

**3. 2016 – PROCUREMENT YEAR IN REVIEW**

**2016 – L'ANNÉE DE L'APPROVISIONNEMENT EN RÉVISION**

**COMMITTEE RECOMMENDATION**

**That Council receive this report for information.**

**RECOMMANDATION DU COMITÉ**

**Que le Conseil municipal prennent connaissance du présent rapport.**

**DOCUMENTATION/DOCUMENTATION**

1. Chief Procurement Officer's report dated 25 April 2017 (ACS2017-CSD-CPO-0001)  
Rapport d'Agent principal des achats daté le 25 avril 2017 (ACS2017-CSD-CPO-0001)
2. Extract of draft Minutes, Finance and Economic Development Committee, 2 May 2017.  
Extrait de l'ébauche du procès-verbal, Comité des finance et du développent économique, le 2 mai 2017.

**Report to  
Rapport au:**

**Finance and Economic Development Committee  
Comité des finances et du développement économique  
2 May 2017 / 2 mai 2017**

**and Council  
et au Conseil  
10 May 2017 / 10 mai 2017**

**Submitted on April 25, 2017  
Soumis le 25 avril 2017**

**Submitted by  
Soumis par:  
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**Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE      File Number: ACS2017-CSD-CPO-0001**

**SUBJECT: 2016 – PROCUREMENT YEAR IN REVIEW**

**OBJET: 2016 – L'ANNÉE DE L'APPROVISIONNEMENT EN RÉVISION**

**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 municipal prennent connaissance du présent rapport.**

## **EXECUTIVE SUMMARY**

In 2016, Supply Services awarded \$1.09 billion in contracts. This includes all purchases under delegation of authority ( $\geq$ \$15,000), purchases approved by Council, the Library Board and the Police Board. The guiding principle of the Purchasing By-law requires that purchases be made using a competitive process that is open, transparent and fair to all suppliers. Of the total \$1.09 billion in contracts awarded in 2016, the value of contracts awarded under delegation of authority represents \$1.07 billion.

Of the \$1.07 billion awarded under delegation, after adjusting for contracts where the City had 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), 96% were awarded competitively. This figure is consistent with procurement activity in past years.

Supply Services continued its focus to align purchasing strategies with corporate business strategies leading to better operational and financial outcomes. Some of these initiatives are highlighted in this report and include updates on the vendor performance management program and electronic bidding project.

The City continued to be a strong consumer of local products in 2016, spending approximately 91% of its annual purchasing dollars on goods and services from the local community. This figure remains consistent with previous years and shows the City's strong commitment to supporting the local supplier community.

As part of the solicitation process, bidders are encouraged to offer the City a discount for prompt payment of invoices. In 2016, the City obtained \$659,146 in prompt payment discounts.

Payments without reference to a contract are a legitimate payment method recognized in the Purchasing By-law, but as they are not processed through Supply Services an assessment of their compliance with the Purchasing By-law can only be made after the fact. In addition to what was reported in the 2016 – Mid-Year Purchasing Report

(ACS2016-CSD-GEN-0001), three transactions, representing 0.1% of the total value of all contracts paid without reference, were identified as not being in compliance with the Purchasing By-law. Supply Services has contacted each non-compliant department to inform them of the findings and to educate those involved on the proper procedure for acquiring goods and services in the future.

This report also includes information on sustainable and accessible purchasing, P3 project updates, diesel fuel hedging and natural gas strategies deployed, and a consolidated summary of all purchasing activity  $\geq$ \$15,000 by vendor awarded under delegation of authority.

## **RÉSUMÉ**

En 2016, les contrats accordés par les Services de l'approvisionnement ont totalisé 1,09 milliard de dollars. Cette somme comprend les achats effectués conformément à la délégation de pouvoirs (15 000 \$ ou plus) et les achats approuvés par le Conseil, le Conseil d'administration de la Bibliothèque publique d'Ottawa et la Commission de services policiers d'Ottawa. L'esprit du *Règlement sur les achats* veut que tous les achats soient faits au moyen d'un processus concurrentiel ouvert, transparent et équitable pour tous les fournisseurs. Sur la somme de 1,09 milliard que représentent les contrats de 2016, les contrats octroyés conformément à la délégation de pouvoirs avaient une valeur de 1,07 milliard de dollars.

Si l'on tient compte des cas où la Ville n'avait pas le choix du fournisseur (par exemple, lorsque le contrat touche aux services publics, aux brevets et aux droits d'auteur ou lorsque, pour des raisons techniques, aucun autre fournisseur n'est disponible), 96 % des contrats d'une valeur de 1,07 milliard décernés en vertu de la délégation de pouvoirs ont été octroyés à la suite d'un processus d'appel d'offres concurrentiel. Ce chiffre cadre avec les données sur les achats des dernières années.

Les Services de l'approvisionnement continuent de travailler pour harmoniser les stratégies d'achat aux stratégies opérationnelles de la Ville, en vue d'améliorer les résultats opérationnels et financiers. Le présent rapport décrit certaines des initiatives adoptées à cet effet, comme le programme de gestion du rendement des fournisseurs et le projet de présentation des soumissions par voie électronique.

La Ville s'est encore montrée une grande consommatrice de produits locaux en 2016, ayant réalisé environ 91 % de ses achats de biens et services dans la collectivité. Ce chiffre est relativement constant depuis quelques années et témoigne de l'engagement de la Ville à soutenir les fournisseurs de la communauté locale.

Dans le cadre des appels d'offres, les soumissionnaires sont invités à offrir à la Ville un escompte pour paiement rapide des factures. En 2016, la Ville a reçu des escomptes pour paiement rapide totalisant 659 146 \$.

Le paiement sans référence est une méthode de paiement légitime reconnue dans le *Règlement sur les achats*, mais comme il n'est pas traité par les Services de l'approvisionnement, sa conformité au Règlement ne peut être évaluée qu'après coup. En plus de ce qui a été signalé dans le Rapport semestriel sur les achats de 2016 (ACS2016-CSD-GEN-0001), trois transactions, soit 0,1 % de la valeur totale des contrats acquittés avec la méthode du paiement sans référence, ne respectaient pas les dispositions du *Règlement sur les achats*. Les Services de l'approvisionnement ont communiqué avec chacune des directions générales fautives afin de l'en informer et de renseigner les personnes concernées sur les bonnes procédures d'approvisionnement en biens et services.

Le présent rapport comprend aussi des renseignements sur l'approvisionnement viable et accessible, des mises à jour sur les projets de partenariats public-privé, de l'information sur la stratégie de couverture contre les fluctuations des prix du carburant et sur la stratégie relative au gaz naturel, ainsi qu'un résumé des achats de 15 000 \$ ou plus par fournisseur effectués conformément à la délégation de pouvoirs.

## **BACKGROUND**

This report summarizes the procurement activity for the 2016 year and provides updates on the objectives and future procurement goals for the City. This report analyzes purchases made by the City on a strategic, as well as a statistical basis, in order to provide a clear picture of the operations of the City for the year 2016. It is a useful tool used by both management and client groups within the City to identify purchasing trends and share information on strategic initiatives conducted during the year.

The majority of the information contained in this report is drawn from semi-annual reports prepared for Committee and Council throughout the year. These reports are a requirement of the Purchasing By-law and require all contracts  $\geq$ \$25,000, which are awarded under delegated authority, to be reported.

Two Semi-Annual Reports were provided to Council for the year 2016:

1. January 1 to June 30, 2016 (ACS2016-CSD-GEN-0001);
2. July 1 to December 31, 2016, (Document 5 of this report).

Document 1 of this report provides a consolidated summary of the information provided in the above referenced reports showing the total value purchased from each individual vendor for 2016 awarded under delegation of authority  $\geq$ \$25,000.

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

## **DISCUSSION**

### **Section 1: 2016 Purchasing Summary**

In 2016, Supply Services awarded \$1.09 billion in contracts. This includes all purchases under delegation of authority ( $\geq$ \$15,000), purchases approved by Council, the Library Board and the Police Board. Of the total \$1.09 billion in contracts awarded, the value of contracts awarded under delegation of authority in 2016 represents \$1.07 billion.

In 2016, contracts awarded under delegation of authority valued at greater than or equal to \$100,000 represented 93% 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 (60%) were issued in the \$15,000 – \$100,000 dollar range.

### **Section 2: Procurement Trends, Market Information and Case Law**

Throughout 2016, Supply Services continued its evolution into a more strategic, consultative function versus the traditional transactional role it has played in the past.

Supply Services continued to leverage its 'Procure-to-Pay' model as a centralized function within the City.

In 2016, the Ontario economy saw improvements in the unemployment rate with the downward trend expected to continue according to Ontario Chamber of Commerce's (OCC) 2017 outlook. The OCC also predicts increases in population size, labour force size and net migration in 2017. Locally in the Ottawa region, the Conference Board of Canada predicts the economy to grow by 2.2% in 2017 led by robust construction activity, an expanding federal government and an influx of visitors celebrating Canada's 150<sup>th</sup> anniversary.

From a global perspective, 2016 saw numerous political events that are expected to impact global trade markets going forward, including the results of the United Kingdom European Union membership referendum and United States presidential election. Trade agreements such as the Trans-Pacific Partnership (TPP), North American Free Trade Agreement (NAFTA) and Comprehensive Economic and Trade Agreement (CETA) have all been affected by political events in 2016. Supply Services will continue to monitor any changes to trade agreements and update procurement policies and practices as necessary.

Each year, a major factor in shaping the future direction of the Procurement function is new case law emanating from the courts which is analyzed by Supply Services with the assistance of Legal Services. Procurement case law decisions can have a direct impact on the types of terms and conditions included in the City's contracts and their outcomes will often change the way the City does business in order to ensure best practices are followed and to continue the City's mandate of conducting open, fair and transparent contracting.

In the 2016 Procurement Law Update Year in Review published by the Procurement Law Office, Canada maintained its position as the highest risk jurisdiction in which to conduct public procurement due to Canada's highly interventionist court system and the court's willingness to award lost profit claims to successful vendor litigants. This demonstrates the importance of ensuring appropriate terms, conditions and risk mitigation strategies are included in City contracts and that the mandate of conducting open, fair and transparent contracting is adhered to.

While there were many procurement case law decisions rendered in 2016 that informed and impacted the City's procurement practices, one case of particular note focused on maintaining proper, detailed procurement evaluation records. In *Nuclear Decommissioning Authority (Appellant) v. EnergySolutions EU Ltd. (now called ATK Energy EU Ltd.) (Respondent)*, [2017] UKSC 34, a case from the United Kingdom, the Court concluded that an evaluating government agency intentionally avoided keeping records of its consensus scoring sessions in a failed attempt to avoid legal liability and had manipulated the process by rescoring the winning bid after it fell short of the minimum technical scores. The losing bidder in this case was awarded lost profits due to the agency's improper bid evaluation process. At the City of Ottawa, Supply Services ensures appropriate records management practices are maintained in accordance with the City's Records Management Policy and that there is proper oversight of evaluation teams when conducting consensus scoring.

### **Section 3: Strategic Procurement Initiatives in 2016**

In 2016, Supply Services continued its focus to align procurement strategies with corporate business strategies leading to better operational and financial outcomes. Below is a sampling of initiatives undertaken in 2016 which demonstrate elements of innovative thinking, strategic sourcing methodologies, best value, total cost purchasing strategies and enhancements in the delivery of the procurement function to client departments and residents of the City.

#### **Vendor Performance Management System**

Vendor Performance Management (VPM) is an online solution for recording the evaluation of the performance of vendors who contract with the City. The solution, 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 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 to create and track key performance indicators.

At the end of Q4 2016, there were:

- 1,056 projects opened for evaluation



- 460 final evaluations completed across 200 unique vendors
- An average vendor score of 80%

Throughout 2016, the City hosted consultation sessions with the supplier community to welcome feedback regarding the first year and overall comments on the VPM program. General feedback was positive and all were in agreement that there is increased communication on projects resulting in improved project performance. Looking forward, Supply Services is continuously improving its internal business processes based on feedback received. Supply is also beginning outreach and hosting consultation sessions with the supplier community regarding the use of vendor scores in contract bid evaluations and analyzing the potential for expansion of VPM to other select user groups within the City.

### **e-Procurement – Pilot Project**

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.

In April 2016, the e-Procurement Pilot Project, hosted by MERX Networks, was launched with 56 RFQ bid opportunities posted throughout 2016 and an average of three bids received per opportunity. Phase 1 of the pilot project has been successful in regards to the goals of automating previously manual tasks, system configuration, training of internal staff and receiving vendor electronic bid submissions.

Supply Services will continue to monitor the pilot project and evaluate its progress with a goal to continue to decrease administrative activities allowing for efforts to be refocused on more strategic or high risk procurements. An assessment of other opportunities to leverage the e-Procurement solution is currently underway to begin to further expand its usage within Supply Services.

### **Electronic File Management**

In April 2016, Supply Services successfully began utilizing fully electronic files for Request for Quotations in conjunction with the launch of the e-Procurement Pilot Project. After the success of its initial electronic file launch, Supply Services reviewed other solicitation types to transition to electronic files as part of its long-term vision of transitioning away from physical file storage.

In October 2016, Supply Services successfully launched a pilot project for the electronic filing of Professional Services call-ups to Standing Offers. This initiative is projected to provide an annual reduction in printing costs in addition to a reduction of over 50 physical file creations per year. Looking forward, the use of electronic filing for all Professional Services call-ups to Standing Offers began in March 2017 and its success will be measured with the goal to transition further solicitation types.

### **Purchasing Card Expansion**

As a result of a positive audit of the City of Ottawa's Purchasing Card program and the approval of a new Payments to Vendors Policy 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.

In 2016, Supply Services continued to grow the expansion project, adding \$11 million to the purchasing card program as a result of expansion initiatives. At the end of 2016, expansion initiatives accounted for over 30% of all Pcard spending in the year. In addition, transitioning expansion initiatives to the purchasing card program resulted in the elimination of over 17,000 payment transactions in 2016. Since its inception in 2014, the Pcard Expansion Project has added \$24.5 million to the Purchasing Card program and eliminated 40,000 payment transactions. In 2017, Supply Services expects to grow the project even further and to add a total of \$13 million to the program through its current and future initiatives.

### **Electronic Funds Transfer (EFT) Update**

In 2016, there were 1,535 new vendors enrolled to be paid by EFT. In Q3 2016, Supply Services adopted a policy where by all new vendors must enroll to receive payment

through EFT prior to entering into a contract with the City. This new policy allowed Supply Services to increase the percentage of trade vendors paid by EFT from 65% in Q1-Q2 of 2016 to 73% in Q3-Q4 2016. The City is continuing to see strong improvements in the adoption rate of EFT payments and has set a goal to eliminate cheques to recurring trade payable vendors by November 1, 2017. In early January 2017, Accounts Payable began inserting a notice of this deadline in all payments made to trade payable vendors by cheque along with an EFT enrolment form.

### **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 calendar days for payment is fifteen (15).

In 2016, as the result of the Auditor General's recommendation in the Audit of Accounts Payable, Supply Services implemented a number of system and process enhancements to maximize the value of prompt payment discounts achieved. These enhancements include the targeted monitoring of available discounts, actively pursuing vendors that are non-compliant with the City's payments policy, and improving the processing turnaround time for these high priority invoices. In addition, Supply Services sends out communications to vendors indicating proper invoice submission methods for discount eligible invoices when necessary. As a result of these efforts, the City obtained \$659,146 in prompt payment discounts representing 61% of the value of all discounts offered – compared to a 44% achievement rate in 2015.

### **Duplicate Invoice Analysis**

Further to the Auditor General's recommendation to implement a mandatory duplicate invoice check within SAP to enhance Accounts Payable monitoring activities, Supply Services implemented a strong automated system control that will now prevent the majority of duplicate invoices from being recorded and processed. This implementation took place in Q4 2016 and allowed for efficiencies in processing by eliminating manual duplicate checks which has allowed staff focus to shift towards more value-added, preventative investigation.

## **Section 4: Professional and Consulting Services**

In 2016, there was a total value of \$168 million of Professional Service contracts and a further \$0.2 million of Consulting Service contracts awarded under delegation of authority.

In 2016, the total value of professional services contracts increased by 20% from 2016. This increase is partly attributable to a large number of high-dollar value professional services contracts awarded in 2016 related to Stage 2 of the Light Rail Transit Project. Overall, the value of professional engineering services contracts awarded in 2016 increased by 5% compared to 2015. The overall number of consulting service contracts awarded in 2016 has decreased slightly and the overall value of the contracts has decreased by 54%.

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 51% of all professional services procured by the City in 2016.

### **Section 5: 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 \$1.07 billion in contracts awarded on behalf of the City under delegation of authority, \$928.9 million (86%) were awarded as a result of a competitive solicitation process. This figure is lower than in previous years primarily due to the non-competitive award of a five-year contract to provide wheelchair accessible and non-accessible taxi services for Para Transpo valued at \$50.0 million (reported separately to Transit Commission) and the engineering and project management services for Stage 2 Ottawa Light Rail Transit Project valued at \$26.7 million. The Para Transpo contract was awarded without competition due to an absence of competition for technical reasons in the marketplace as there is no other local firm that can satisfy Para Transpo's requirement for an accessible taxi service. The non-competitive award for engineering and project management services for Stage 2 of the Ottawa Light Rail Transit Project was awarded as a result of report ACS2015-CMR-OCM-0023 to Finance Economic & Development Committee. Removing these procurements from the analysis increases the City's competitive rate to its benchmark of over 93% competitive purchases in 2016.

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 96%.

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 6: Local Purchasing**

The City of Ottawa continued to be a strong consumer of local products and services in 2016, spending approximately 91% 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 7: Sustainable and Accessible 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 2016, 94% of the value of all procurements awarded under delegation of authority included sustainability criteria representing a 6% increase from the same period in 2015.

The City also continues to actively participate in the Municipal Collaboration for Sustainable Purchasing (MCSP). The MCSP is made up of 17 municipalities and universities from across Canada and provides leadership and leverages collective experience, knowledge and resources to advance sustainable purchasing initiatives.

Each year, the MCSP completes an annual report which benchmarks participating Canadian municipalities in ten best practice areas in sustainable procurement. The City of Ottawa continually ranks very well in this report with areas such as procurement tools/procedures, green purchasing policy, supplier code of conduct, training/communication and measurement/reporting all noted as being well developed with solid experience. In particular, measurement/reporting is highlighted as a best practice at the City due to the ability to track sustainable purchasing on each procurement conducted using the City's four pillars of sustainability. In addition, the City's LED Street Lighting Conversion Project was highlighted as a successful case study that is expected to result in over a 50% reduction in energy use and a 50% reduction in maintenance costs.

### **Accessibility in Purchasing**

Effective January 1, 2014, all contractors who provide goods or services or who construct and/or operate facilities on behalf of the City must ensure that those performing the work receive training on the province's Integrated Accessibility Standards. This new legislation also requires all procurement activity at the City to include accessibility design, criteria and features unless it is not practicable to do so.

In 2016, accessibility was considered in all new procurements conducted by Supply Services. In terms of dollar value, accessibility requirements were included in 95% of all new procurements when adjusted to remove purchases that were considered not applicable.

The above figure represents an increase of 19% since the requirement was initiated in 2014 and although the figure continues to rise, further education and outreach is required to continue to improve the inclusion rate of accessibility requirements in City purchases where applicable.

### **Section 8: 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.

This discretion was used once in 2016 as reported in the 2016 – Mid-Year Purchasing Report to Council (ACS2016-CSD-GEN-0001).

### **Section 9: Comprehensive Complaints Process**

In 2016, there were six formal complaints received under the Comprehensive Complaints process of the Purchasing By-law. In all cases, a mandatory debriefing was conducted and the Chief Procurement Officer reviewed all complaints and determined that they did not disclose credible information to indicate that a breach of the terms of the procurement process or City policies had occurred.

### **Section 10: Payment without Reference**

A payment without reference to a contract is a legitimate payment method permitted within corporate procedures and is recognized in the Purchasing By-law. These types of payments provide a cost effective process for low dollar value goods where a traditional purchase order does not exist and where purchasing card is not an acceptable method of payment. As payments without reference are not processed through Supply Services, an assessment of their compliance with the Purchasing By-law can only be made after the fact.

The Purchasing By-Law requires Supply Services report on all supplier based activity, with cumulative purchases greater than \$25,000, paid without reference to a contract each year (Document 2). In 2016, these purchases paid without reference to a contract totalled \$96 million. Of the \$96 million, \$58 million was paid to utility companies that have a monopoly on the provision of a good or service.

In addition to what was reported in the 2016 – Mid-Year Purchasing Report (ACS2016-CSD-GEN-0001), three payments without reference transactions with two vendors out of 44,689 total transactions, have been identified as being contracted in a manner not in compliance with the Purchasing By-law. The total value of these three transactions was \$47,313, or 0.1% of the total value paid without reference to a contract in 2016.

Supply Services reviews payments without reference on a quarterly basis to ensure the purchases are in compliance with the Purchasing By-law and where it finds it is not, it consults with the Client Departments to determine appropriate procurement methods going forward. Supply Services also analyzes purchasing trends and looks for efficiencies that can be gained in the payment process. This proactive working relationship once again proved successful as there were no repeat non-compliant

offenders from 2015 to 2016 and the total number of Purchasing By-law violations remains very low.

### **Section 11: P3 Reporting**

Annual P3 reports, providing status updates on all P3 projects undertaken by the City of Ottawa, are attached as Document 4 to this report and include the following projects:

- Superdome East – Indoor Artificial Turf Playing Field
- Ben Franklin Park Superdome
- Bell Sensplex (West)
- Richcraft Sensplex (East)
- West Carleton Community Complex
- Shenkman Arts Centre
- Ottawa Paramedic Service Headquarters
- Garry J. Armstrong Long Term Care Centre and Allen House Seniors Residence

Note that the Ottawa Light Rail Project P3 and Lansdowne Park Redevelopment P3 reports will be provided under separate reports to Council.

### **Section 12: Diesel Fuel Hedging Strategy and Financial Agreements**

To lock in price and secure the budget target, the City entered into 'Float to Fixed Bank Swap Agreements' with the Royal Bank of Canada, Canadian Imperial Bank of Commerce and National Bank of Canada to fix 73% of the anticipated 2016 diesel fuel consumption. The details of the transactions are attached in Document 3.



### **Financial Agreements**

Document 3 also provides a detailed report on all subsisting Financial Agreements from operating departments engaged in commodity purchase agreements. Currently, the City enters into these agreements with respect to diesel fuel only. The report contains the following information and documents:

- A statement about the status of the agreements during the period of the report, including a comparison of the expected and actual results of using the agreements in comparison to the budget
- A statement indicating whether all of the agreements entered into during the period of the report are consistent with the City's statement of policies and goals relating to the use of Financial Agreements to address commodity pricing and costs
- A statement of transactions with financial institutions

### **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. As noted in the report, the City Clerk and Solicitor Department has provided legal advice and

support to the Finance Department throughout the year on various matters such as assessing supplier performance.

### **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 Branch 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**

There are no accessibility implications associated to this information report.

### **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 are no term of council priorities associated with this report.

### **SUPPORTING DOCUMENTATION**

Document 1 - 2016 Consolidated Delegation of Authority Report Summary (≥\$25,000)  
*(Held on file with the City Clerk)*

Document 2 - 2016 Payments without Reference Report (Vendor Purchasing Activity  
≥\$25,000) *(Held on file with the City Clerk)*

Document 3 - 2016 Annual Commodity Price Hedging Report as per By-law No. 2008 –  
426 (*Held on file with the City Clerk*)

Document 4 - 2016 P3 Report Update (*Held on file with the City Clerk*)

Document 5 - Contracts awarded  $\geq$ \$25,000 under delegation of authority for the period  
July 1, 2016 to December 31, 2016 (*Held on file with the City Clerk*)

**DISPOSITION**

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