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| 9. 2017 – MID-YEAR PROCUREMENT REPORT RAPPORT DES ACHATS DE MI-ANNÉE 2017 |
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COMMITTEE RECOMMENDATION

That Council receive this report for information.

RECOMMANDATION DU COMITÉ

Que le Conseil municipal prenne connaissance du présent rapport.

DOCUMENTATION/DOCUMENTATION

1. Chief Procurement Officer's report dated 31 October 2017 (ACS2017-CSD-CPO-0004)

Rapport du agent principal des achats daté le 31 octobre 2017 (ACS2017-CSD-CPO-0004)

**Report to
Rapport au:**

**Finance and Economic Development Committee
Comité des finances et du développement économique
7 November 2017 / 7 novembre 2017**

**and Council
et au Conseil
22 November 2017 / 22 novembre 2017**

**Submitted on October 31, 2017
Soumis le 31 octobre 2017**

**Submitted by
Soumis par:
Will McDonald, Chief Procurement Officer / agent principal des achats**

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Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE File Number: ACS2017-CSD-CPO-0004

SUBJECT: 2017 – MID-YEAR PROCUREMENT REPORT

OBJET: RAPPORT DES ACHATS DE MI-ANNÉE 2017

REPORT RECOMMENDATIONS

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

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et du développement économique et le Conseil municipal 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. In 2014, Council approved changes to the reporting frequency identified in the bylaw from quarterly to semi-annually.

This report includes information on sustainable purchasing strategies, an update on important procurement initiatives, an analysis of competitive vs. non-competitive purchasing strategies and an analysis of professional and consulting services purchasing. This mid-year report will be followed by a detailed year in review report, which will summarize the purchasing 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 semi-annual purchasing reports to Transit Commission, Ottawa Board of Health, Ottawa Police Services Board and the Ottawa Public Library Board.

DISCUSSION

Section 1: Purchasing Summary (January 1, 2017 to June 30, 2017)

In the first two quarters of 2017, Supply Services awarded \$454.3 million in contracts. This includes all purchases awarded under delegation of authority (\geq \$15,000), purchases approved by Council, the Library board and the Police board. Of the total \$454.3 million in contracts awarded, contracts awarded under delegation of authority in the first two quarters of 2016 represented \$447.9 million.

In Q1 2017, the total value of contracts awarded under delegation of authority was \$150.8 million and in Q2 2017, the total value was \$297.1 million, which represents a 20% decrease from the first two quarters of 2016. In the first two quarters of 2016 two large contracts were awarded (a five-year contract to provide wheelchair accessible and non-accessible taxi services for Para Transpo and the award of a fare control system for the Trillium and Confederation Lines). When these two contracts are removed from consideration, the value of contracts awarded in Q1-Q2 2016 aligns with Q1-Q2 2017.

In Q1 and Q2 of 2017, contracts awarded under delegation of authority valued at greater than or equal to \$100,000 represented 91% 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 (63%) were issued in the \$15,000 to \$100,000 dollar range.

Section 2: Procurement Initiatives Update

Vendor Performance Management (VPM) Program

Vendor Performance Management (VPM) is a program that reviews the performance of vendors who contract with the City. The program, which was developed through extensive consultations with the supplier community in 2014, became operational in January 2015. Formal performance evaluations are conducted for construction projects 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 2017, there were:

- 1,367 projects opened for evaluation
- 620 final evaluations completed
- An average vendor score of 80%
- Average of 3.90 projects evaluated per vendor

The difference in the number of projects opened for evaluation and the number of completed projects with final evaluations is due to the fact that 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.

In Q1-Q2 2017, Supply Services continued to consult with the various industry associations to continuously improve the VPM system. Moving forward, Supply Services is looking to expand the VPM program to select user groups within the City and to include VPM scores in the consideration of contract awards. To support this effort, Supply Services initiated a pilot project using VPM scores in the evaluation of Professional Engineering Services Standing Offer submissions. As part of the pilot, vendors with a positive vendor score in a particular standing offer category were deemed pre-qualified and were not required to submit a technical submission. This resulted in a reduction of staff time required to evaluate technical submissions, while maintaining an equivalent number of authorized standing offer vendors. Feedback provided by both internal staff and the vendor community has been positive. As a result, the City will be identifying opportunities to expand the usage of VPM scores in the near term.

e-Procurement Pilot Project and Electronic File Management

The e-Procurement Pilot Project involves 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 1 of the pilot project continues to be successful with over 151 electronic bid opportunities posted in Q1-Q2 2017. Staff and industry feedback on the new process and system have been positive and the project has been successful in regards to the goals of automating previously manual tasks and receiving electronic bid submissions.

Following the successful implementation with RFQs, Supply expanded the pilot to Request for Standing Offers (RFSO) where large volumes of submissions were anticipated. The expansion included the standing offer for information technology resources and the aforementioned standing offer for professional engineering services. The benefits of the pilot include elimination of support staff time, reduction in evaluation

time, reduced environmental impact by reducing paper waste and promoting electronic filing.

The benefits of the expansion program are realized in conjunction with Supply Services goal of transitioning away from physical file storage. In March 2017, Supply Services successfully began utilizing fully electronic files for Professional Services call-ups as well as Request for Quotations. Supply Services continues to identify further solicitation types to transition to electronic files.

Electronic Funds Transfer (EFT) – update

In the first two quarters of 2017, Accounts Payable (AP) continued to target vendors still paid by cheque using various outreach strategies in order to advance enrollment for EFT. In addition to targeting existing vendors, AP has also implemented a new policy where any new trade payable vendor is not created unless the request is accompanied by a completed EFT enrollment form. These initiatives resulted in an additional 1,056 vendors being enrolled in EFT in the first two quarters of 2017 compared to 700 over the same time period in 2016. With respect to payments processed by EFT versus cheque, in Q1-Q2 of 2017 the City paid roughly 77% of its trade payable vendors by EFT compared to 65% in 2016. The City plans to fully eliminate cheque payments to recurring trade payable vendors by the end of 2017.

Purchasing Card (Pcard) Expansion Project

In the first two quarters of 2017, the City of Ottawa continued to build upon the successes of its Pcard expansion efforts by adding a further \$8.4 million to the program as a result of this initiative. In addition, 8,800 transactions were eliminated from invoice processing through the use of the Pcard and consolidated billing opportunities. In total, the expansion initiative has increased Pcard expenditures by \$32.9M and eliminated 44,000 transactions since inception. In 2017, the City expects to add a total of \$16.0 million to the program through these expansion initiatives.

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 number of days for payment is fifteen (15).

An initiative was launched at the end of Q4 2016 to increase prompt payment discount achievement on contracts administered through Supply Services. The initiative has resulted in a 24% increase in discount achievement in contracts awarded by Supply Services in Q1-Q2 2017 compared to Q3-Q4 2016. Weekly discount reviews are being conducted as part of the initiative in order to identify opportunities to recover lost discounts caused by vendor invoice submission errors. Also in May 2017, the invoice routing automation was improved for all discount invoices which has resulted in a significant improvement in discount achievement rates. As a result of these efforts, the City obtained \$548,409 in prompt payment discounts in the first two quarters of 2017, a 61% increase over the same time period in 2016. In terms of a corporate discount achievement rate, the City obtained 73% of the value of available discounts offered representing a 16% improvement over the Q3-Q4 2016 period.

Section 3: Professional and Consulting Services

From Q1 to Q2 2017, a total value of \$79.4 million of Professional Services contracts were awarded, as compared to \$98 million awarded in Q1-Q2 2016. Consulting Services contracts awarded under delegation of authority were valued at \$191K compared to \$161K in Q1-Q2 2016.

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 68% of all Professional Services procured by the City in Q1-Q2 2017.

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

As per the Purchasing By-law, purchases are to be made using a competitive process that is open, transparent and fair to all suppliers. Of the \$447.9 million in contracts awarded on behalf of the City under delegation of authority, \$391.6 million (87%) were awarded as a result of a competitive solicitation process.

Additionally, when the overall 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 95%. This figure is consistent with the same period in the previous year.

All non-competitive contracts awarded by the City under delegation of authority were awarded in accordance with the rationales identified in sections 22(1) of the Purchasing By-law.

Section 5: Local Purchasing

The City of Ottawa continued to be a strong consumer of local products and services in Q1-Q2 2017, spending approximately 87% of the annual purchasing dollar in Ottawa, for goods and services, which are available in the local community. This figure has been adjusted to remove those goods and services consumed annually by the City which are not available locally (e.g. transit buses are not manufactured in Ottawa, nor is winter rock salt mined locally).

Section 6: Sustainable Purchasing Strategies

Sustainable Purchasing

Sustainable purchasing continues to be at the forefront in both the private and municipal sector with increasing reliance placed on long-term sustainable procurement strategies. The City strives to look for innovative methods to incorporate sustainable purchasing criteria in its procurements and has identified long-term sustainability planning and practices as a corporate priority.

In the first two quarters of 2017, 95% of the value of all procurements awarded under delegation of authority included sustainability criteria representing an 4% increase from the same period in 2016.

The City also continues to actively participate in the Municipal Collaboration for Sustainable Purchasing (MCSP). The MCSP is made up of 18 municipalities and universities from across Canada and provides leadership and leverages collective experience, knowledge and resources to advance sustainable purchasing initiatives.

Section 7: Assessing Supplier Performance

The City's Purchasing By-law provides discretion to the City Treasurer, in consultation with the City Clerk and 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 2017.

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)

There are no comments by ward councillors required with this report.

ADVISORY COMMITTEE(S) COMMENTS

There are no comments or recommendations required 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

Prior to a contract approval, Supply Services staff confirms that the appropriate funds are available in the budget, based on receipt of a funded requisition in SAP. The availability of funds is a condition of approval under the Purchasing By-law.

ACCESSIBILITY IMPACTS

The City of Ottawa adheres to the Accessibility for Ontarians with Disabilities Act, 2005, ONTARIO REGULATION 191/11 of the Integrated Accessibility Standards when procuring or acquiring goods, services or facilities; Part II Section 5. (1) The Government of Ontario, Legislative Assembly and designated public sector organizations shall incorporate accessibility design, criteria and features when procuring

or acquiring goods, services or facilities, except where it is not practicable to do so. O. Reg. 191/11, s. 5 (1); O. Reg. 413/12, s. 4 (1).

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications associated to this information report.

TECHNOLOGY IMPLICATIONS

There are no technology implications associated with this report

TERM OF COUNCIL PRIORITIES

There is no term of council priorities associated with this report.

SUPPORTING DOCUMENTATION

Document 1 – Contracts awarded \geq \$25,000 under delegation of authority for the period
January 1, 2017 to June 30, 2017 (*Held on file with the City Clerk*)

DISPOSITION

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