

GOODS AND SERVICES PROCUREMENT POLICY

(T.Cartmell, on behalf of S. Hamilton)

RECOMMENDATION

That the January 19, 2022, Financial and Corporate Services report FCS00795, be received for information.

Report Purpose

Information only.

Previous Council/Committee Action

At the August 30, 2021, City Council meeting, the following inquiry was made:

Can Administration provide a report on the policy relating to procurement of goods and services including:

- Current processes for vendors to apply and submit qualifications to be on “approved vendor lists,” including calendars for when lists are opened, closed and regularly reviewed;
- Policies surrounding standard timelines for procuring vendors, goods and services and how and when exceptions are made to these policies; and
- Policies and processes in place to ensure that approved vendor lists are fair and transparent.

Executive Summary

- The City of Edmonton is committed to a fair, open, transparent, and accountable process. The City takes a strategic approach to procurement essential for delivering goods and services while ensuring the fair treatment of bidders in its tendering processes.
- The City’s goal is to follow industry best practices and mandatory trade agreements in its procurement processes.
- Where competitive processes are used, vendors bid on open procurements (e.g. Request for Proposals (RFPs) and Invitations to Tender (ITTs)) and are evaluated according to criteria listed in the request for proposal or invitation to tender.

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- Most procurements exceeding \$75,000, for goods and services or \$200,000, for construction are required by trade agreements to go through competitive tendering processes, and over 90 per cent of procurements are competitive.
- The City does not maintain an “approved vendor list” due to the variety and scope of services supported, the high number of interested suppliers to participate, and so that Administration can leverage public RFPs and ITTs for the benefits of higher supplier service levels and lower prices. Trade Agreements also encourage competition and discourage different forms of preferential treatment.
- A comparable method utilized by the City is the usage of Standing Arrangements. A Standing Arrangement is generally competitively procured and is a type of arrangement between the City and one or more suppliers, under which the City may assign work to the awarded suppliers over the term of the arrangement on an if, as and when needed basis.
- In 2020-2021, the City issued 75 standing arrangement competitive processes that resulted in 321 standing arrangement agreements. Each competitive process generates an average of three to seven standing arrangement agreements. The amount of suppliers to be awarded is predetermined at the beginning of the RFP stage (e.g., up to two suppliers, up to five suppliers, etc.)

REPORT

Background

The City, as a public sector organization, is obligated to adhere to various trade agreements, including the New West Partnership Trade Agreement (NWPTA), Comprehensive Economic and Trade Agreement (CETA) and Canadian Free Trade Agreement (CFTA). In order to comply with the trade agreements, the City is required to undertake a competitive procurement process and publicly post for any purchase valued above \$75,000 for goods and services and above \$200,000 for construction. City procurements also follow the ethical codes of the Supply Chain Management Association, and the National Institute of Government Purchasers.

The City of Edmonton posts competitive procurement opportunities, known as sourcing events, online using the SAP Ariba Discovery and Alberta Purchasing Connection websites. Suppliers interested in bidding on a City sourcing event must submit their bid online using SAP Ariba. The City no longer accepts paper bid submissions.

Exceptions

Over 90 per cent of procurements are competitive. Exceptions to the competitive process may occur when related to confidentiality, emergencies, or security, to name a few. Non-competitive occurrences are required to follow predetermined internal processes and those exceeding \$250,000 are reported to Council on an annual basis.

Standing Arrangements

Administration does not maintain an “approved vendor list” due to the variety of scope within the 73 lines of City services, the high number of suppliers interested in offering services, and to effectively leverage the RFPs and ITTs publicly posted. Each RFP and ITT has a different scope, set of evaluation criteria, and requirements. The RFPs and ITTs ensure a fair, open, and transparent

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process and any interested supplier can submit a proposal through this public process. The City's Administrative Directive to ensure these values are upheld is included as Attachment 1.

While the City does not have an "approved vendor list", for some contracts the City utilizes a comparable method referred to as a Standing Arrangement. A Standing Arrangement is generally competitively procured and is a type of agreement between the City and one or more suppliers, under which the City may assign work to the approved suppliers over the term of the arrangement on an if, as and when needed basis. The sourcing event is posted publicly and evaluated using the criteria identified in the RFP. The City has Standing Arrangements in place for various services, including but not limited to:

- consulting services
- construction planning and design services
- custom sign manufacturing
- snow and ice control
- electrical services
- engineering services
- communications services (graphic design, marketing, photography, videography, writing)
- engagement services (research and facilitation)

The requirement for Standing Arrangements to follow the competitive procurement process ensures a fair and transparent process for all vendors.

In 2020-2021, the City has issued 75 standing arrangement competitive processes which resulted in 321 standing arrangement agreements. Each competitive process generates an average of three to seven standing arrangement agreements. The amount of suppliers to be awarded is predetermined at the beginning of the RFP stage (e.g., up to two suppliers, up to five suppliers, etc.)

By Department, City Operations uses the most standing arrangements, followed by Integrated Infrastructure Services and Financial and Corporate Services.

Standing Arrangements are appealing to the City as it gives the ability for multiple internal business areas to order from a selection of negotiated contracts. In addition, it is appealing to suppliers as it increases the opportunity to be part of the City's supplier base and generates a fair, competitive process.

There are many factors to be considered when determining if a standing arrangement is required, including the type of good or service, how often it is required, and the market's ability to supply the goods or service. Based on the specific requirements of individual departments, the number of standing arrangements per department will vary.

The rationale to issue a Standing Arrangement procurement is based on supply, demand, and best commercial strategy. A standing arrangement may ensure City requirements are met in a timely manner especially where there are services or goods that the City may use often, there are multiple sources of supply, and where engaging with only one supplier may not ensure that City requirements are met. This provides efficiency as it reduces the amount of work required to conduct RFPs each

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time a requirement comes up, and mitigates risk with negotiated and agreed upon standard terms and conditions.

The contract term is determined by each RFP, with an initial term that is usually one to three years, with optional term years as required (for a maximum length of 10 years). Higher scope complexity may require longer term, while less complex scopes have shorter term. The City is not obligated to exercise its optional term years. The decision to renew takes into account supplier performance, changes in the market, and other factors to ensure Administration is operating efficiently and suppliers have fair opportunity to bid on City requirements.

From an operational perspective, suppliers with standing arrangements will be called up based on their evaluated score during the RFP/award process. That means the highest scored supplier would be requested first, then the second highest would be requested second, etc.

For procurement, there is an increased administrative burden to set up and manage many contracts. However, this can be offset through the operational efficiency of having a more secure supply to draw from, rather than managing a non-performing supplier and having to complete a rush single source.

Timelines

Competitive opportunities are posted online using the SAP Ariba Discovery and Alberta Purchasing Connection (APC) websites. Timelines for the bid process are clearly outlined with each RFP or ITT based on the City's requirements and the goods/service being procured. Changes to timelines, where required, are made in an open and transparent manner using Ariba Discovery and APC.

Administration is continuously working to improve its processes and procedures, including an ongoing review in preparation for the Enterprise Commons program. Projects such as Ariba (recently implemented) and Enterprise Commons are accompanied by further reviews of procedures and practices, striving to find efficient ways that translate in additional value generated to citizens and internal business areas.

COMMUNITY INSIGHT

Policy development is based on trade agreements and industry best practices, and community consultation is obtained whenever possible. Recent examples include work on Indigenous Procurement (in partnership with community consultation) and local procurement. Reports on both these efforts are scheduled for 2022. Administration also considers feedback and lessons learned from suppliers and bidders in through a continuous improvement process that involves reviewing and revising procurement practices on an ongoing basis.

Administration is constantly engaging with existing and potential suppliers on a day to day basis and advises all suppliers to monitor the APC portal for future opportunities. Suppliers are informed of the Edmonton.ca webpage Selling to the City (https://www.edmonton.ca/business_economy/selling-to-the-city) to find more information.

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GBA+

GBA+ lens has been applied to the City's review of procurement processes, leading to further policy development in the areas of local procurement and Indigenous procurement (both currently under development). City Policy C556A Sustainable Procurement, approved in 2019, is included as Attachment 2 for information.

The Sustainable Procurement Policy (C556A) is focused on four purchase outcomes to integrate community social value; Employment, Skills and Training, Social Value Supply Chain and Community Development and uses a variety of social benefit criteria that include many GBA+ considerations. Administration is working on a progress update and outcomes from this policy as per the Council motion made January 25, 2021 to incorporate these into regular procurement reporting.

As Administration reviews its existing policies, procedures, standards, and practices, and creates new ones, GBA+ components will continue to be evaluated. Administration intends to reinforce the values and commitments set by Council by partnering with suppliers that are aligned to those values. The City's Code of Conduct expectations for its suppliers is included as Attachment 3.

ATTACHMENTS

1. Administrative Directive A1465B : Procurement
2. City Policy C556A : Sustainable Procurement
3. Supplier Code of Conduct