

Subject: 2023 Mid-Year Procurement Year in Review

File Number: ACS2023-FCS-PRO-0004

Report to Finance and Corporate Services Committee on 7 November 2023

and Council 22 November 2023

Submitted on October 27, 2023 by Will McDonald, Chief Procurement Officer

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Ward: Citywide

Objet : Bilan semestriel de l'approvisionnement pour 2023

Dossier : ACS2023-FCS-PRO-0004

Rapport au Comité des finances et des services organisationnel

le 7 novembre 2023

et au Conseil le 22 novembre 2023

Soumis le 27 octobre par Will McDonald, Chef de l'approvisionnement

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Quartier : À l'échelle de la ville

REPORT RECOMMENDATION(S)

That the Finance and Corporate Services Committee and Council receive this report for information.

RECOMMANDATION(S) DU RAPPORT

Que le Comité des finances et des services organisationnel et le Conseil prennent connaissance du présent rapport.

BACKGROUND

The City of Ottawa's Procurement By-law, enacted pursuant to Section 270 of the *Municipal Act, 2001*, provides guidelines in the procurement of goods, construction and services with the guiding principle that all purchases be made using a competitive process that is open, transparent and fair to suppliers. The Procurement By-law requires Supply Services to submit an information report to the Finance and Corporate Services Committee and Council on a semi-annual basis. The report contains details relevant to the exercise of delegated authority for all contracts awarded by Directors exceeding \$25,000. Supply Services is required to certify that the awards are in compliance with the Procurement By-law.

This report includes an analysis of professional and consulting services procurement, competitive vs. non-competitive purchasing strategies, and supplier performance. This mid-year report will be followed by a detailed year in review report which summarizes the procurement activity for the entire 2023 calendar year and provides an update on other important procurement initiatives including Vendor Performance Management, Sustainable Purchasing, and Prompt Payment Discounts.

Document 1 of this report provides a detailed listing of all contracts awarded under Delegated Authority exceeding \$25,000 for the period of January 1, 2023 to June 30, 2023 and identifies the contract category, the professional and consulting services outsourcing reason, and the non-competitive exception where appropriate.

In addition to the report to the Finance and Corporate Services Committee, Supply Services also prepares procurement reports for the Transit Commission, the Ottawa Board of Health, the Ottawa Police Services Board and the Ottawa Public Library Board.

DISCUSSION

Section 1: 2023 Mid-Year Procurement Summary

In Q1-Q2 2023, Supply Services awarded \$873.9 million in contracts, this includes all purchases made under delegation of authority (\geq \$25,000) as well as purchases approved by Council, the Library Board, and the Police Board. Of the total \$873.9 million in contracts awarded, the value of contracts awarded under delegation of authority in Q1-Q2 2023 totaled \$867.7 million.

In Q1-Q2 2023, contracts awarded under delegation of authority valued at greater than or equal to \$100,000 represented 97 per cent of the total expenditure. Although the

majority of purchasing value was derived from purchases valued at greater than \$100,000, a significant number of contracts (48 per cent) were issued in the \$25,000 to \$100,000 range.

Section 2: Professional & Consulting Services

In Q1-Q2 2023, professional service contracts totaled \$128 million and a further \$178 thousand of consulting service contracts were awarded under delegation of authority.

The total value of professional and consulting service contracts is consistent with previous years.

The procurement of professional engineering services is a required mandate approved by Council as part of the business model used by the City. By value, professional engineering services represent 35 per cent of all professional services procured by the City last year.

Section 3: Competitive vs. Non-Competitive

In accordance with the Procurement By-law, purchases are to be made using a competitive process that is open, transparent, and fair to all suppliers. Of the \$867.7 million in contracts awarded under delegation of authority, \$753.3 million (87 per cent) were awarded using a competitive solicitation process.

When this figure is adjusted to consider contracts where there was no option but to award to a specific supplier, for example, contracts pertaining to utilities, patents, and copyrights, and where for technical reasons no alternative supplier exists, the percentage of competitive purchases increases to 97 per cent. This figure is consistent with previous years.

All non-competitive contracts awarded centrally by Supply Services under delegation of authority were awarded in accordance with the rationales identified in section 22(1) of the Procurement By-law.

Section 4: Assessing Supplier Performance

The City's Procurement By-law provides discretion to the General Manager, Finance and Corporate Services, in consultation with the City Solicitor, to prohibit an unsatisfactory supplier from bidding on future contracts. There were no companies barred from doing business with the City in the first two quarters of 2023.

FINANCIAL IMPLICATIONS

There are no financial implications associated with this report.

LEGAL IMPLICATIONS

There are no legal impediments to receiving this report for information.

DELEGATION OF AUTHORITY IMPLICATIONS

This report includes information on all contracts awarded under Delegated Authority exceeding \$25,000 for January 1, 2023 to June 30, 2023, per the Procurement By-law.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a City wide report.

ADVISORY COMMITTEE(S) COMMENTS

There are no comments or recommendations required by an Advisory Committee for this report.

CONSULTATION

There is no public consultation required with this report.

ACCESSIBILITY IMPACTS

The corporation continues to ensure that City purchases include accessible design, criteria and features as prescribed by section 5 of the Integrated Accessibility Standards Regulations of the *Accessibility for Ontarians with Disabilities Act, 2005*, S.O. 2005, c. 11, and federal legislation, where applicable.

CLIMATE IMPLICATIONS

Supply Services continues to develop practices that encourage and support City departments to incorporate sustainability into their procurement decisions, which include consideration of environmental and climate impacts.

INDIGENOUS GENDER AND EQUITY IMPLICATIONS

Staff have identified a variety of opportunities to adapt procurement processes, to support and advise departmental staff on the integration of social impacts into their business operations and objectives and to empower and encourage potential vendors to participate in City procurement. The combination of the work being conducted will support participation of equity-deserving communities in the City procurement process.

TERM OF COUNCIL PRIORITIES

This report supports the City's ongoing commitments to the 2023-2026 Term of Council Priorities: A city that has affordable housing and is more liveable for all; A city that is more connected with reliable, safe and accessible mobility options; A city that is green and resilient; A city with a diversified and prosperous economy.

SUPPORTING DOCUMENTATION

Document 1 – Contracts awarded under delegation of authority for the period January 1, 2023 to June 30, 2023.

Attachments to this report are in English. The City of Ottawa may translate these attachments or parts thereof on request. Requests should be forwarded to joanneh.graham@ottawa.ca

Les pièces jointes du rapport sont en anglais. La Ville d'Ottawa pourra, sur demande, les traduire au complet ou en partie. Les demandes doivent être soumises à : joanneh.graham@ottawa.ca

DISPOSITION

Report forwarded for information pursuant to the Procurement By-law.

Appendix A – Terminology

Where appropriate, staff used the following definitions as outlined in the Procurement By-law to identify the contract category, the professional and consulting services outsourcing reason and the non-competitive exception.

Professional Services

Professional Services means services requiring the skills of professionals for a defined service requirement or for a specific project related deliverable including, but not limited to, the areas of engineering, architecture, design, planning, information technology, financial auditing and fairness commissioners.

Consulting Services

Consulting Services means assistance to management including, but not limited to, the areas of strategic analysis, organizational design, change management, policy development, feasibility studies and other services intended to assist decision making within the organization.

Amendment

An amendment is an increase in the scope of an approved contract, which is unanticipated.

Follow-on Contract

A Follow-on Contract differs from an amendment in that the original contract or bid solicitation document recognizes the fact that it is likely that the initial defined contract scope may be expanded to include a number of related phases that are either included in the tender document or are customary in relation to the work assignment. Rates charged for the Follow-on Contract are reviewed by Supply Services and must be based on those rates proposed by the service provider in the original competitive bid.

Extension

An extension to a contract is not categorized as an amendment or a Follow-on Contract. An extension is a contract term allowing the City to continue purchasing the good or service for an extended period of time where the option to extend the contract was outlined in the bid document or is deemed to be in the best interest of the City.

Extension (As per Section 32(2))

Where a contract contains no option for renewal, Supply Services has delegated authority under the Procurement By-law to extend the contract for a period of time no greater than two years from the date of the expiration provided that:

1. Supply Services and the Director/General Manager agree that based on market conditions or an analysis of future conditions, cost savings or cost avoidance can be obtained by an extension; and

2. The supplier's performance and vendor relations with the supplier have both exceeded the requirements of the Contract.

Non-Competitive Purchases

22(1) The requirement for competitive bid solicitation for goods, services and construction may be waived under joint authority of the appropriate Director/General Manager and Supply Services and replaced with negotiations under the following circumstances:

- a) Where competition is precluded due to the application of any Act or legislation or because of the existence of patent rights, copyrights, technical secrets, or controls of raw material
- b) Where due to abnormal market conditions, the goods, services, or construction required are in short supply
- c) Where only one source of supply would be acceptable and cost effective
- d) Where there is an absence of competition for technical or other reasons and the goods, services or construction can only be supplied by a particular supplier and no alternative exists
- e) Where the nature of the requirement is such that it would not be in the public interest to solicit competitive bids as in the case of security or confidentiality matters
- f) Where in the event of a "Special Circumstance" as defined by this By-law, a requirement exists
- g) Where the possibility of a follow-on contract was identified in the original bid solicitation

- h) Where the total estimated project cost for professional services does not exceed \$50,000
- i) Where the requirement is for a utility for which there exists a monopoly
- j) Where additional deliveries by the original supplier of goods or services that were not included in the initial procurement if a change of supplier for such additional goods or services:
 - (i) cannot be made for economic or technical reasons such as requirements of interchangeability or interoperability with existing equipment, software, services or installations procured under the initial procurement; and
 - (ii) would cause significant inconvenience or substantial duplication of costs
- k) For goods and services, where the supplier is a social enterprise owned by a non-profit organization or registered charity.