

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MARCH 21, 2017

Item 2, Report No. 3, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on March 21, 2017.

2 PROCUREMENT ACTIVITY REPORT – Q4 AND YEAR TO DATE ENDING DECEMBER 31, 2016

The Finance, Administration and Audit Committee recommends approval of the recommendation contained in the following report of the Chief Financial Officer & City Treasurer and the Director of Procurement Services, dated March 6, 2017:

Recommendation

The Chief Financial Officer & City Treasurer and the Director of Procurement Services, in consultation with the City Manager and Director of Financial Planning and Development Finance & Deputy City Treasurer recommend:

1. That the Procurement Activity Report be received.

Contribution to Sustainability

This report contributes to Service Excellence. Procurement Services supports improving the City of Vaughan's operational performance to enable the delivery of Term of Council priorities while meeting Council's tax rate increase target of no greater than three per cent each year.

Procurement Services strives to ensure that the way we acquire goods, services and construction, helps ensure value-for-money and contributes to the City's long-term financial sustainability.

Economic Impact

There is no economic impact resulting from receipt of this report.

Communications Plan

The report and all attachments are available publicly on the Agenda, Minutes & Extract page of the City's website (www.vaughan.ca).

Purpose

This report provides details of the procurement activity undertaken in Q4 2016 and year-to-date ending December 31, 2016. This includes details of contracts and tenders awarded as per Section 6.4 of the Consolidated Purchasing Policy.

Background

The City's Consolidated Purchasing Policy ("Policy") outlines the authorization levels for all purchases of goods, services and construction based on specific criteria and thresholds. This includes contract awards that require Council authorization as well as contracts that can be authorized through delegated authorities, if the specific criterion is met. Furthermore, By-law 332-98 (as amended By-law 151-2010) provides authority to the City Manager or designate to award contracts during Council Hiatus, given that there is an approved budget for the contractual work.

The City's existing Consolidated Procurement Policy was implemented in 2012. As part of the Procurement Modernization initiative, a revised Policy will be brought forward to align with the Procurement Services Strategy Map's principles of openness, fairness and transparency, while taking into account the increasing presence of technology and leading practices from other jurisdictions.

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The proposed Policy will help streamline the procurement process and provide more departmental accountability and governance, while driving value for money for the City. If approved, implementation of the proposed revised Policy may result in changes to the format and content of future Procurement Activity Reports.

Procurement Activities – Fiscal 2016

117 procurement transactions for a total value of \$13.9 million were completed in the fourth quarter. This brings the total number of procurement transactions for 2016 to 483, resulting in a year-to-date procurement value of \$95.5 million as illustrated in Attachment 1.

In addition, for the twelve (12) months ended December 31, 2016, the City procured low value purchases of approximately \$6.6 million. Of these, approximately 4,786 transactions with a total value of \$1.9 million were processed through the use of Purchasing Cards. The remaining value of \$4.7 million was processed through approximately 8,504 transactions for Low Value Purchase Orders. As of December 2016, there are 157 Purchasing Card holders throughout the corporation.

The Corporate-wide implementation of the Purchasing Card Program in June 2015 has reduced administrative effort and improved flexibility and control over lower dollar value purchases and payments. The Fiscal 2016 Low Value Purchase Order transactions decreased 20% over the previous year, while Purchase Card transactions experienced a significant year-over-year increase at over 300%.

As part of the ongoing effort to transition seamlessly from Low Value Purchase Orders to Purchasing Cards, the historical low value spend will be analyzed to identify opportunities where the Purchasing Card can be utilized as an alternative method of payment.

The total value of the 31 contracts awarded by the Deputy City Managers and Chiefs during the fourth quarter equaled \$402,708.

Purchases for Consulting and Professional Services

Section 6.2.1 and 6.2.2 of the Policy provides the Deputy City Managers and Chiefs with the authority to award contracts for consulting and professional services up to a maximum of \$35,000 without the need of a call for bids. The award limits for acquiring consulting and professional services without the requirement of obtaining quotes were intended to help expedite the delivery of capital projects in a timely fashion.

In the fourth quarter, 23 contracts with a total value of \$314,321 were awarded.

- 8 contracts for Public Works in the amount of \$117,125
- 8 contracts for Planning and Growth Management in the amount of \$82,178
- 3 contracts for Community Services in the amount of \$46,610
- 1 contract for Legal and Human Resources in the amount of \$4,100
- 2 contracts for the Office of the Chief Information Officer in the amount of \$61,000
- 1 contract for the Integrity Commissioner Office in the amount of \$3,308

Emergency Purchases

Section 10 of the Policy provides the Deputy City Managers and Chiefs with the authority to make emergency purchases up to \$100,000 without issuing a call of bids. If the purchase is over \$100,000, the initiating Deputy City Manager or Chief must provide a report to Council within 60 days of the purchase.

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It should be noted that the proposed Procurement Policy suggests strategic anticipatory arrangements such as Vendor of Records and Standing Agreements to minimize emergency purchases.

In the fourth quarter, 8 emergency purchases were made with a total value of \$106,387.

- 1 purchase for Public Works in the amount of \$3,154
- 7 purchases for Community Services in the amount of \$103,233

The total value of the 73 contracts awarded by the Director of Procurement Services, upon recommendation from Deputy City Managers and Chiefs during the fourth quarter, equaled \$2,613,435.

Sole and Single Source Purchases

Section 9 of the Policy provides the Director of Procurement Services, upon recommendation from the Deputy City Managers and Chiefs, with the authority to award sole and single source contracts up to a maximum of \$100,000 without the need of a call for bids.

In the fourth quarter, 25 contracts with a total value of \$660,483 were awarded.

- 2 purchases for Public Works in the amount of \$83,900
- 2 purchases for the Office of Corporate Communications in the amount of \$13,440
- 13 purchases for Community Services in the amount of \$212,447
- 2 purchases for the Office of the Chief Financial Officer and City Treasurer in the amount of \$89,800
- 1 purchase for the Office of the Chief Information Officer in the amount of \$86,856
- 4 purchases for the Vaughan Public Libraries in the amount of \$76,040
- 1 purchase for the Office of Corporate Initiatives and Intergovernmental Relations in the amount of \$98,000

Upon further analysis of the 25 Sole and Single Source purchases, 5 contracts totaling \$173,019 are Sole Source, where the City had no choice but to acquire the goods and services from the only available sources. The remaining 20 Single Source contracts account for only 3.5% of the total fourth quarter Procurement spend.

Contracts between \$3,000 and \$100,000

Section 6.2 of the Policy provides the Director of Procurement Services, upon recommendation from the Deputy City Managers and Chiefs, with the authority to award contracts between \$3,000 to \$100,000 provided a competitive process was followed, and the award is recommended for a compliant bidder at lowest cost or highest evaluation scoring.

In the fourth quarter, 46 contracts with a total value of \$1,287,110 were awarded. The average contract value was \$27,981, with 50% of the contracts below \$21,105 and the majority of contracts falling between \$10,000 and \$15,000.

- 16 contracts for Public Works in the amount of \$391,724
- 2 contracts for Planning and Growth Management in the amount of \$79,259
- 16 contracts for Community Services in the amount of \$396,913
- 4 contracts for the Office of the Chief Information Officer in the amount of \$117,120
- 1 contract for the Office of the City Clerk in the amount of \$7,200
- 1 contract for Legal and Human Resources in the amount of \$10,850

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- 4 contracts for the Vaughan Public Libraries in the amount of \$156,274
- 2 contracts for the Office of Transformation and Strategy in the amount of \$127,770

Tender Awards between \$100,000 and \$350,000

Section 6.4 of the Policy provides the Director of Procurement Services, upon recommendation from the Deputy City Managers and Chiefs, with the authority to award contracts for tenders between \$100,000 to \$350,000 provided a competitive process was followed and the following criteria has been met:

1. The award is to the lowest priced compliant bidder
2. The award of the contract is within the approved budget
3. The award results from the normal tendering process of the City (i.e. open bidding through advertisements)
4. The term of the contract is for a maximum of 4 years
5. There is no litigation between the successful bidder and the City at the time of award and
6. There are no bidder protests at the time of contract award.

In the fourth quarter, 2 contracts with a total value of \$665,842 were awarded for Public Works. The details of the contracts are provided in Attachment 2.

The total value of the 13 contracts awarded by Council, upon recommendation from staff during the fourth quarter equaled \$10,863,206.

Section 17 of the Policy provides that award of contracts for RFPs over \$100,000 and tenders over \$350,000. As well, contract awards requiring budget amendments must be approved by Council.

In the fourth quarter, 13 contracts with a total value of \$10,863,206 were awarded. The average contract value was \$835,631, with 50% of the contracts below \$348,595 and the majority of contracts falling between \$200,000 and \$250,000. Of the 13 contracts, 2 contracts were awarded with a combined value of \$6,555,012, representing 60% of the total Council-approved award value.

- 7 contracts for Public Works in the amount of \$5,925,688
- 2 contracts for Planning and Growth Management in the amount of \$480,976
- 1 contract for Community Services in the amount of \$893,530
- 1 contract for Legal and Human Resources in the amount of \$800,000
- 1 contract for the Office of the Chief Information Officer in the amount of \$220,000
- 1 contract for the Office of the City Clerk in the amount of \$2,543,012

Upcoming Procurement Activities

As the City continues to deliver the Term of Council priorities, there will be some upcoming procurement in the first quarter of 2017. Some of these include:

- LED Street lighting Project
 - Pre-qualification for Design, Finance, Install, Maintain and Operate
- Feasibility Study for Proposed Animal Shelter Use at Maple Nature Reserve (MNR) Buildings
- Preventative Maintenance for Heating Boilers at Various Locations
- Operations and Maintenance of Vaughan Landfill Gas Collection and Flaring System

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- Construction Services for the Park Development of UV1-D4 District Park
- Basaltic Rd. & Planchet Rd. Watermain Replacement & Road Rehabilitation

Upcoming Procurement Projects

- Procurement Modernization Project
 - Improve the acquisition of goods, services and construction while ensuring value for money and contribute to the City's long term financial sustainability
- Revised Procurement Policy
 - The draft Policy will be submitted at the March 6, 2017 Finance, Administration and Audit Committee meeting, including recommended changes to Delegations of Authority thresholds

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

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Regional Implications

Not applicable

Conclusion

The total value of the 483 contracts awarded in Fiscal 2016 is \$95.5 million. Of these, 47 contracts totaling \$76.8 million were approved by the Council and 7 contracts totaling \$4.6 million were approved by the City Manager during 2016 Summer Hiatus. The remaining 429 contracts totaling \$14.1 million were awarded as per the delegated authority outlined in the Policy.

Attachments

Attachment 1: Procurement Activity for Quarter Ending/Year Ending December 31, 2016

Attachment 2: Q4 2016 – Tender Awards between \$100,000 and \$350,000

Report prepared by:

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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.)