

# PROCUREMENT UPDATE

REPORT PERIOD:  
JANUARY 1 - DECEMBER 31, 2014



# PROCUREMENT UPDATE 2014: AGENDA

## I. 2014 Achievements

- Procurement Statistics
- Bid committee / Council Awards
- Sole Source Awards

## II. Industry Benchmarking

- Sustainable and Ethical Procurement
- Municipal Procurement Audit
- Information Release

## III. Update on Warehouse and Inventory Management (WIM)

# I. 2014 ACHIEVEMENTS: PROCUREMENT STATISTICS

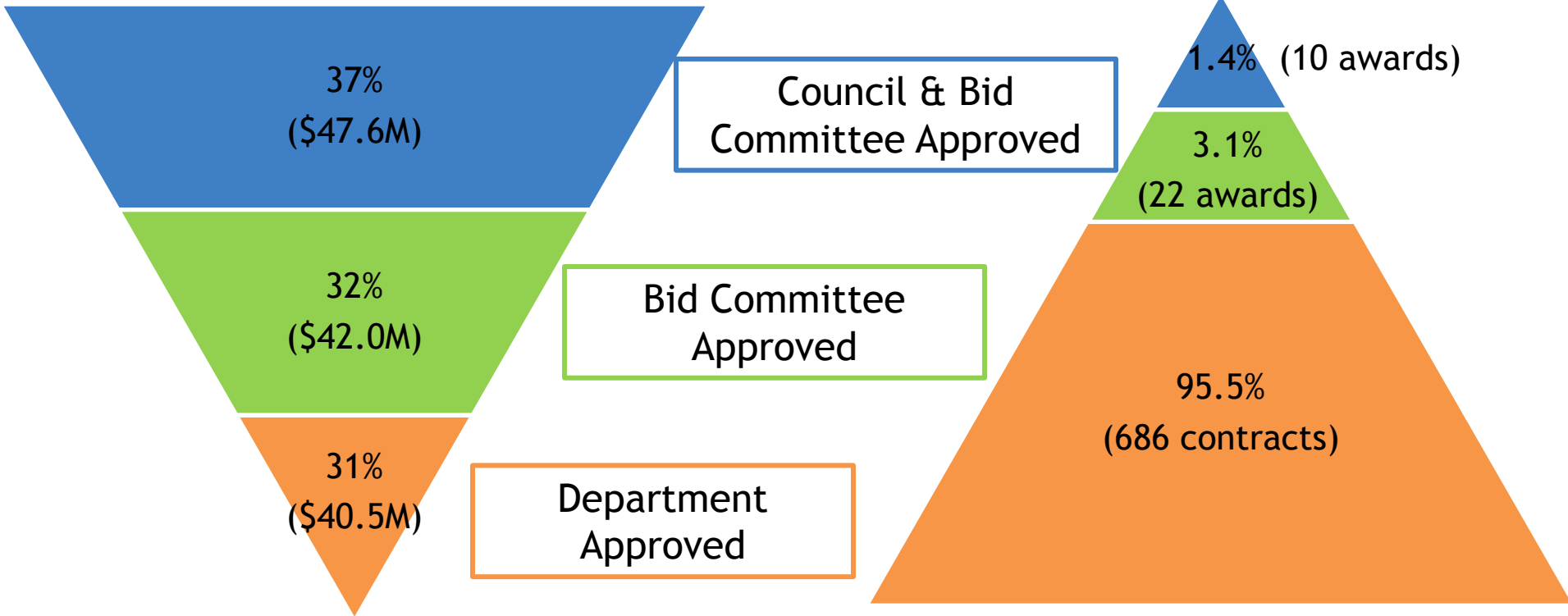
- 718 contracts awarded through Supply Chain Management for 3<sup>rd</sup> party goods & services
- \$130.1 million value of awarded contracts
- \$11.7 million in estimated procurement savings
  - \$5.0 million in 2014; \$6.7 million in future years
- \$1.7 million in revenue generated through sales of surplus equipment

# I. 2014 ACHIEVEMENTS: CONTRACT APPROVAL

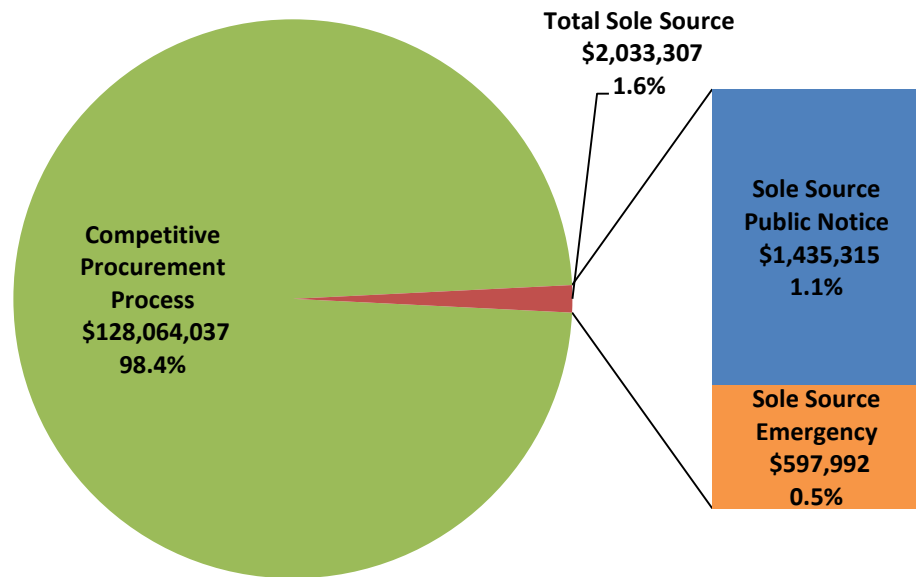
Council approves contracts  $\geq$  \$2,000,000  
Bid Committee approves contracts  $\geq$  \$500,000

Total contract value  
\$130.1 Million

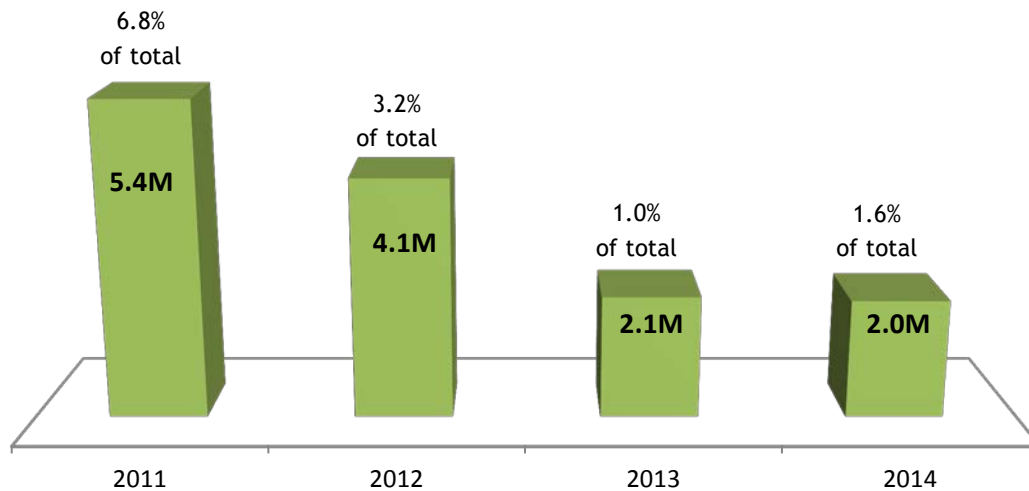
Total volume  
718 contracts



# I. 2014 ACHIEVEMENTS: SOLE SOURCE AWARDS



City is successful in achieving a core objective of conducting competitive and open procurement.



# I. 2014 ACHIEVEMENTS: SUSTAINABLE & ETHICAL PROCUREMENT (SEP)

SEP PRIORITIES	2014 HIGHLIGHTS
Reduce corporate GHG emissions	<ul style="list-style-type: none"> <li>• 2014 fleet acquisitions expected to reduce GHG emissions by ~250 tonnes based on 66 more fuel-efficient police patrol vehicles, 14 electric &amp; sub-compact vehicles and 2 hybrid refuse trucks</li> </ul>
Increase recycled content of goods and reduce waste	<ul style="list-style-type: none"> <li>• Approximately 3,500 tonnes of material was diverted across 7 deconstruction projects; an average diversion rate of 80%</li> <li>• Deconstruction of Old Continental Hotel committed to divert 85% of non-hazardous materials</li> </ul>
Promote safe and healthy workplace	<ul style="list-style-type: none"> <li>• Uniform suppliers required to provide details on factory and production facility locations; information is publicly posted on the CoV website</li> </ul>
Support social enterprise	<ul style="list-style-type: none"> <li>• Purchased \$1.1M of services from 14 different social enterprises including micro-cleaning, general maintenance, construction, landscaping &amp; catering</li> </ul>
Local procurement	<ul style="list-style-type: none"> <li>• 42% of food and beverages purchased by Park Board concessions &amp; golf courses was local raised, grown, produced or processed within BC.</li> <li>• 23 CoV locations including concessions, golf courses, civic theatres &amp; key community services facilities served fair trade coffee</li> </ul>

## II: INDUSTRY BENCHMARKING: SUSTAINABILITY & ETHICAL PROCUREMENT (SEP)

- The City is a member of the Municipal Collaboration for Sustainable Procurement (MCSP), a group that “aims to facilitate collaboration and the sharing of resources and technical expertise to advance sustainable procurement.”<sup>1</sup>
- The group is made up of 13 municipalities across Canada
- This group is working together to develop benchmarks and best practices in the field of sustainable procurement
- In 2014, CoV participated in a third party annual survey of their progress on the 10 best practice program areas
- CoV was a leading municipality in best practice program areas

<sup>1</sup>The Annual Report on the State of Municipal Sustainable Procurement in Canada: 2014  
Trends & Best Practices by Reeve Consulting

# II: INDUSTRY BENCHMARKING: SUSTAINABILITY & ETHICAL PROCUREMENT (SEP)

Source: *The Annual Report on the State of Municipal Sustainable Procurement in Canada: 2014 Trends & Best Practices* by Reeve Consulting

10 Best Practice Program Areas Progress Chart

Program Areas	Strategy & Action Plan	Green Purchasing Policy	Supplier Code of Conduct	Additional Sustainability Commitments	Dedicated Staffing & Resources	Procurement Tools & Procedures	Training & Communication	Supplier Engagement	Measurement & Reporting	Leadership & Collaboration
Calgary	◐	◐	◐	◐	●	◐	◐	◐	◐	◐
Edmonton	●	●	●	●	●	●	◐	◐	◐	●
Grand Prairie	◐	◐	○	◐	◐	◐	◐	◐	◐	◐
Kelowna	◐	●	○	◐	◐	◐	◐	◐	◐	◐
Ottawa	◐	●	●	◐	◐	●	●	◐	◐	◐
Saanich	◐	◐	○	◐	◐	◐	◐	◐	◐	◐
Saskatoon	◐	◐	○	◐	◐	○	○	◐	◐	◐
Surrey	◐	◐	◐	◐	◐	◐	◐	◐	◐	◐
Vancouver	●	●	●	●	●	●	◐	●	◐	◐
Victoria	◐	◐	○	◐	○	◐	◐	◐	◐	◐
Whitehorse	◐	◐	○	○	○	◐	◐	○	○	◐

- Just beginning or future priority
- ◐ Some progress made
- ◐ In progress with room for improvement
- ◐ In place; Fairly well developed
- Well developed with solid experience



## II: INDUSTRY BENCHMARKING: MUNICIPAL PROCUREMENT AUDIT

- Municipal Auditor General conducted a performance audit of municipal procurement; report for a local BC municipality released in March 2015
- The audit objective was to determine whether operational procurement was managed strategically and that it provided value-for-money
- Audit examined procurement data, contractual agreements and procurement policies and procedures
- CoV considered the report as a benchmarking opportunity and it conducted a self-assessment based on the areas identified in the report

# II: INDUSTRY BENCHMARKING: MUNICIPAL PROCUREMENT AUDIT

Audit Areas	CoV Self-Assessment
Competitive Procurement	<ul style="list-style-type: none"> <li>● Established and documented Council approved procurement policy and procedures</li> <li>● 2014 - 98.3% of contracts awarded through a competitive procurement process (3 year avg. 98%)</li> </ul>
Council Involvement	<ul style="list-style-type: none"> <li>● Purchases &gt;\$500K require Bid Committee approval &amp; purchases &gt;\$2M require Council approval</li> </ul>
Purchasing Division	<ul style="list-style-type: none"> <li>● Procurement is a centralized share service function - Operation/Strategic Procurement/WIM</li> <li>● Experienced procurement staff responsible for managing all procurements for CoV</li> <li>● Leading practices and methodologies to manage spend (e.g. strategic sourcing)</li> </ul>
Ethical Requirements	<ul style="list-style-type: none"> <li>● City has a Code of Conduct policy and guide that govern staff involvement</li> <li>● Enhanced Sustainability and Ethical Procurement (SEP) program with established Supplier Code of Conduct and other ethical requirements embedded in procurement documents</li> </ul>
Cost savings initiative	<ul style="list-style-type: none"> <li>● Employing procurement strategies such as economies of scale, consolidation of vendors etc.</li> <li>● Negotiate contracts to minimize costs of purchasing, maintenance and/or disposal, as applicable</li> <li>● Enterprise view allows for standardized approach to ensure value-for-money &amp; compliance</li> </ul>
Analysis, monitoring and reporting	<ul style="list-style-type: none"> <li>● Quarterly service metrics update and annual report to Council and public</li> <li>● Regular public reporting of contract awards and Bid Committee decision reports</li> </ul>
Unsolicited proposals	<ul style="list-style-type: none"> <li>● Guidelines developed and used for initiatives e.g. “Green &amp; Digital Demo Program” (RTS10628)</li> <li>● Need to formalize the guidelines into a policy and incorporate into the City’s procurement policy</li> </ul>
Vendor performance	<ul style="list-style-type: none"> <li>● Currently occurs at a small scale for specific projects for material vendors and recently established a pilot vendor performance process for specific professional services.</li> <li>● Department project underway for development of processes and tools to enhance contract lifecycle management and support performance management</li> </ul>

○ Not occurring

● Ad hoc, with no guidelines or procedures

● Developing guidelines & procedures

● Fairly well developed guidelines

● Well developed, with defined procedures

## II. INDUSTRY BENCHMARKING: INFORMATION RELEASE ON PUBLIC WEBSITES

- Since 2011, SCM has been conducting annual benchmarking exercise on procurement operations of 30 organizations including municipalities, Crown corporations, universities and health authorities
- A 2014 survey focused on information release practices benchmarking
  - Contract dollar thresholds requiring Council approvals
  - Information reported to Council on contract awards
  - Information publicly posted in organization's websites
  - Information included in the bid document
- Main Findings:
  - There are no best practices that are generally accepted.
  - COV ranks highly on information release

## II. INDUSTRY BENCHMARKING: INFORMATION RELEASE ON PUBLIC WEBSITES

BC BID	COV PUBLIC WEBSITE	COV COUNCIL
<ul style="list-style-type: none"> <li>• Bid opportunities               <ul style="list-style-type: none"> <li>• Publicly Posted for goods and services &gt;\$75K*. Represents 91% of total awarded value</li> </ul> </li> <li>• Bid results</li> <li>• Notices of Intent to Contract</li> <li>• Notices of Sole Source Awards</li> <li>• *(as required by New West Partnership Trade Agreement (BC, Alta, Sask); Agreement on Internal Trade (Canada); CoV procurement policy)</li> </ul>	<ul style="list-style-type: none"> <li>• Bid opportunities</li> <li>• Bid results               <ul style="list-style-type: none"> <li>• Bidders and Bid Amounts</li> </ul> </li> <li>• Notices of Intent to Contract</li> <li>• Notices of Sole Source Awards</li> <li>• Bid Committee Decision Reports</li> <li>• Annual Procurement Reports</li> <li>• SOFI Reports</li> <li>• Policy documents &amp; procurement guideline documents</li> </ul>	<ul style="list-style-type: none"> <li>• Reports on purchases valued at \$2 million or greater</li> <li>• Annual Procurement Report               <ul style="list-style-type: none"> <li>• Contracts awarded &gt;\$75K</li> <li>• Sole source contracts</li> </ul> </li> </ul>

# III. WAREHOUSE AND INVENTORY MANAGEMENT UPDATE

## Objectives

- To provide a single view of the City's inventory operations
- To streamline warehouse and inventory operations
- To manage supplies in a sustainable and cost-efficient way

## Phase 1 - Manitoba Yards, Evans Yard, National Yard and HUSAR

- Reduced inventory value by ~25%, with a standardization of processes and procedures
- Consolidated 4 inventory tracking systems to 1 CoV SAP system
- Developed KPIs dashboard and reports to monitor operational efficiency

## Phase 2 - Equipment Services Stores (EQS), Civic Theatre concessions, Fire & Rescue Services Stores, and Park Board concessions warehouse

- Anticipated completion in Q3, 2015

## Phase 3 - Vancouver Police Department, Kent Yards, Sewers and Water Works

- Begins Q3 2015 with anticipated completion date of Q1 2016

# PROCUREMENT 2014 UPDATE: SUMMARY

- 718 contracts awarded / \$130.1 million in value
- Only 1.6% of contracts awarded through sole source
- Industry leader in Sustainable and Ethical Procurement (SEP) practice
- CoV aligns with audit expectations of municipal procurement practices
- Enhanced information release to align with other municipalities and to meet the needs of CoV
- Completed Phase 1 of the WIM project, with positive results. Phase 2 currently underway.