

5. 2019 – MID-YEAR PROCUREMENT YEAR IN REVIEW

BILAN SEMESTRIEL DE L'APPROVISIONNEMENT POUR 2019

COMMITTEE RECOMMENDATION

That Council receive this report for information.

RECOMMANDATION DU COMITÉ

Que le Conseil prenne connaissance du présent rapport.

DOCUMENTATION/DOCUMENTATION

1. Chief Procurement Officer report, Procurement, Supply Services, Innovative Client Services Department, dated 25 October 2019 (ACS2019-ICS-PRO-0001).

Rapport du Chef de l'approvisionnement, Service Approvisionnement, Services novateurs pour la clientèle, daté le 25 octobre 2019 (ACS2019-ICS-PRO-0001).

2. Extract of draft Minutes, Finance and Economic Development Committee, 5 November 2019.

Extrait de l'ébauche du procès-verbal, Comité des finances et du développement économique, le 5 novembre 2019.

**Report to
Rapport au:**

**Finance and Economic Development Committee
Comité des finances et du développement économique
5 November 2019 / 5 novembre 2019**

**and Council
et au Conseil
27 November 2019 / 27 novembre 2019**

**Submitted on October 25, 2019
Soumis le 25 octobre 2019**

**Submitted by
Soumis par:**

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Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE File Number: ACS2019-ICS-PRO-0001

SUBJECT: 2019 – Mid-Year Procurement Year in Review

OBJET: Bilan semestriel de l'approvisionnement pour 2019

REPORT RECOMMENDATION

That the Finance and Economic Development Committee and Council receive this report for information.

RECOMMANDATION DU RAPPORT

Que le Comité des finances et du développement économique et le Conseil prennent connaissance du présent rapport.

BACKGROUND

Enacted pursuant to Section 270 of the *Municipal Act, 2001*, the City of Ottawa's Purchasing By-law 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.

This report includes an update on important procurement initiatives, an analysis of professional and consulting services procurement, an analysis of competitive vs. non-competitive purchasing strategies and an analysis of local purchasing. This mid-year report will be followed by a detailed year in review report, which will summarize the procurement activity for the entire year.

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

In addition to this report to the Finance and Economic Development 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: 2019 Mid-Year Procurement Summary

In the first two quarters of 2019, Supply Services awarded \$554 million in contracts, this includes all purchases made under delegation of authority (\geq \$15,000) as well as

purchases approved by Council, the Library Board and the Police Board. This is an increase from the first two quarters of 2018, where Supply Services awarded \$510 million in contracts. This increase is primarily attributable to a \$58 million contract to supply and deliver ninety-three (93) 40-foot transit buses. Of the total \$554 million in contracts awarded, the value of contracts awarded under delegation of authority in Q1-Q2 2019 represents \$546 million.

In Q1-Q2 2019 contracts awarded under delegation of authority valued at greater than or equal to \$100,000 represented 94 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 (52 per cent) were issued in the \$15,000 to \$100,000 range.

Section 2: Strategic Procurement Initiatives Update

Vendor Performance Management System

Vendor Performance Management (VPM) is a program for evaluating the performance of vendors who contract with the City. The program, developed through extensive consultations with the supplier community in 2014, became operational in January 2015. Formal performance evaluations are conducted for construction projects valued over \$100,000 and professional engineering services contracts valued at over \$15,000. The key objectives of the program are to improve communication between the City and the vendor, provide feedback with the goal of performance excellence and build a history of performance over time.

At the end of Q2 2019 the program has resulted in:

- 2,364 projects having been opened for evaluation,
- An average vendor score of 80 per cent, with 1,648 final evaluations completed,
- Over 96 per cent of projects having received a score that is satisfactory or greater,
- Only one per cent of project scores having been appealed,
- An average of five projects evaluated per vendor,

- Consistent positive feedback from industry on the resulting improvements in communication and consistency, and
- Improved contract administration and project management practices.

The difference in the number of projects opened for evaluation and the number of completed projects with final evaluations is because many projects opened for evaluation span multiple years. Moreover, the final evaluation is only completed after an internal review process to ensure accuracy and consistency in evaluations and a vendor appeal period.

Starting in Q2 2018 and after extensive consultations with industry associations, the City began using VPM scores in the evaluation of bids. At the end of Q2 2019, VPM scores had been used in the evaluation and award of 112 contracts.

eProcurement – Pilot Project

The initial eProcurement Pilot Project involved the implementation of a more efficient electronic bid solicitation process for simpler Request for Quotation (RFQ) procurements valued up to \$100,000. This more efficient process includes; software, which makes it easier for vendors to prepare and submit compliant bids, automated real-time notifications of new bid opportunities or addendums and the streamlining of certain administrative tasks such as the automatic publishing of unofficial bid results. Phase 2 of the eProcurement project has targeted the conversion of all remaining solicitation types to fully electronic.

At the mid point of 2019, 95 of 179 (53 per cent) solicitations had been completed in a fully electronic format through the City's eProcurement system. Outside of a subset of Construction Tenders, successful pilots have been completed for all solicitation types with a full implementation planned for October 1, 2019. The remaining Construction Tenders are expected to be fully implemented by Q1 2020.

The benefits of eProcurement expansion are realized in conjunction with Supply Services' goal of transitioning away from physical file storage. Supply Services will continue to align its electronic record management strategy with eProcurement while also reviewing additional areas where physical files exist in order to continue its transition to fully electronic file storage.

Purchasing Card Expansion

As a result of a positive audit of the City's credit card program in 2012, and the approval of a new Payments to Vendors Policy in 2014, commencing in 2014 Supply Services began a targeted purchasing card (Pcard) expansion initiative for vendors and contracts that traditionally involve high volumes of invoices and low average dollar amounts per transaction. The Pcard expansion initiative seeks to increase both the total spend using Pcards as well as the number of transactions completed using a Pcard. In the first two quarters of 2019, the City continued to build upon the successes of its Pcard expansion efforts by adding a further \$32.2 million to the program. This represents a 25 per cent increase over the same period in 2018.

In addition to the increased spend, 11,000 transactions were eliminated from invoice processing through the use of the Pcard and consolidated billing opportunities in the first two quarters of 2019. In total, since its inception, the expansion initiative has increased Pcard expenditures by \$135.7 million and eliminated 89,000 invoices.

Prompt Payment Discounts

As part of the bid solicitation process bidders are encouraged to offer the City a discount for prompt payment of invoices. This prompt payment discount is taken into consideration in the submission evaluation and contract award, provided that the minimum period for payment is 15 days.

Weekly discount reviews are conducted to proactively identify opportunities and to recover lost discounts caused by vendor invoice submission errors. As a result of all efforts undertaken by Supply Services, the City achieved a total of \$585,986 in prompt payment discounts in the first two quarters of 2019. In terms of a corporate discount achievement rate, the City obtained 84 per cent of the value of available discounts offered in the Q1-Q2 2019 period. This represents a seven per cent increase from the same period in 2018.

Section 3: Professional and Consulting Services

In Q1-Q2 2019, professional service contracts totalled \$68 million and a further \$0.28 million 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 outsourcing model strategy used by the City. By value, professional engineering services represent 70 per cent of all professional services procured by the City in Q1-Q2 2019.

Section 4: Procurement Strategies – Competitive vs. Non-Competitive Purchases

As per the Procurement By-law, purchases are to be made using a competitive process that is open, transparent and fair to all suppliers. Of the \$546 million in contracts awarded under delegation of authority, \$508 million (93 per cent) were awarded using a competitive solicitation process.

Additionally, when this figure is adjusted to take into account 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 98 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 5: Local Purchasing

The City of Ottawa continued to be a strong consumer of local products and services in Q1-Q2 2019, spending approximately 85 per cent of the purchasing dollar in Ottawa, for goods and services, which are available in the local community. This figure is consistent with Q1-Q2 2018 where 89% of purchasing dollar was spent in the local community. The figure has been calculated after adjusting overall purchasing to remove those goods and services consumed by the City, which are not available locally (e.g., transit buses are not manufactured in Ottawa, nor is winter rock salt mined locally).

RURAL IMPLICATIONS

There are no rural implications associated with this report.

CONSULTATION

There is no public consultation required with this report.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a City-wide report, there are no comments by ward councillors.

ADVISORY COMMITTEE(S) COMMENTS

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

LEGAL IMPLICATIONS

There are no legal impediments to the receipt of the report for information.

RISK MANAGEMENT IMPLICATIONS

There are no risk management implications.

ASSET MANAGEMENT IMPLICATIONS

There are no asset management implications associated with this information report.

FINANCIAL IMPLICATIONS

There are no financial implications associated with this report.

ACCESSIBILITY IMPACTS

There are no accessibility implications associated with this report.

TERM OF COUNCIL PRIORITIES

This report aligns with the Term of Council Priorities of Financial sustainability and Governance, Planning and Decision Making.

SUPPORTING DOCUMENTATION *(Held on file with the City Clerk)*

Document 1 – Delegation of Authority for the period January 1, 2019 to June 30, 2019 - AODA

DISPOSITION

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