

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 19, 2016

Item 3, Report No. 10, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on October 19, 2016.

3 SERVICE EXCELLENCE STRATEGIC INITIATIVE: PROCUREMENT MODERNIZATION - UPDATE

The Finance, Administration and Audit Committee recommends approval of the recommendation contained in the following report of the Chief Financial Officer and City Treasurer, Director of Environmental Services and Director of Procurement Services, dated October 11, 2016:

Recommendation

The Chief Financial Officer and City Treasurer, Director of Environmental Services and Director of Procurement Services, in consultation with the Director of Transformation and Strategy, recommend:

1. That Council endorse the overall Procurement Modernization strategy based on the following principles:
 - Transparency: Improve the integrity of the procurement process through open, fair and transparent practices.
 - Accountability: Define clear roles and responsibilities, timelines and milestones for each procurement project.
 - Efficiency: Increase productivity through streamlined processes and staff empowerment.
 - Teamwork: Collaborate with client departments in strategic procurement project planning.
 - Innovation: Leverage technology to improve business processes to support clients' procurement needs and the supplier community.

Contribution to Sustainability

A modernization and transformation roadmap for the City of Vaughan's procurement function 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.

The Procurement Modernization project is grounded in the guiding principles of sustainability by assessing strategies, resources and technology to facilitate innovation and continuous improvement. It contributes to the Service Excellence Strategic Initiatives. Procurement Modernization 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.

Economic Impact

The long-term Procurement Modernization implementation plan provides a three- to five-year roadmap to modernize and transform policies, procedures, processes and technologies. Procurement Modernization will drive efficiencies which will contribute to departmental savings through strategic sourcing, streamlined and technology-enabled processes and reduced corporate procurement cycle times. In order to implement the project, additional resources will be required. As of now, there is approximately \$244,000 remaining in the approved capital project SE-0078-16 Procurement Modernization which will be used to implement future phases of the project. Any additional resource requests or capital budget amendments will be submitted through the future budget processes for Council approval while meeting Council's tax rate targets.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 19, 2016

Item 3, Finance Report No. 10 – Page 2

Communications Plan

A comprehensive communications plan will target internal and external stakeholders, and serve to support the ongoing implementation of the Procurement Modernization strategy and the transformation journey. Several tactics will be employed, including staff updates, briefing packages, use of internal intranet, supplier training and education, and the City's website.

Procurement Modernization will also be supported by change management tools, such as formal training and education sessions for departments and other stakeholders. In order to support the ongoing transition and to achieve the vision for procurement excellence, the City is committed to supporting its employees through organizational change.

Purpose

The purpose of this report is to provide an update to Council on the Procurement Modernization project and to seek Council's endorsement of the Procurement Services department's strategic direction.

Background - Analysis and Options

On April 4, 2016, Term of Council Service Excellence Strategy Map: Update Report was submitted to Finance, Administration and Audit Committee. This report identified the Procurement Modernization project as one of the 10 Service Excellence Strategic Initiatives which supports improving the City of Vaughan's operational performance to enable the delivery of Term of Council priorities. The purpose of this project is to transform Vaughan's procurement function by modernizing business processes, reviewing governance, policies and capacity, and leveraging technology. The first phase of the project was to develop a roadmap for the modernization and transformation of the corporate procurement function.

A progressive, innovative approach is being taken to modernize the City of Vaughan's procurement processes and respond to the opportunities for improvement identified.

Vaughan is undergoing tremendous growth and transformation, which presents a valuable opportunity to anticipate and prepare for the evolving future needs of the City. The increasing volume and complexity of procurement activity as a result of this rapid growth is the key driver for change. In 2015, Statistics show that 472 procurement transactions totaling \$60 million were processed through the Procurement Services department. In addition, payment analysis indicates that the City paid \$160 million for third-party goods and services including current and prior year contracts, multi-year contracts, utilities and insurance. Legacy procurement processes, policies and capabilities at a corporate-wide level are no longer sustainable, and are likely to impede the City's ability to achieve its Service Excellence Strategy.

Improvements implemented over the last few years have put the corporate procurement function on the transformation path.

Over the last few years, Procurement Services has been focused on making incremental improvements to the corporate procurement function. These changes include the successful implementation of the Purchasing Card program which has reduced administrative effort and improved flexibility and control over the lower dollar value spend. Additionally, the implementation of a Bids and Tenders portal has enabled automated notifications of bid opportunities and online preview and download of bid documents by supply community. The establishment of annual procurement planning process in collaboration with client departments has also allowed for increased focus on customer needs and better workload management. Procurement Services is committed to improving and transforming the corporate procurement function through a new strategic direction.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 19, 2016

Item 3, Finance Report No. 10 – Page 3

A new department-level strategic direction was designed to better align Procurement Services with the Term of Council Service Excellence Strategy Map.

On April 19, 2016, Council approved the award of RFP16-124 to Carly Rian Group (CRG) to conduct an organizational assessment and develop a modernization and transformation roadmap for the corporate procurement function. During a 10-week period, CRG was tasked with reviewing current procurement processes, supporting the development of a department-level strategy map, identifying quick wins and developing a three- to five-year long-term implementation roadmap.

CRG facilitated a working session with the Procurement Services management team, project core team and Strategic Planning to develop a department-level strategy map with the new vision, mission, values and strategic priorities. In order to support the new department strategic direction, which in turn will help deliver the Term of Council Priorities and Service Excellence Strategic Initiatives, Procurement Services will undergo a workforce planning process to ensure resources are sufficient and aligned.

The new Procurement Services strategy map was developed based on the following principles:

- Transparency: Improve the integrity of the procurement process through open, fair and transparent practices
- Accountability: Define clear roles and responsibilities , timelines and milestones for each procurement project
- Efficiency: Increase productivity through streamlined processes and staff empowerment.
- Teamwork: Collaborate with client departments in strategic procurement project planning
- Innovation: Leverage technology to improve business processes to support clients' procurement needs and the supplier community

The major components of the new Procurement Services Strategy Map are shown below:

New Procurement Services Strategy Map	
Vision	To be a strategic partner in service delivery and the City's growth and development through procurement excellence.
Mission	To drive value for money for the City and its citizens through fair competition and leading procurement practices.
Values	<ul style="list-style-type: none">• Engagement• Customer focused• Trust• Relationships• Teamwork• Commitment and Dedication
Strategic Priorities	<ol style="list-style-type: none">1. Become a strategic advisor in order to drive value for money for the City2. Collaborate with clients on an early and ongoing basis3. Develop a policy and compliance framework with clearly defined roles and responsibilities that drives open, fair and transparent procurement practices4. Develop leading practices that drive process efficiency through the enablement of technology5. Develop a supplier relationship management program in order to drive procurement transparency, innovation and supplier accountability6. Attract, develop and retain high performance staff

CITY OF VAUGHAN

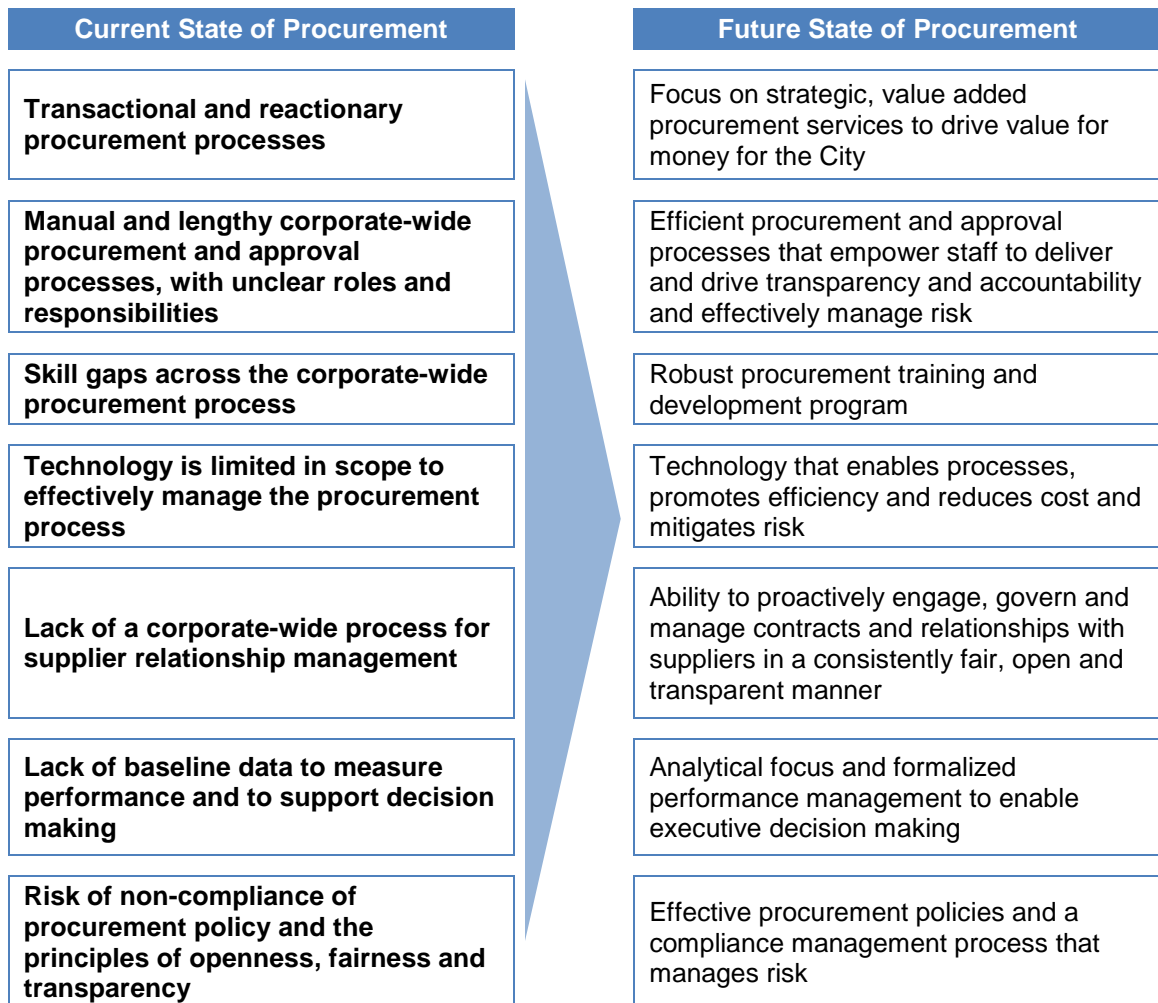
EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 19, 2016

Item 3, Finance Report No. 10 – Page 4

The development of a long-term roadmap to modernize and transform the corporate procurement function was completed in Q3-16.

CRG conducted broad stakeholder consultation and feedback sessions to understand and review the corporate procurement function. This included interviews with the Mayor and members of Council, consultation sessions and workshops with client departments with high volume procurement needs, and interviews with the Procurement Services team and supporting departments (Finance, Legal Services, Office of the Chief Information Officer and Human Resources). The supplier community was also engaged through an online survey and facilitated focus group session.

Based on the information gathered through stakeholder consultations, review of background documents, quantitative data analysis, and a continuous improvement workshop with staff, CRG provided staff with a long-term roadmap to modernize the corporate procurement function to meet the City's growing needs. This will allow the City to transform from the current state to the desired future state as illustrated below:



Source: Carly Rian Group, 2016.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 19, 2016

Item 3, Finance Report No. 10 – Page 5

Through the implementation of the modernization and transformation roadmap, the City can improve project and service delivery, reduce risk of non-compliance and optimize value for money.

The implementation of the modernization and transformation roadmap will result in streamlined and technology-enabled processes that will help improve the City's ability to deliver projects on time and on budget. Additionally, it will enhance open, fair and transparent procurement policies and improve awareness and education across the City and the supplier community in order to reduce risk of non-compliance. The City will also realize financial benefits over the next three to five years through a focus on strategic spend management.

As part of the City's commitment to service excellence and continuous improvement, we have a plan in place to transform the corporate procurement function.

The new department strategic direction focuses on achieving procurement excellence based on the long-term modernization and transformation roadmap developed by CRG. Staff will focus on implementing eight overarching recommendations. The estimated timeline of each recommendation is subject to the availability of internal and external resources. (See attachment 1 for proposed implementation plan)

In Q3-16, Procurement Services, in consultation with City departments, commenced implementation of quick wins to achieve process efficiencies, and improve project and workload management.

Some of the benefits achieved through the implementation of these quick wins include reduced human error, reduced time and effort through use of standardized forms and templates, and increased accountability and clarity of roles and responsibilities through use of kick-off meetings and agreed upon project schedules. Additionally, the use of a consolidated bid log as an internal tracking tool has assisted with workload management and has provided data to drive analysis to inform decision making. The data collected through post-contract execution surveys will contribute to continuous improvement with respect to the procurement processes and increase client satisfaction. The quick wins and their status are shown below:

Quick Win Description	Status
1. Re-engineer the pre-bid requisition form	Completed
2. Implement a mandatory kick-off meeting and on-going status update meetings	Completed
3. Leverage the Excel-based project schedule to manage project timelines	Completed
4. Construct improvements to the bid log to utilize as internal tracking tool	Completed
5. In collaboration with Legal and OCIO, develop and implement purchase order terms and conditions	Completed
6. Create standardized forms and templates for contract awards	Completed
7. Conduct the reference checks prior to the consensus meeting	Completed
8. Implement post-contract execution survey to client departments and develop lessons learned log	In Progress (Q4-16 Completion)

Note: Each quick win includes ongoing training, monitoring and improvements.

Procurement Services, in collaboration with City departments, will continue to implement the recommendations under the long-term modernization and transformation roadmap.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 19, 2016

Item 3, Finance Report No. 10 – Page 6

Over the next few months, Procurement Services will focus on the review and update of the Corporate Procurement Policy and supporting procedures, implementation of E-Submissions through the Bids and Tender System and scoping of the other recommendations. A project manager will be hired by early Q4-16 to manage the implementation of the modernization and transformation roadmap. Once the implementation plan is further refined, additional funding may be required for future technology upgrades, external consulting services and potential staffing changes resulting from workforce planning process. Any additional operating or capital funding request will be accompanied by a supporting business case and submitted for Council approval through the future budget processes.

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

The modernization and transformation roadmap for the corporate procurement function is identified as one of the Service Excellence Strategic Initiatives. Procurement Modernization 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.

Regional Implications

Not applicable.

Conclusion

The modernization and transformation of the corporate procurement function 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. Through detailed analysis and stakeholder consultation, CRG has developed a long-term roadmap which will help drive efficiencies that contribute to departmental savings through strategic sourcing, streamlined and technology-enabled processes and reduced corporate procurement cycle time. The new Procurement Services strategic direction will help the department become a strategic partner in service delivery and respond to the City's growth and development through procurement excellence. It will drive value for money for the City and its citizens through leading procurement practices. Procurement Services, in collaboration with City departments, have implemented quick wins, and will continue to carry out the recommendations provided under the long-term roadmap.

Attachments

Attachment 1: Proposed Implementation Plan

Report prepared by:

Esther Yan, Project Manager, Service Excellence Program, ext. 8004
Mishal Ali, Acting Manager, Procurement Services, ext. 8269
Asad Chughtai, Director, Procurement Services, ext. 8306

(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.)