

## GOODS AND SERVICES PROCUREMENT POLICY

### RECOMMENDATION

That the June 29, 2022, Financial and Corporate Services report FCS01093, be received for information.

#### Report Purpose

##### Information only.

Council is being informed generally of the City of Edmonton's procurement practices and how they conform to those in peer municipalities and the Government of Alberta.

### Previous Council/Committee Action

At the February 7/9, 2022, City Council, the following motion passed:

That Administration return to Committee with a report outlining the City's current Goods and Services Procurement policies and practices and those of comparable municipalities and public sector entities including the use of standing agreements within the formal procurement process and the transparency relating to these standing arrangements such as when competitions open and close, the length of contracts and how vendors are notified.

### Executive Summary

- Administration conducts procurement for goods and services in accordance with Canadian procurement standards and trade agreements (which mandate how goods and services are purchased for government entities).
- When comparing the City of Edmonton procurement practices to cities of a similar size, the practices are very comparable, as all of the organizations are bound by the same standards and most of the same trade agreements.
- The greatest variation is in the term length of standing arrangements. Edmonton uses a one to three year initial term, while most other cities use a longer term with options to extend.

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## REPORT

Canadian public entities, including municipal, provincial and federal governments, educational institutions, agencies, commissions, boards and councils or committees, school boards, health authorities and all subsidiaries (e.g., EPCOR), are obligated to adhere to trade agreements (Attachment 1). These trade agreements mandate how governments must buy goods, services and construction services. The trade agreements also ensure governments follow the same rules; help show suppliers how a public body, like the City of Edmonton, procures in a fair, open and transparent manner; and provide dispute resolution and bid protest mechanisms.

### City of Edmonton Procurement Policy

City Policy A1465 - Procurement Administrative Policy sets the expectation that the City of Edmonton's procurements will be conducted in an open, fair and transparent manner that achieves the best value and that supports Council's environmental, social and economic objectives. Administration takes accountability for 1) ensuring the efficiency and effectiveness of the procurement process and 2) its responsibilities to all stakeholders, including suppliers and the public.

There are multiple ways that the City procures construction, goods and services. The purchasing process can differ depending on the dollar value, risk level, the type of purchase or any other special requirements. The City applies the following principles for procurement activities in accordance with City Policy C556A -Sustainable Procurement Policy, City Policy A1465 and relevant trade agreements:

- achievement of best value for money for the City;
- fairness, openness and transparency, ensuring that the City's practices and processes are easily accessible and understandable by the marketplace;
- leveraging buying power through corporate contracts or strategic sourcing;
- appropriately justifying all non-competitive procurement processes;
- thoroughly assessing risks, supplier qualifications and full life cycle costs;
- integrity and ethics in all procurement activities; and
- use of competitive procurement processes wherever possible and appropriate.

Although thresholds, obligations and especially trade agreement exceptions vary across different trade agreements, the most fundamental or common trade agreement obligations for the City are to undertake a competitive procurement process, and to publicly post any procurement estimated to be above \$200,000 for construction and above \$75,000 for goods and services, unless there is a valid trade agreement exception for applicable trade agreements.

### City of Edmonton Procurement Processes and Definitions

- *Competitive Process*: This is the most common and preferred way to acquire goods and services and is generally required for purchases of goods and services over \$75,000 and construction over \$200,000. All suppliers have an equal chance to bid for an opportunity as a notification is posted on the provincial government's procurement website, Alberta Purchasing Connection, and the sourcing event is posted on Ariba Discovery (the City's

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procurement software application). All compliant bids are reviewed by a formal evaluation committee using a consistent and predetermined evaluation process. The competitive process will typically lead to one of three types of situations: standing arrangements, pre-qualified lists or typical contracts.

- *Standing Arrangement Definition:* A type of arrangement between the City (or other public entities) and one or more Suppliers, under which the City may acquire goods, services or construction from the Suppliers over the term of the arrangement on an if, as and when required basis using a predetermined mechanism to select the Supplier(s) to provide the goods, services or construction in each case.
- *Pre-Qualification Definition:* A Request for Pre-Qualification (Pre-Qual) is a procurement that is used to determine which bidders possess the required qualifications to be invited to participate in one or more subsequent procurements.
- *Non-Competitive and Invitational Process:* Used only in situations where there is a limited amount of competitors, a limited amount of time available to fulfill a need, or other specific requirement that can only be met by one particular organization. Administration reports non-competitive procurement agreements with values exceeding \$250,000 to Executive Committee annually. The City is also required to report compliance to the body overseeing the trade agreements it is obligated to follow.
- *Self-Serve Process:* Often referred to as a “Low Value” Purchase Order, this type of purchase can be made when the value of the purchase is below \$25,000. Employees using this process are asked to obtain quotes prior to committing the purchase. City staff are trained how to use this method in a compliant manner and have controls and reporting in place. Purchases via credit card also fall under this method.

As reported in the June 29, 2022, Financial and Corporate Services report, FCS00995 Annual Delegation of Authority, the City procured 91 per cent of its contracts over \$250,000 using competitive methods. These contracts also represented 95 per cent of the dollar value of all contracts.

### Standing Agreement process and environmental scan

Each procurement posting outlines how the bidders will be evaluated to determine the preferred bidder. Administration’s role is to maintain the objectiveness of the evaluations and ensure scored items are appropriate to the scope of the work.

The City is focused on ensuring communication with the City’s supplier community to ensure fair, open and transparent procurements. It is in the City’s best interest to provide opportunities for the business community to achieve ongoing support for City services as well as continually revisit the market for continuous improvement and innovations.

All information relating to specific procurements is communicated to all potential suppliers via Alberta Purchasing Connection and Ariba Discovery. Any updates, questions or changes to the information are posted for all bidders to see, ensuring no advantage or disadvantage is conveyed to any bidder.

Attachment 2 provides a comparison of these City of Edmonton practices in regards to standing arrangements against comparable municipalities and public sector entities. Cities were selected

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based on comparable size and location, as well as the Government of Alberta, which follows the same trade agreements as Edmonton. Attachment 1 provides information regarding the thresholds for Trade Agreements.

The City of Edmonton procurement practices vary slightly from the other municipalities and/or government bodies in that Edmonton uses a one to three year initial term for standing agreements while most others see a longer term with options to extend. Administration's current one to three year practice strikes a balance between being responsive to the market and open to new vendors and allowing a long enough term as to not be engaged in back-to-back procurement and evaluation cycles. Administration continually reviews its processes to ensure compliance with trade agreements and alignment with industry best practices. As part of our improvement process, Administration will be publishing a list of Standing Arrangements annually for greater transparency.

## **COMMUNITY INSIGHT**

New opportunities are available publicly on the Alberta Purchasing Connection and Ariba Discovery. Suppliers are able to subscribe to both of these platforms to be notified of potential procurement opportunities. Bidders are welcome to request a debrief of their bid/proposal once the procurement has been awarded. Debriefs are facilitated by the Corporate Procurement and Supply Services Branch, along with the business area representative(s).

## **GBA+**

As Administration reviews its existing policies, procedures, standards and practices, and creates new ones, GBA+ will be applied. Administration intends to reinforce the values and commitments set by Council by partnering with suppliers that are aligned to those values including social, local and indigenous procurement.

## **ATTACHMENTS**

1. Trade Agreement Thresholds
2. Municipal Comparisons