

Procurement Update

ISSUE

This report provides an update on the City of Saskatoon's (City) procurement practices, particularly addressing opportunities, performance, and statistics regarding local procurement.

BACKGROUND

At its Business Plan and Budget Review meeting on December 2, 2020, City Council resolved:

“That the Administration report back with an update on our procurement practices, with a specific focus on opportunities, current performance, and limitations around local procurement, and that stakeholders be advised when this report comes before Committee/Council.”

CURRENT STATUS

The City's Purchasing Policy C02-045, reflects best practices for public procurement and draws on criteria from federal and provincial procurement rules; it incorporates a 'best value' approach versus lowest price in the procurement of civic goods and services for the City.

Best value criteria often include items such as schedule completion, demonstration of similar work completed, demonstration of knowledge necessary to complete the work, and previous history or references. The appropriate criteria are determined based on the needs of each particular procurement.

The City is committed to meeting the needs of our stakeholders through open, fair, and transparent procurement processes that afford equal access to all qualified suppliers, and to the maintenance of public trust through adherence to our procurement principles.

The procurement of goods, services, and construction by the City is subject to the following trade agreements: the [New West Partnership Trade Agreement](#); [Canadian Free Trade Agreement](#) and the [Comprehensive Economic and Trade Agreement](#).

Administration has an ongoing commitment to the modernization and continuous improvement of our supply chain management policies, systems, tools, and processes, including the ongoing entrenchment of our purchasing policy and best value procurement. Since December of 2018 the City has implemented the following:

1. Purchasing Policy – December 2018.
2. Indigenous Procurement Protocol – February 2019.
3. eBidding (online bidding) – October 2020.
 - a. Eliminating paper-based bid submissions.

- b. Reducing the risk of non-compliant or late bid submissions.
4. Fusion/SAP – January 2021.
 - a. Elimination of paper-based purchase orders.
 - b. Creates visibility into the City’s spend and presents opportunities to leverage our spend to achieve Social, Economic, Sustainable procurement outcomes.
5. Supply Chain Management Transformation and Modernization - ongoing.
 - a. Shift from decentralized to centralized procurement activities.
 - b. Shift to strategic procurement which involves proactively managing the City’s purchasing needs and current spend, developing procurement strategies that leverage our spend to achieve best value outcomes.

DISCUSSION/ANALYSIS

Local Procurement

Through the City’s procurement efforts and processes outlined above, a significant portion of the City’s spend has been awarded to local business. As outlined in Appendix 1, the City spent \$211 million or 56% of the overall procurement spend within the Saskatoon area in 2021 while 66% or \$248 million was spent within Saskatchewan.

It is important to note that local spend has been defined based on where the invoice payment is sent for work contracted by the City. There are also instances where the City has contracted local franchises or local locations, but as payments are sent to head offices located outside of Saskatoon or Saskatchewan these businesses are not identified as local spend in the City’s reporting even though they may have created several local benefits such as job creation or local investment. To further refine the data to capture these nuances is manual, subjective, and difficult to consistently replicate. Examples of this include multi-national companies in fuel and petroleum products, equipment rental, maintenance, repair, and operations (MRO) products, and advertising services.

As previously mentioned in the report the City is committed to an open, fair and transparent procurement process. We also continue to focus on best value procurement which means that, depending on the procurement, lowest price is not the only factor.

There are several opportunities for the City to continue to grow the amount of spend locally, namely:

1. Continue education, engagement and awareness. The City is committed to making the procurement process as easy to understand as possible and giving vendors advanced notice of procurements when possible; examples include:
 - a. Historical spend reports, including a breakdown of spend categories on our external “Doing Business with the City” webpage

- b. Conducting Procurement 101 sessions, attending and participating in trade shows, presenting at various procurement forums
2. The Administration actively participates with the Corporate Procurement Committee (CPC), with representatives from Ministry of Trade and Export Development, SaskBuilds, Crown Corporations, and various Municipalities within Saskatchewan. The Mission of the CPC is to promote Saskatchewan economic growth by developing quality, competitive suppliers of goods and services in Saskatchewan. The CPC's goals and objectives are to:
 - Maximize Saskatchewan content in the acquisitions of goods and services in accordance with trade agreements;
 - Increase awareness of Saskatchewan supplier capabilities;
 - Encourage the export of goods and services by Saskatchewan suppliers;
 - Identify opportunities to Saskatchewan suppliers;
 - Share procurement best practices;
 - Maximize Indigenous procurement and diversity of Saskatchewan supplier content in the acquisition of goods and services; and
 - Encourage the implementation of Quality Assurance Programs by Saskatchewan suppliers.
3. Procurements Below Open Competition Thresholds – Often procurement/spend at this level is most suited to local suppliers and the City will continue to target local suppliers for this work where appropriate.

Current Procurement Practices

Competitions Above Open Competition Thresholds

Where a procurement is covered by a trade agreement, the procedural obligations of the trade agreement must be followed. Open competition thresholds are:

Goods	\$75,000.00
Services	\$75,000.00
Construction	\$200,000.00

The City is committed to conducting its Procurement program in accordance with these following principles:

- a) Compliance and consistency with applicable legislation, policies and procedures;
- b) Open, fair and transparent processes that afford equal access to all qualified Suppliers;
- c) Reciprocal non-discrimination and geographic neutrality with respect to its trading partners in accordance with trade treaty obligations;

- d) Achieving Best Value through consideration of the full range of Procurement formats and the adoption of commercially reasonable business practices; and
- e) Incorporate sustainability including Environmental Sustainability, Economic Sustainability and Social Sustainability.

Opportunities Below Open Competition Thresholds and Low Value Procurement Procurements below \$10,000 and between \$10,000 and \$25,000.

These requirements are considered as low dollar value procurement and delegated to the Division per the City's Procurement Policy. In this case, Divisions will determine the most appropriate procurement strategy for each requirement to obtain best value and ensure the timeliness, cost-effectiveness, and operational outcomes are achieved. They may use various methods to identify and select suppliers, but these procurements are generally award based on low bid/price.

If a Division anticipates making multiple Low Value Purchases of the same Deliverables and the total value of those purchases may exceed \$25,000.00, the Division must contact Supply Chain Management to discuss the possibility of setting up a Standing Offer or Qualified Supplier Roster.

Procurements above \$25,000, but below open competition thresholds.

If a Division anticipates making purchases that exceed \$25,000.00, the Division must contact Supply Chain Management to conduct the market assessment and determine the solicitation process.

These requirements are considered low dollar value procurement and provide Local, Diverse Suppliers, and Indigenous Suppliers with good opportunities to sell their goods and services to the City of Saskatoon. As such, suppliers can be freely invited to participate in procurements below open competition thresholds and under the City's existing purchasing policy and trade agreements.

Other Jurisdictions

The Government of Saskatchewan has also switched to a best valued procurement model which ensures a fuller range of criteria are based on the specific needs of the good or service being purchased.

The Ministry of Highways and Infrastructure for the Province of Saskatchewan added a community benefits provision to their procurements which awarded points based on a sliding scale with the maximum points awarded to those contractors using 100% local labour and 0 points for those using 60% or less.

A contractor challenged these provisions as discriminatory and contrary to the trade treaties. The matter proceeded to arbitration pursuant to the BID Protest Mechanism under the New West Partnership Agreement and the Canada Free Trade Agreement. The decision is available publicly. According to the decision these measures were taken to support regional economic and enhance quality of life across the province of

Saskatchewan. The arbitrator found that the Ministry had breached the provisions of the trade treaty prohibiting non-discriminatory practices. In addition, the arbitrator recommended that the Ministry remove the Community Benefits provision from all future procurements. The Court of Queen's Bench dismissed an application to review the decision. It was reported that the Ministry had removed this provision from their future procurements. Bid preparation costs, tariff costs and operational costs were awarded against the Ministry.

OTHER IMPLICATIONS

There are no privacy, legal or environmental implications identified.

NEXT STEPS

Continue with the Administration's approach and journey to strategic procurement which involves proactively managing the City's purchasing needs and current spend, developing procurement strategies that leverage our spend to achieve best value outcomes.

Build a more robust approach to tracking and reporting the City's spend, progress, success, and metrics, including procurement dashboards to create transparency and awareness. Provide visibility into the City's spend on the City's "Doing Business with the City" website to provide vendors with information they need to identify segments of our spend that are aligned with their business.

Permit, facilitate, and promote local preference for spend below open competition thresholds and were permitted by the Trade Treaties.

APPENDICES

1. 2021 Spend Overview

REPORT APPROVAL

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