



ADMINISTRATIVE REPORT

Report Date: March 10, 2020
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VanRIMS No.: 08-2000-20
Meeting Date: City Clerks Use Only

TO: Standing Committee on Policy and Strategic Priorities
FROM: Chief Procurement Officer
SUBJECT: Annual Procurement Report 2019

RECOMMENDATION

A. 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, 2019 to December 31, 2019. The scope of this report includes the procurement statistics, sustainable and ethical procurement and other activities of the Supply Chain Management (SCM) department such as warehousing and inventory management functions.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

In April 2018 City Council approved Procurement Policy number ADMIN-008, which includes updates and amendments to the former Procurement Policy AF-015-01. The policy provides direction from City Council for the procurement of goods, services and construction as well as the disposition of surplus assets for the City of Vancouver, Vancouver Park Board, the Vancouver Police Board and the Vancouver Library Board and other City Affiliates 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, services and construction purchases represent approximately 31% 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 warehousing and inventory management activities.

During 2019 under the stewardship of the SCM department, the City solicited bids and proposals, negotiated and awarded \$214 million worth of contracts for goods, services and construction. These contracts resulted in procurement savings of \$21 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 department 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 recommends 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 City Council on the procurement activities of the previous year.

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/finding suppliers and products, public tendering, negotiating, buying, contract management and administration, warehousing and inventory management and distribution, aim to ensure financial and administrative effectiveness. The department also continuously engages in internal process improvements and implements leading industry practices that enhance operations and services provided to its customers and across the supply chain. This report discusses some of the results from these on-going activities.

Following are key procurement statistics for the period from January 1, 2019 to December 31, 2019:

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 for both single-year and multi-year contracts:

Total Value of Contracts Awarded in 2019	\$ 214,422,294
Total Value of Procurement Savings* from Contracts Awarded in 2019	\$ 21,381,682
2019 Procurement Savings* from Contracts Awarded in 2019	\$ 10,761,840
Future Year Procurement Savings* from Contracts Awarded in 2019	\$ 10,619,842

* 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 2019, Bid Committee approved staff recommendations to award 46 contracts at a total estimated value of \$134 million. Bid Committee also approved revenue generating contracts estimated at \$13 million, including 1 social housing operator contract.

City Council approved staff recommendations to award 18 contracts valued at an estimated combined value of \$106 million. Council also approved the two revenue generating contracts for housing operator and towing services. The summary of the contracts that received final approval for award from Council in 2019 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 \$134 million approved by Bid Committee in 2019, 33 contracts valued at \$108 million were awarded and executed in 2019. Of the \$106 million approved by council in 2019, 13 contracts valued at \$86 million were awarded and executed in 2019. The remainder of the approve contracts will be awarded and executed in 2020.

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 \$214,422,294 in contracts in 2019. Of that value, \$203,236,451 (94.8%) was awarded using a competitive bid process and \$11,185,842 (5.2%) was awarded to bids on a sole source basis under the Procurement Policy. Of the 5.2% sole source, \$9,878,247 (4.6%) was awarded following the public posting of a Notice of Intent to Contract (NOITC) and remaining were urgent and/or highly specialized and awarded prior to issuance of a public notice as per the provisions of the Procurement Policy. 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 2019 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 2019, a total of \$874,904 in revenue was generated through the orderly disposal of surplus vehicles and small equipment assets through the Central Stores warehousing operations.

2. Sustainable Procurement

The City's Sustainable Procurement program focuses on key priorities of Council and City operations and service strategies including Greenest City Action Plan, the Renewable City Action Plan and the Healthy City Strategy. The objective of Sustainable Procurement is to advance supplier performance and enable business units to achieve better outcomes by leveraging resources & relationships to support sector knowledge, growth and development and to expose emerging and innovative opportunities or requirements, while playing a leadership role in who we do business with as well as what goods and services we buy. The Sustainable Procurement program under the stewardship of the SCM department strives to use the procurement function as one of the many ways the City generates environmental and social value.

Environmental Value – enabling business units achieve their Green Operation goals, through material spends, while encouraging all vendors to 'green' their operations and value chain (including aspects of zero waste, zero carbon, better ecosystems).

Social Value – encouraging all vendors to be more equitable, while enabling business units to invest in social/diverse businesses and/or their equitable operations that advance outcomes of inclusion, diversity, reconciliation, equity and well-being, by increasing economic opportunities with a diversified Supply Chain using social/diverse business that improve economic independence and capacities, advance economic well-being and development of equity-seeking employees (including aspects of ethical, living wage, etc.)

a. Social Value Procurement Framework

As part of the City's commitment to achieve best value through sustainable operations which includes environmental and social procurement, 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.

Building on the success of the City becoming a certified Living Wage employer and green operations, procurement practices were updated with the Social Value Framework to better align with and support City strategies, goals and priorities. With endorsement from Council and the City Leadership Team in early 2019, the Social Value Procurement Framework was officially launched June 1, 2019. The first phase has focused on signaling to the marketplace the City's objective to diversify our supply chain, while also getting to know our vendors and suppliers better. By expanding supplier diversity, there will be increased opportunities, participation and benefit of social and/or diverse businesses (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+). This information has resulted in remarkable results as noted below.

Summary of Sustainable Procurement 2019 Accomplishments

Social	2019 ACTION / ACCOMPLISHMENTS
Social/Diverse Contracts (#/\$) Target: by 2023, 50% of the number and award value of service contracts Social/Diverse businesses	Tracking and evaluation of supplier diversity and employee equity has begun and will continually expand. Looking at 2019 contracts, approximately 220 (27%) of contracts have been awarded to social/diverse businesses (based on ownership/control/certification or workforce diversity), which equates to award values of approximately \$29M (17%).
Supplier Diversity Spend 2019	For 2019, over 100 additional vendors were identified as social/diverse businesses (ownership/control/certification). Along with other existing social/diverse vendors, it is estimated that more than \$53M in goods/services was procured from social/diverse businesses (based on certifications or ownership/control by equity-seeking populations). Of that \$32M was invested in Social Enterprise (a business majority owned/controlled by a non-profit) including Green Shield Canada (\$21M), DreamRider, MP Enterprises, Embers, Potluck and HUB Cycling.
Living Wage 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 2019, 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 2019, the extensions of contracts for City-wide janitorial and security services included living wage. These were contracts that were identified as vulnerable at the time of the initial implementation of the Living Wage policy and now they have been brought to meet the living wage standard at the time of contract renewal. Additionally, 55 contracts were signed in 2019 that met the requirements for being in-scope within the Living Wage policy. As part of our vendor questionnaires we have noticed an increase in the number of vendors that are becoming Living Wage Certified or are compensating staff at/above living wage.

Environmental	2019 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>FMS Initiative: Green Fleet Plan:</u> ongoing vehicles and equipment acquisitions continue to result in emissions reductions and air quality improvements. Of note in 2019:</p> <ul style="list-style-type: none"> • Renewable Energy <ul style="list-style-type: none"> ○ Renewable Natural Gas contract has allowed us to transition 110,000 litre-equivalents of compressed natural gas ○ Bio-fuel contracts for Renewable Diesel we have transition 850,000 litres of diesel fuel over to 100% renewable diesel supporting goal that will transition 3.5M litres of diesel to 100% renewable diesel by 2021 • Electric vehicles contracts <ul style="list-style-type: none"> ○ Purchased 16 Electric Vehicles
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> 2 buildings demolished in 2019 with a diversion rate of 81%.</p> <p><u>IT/Asset Management Initiative: E-Waste:</u> The City diverted 100% of returned IT assets in 2019. This represents a total of 3,158 assets or 51,481 lbs. (13% were recycled; 87% were refurbished).</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 & Park 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.

Companies with a local presence continue to provide a significant amount of goods and services to the City. In 2019, 72% of the contracts awarded (by \$ value) were to companies with a presence in Metro Vancouver, and 99% in Canada.

The City of Vancouver is a founding member of the Municipal Collaboration on Sustainable Procurement (MCSP) which has been renamed to the Canadian Collaboration for Sustainable Procurement (CCSP) to include other Canadian public-sector institutions like universities or health authorities to network, share information and co-create tools to better address green, social and ethical opportunities and risks in their supply chain.

CONCLUSION

In addition to the operationalization in 2019 of the Social Value Procurement Framework, which recognized the City as a finalist in the innovation category at the “Finance for the Future 2019 Awards”, there were notable accomplishments in the department which include to name a few the award of contracts and vendor pre-qualifications for construction management or engineering professional services which will reduce the total cost of ownership and the procurement cycle times, the implementation of the warehousing and inventory management functionality as part of the successful roll-out of our new Fleet Management Information System, amendments to the City’s Supplier Code of Conduct and Sustainable and Ethical Procurement Policy to include animal welfare provisions or changes to the Procurement Policy to enable the first City of Vancouver Sponsorship Policy.

Throughout the year, Supply Chain Management has continued to conduct internal process improvements and be a trusted partner to enhance category management and procurement operations and utilize warehousing and inventory management best practices to support City wide operational and capital programs in support to achieve our organizational goals.

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APPENDIX A

Chart A1: Awarded Contracts by Final Contract Approval Level

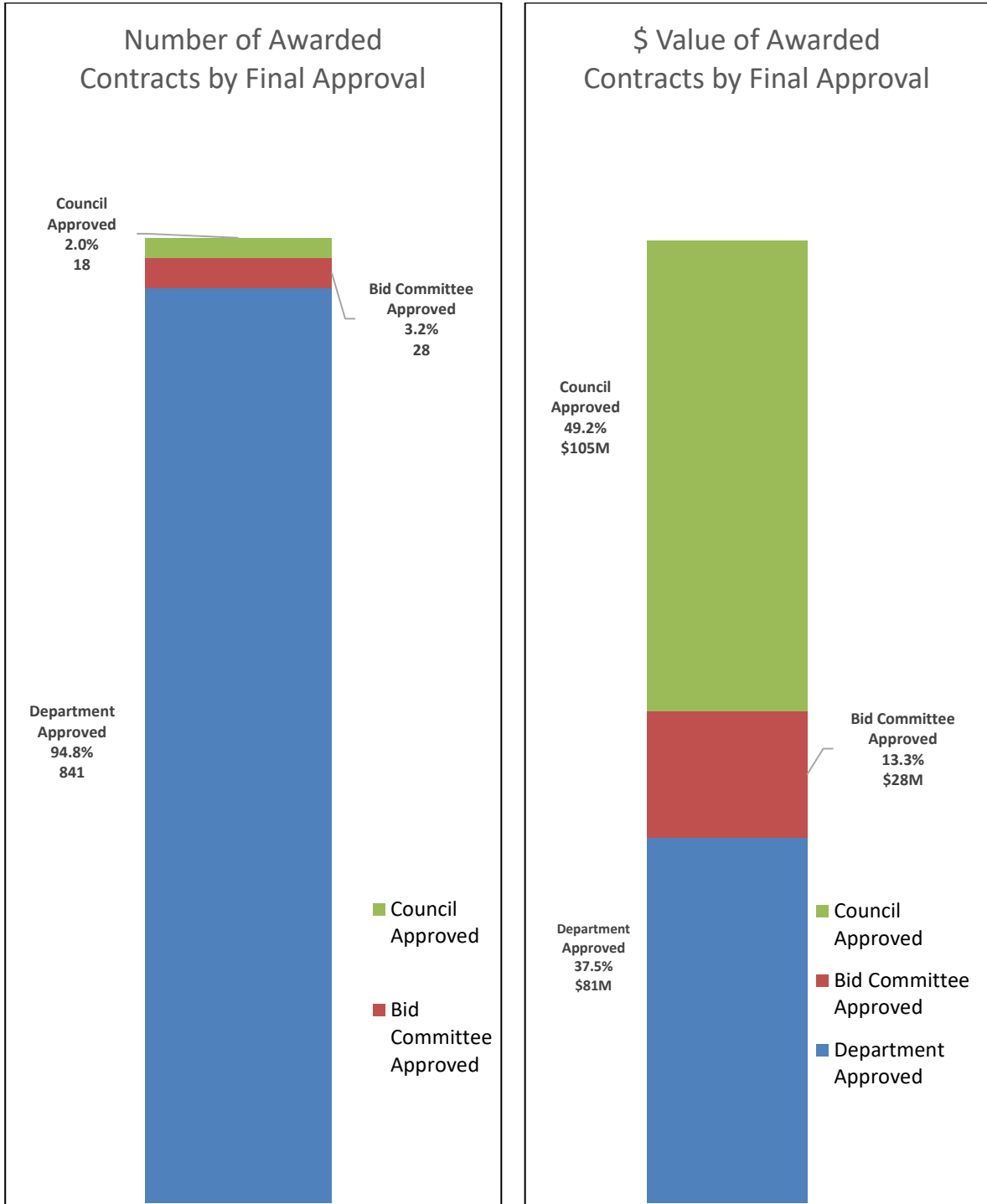


Chart A2: Contract Awards by Department

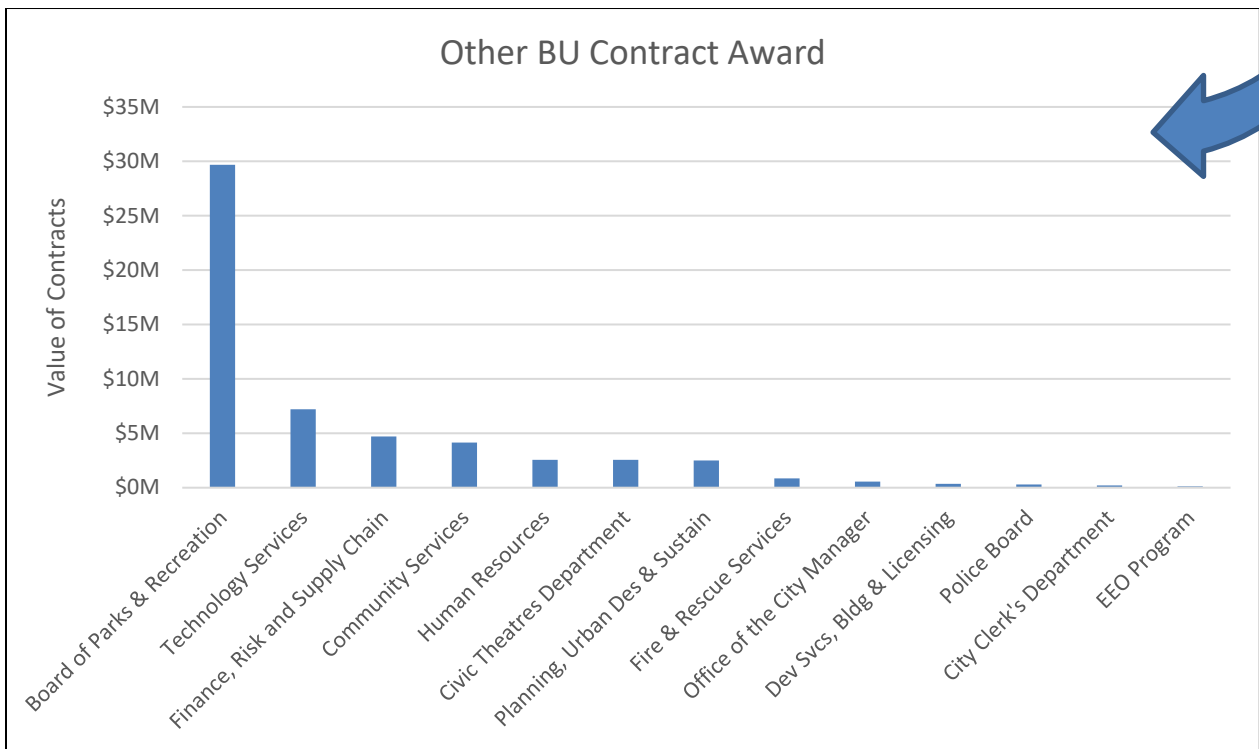
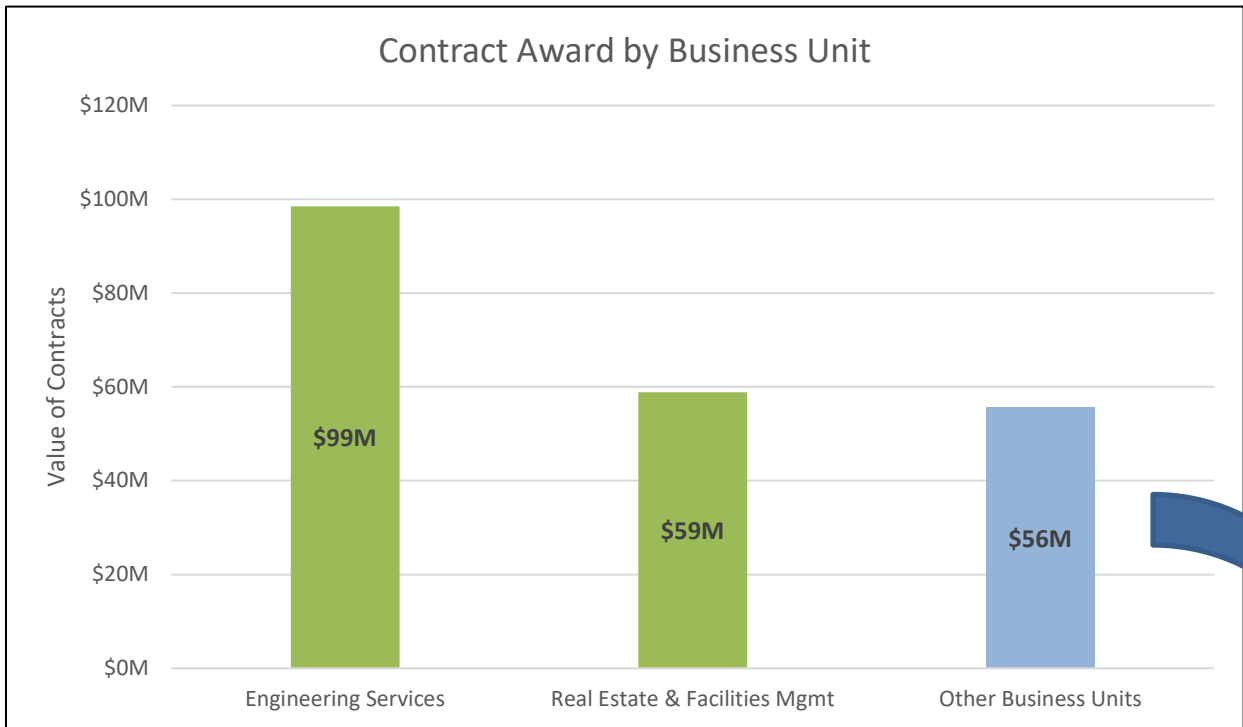


Chart A3: Contract Transactions by Value Range

Value Range	Number of Awards	Percentage by Number	Contract Value in Range	Percentage by Value
Less than \$75,000	608	68.5%	\$ 16,845,292	7.9%
\$75,001 to \$750,000	231	26.2%	\$ 52,953,250	24.7%
\$750,001 to \$2,000,000	35	3.8%	\$ 42,133,653	19.6%
\$2,000,001 or greater	13	1.5%	\$ 102,490,097	47.8%
Total	887	100%	\$ 214,422,293	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	51	66.2%	\$ 9,878,247	88.3%
Urgent or Highly Specialized	26	33.8%	\$ 1,307,595	11.7%
Total	77	100%	\$ 11,185,842	100%

Chart A5: Contract Awards by Vendor Location

Location	Number of Vendors	Percentage by Number	Contract Value	Percentage by Value
Vancouver	235	26.5%	\$ 44,934,491	21.0%
Metro Vancouver	366	41.3%	\$ 110,324,308	51.5%
British Columbia	57	6.4%	\$ 5,487,213	2.6%
Canada	199	22.4%	\$ 51,729,795	24.1%
North America	29	3.3%	\$ 1,891,485	0.9%
Other	1	0.1%	\$ 55,000	0.03%
Total	887	100%	\$ 214,422,293	100%

Cumulative

Location	Number of Vendors	Percentage by Number	Contract Value	Percentage by Value
Vancouver	235	26.5%	\$ 44,934,490	21.0%
Metro Vancouver	601	67.8%	\$ 155,258,799	72.4%
British Columbia	658	74.2%	\$ 160,746,012	75.0%
Canada	857	96.6%	\$ 212,475,808	99.1%
North America	886	99.9%	\$ 214,367,293	99.97%
Other	1	0.1%	\$ 55,000	0.03%
Total	887	100%	\$ 214,422,293	100%

APPENDIX B

LIST OF AWARDS APPROVED BY COUNCIL 2019

RTS #	Bid # (for publicly posted items)	Project Description (name & brief description of goods/services required)	Awarded Amount (approved by Council/Committee)
13154	PS20190021	Granville Bridge Rehabilitation	\$14,294,200
13479	PS20191628	General Contractor for Smith and Richards Park Construction	\$13,818,141
13333	PS20190495	Supply and Delivery of Mineral Aggregates	\$13,745,250
13010	PS20180991	Gastown Parkade Child Care Centre Construction	\$13,160,865
13344	PS20190004	Construction Services for Base Building Upgrades and Tenant Improvements for 2780 East Broadway	\$10,166,500
13142	PS20190479	Supply and Delivery of Ready Mix Concrete	\$9,323,332
13378	PS20190496	Supply and Delivery of Liquid Asphalts for Paving	\$6,299,250
13317	PS20190802	Coal Harbour Consulting Services	\$4,987,925
13380	PS20190562	Supply and Delivery of Concrete Pipe	\$4,808,007
13064	PS20181077	Construction Services for Pile Driving - East Fraser Lands	\$4,564,274
12969	PS20180897	Construction Services for Pump Station Replacement and Washroom Addition	\$4,272,000
13166	PS20181413	Consultant Services for the Detailed Design of Arbutus Greenway Character Zones Three and Eight	\$2,602,021
13072	PS20181561	Consultant for Cambie Bridge Rehabilitation	\$2,441,397
13150	PS20190360	Consulting Services for Baseline Financial Review	\$ 124,975
13102	PS20181461	Pre-Qualification of Professional Engineering Services Consultants	\$19,500,000
13451	PS20180527	City Wide Construction Contract	\$60,000,000
	PS20190058	Selection of Social Housing Operator for Arbutus Centre Block A (4188 Yew Street)	N/A ¹
13376	PS20161800	Towing Services	Cost - \$6,615,000 Revenue - \$5,082,000

1 Long term (60 year) lease and operating agreement with projected cash flow of the property to support a prepaid lease of ~\$8 million (subject to final negotiation with preferred proponent).