Code of Conduct.
- Maximize benefits to the environment and minimize costs through product and service selection.
- Identifying opportunities where procurement activities may serve to leverage the City’s goals related to local economic development and, in particular support the development of an environmentally sustainable local economy.
- Working with other groups (municipalities) on monitoring and verification processes to ensure suppliers adhere to all applicable legal requirements and trade agreements.

In 2010 the following major sustainable and ethical procurement initiatives were completed by the Procurement department:

- Janitorial supplies - *product supply (environmentally preferred products that reduce greenhouse gas/carbon footprint, third-party eco labelling, waste reduction) and corporate leadership (workplace practices, health & safety, compliance with City’s supplier code of conduct)*
- Office supplies - *same sustainability components as janitorial supplies*
- Office printer strategy - *reduction in number of desktop printers, less printing, reduction in consumption of paper and toner*

A Sustainable and Ethical Procurement (SEP) steering committee has been established at the City to provide strategic oversight and direction regarding the most effective ways to integrate sustainable and ethical procurement into high impact procurement opportunities.

Membership of the SEP committee consists of the Deputy City Manager (chair), Director of Sustainability, Director of Supply Chain Management, representation from Financial Services and departments whose purchase requirements have been identified for strategic sustainable and ethical procurement.

The committee has targeted several opportunities for 2011 including food, fuel, fleet vehicles, recycled paper, waste management, facilities materials, computer monitors and specific types of office products and supplies.

5. Objectives for 2011

In 2011 will be a year of further transformation for the procurement department. Following are major planned activities for 2011:

- Implementation of the Supply Chain Shared Services Procure-to-Pay project through the Vancouver Services Review:
 - Roll out the centrally managed and decentralized staffing of the procurement department that will conduct all procurement activities for the City. (In 2010, the City contracted with over 1,400 suppliers who received payments of over \$25,000. The supplier base will be managed by the central Procurement department)
 - Publish uniform procurement procedures, bid documents and contracts that align with the procurement policy
 - Establish service level agreements with each department
 - Implement technology tools and enhancements to streamline and automate processes
- Develop and execute strategic sourcing initiatives
- Execute on the sustainable and ethical procurement initiatives that have been identified for 2011
- Establish formal structure and process for monitoring and reporting on compliance with the procurement policy
- Conduct warehouse operations projects:
 - Warehouse and inventory VSR project
 - Relocate Vancouver Police Department Stores to Graveley Street
 - Central stores projects
 - Disposition of surplus assets

FINANCIAL IMPLICATIONS

There are no financial implications.

CONCLUSION

On the basis of the information provided herein, the adoption of this report is recommended.

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Chart 1: Bid Committee Approvals by Department and Program

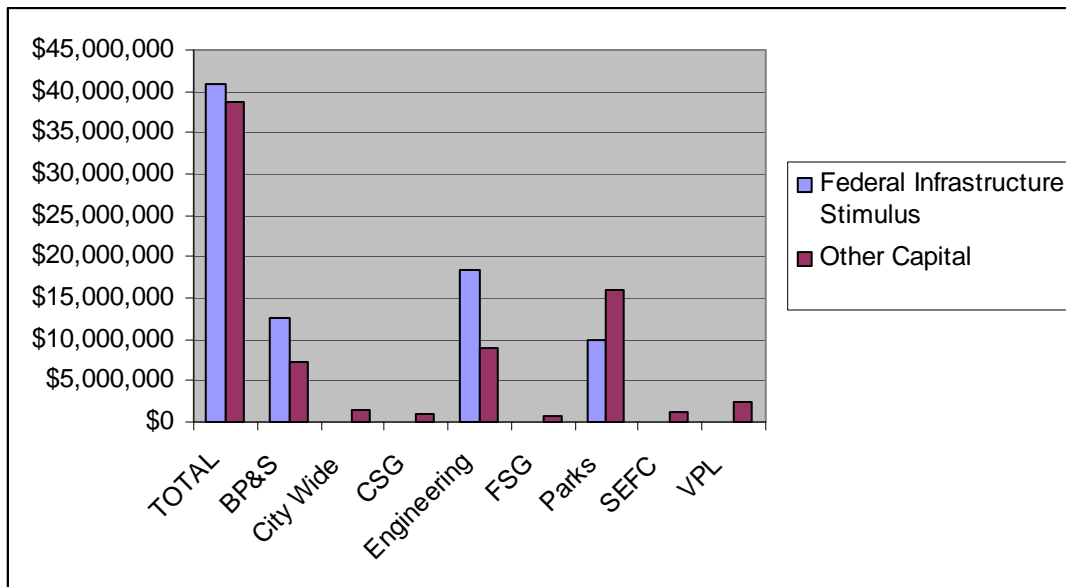


Chart 2: Contract Transactions by Value Range

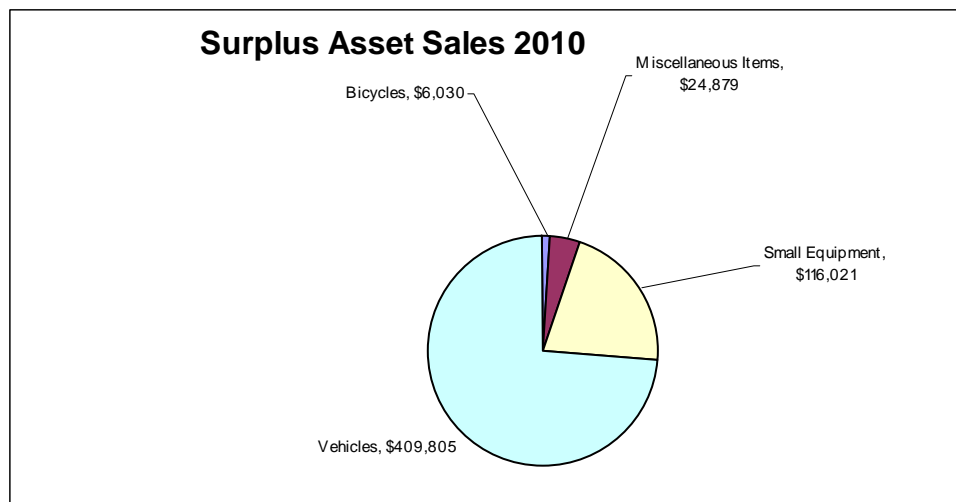
<u>Value Range</u>	<u>Number of Agreements</u>	<u>Percentage by Number</u>	<u>Spend in Range</u>	<u>Percentage by Spend</u>
\$0 to \$75,000	108	52%	\$3,133,668	3%
\$75,001 to \$500,000	57	27%	\$10,383,463	11%
\$500,001 to \$2,000,000	34	16%	\$33,647,299	36%
Over \$2,000,000	10	5%	\$46,082,797	49%

Chart 3: Sole Source Contracts Awards

<u>Type</u>	<u>Number of Transactions</u>	<u>Total Spend</u>	<u>Percentage of all Spend</u>
Notice of Intent to Contract	14	\$1,690,423	2.15%
Urgent and or Highly Specialized	16	\$526,175	.68%
<u>Confidential</u>	<u>2</u>	<u>\$54,433</u>	<u>.07%</u>
Total:	32	\$2,271,031	2.9%

Chart 4: Surplus Asset Disposal Revenue

Generated \$556,735 in revenue through orderly disposal of surplus assets:



List of Sole Source Contract Awards for 2010:

Type	City Department	Contract Reference	Description	Vendor	Contract Value
Confidential	CSG	PS10175	Pantages Theatre Photogrammetric Documentation & Salvage	Donald Luxton & Assoc.	\$39,433
Confidential					\$15,000
Urgent and/or Highly Specialized	City Clerk	PS10336	Provision of Services Related to FOI Request Processing	Volker Helmuth	\$63,000
Urgent and/or Highly Specialized	Engineering	PS10079	Consulting Services - Evaluate & Determine Sources of Renewable Heat Energy for NEFC	Compass Resource Mgt	\$7,500
Urgent and/or Highly Specialized	BP&S / Facilities	PS10120	Non-destructive testing & Inspection of Steel Welding for VPD Property	Elander Inspection	\$8,000
Urgent and/or Highly Specialized	CSG	PS10164	Consulting Services for Marpole Place	Mark Vuliammy	\$10,000
Urgent and/or Highly Specialized	Communications	PS10154	GCAT 2020 Interactive Web Development Services	Switch United Design/Smart Bubble Society	\$70,000
Urgent and/or Highly Specialized	VSR	PS10131	SAP/SRM Consulting Support Services	Quest Business Solutions	\$156,000
Urgent and/or Highly Specialized	CSG	PS10097	Consulting Services Public Consultation	Nancy Spooner	\$27,350
Urgent and/or Highly Specialized	CSG	PS10103	Cambie Corridor Visualization Tool	UBC	\$40,000
Urgent and/or Highly Specialized	CSG	PS10106	Building Condition Report - Shamrock	Team Engineering	\$10,000
Urgent and/or Highly Specialized	Engineering	PS10115	Kensington Park Retaining Wall	Thunder Engineering	\$18,500
Urgent and/or Highly Specialized	CSG	PS10123	Consulting - Development of Child, Youth & Family Friendly City Policy	Mab Olman	\$20,000
Urgent and/or Highly Specialized	Human Resources	PS10241	Consulting - Deliver Workshop on HR Strategy & Cultural Evolution	Solus Consulting	\$17,650
Urgent and/or Highly Specialized	BP&S / Facilities	PS10305	Supply & Install new hot water Tank at Firehall #19	Aquatec Plumbing & Heating	\$6,350
Urgent and/or Highly Specialized	CSG	PS10363	Meeting Facilitator for Regulatory review of Relevant Arts & Culture Group	The YES Resolution Group	\$11,825

Type	City Department	Contract Reference	Description	Vendor	Contract Value
Urgent and/or Highly Specialized	Engineering	PS10364	Consultant for Vancouver Landfill Analysis	Sperling Hanson Associates	\$45,000
Urgent and/or Highly Specialized	CSG	PS11032	Consulting - Winter Response Shelters	Karen Cooper	\$15,000
NOITC	BP&S / Facilities	PS10234	Moving Services - VPD Relocation	Heritage Office	\$191,560
NOITC	CSG	PS10037	Professional Services - 2010 Homeless Count	Eberle Planning & Research	\$68,075
NOITC	BP&S / Facilities	PS10096	Inspect & Repair Exhaust Fans	Fred Welsh Ltd.	\$60,000
NOITC	Engineering	PS10104	Supply & Deliver Parking meter Mechanisms	IPS Group	\$191,800
NOITC	Engineering	PS10142	Supply & Deliver Logstor™ Buried Piping & Rebuild 2 Units	Urecon	\$230,000
NOITC	Engineering	PS10146	Pumps and Motors	Smart Turner Pumps	\$167,071
NOITC	Engineering	PS10167	Professional Services - NEU	FUB Energy Inc.	\$251,300
NOITC	VSR	PS10232	Consulting Services - Design & Develop Changes to Tempest Bylaw Ticketing Software	The Tempest Development Group	\$277,305
NOITC	CSG	PS10237	Community Noise Enforcement Training & Certification	Rutgers	\$9,730
NOITC	BP&S / Facilities	PS10238	Removal of 2010 Games Countdown Clock	EEC Industries	\$24,500
NOITC	CSG	PS10244	Library Public Art Catalogue	Karen Love	\$10,000
NOITC	VSR	PS10262	Development of Web Governance and Resource Planning	Welchman Pierpoint LLC	\$32,500
NOITC	Engineering	PS10265	Traffic Signal Management Update	Delcan Corporation	\$117,000
NOITC	BP&S / Facilities	PS10287	Purchase & Install 2 Firehall Truck Exhaust Extraction Systems	Nederman Canada Limited	\$59,582

NOITC = Notice of Intent to Contract