



ADMINISTRATIVE REPORT

Report Date: March 8, 2019
Contact: Alexander Ralph
Contact No.: 604.829.2092
RTS No.: 12812
VanRIMS No.: 08-2000-20
Meeting Date: April 3, 2019

TO: Standing Committee on Policy and Strategic Priorities
FROM: Chief Procurement Officer
SUBJECT: Annual Procurement Report 2018

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, 2018, to December 31, 2018. 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 April 2018, City Council approved Procurement Policy number ADMIN-008. The policy provides 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, authority 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 36% of total City expenditures. In order to support the City's many priority and goals, SCM also works to achieve

best value while advancing economic, social and environmental sustainability, and ethical practices in its procurement and warehouse activities.

Under the stewardship of the Supply Chain Management department, the City solicited bids and proposals, and negotiated and awarded \$252 million worth of contracts for goods and services in 2018. These contracts resulted in procurement savings of \$16.3 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 sustainable and ethical procurement and continuous improvement in ensuring value for money for Vancouver residents.

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

REPORT

Background/Context

City of Vancouver's Procurement Policy (ADMIN-008), (Section 10-Monitoring, Review and Reporting) notes that the Chief Procurement Officer 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, 2018, to December 31, 2018:

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 2018	\$ 252,025,667
Total Value of Procurement Savings* from Contracts Awarded in 2018	\$ 16,261,181
2018 Procurement Savings* from Contracts Awarded in 2018	\$ 7,965,536
Future Year Procurement Savings* from Contracts Awarded in 2018	\$ 8,295,645

*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.

b. Bid Committee and Council Contract Approvals

As per 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 2018, Bid Committee approved staff recommendations to award 54 contracts at a total estimated value of \$182,167,853. Bid Committee also approved three revenue generating contracts estimated at \$875,000, including two social housing operator contracts.

City Council approved staff recommendations to award 14 contracts valued at an estimated combined value of \$168,416,372. Council also approved two (2) revenue generating contracts for social housing operators. The summary of the contracts that received final approval for award from Council in 2018 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 \$182,167,853 approved by Bid Committee in 2018, 30 contracts valued at \$135,203,825 were awarded and executed in 2018. Of the \$168,416,372 approved by Council in 2018, ten (10) contracts valued at \$124,944,088 were awarded and executed in 2018. The remainder of the approved contracts will be awarded and executed in 2019.

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 \$252,025,667 in contracts in 2018. Of that value, \$230,629,910 (91.5%) was awarded using a competitive bid process and \$21,395,757 (8.5%) was awarded to bids on a sole source basis under the procurement policy. Of the 8.5% sole source, 7.5% was awarded following the public posting of a Notice of Intent to Contract (NOITC) and 1% was urgent and/or highly specialized and awarded prior to issuance of a public notice. One NOITC contract valued at \$15,250,000 for the transfer and processing of organic materials accounted for 71% of the sole source awards. This award was approved by Council (RTS

12325). 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 2018 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 2018, a total of \$1,088,936 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 priorities that support key City operations and 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 2018 to identify and contribute to SEP priorities in a broad range of procurement projects.

a. Living Wage Certification

On May 1, 2017, City of Vancouver became a Living Wage Employer and added living wage conditions to the Procurement Policy for contracted work and staff working for the City. As part of the re-certification in 2018, it was confirmed that all direct employees of the City are paid at, or above the current living wage rate (salary, plus non-mandatory benefits). In 2018, the renewal of contracts for City-wide janitorial and security services included living wage. In addition, since implementation, 44 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 2018, 40 contracted service employees received a living wage that would not otherwise have been paid a living wage. It should also be noted that within these 44 contracts, seven (7) vendors have Living Wage Certification, while another 11 provide all their employees Living Wage, not only the employees related to the City of Vancouver contracts.

b. Social Value Procurement Framework

The City is committed to achieve best value through sustainable operations which includes social and environmental procurement. Building on the success of living wage and green operations, we are continuing to update and enhance these procurement practices to align with and support City strategies, goals and priorities.

In July 2015, Council approved a motion affirming the Healthy City Strategy and Action Plan (2015-2018) with its commitment to have the City of Vancouver develop a Social Value Procurement Framework (Social Value Framework; SVF) that would leverage City spending and resources to advance broader well-being community outcomes related to reconciliation, equity, inclusion and diversity.

Upon the hiring of an SEP Manager, an external review of intermediaries, leadership peers and an internal review of the City's vendors and purchases has been completed. An online survey "Request for Information (RFI)" was trialed for market sounding to help inform and better understand the supply of diverse and/or social businesses that could produce social value.

The City is now positioned to identify procurement opportunities that will better integrate diversity and social considerations which will ultimately contribute to positive economic outcomes. Building on Ethical purchasing and living wage, workforce diversity (employment equity) will help contribute to improving employment access, rights, economic independence and capacity. By expanding supply chain diversity, there will be increased opportunities and participation of social and/or diverse businesses (entities with recognized certification and/or majority owned or controlled by equity-seeking populations represented by, but not limited to, Women, Indigenous Peoples, Non-profit/Charity, People with Disabilities, Ethno-cultural & LGBTQ2+).

Summary of SEP 2018 Accomplishments

SEP	2018 ACTION / ACCOMPLISHMENTS
Supplier Diversity Snapshot	A snapshot of existing contracts and internal review of those vendors, suggests that at any given time the City has approximately 80 contracts valued at approximately \$45 million with social and/or diverse businesses. This information will be used as a baseline and benchmark.
Supplier Diversity 2018	Tracking of supplier diversity has begun and will continually improve and expand. For 2018, it is estimated that more than \$13 million of goods/services was procured from social/diverse businesses (based on certifications or ownership/control by equity-seeking populations). Of that, \$3 million was spent in societies which includes Social Enterprise (a business majority owned/controlled by a non-profit) including DreamRider Productions, MP Enterprises, Embers, Developmental Disabilities Association and HUB Cycling.
Social/Diverse business market sounding	175 businesses responded to an online survey identifying themselves as social or diverse based on their certification(s) or ownership/control by an equity-seeking population. These businesses, which range in size, are primarily in service sectors representing different types of professional services as well as various building maintenance and repair industries. Data is still being collected and correlated; information will be used to build awareness and engagement.

SEP	2018 ACTION / ACCOMPLISHMENTS
Supporting Green Operations Goal: Zero Carbon	<p><u>Reducing and eliminating the dependence on fossil fuels and minimizing the release of greenhouse gases (GHG)</u></p> <p><u>EQS Initiative: Green Fleet Plan:</u> ongoing vehicles and equipment acquisitions continue to result in emissions reductions and air quality improvements. Of note in 2018:</p> <ul style="list-style-type: none"> • Electric vehicles <ul style="list-style-type: none"> ○ Contracts for Medium and Heavy Duty supporting a goal of 120 by 2023 ○ Contract for Light Duty supporting a goal of 181 by 2023 • Bio-fuel <ul style="list-style-type: none"> ○ Contracts for Renewable Diesel supporting a goal that will transition 3.5M litres of diesel to 100% renewable diesel by 2021
Supporting Green Operations Goal: Zero Waste	<p><u>Reducing and Diverting Waste (Facilities, Office related, operational)</u></p> <p><u>Real-Estate Initiative: Facilities Deconstruction:</u> two (2) buildings demolished in 2018 with a diversion rate of 91%.</p> <p><u>IT/Asset Management Initiative: E-Waste:</u> The City diverted 21,880 kg of IT equipment from the landfill (18,455 kg for reuse; 3,425 kg for recycling).</p>
Supporting Green Operations Goal: Healthy Ecosystems <ul style="list-style-type: none"> • Local Food • Clean Water • Water consumption • Toxicity 	<p><u>“become a world leader in preserving and restoring natural habitats by minimizing pollution, conserving natural resources, and regenerating ecological and local food systems”</u></p> <p><u>Food and Beverages:</u></p> <ul style="list-style-type: none"> • Vendors providing food to City and Park Board locations such as concessions, golf courses, and Pitch and Putts, are continually improving their environmental footprint and are asked to monitor and report certified and/or locally sourced items. • Fairtrade Town: 23 City of Vancouver locations including concessions, golf course restaurants, civic theatres, and key Community Services facilities served FAIRTRADE Mark coffee. <p><u>Green janitorial supplies:</u> Over \$1 million was spent on janitorial cleaning and paper with third-party certification. 60% of this janitorial supplies spend is ECOLOGO, Green Seal, or FSC certified.</p>

Companies with a local presence continue to provide a significant amount of goods and services to the City. In 2018, 73% of the contracts awarded (by \$ value) were to companies with a presence in Metro Vancouver, and 99% in Canada.

The City is a founding member of the Municipal Collaboration on Sustainable Procurement (MCSP), and continues to provide leadership to its network of Canadian municipalities and post-secondary institutions working to advance all components of sustainable procurement.

CONCLUSION

Following a comprehensive review of the policies affecting the procurement process, in April 2018, Council approved and adopted recommendations to update the Corporate Procurement Policy. Throughout the year Supply Chain Management conducted internal process improvements to enhance procurement operations and utilize warehousing and inventory management practices to support many City operational and capital programs in achieving the City's goals. In addition, the development of a Social Value Procurement Framework during 2018 represents a significant step in the City's social and ethical procurement practices and the Healthy City Strategy to advance broader well-being community outcomes related to reconciliation, equity, inclusion and diversity. The implementation and operationalization of this framework into the City's procurement practices is expected to be completed during 2019.

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Chart A1: Awarded Contracts by Final Contract Approval Level

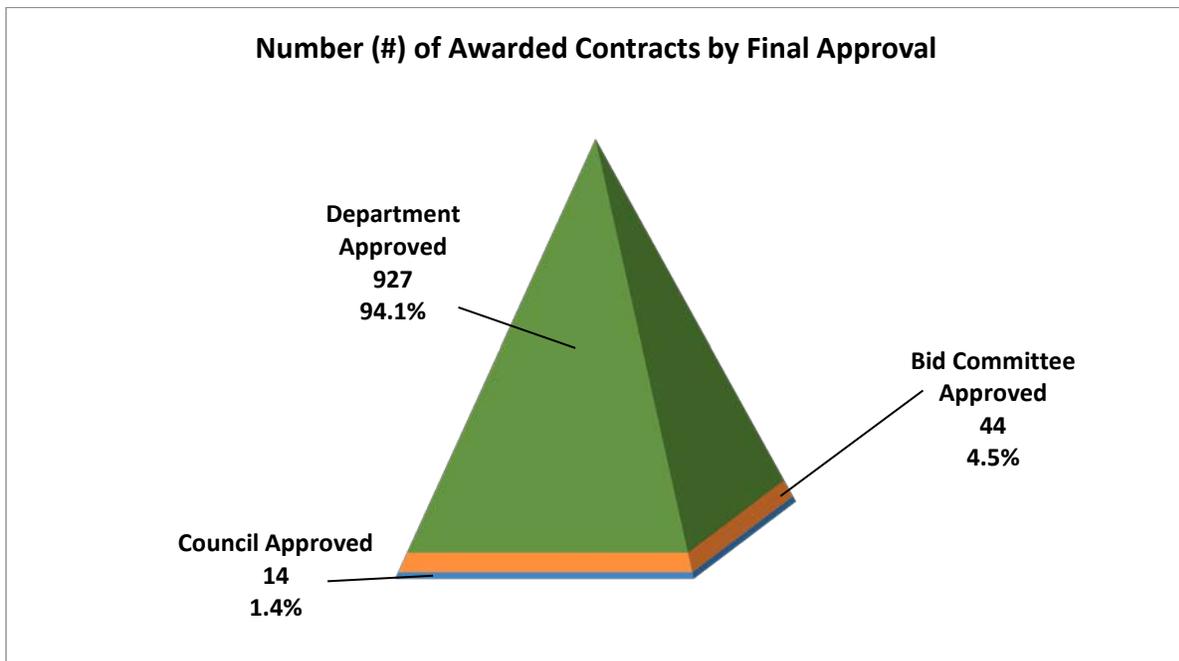
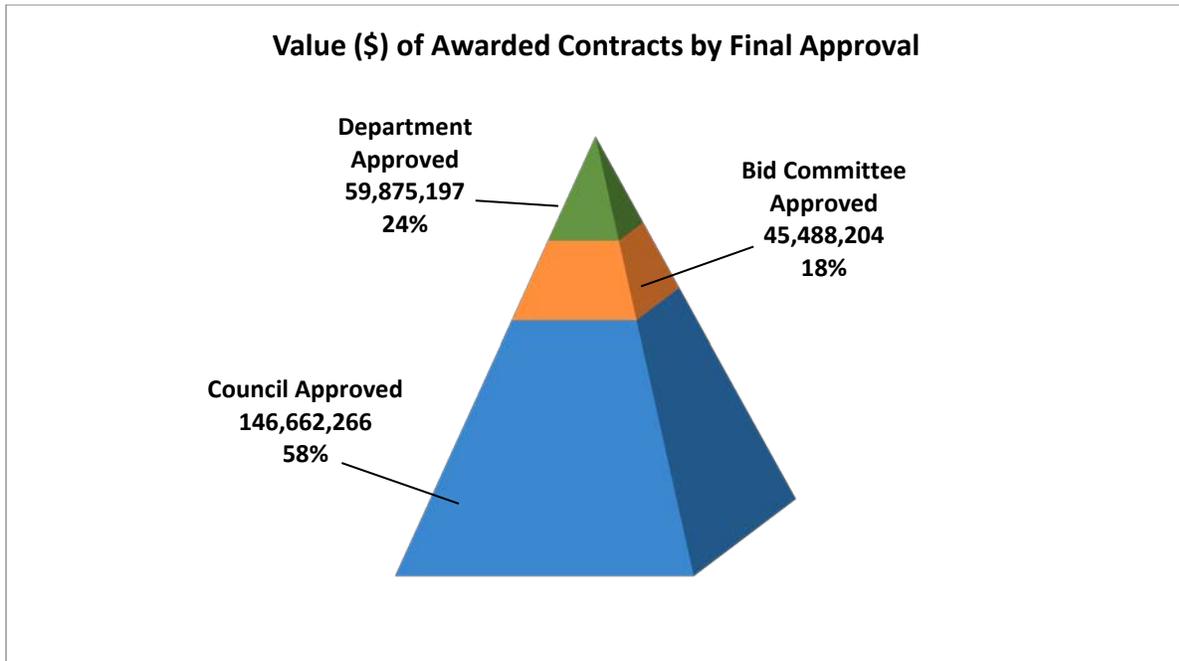


Chart A2: Contract Awards by Department

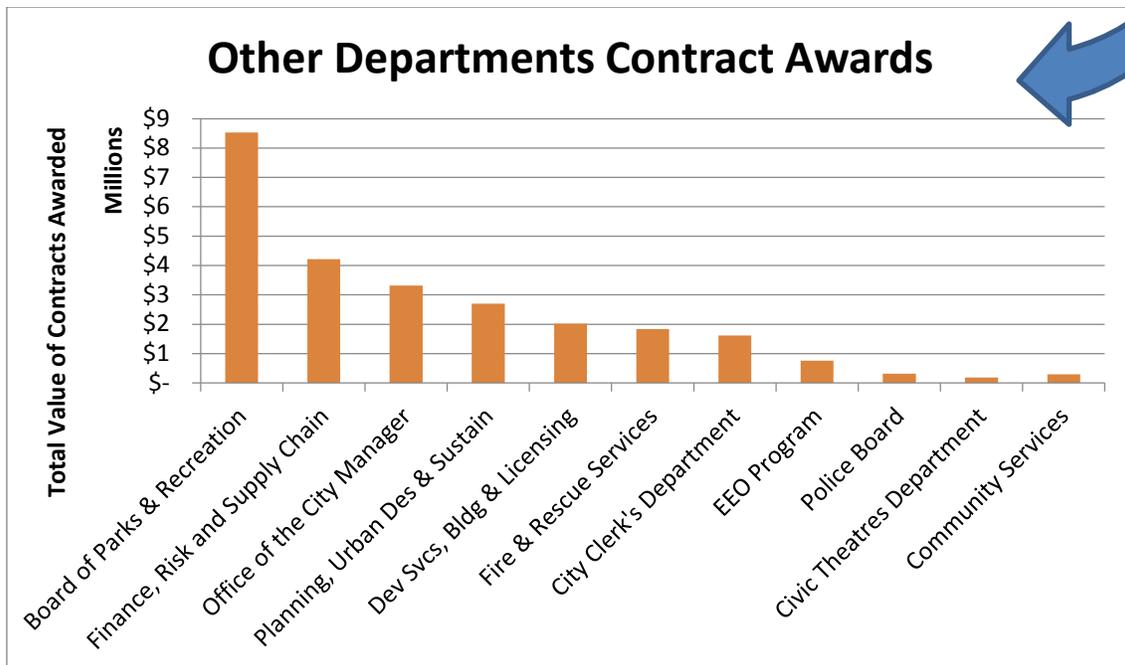
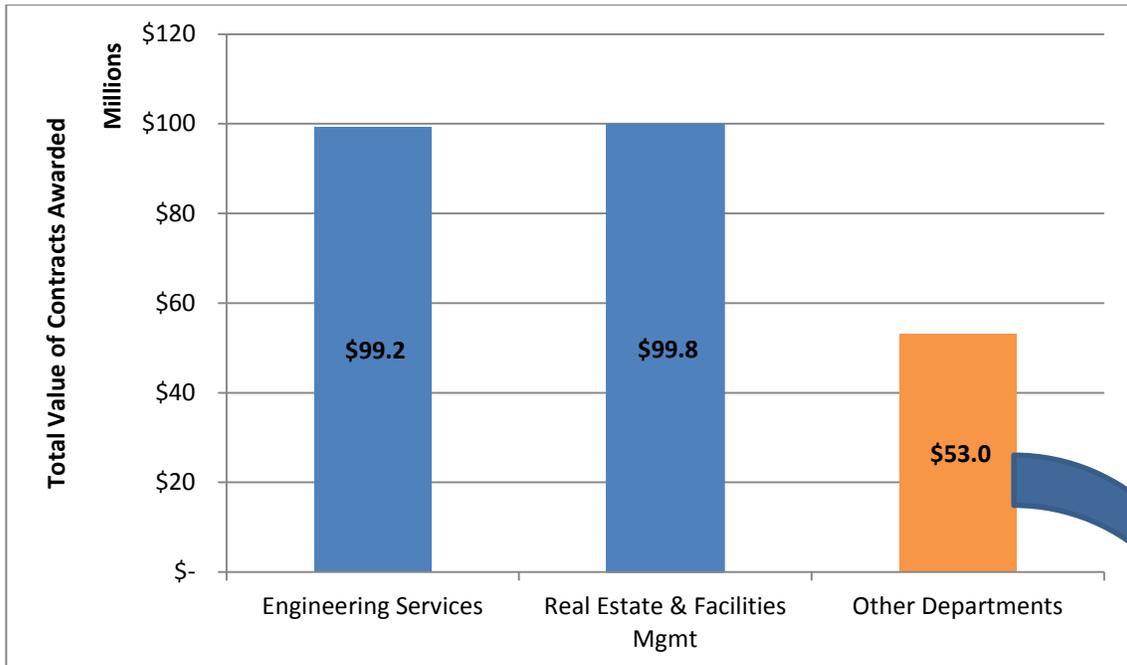


Chart A3: Contract Transactions by Value Range

Value Range	Number of Awards	Percentage by Number	Contract Value in Range	Percentage by Value
Less than \$75,000	717	72.8%	\$ 18,192,851.79	7.2%
\$75,000 to \$499,999	208	21.1%	\$ 38,079,945.41	15.1%
\$500,000 to \$1,999,999	45	4.6%	\$ 44,974,079.24	17.8%
\$2,000,000 or greater	15	1.5%	\$ 150,778,790.49	59.8%
Total	985	100%	\$ 252,025,666.93	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	39	61.9%	\$ 18,768,600.38	87.7%
Urgent or Highly Specialized	24	38.1%	\$ 2,627,156.23	12.3%
Total	63	100%	\$ 21,395,756.61	100%

Chart A5: Contract Awards by Vendor Location

Location	Number of Vendors	Percentage by Number	Contract Value in Location	Percentage by Value
Vancouver	306	31%	\$ 84,778,644.02	34%
Metro Vancouver	375	38%	\$ 99,998,196.03	40%
British Columbia	57	6%	\$ 8,883,897.22	4%
Canada	214	22%	\$ 55,703,458.76	22%
North America	39	4%	\$ 2,617,861.72	1%
Other	1	0%	\$ 43,609.18	0%
Total	992	100%	\$ 252,025,666.93	100%

LIST OF AWARDS APPROVED BY COUNCIL 2018

Contract Reference	Council Report RTS #	Description	Contract Amount
PS20180883	12592	Roddan Lodge Construction	\$ 44,836,761.00
PS20180305	12552	Supply and Delivery of Fuels	\$ 25,184,535.00
PS20172554	12447	Phase 3 NE Closure and Phase 4 LFG System Expansion - Vancouver Landfill	\$ 17,997,248.46
PS20181183	12607	Fire Hall 17 Construction	\$ 17,780,952.38
PS20171879	12325	Receive, Sort, and Process Organic Materials	\$ 15,250,000.00
PS20172110	12594	Supply & Delivery of Medium and Heavy Duty Electric Trucks	\$ 10,700,000.00
PS20171180	12648	Vancouver Landfill Entrance Upgrades	\$ 8,999,563.73
PS20180799	12605	Supply and Delivery of Pipe Fittings	\$ 7,063,714.00
PS20180979	12569	Microsoft Enterprise Agreement	\$ 6,300,000.00
PS20171941	12377	Supply & Delivery of Ductile Iron Pipe	\$ 3,139,972.00
PS20160912	12554	CNG Combination Sewer Cleaner Trucks	\$ 2,923,430.00
PS20181181	12765	Granville Bridge Structural Repairs	\$ 2,776,604.44
PS20180002	12641	Supply and Delivery of Water Meters	\$ 2,389,000.00
PS20180742	12467	Social Housing Operator Selection and Lease Terms - 1171 Jervis Street & 1345 Davie Street	N/A ¹

¹ Long term (60 year) lease and operating agreement with a social housing partner to operate two affordable housing sites which represent a prepaid lease for the City of Vancouver for both buildings of \$6.8 million at the end of the first year of operation.