

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MARCH 21, 2017

Item 1, Report No. 3, of the Finance, Administration and Audit Committee, which was adopted, as amended, by the Council of the City of Vaughan on March 21, 2017, as follows:

By approving the following recommendation contained in Communication C1, from the Chief Financial Officer and City Treasurer and the Director of Environmental Services, dated March 16, 2017:

- 1. That this communication be received.**

1 SERVICE EXCELLENCE STRATEGIC INITIATIVE: PROCUREMENT MODERNIZATION – UPDATE

The Finance, Administration and Audit Committee recommends:

- 1) That the recommendation contained in the following report of the Chief Financial Officer & City Treasurer and the Director of Procurement Services, dated March 6, 2017, be approved;**
- 2) That the following be approved in accordance with Communication C3, from the Chief Financial Officer and City Treasurer and the Director, Environmental Services, dated March 3, 2017:**

- 1. That this Communication be received.**

- 3) That the following Communications be received:**

C4 Mr. Richard Lorello, dated March 3, 2017;
C5 Integrity Commissioner, dated March 3, 2017; and
C7 Presentation material titled “Procurement Modernization”, dated March 6, 2017.

Recommendation

The Chief Financial Officer & City Treasurer and Director of Procurement Services, in consultation with the Director for Environmental Services and the Senior Management Team recommend:

- 1. That Council adopts the proposed Procurement Policy, as set out in Attachment #2 of this report and repeal the existing Consolidated Procurement Policy, effective April 1, 2017.**

Contribution to Sustainability

A modernization of the Procurement Policy will improve the way we acquire goods, services and construction, help ensure value for money, and contribute to the City's long-term financial sustainability.

Aligned with the Council approved Procurement Services Strategy Map, the Procurement Policy is grounded in the guiding principles of transparency, accountability, efficiency, teamwork and innovation. It contributes to the Service Excellence Strategic Initiatives of operational performance by demonstrating value for money and the staff engagement initiative by providing governance and accountability.

Economic Impact

There is no additional funding request for this report.

The Procurement Modernization capital project SE-0078-16 was approved at a total cost of

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\$381,313. Current spend to date for the Procurement Modernization project including the Carly Rian Group (CRG) organizational assessment and transformation report and the development of the proposed Procurement Policy is approximately \$161,963. The remainder of the approved budget will be used to implement the training program for the proposed Policy and future phases of the Procurement Modernization project.

Additional resource requests or capital budget amendments required to complete the Procurement Modernization project will be submitted through the future budget processes for Council approval while meeting Council's tax rate targets.

Communications Plan

Stakeholder consultation was conducted prior to the development of the proposed Policy which included interviews with senior management, and workshops with client departments with high volume procurement needs. The vendor community was also engaged through an online survey and facilitated focus group sessions in summer 2016.

In consultation with Corporate Communications, the Procurement Modernization communications plan will use several tactics to support the implementation of the proposed Policy, including:

- Staff updates via memos, briefing packages, use of internal intranet, and comprehensive training;
- Vendor updates via announcements, training, and education sessions; and
- A public update via posting of the Policy on the City of Vaughan's website.

Procurement will continue to provide quarterly updates to the Finance, Audit and Administration committee of all procurement activities. Project awards which are of special interest to a community will be forwarded to Council offices via a memo.

Purpose

The purpose of this report is to recommend adoption of a revised Procurement Policy (Attachment #2) that reflects current municipal best practices and aligns with the Procurement Modernization principles endorsed by Council on October 19, 2016.

Background – Analysis and Models

On October 19, 2016, Council endorsed the Procurement Strategy Map and Guiding Principles.

The proposed Procurement Policy was developed based on these principles of openness, fairness and transparency, while taking into account items such as the increasing presence of technology and leading practices from other jurisdictions. The proposed Policy will help to streamline the procurement process and provide more departmental accountability and governance, while driving value for money spent by the City.

The revision of the current Procurement Policy to modernize and transform the corporate procurement function was conducted through stakeholder consultations and evidence-based research.

In October 2016, SEG Management Consultants, a division of OPTIMUS | SBR, was engaged to work with the City of Vaughan to revise the current Consolidated Procurement Policy and procedures.

Focused one-on-one individual interviews were conducted in November 2016 with six key stakeholders including:

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- The City Manager;
- Integrity Commissioner;
- Chief Financial Officer and City Treasurer;
- Procurement Services Director;
- Senior Manager Strategic Planning – Leadership Alignment Project; and
- Project Manager – Financial Sustainability

The stakeholders were each interviewed for this initiative with member(s) of the OPTIMUS | SBR / SEG engagement team to share their perspectives and ideas. The purpose of these interviews was to gather the following information:

- The specific policies and procedures that should be considered as part of Procurement;
- Areas within the procurement process which require particular focus;
- How the policies and procedures could help support departmental work and mandate;
- Expected outcome of a specific policy or procedure and;
- Other information relevant to Procurement policies and procedures.

As part of the validation process and to obtain stakeholder buy-in, the Senior Management Team was also consulted during a Procurement Policy workshop in December 2016 and with the Policy Committee on January 26, 2017.

Through the implementation of a new Procurement Policy, the City will improve project delivery and increase the capacity to deliver more projects.

Based on the information gathered through literature reviews, jurisdictional scans, stakeholder consultations, review of background documents, and quantitative data analysis, key opportunities to increase efficiency and costs savings were identified as:

- The City would be able to procure its goods, services and construction earlier, thus improving the project delivery time by up to 16 to 18 weeks;
- Increased accountability through a clear process, defined roles and responsibilities;
- Reduced time for award decision-making - this will help vendors better manage their resources and strengthen relationships between the City and vendor community;

The attached proposed Procurement Policy has been updated to reflect and align with current municipal best practices. The Policy focuses on policy matters with specific procedures, which may change from time to time, included in a separate administrative document. The proposed Policy supports rigorous reporting on Key Performance Indicators (KPIs) and milestones. The proposed revisions to Procurement related Delegations of Authority are in line with the Procurement principles approved by Council in October 2016.

New sections found in the proposed Policy include:

- **Guiding Principles/Ethical Conduct:** Aligns with the Procurement principles and Procurement Services Strategy Map approved by Council on October 19, 2016. Includes clear conflict of interest guidelines, reduces legal and reputational risk, and clearly defines expectations with respect to conduct of employees, members of Council and vendors; and
- **Vendor Performance and Dispute Resolution:** Clearly defines expectations regarding vendor behaviour and performance, enhances appeal process for vendors, and provides better controls.

New policy sections that codify existing practices include:

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- **Vendors of Record Listing:** Improves efficiency and effectiveness of procurement process, and implements better controls;
- **Use of Fairness Monitors:** Defines the role of a Fairness Monitor within the procurement process, reduces legal and reputational risk, and supports Procurement Services values and guiding principles; and
- **Unsolicited Proposals:** Clearly defines process for handling actual and potential Unsolicited Proposals in the best interest of the City, implements better controls and reduces risk.

The proposed Procurement Policy roles and responsibilities are shown below:

Council	Staff
<ul style="list-style-type: none">• Project Approval<ul style="list-style-type: none">◦ Decisions through budget approval on programs, projects and service levels;◦ Resource allocation through Policy approval and Procurement processes.	<ul style="list-style-type: none">• Adherence of clear and open procurement process, including tender awards.
<ul style="list-style-type: none">• Approval of the Procurement Policy.	<ul style="list-style-type: none">• Development of quarterly procurement activities report to Council.
<ul style="list-style-type: none">• Approval of exceptions to the Procurement Policy.	<ul style="list-style-type: none">• Memos to Council on Community special interest project awards.

The proposed changes and rationale for change between the current Procurement Policy and the proposed Procurement Policy are summarized in Attachment #1.

Effective Date – April 1, 2017

Upon Council approval, the proposed Procurement Policy will become effective on April 1, 2017.

To ensure consistent work practices, interpretation and application of the proposed Procurement Policy between all city staff, a comprehensive training program is being developed to ensure compliance, and to mitigate risk.

Relationship to Term of Council Service Excellence Strategy Map (2014-2018)

The initiative to review and update the Procurement Policy is consistent with the Service Excellence Strategic Initiatives: Operational Performance and Staff Engagement.

- Strategic Goal: Financial Sustainability
 - Demonstrate Value for Money
- Strategic Goal: Corporate Governance and Accountability Framework
 - Governance and Accountability

Regional Implications

None

Conclusion

The current Procurement Policy does not fully support or align with the new strategic direction for

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Procurement Services that was approved by council in October 2016. The new policy will move this initiative forward and facilitate best overall value to the City. The Policy will also be consistent with current municipal best practices.

The recommendation for this report is to approve the proposed Procurement Policy as stated allowing for the application of effective procurement practices to deliver value for the City.

Attachments

1. Attachment #1: Procurement Policy Comparison Highlights
2. Attachment #2: Corporate Procurement Policy

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(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)