

Options to Achieve 5% Indigenous Spending Target

ISSUE

City Council has approved a 5% Indigenous Spending Target. What are the options to achieve this target and associated timelines?

BACKGROUND

History

At the August 29, 2022 regular meeting of City Council when considering the [Indigenous Procurement Update and Next Steps](#) report, City Council resolved that:

“That a 5% Indigenous spend target be established and that the Administration report back on the time and path to achieve that.”

Current Status

As reported during the August 29, 2022 regular meeting of City Council, the City of Saskatoon’s (City) Indigenous Spend in 2021 was approximately one percent (1%) of the City’s total spend based off available data and excludes Government and Utility payments. Based on an average spend of \$350 million per year, a five percent (5%) target on total controllable spend to Indigenous businesses would equate to approximately \$17M in Indigenous Procurement spend.

According to Stats Canada approximately 4.8% of the 32,355 private businesses in Saskatchewan have First Nations, Metis, or Inuit majority ownership ([Source: Stats Canada Private Sector Business Counts by Majority Ownership](#)). It is important to note while many of these businesses may provide goods or services the City does not purchase (retail, restaurant, etc.) the percentage of ownership statistics suggest that a target of 5% of City spend dedicated to Indigenous procurement is achievable.

City of Saskatoon’s Current Approach

The City includes Indigenous Procurement evaluation criteria in all best value procurements (RFPs) that award points for and recognizes our suppliers for Indigenous ownership, labour hours, as well as their Indigenous training and awareness activities.

In addition to the implementation of Indigenous Procurement evaluation criteria, the City has largely focused on building relationships, education, training, awareness, and ensuring open, fair, and transparent procurement process within its Indigenous Procurement framework. While the protocols established to support Indigenous Procurement in 2019 set a foundation and framework, we need to continue to make progress where possible by demonstrating leadership, promoting awareness, and remaining committed to continuous improvement. Some of the City’s recent Continuous Improvement Activity and Highlights related to Indigenous Procurement can be seen below:

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- The City's external webpage now includes a section for Diverse and Indigenous Procurement.
- Biddingo vendor registration has been expanded to include Diverse Supplier groups, including questions regarding certification.
- SAP Vendor Master is to be expanded to include diversity groups with definitions to support future reporting and metrics.
- Indigenous and Social Procurement engagement sessions – Supply Chain Management (SCM) scheduled engagement meetings with Divisions across the organization to open the discussions, create awareness, and identify potential Indigenous and Social Procurement Opportunities.

Approaches in Other Jurisdictions

Government of Canada

The Government of Canada has committed to increasing the participation of Indigenous businesses in federal procurement. To do so, they are working with Indigenous Services Canada and the Treasury Board of Canada Secretariat to create a new target to have 5% of federal contracts awarded to businesses managed and led by Indigenous Peoples. The new mandate will be phased in over three years with full implementation expected by 2024.

SaskPower

In 2012, SaskPower implemented an Indigenous Procurement Policy to enable the participation of Indigenous communities and businesses in their major projects. In 2015, they established an Indigenous Procurement Standard and dedicated an implementation team to this initiative. This is just one of the measures that led SaskPower to receive a gold designation from the Canadian Council for Aboriginal Business for "Progressive Aboriginal Relations (PAR)", for a second consecutive time.

Similar to the City of Saskatoon, SaskPower provides evaluation points for Indigenous ownership and labour participation in every request for proposal that goes out to market.

SaskPower has a corporate target for Indigenous Procurement of 10% for 2022-2026 that is included in their Corporate Balanced Scorecard and reported on their Annual Report. According to SaskPower's 2021-22 [Annual Report \(pg.25\)](#) their actual Indigenous Procurement performance was 12.1% on an 8.5% target.

City of Regina

The City of Regina will implement two new procurement protocols in Q2 of 2023, a Sustainable Procurement Protocol and an Indigenous Procurement Policy.

The Sustainable Procurement Protocol will guide City procurement officials in determining who is a "Sustainable Supplier". The Protocol directs departments to consider four Sustainable Procurement Pillars when evaluating tenders. Specifically,

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the four evaluation pillars are Environmental, Economic, Indigenous and Social Sustainability.

The Indigenous Procurement Policy outlines the City of Regina's commitment to engaging Indigenous businesses to build capacity by procuring goods and services from Indigenous businesses in Saskatchewan.

The City of Regina intends to implement these protocols using a phased approach providing vendors time and support to evolve their business practices and supply chains to align with the City's procurement goals.

The City of Regina is also seeking to recruit an Indigenous Procurement Partner. This position will lead the development and execution of Indigenous community engagement and consultation plans, focusing on collaboration and open dialogue. This position will play a key role in negotiations, supporting project teams in obtaining mutually beneficial economic agreements (both short and long-term) with Indigenous communities.

City of Edmonton

The City of Edmonton's [Indigenous Procurement Framework](#) is intended to address barriers to and increase participation by Indigenous-owned businesses in the City's procurement processes. It is intended to apply to procurements across the corporation with the objective of removing barriers and building capacity within Indigenous businesses to participate in City procurement processes more fully. This may be achieved through measures which promote increased direct purchasing from Indigenous suppliers and those which encourage the larger business community to provide employment, subcontracting and mentorship opportunities within Indigenous communities.

OPTIONS

Based on the City's progress to date and the goal of reaching the target of 5% spend to Indigenous Businesses, the remainder of this report outlines the available options to achieve this and the projected timelines.

Option 1 – Status Quo Approach

This approach would continue down the current path utilizing existing resources. The current path includes a three-pillar Indigenous Procurement strategy which includes:

1. Demonstrating Leadership;
 - a. Organizational and executive support.
 - b. Indigenous engagement, promote positive relationships with Indigenous people, communities, and business.
 - c. Listen, learn, and adapt.
 - d. Support and drive internal and external stakeholder engagement.
2. Procurement Practices and Reporting,

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- a. Setting measurable and reliable metrics such as:
 - i. Percentage of Total Spend.
 - ii. Number of Contracts Awarded.
 - iii. Percentage of Indigenous Vendors.
 - b. Procurement dashboards and reporting.
 - c. Modern Procurement Practices and Strategies.
 - i. Indigenous Participation and RFP Evaluations.
 - ii. Direct Awards, Limited or Closed Competitions for under competitive threshold spending.
3. Training, Awareness, and Education:
- a. Stakeholder/Vendor/Internal training and awareness.
 - i. Provide education and training to assist small, medium, or diverse enterprises with navigating the City's procurement process and system.
 - ii. Procurement 101:
 - 1) Doing Business with the City.
 - 2) Identifying potential opportunities.

While this option would continue to build on the existing foundation, achieving the 5% target would happen over time as this approach relies heavily on education, training, relationship building and under competitive threshold spending. While it is difficult to determine the specific year the 5% target would be achievable under this or any option, utilizing 0.50% annual growth would be a reasonable estimate meaning the 5% target would be achieved by 2031.

Option 2 – Status Quo with Dedicated Resources Approach

This option would aim to accelerate the progress towards achieving the City's 5% Indigenous procurement goal through the introduction of a dedicated and experienced Indigenous Procurement Specialist. Currently the internal and external engagement required to build meaningful relationships and partnerships under option 1 is being completed by existing staff amongst several other competing priorities including the day-to-day procurement requirements. While the framework in option 1 is sound and aligned with best practices the lack of a dedicated resource with experience and expertise to complete this work has resulted in slower than desired results.

It is anticipated this resource will be able to identify partnership opportunities more effectively between the City and Indigenous suppliers and build a more proactive approach to Indigenous Procurement within the City. With this additional resource it is anticipated the City's Indigenous Spend could grow by 0.75% per year achieving the 5% target by 2029 or earlier.

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It is estimated this resource would cost approximately \$145,000 per year including payroll costs. The downside to this approach is the resource could not be added until the 2024 budget and it would be reliant on property tax support for funding.

Option 3 – Direct Awards to Indigenous Suppliers Above Open-Competition Thresholds

To date the City has focused on Direct awards to Indigenous Suppliers below the open competition threshold of \$75,000 for goods and services and \$200,000 for construction as per the applicable legislation and trade agreements. However, there is an opportunity to direct award the procurements to Indigenous suppliers above the competitive thresholds as all the applicable trade agreements have Indigenous exceptions included within them.

The use of this option would allow the City to identify specific partnership opportunities with Indigenous owned businesses and direct award to those organizations beyond the \$75,000 and \$200,000 open competition thresholds. This option will result in significant progress towards the City's 5% Indigenous spend goal as the City could include larger direct awards in our Indigenous Procurement strategy which would close the \$17 million gap quicker than the status quo approach.

It is estimated by awarding to Indigenous Suppliers above open competition thresholds that the 5% target could be achieved within five years and likely by 2026.

The downside to this approach is it would remove contracts that may have been competitively bid in the past from the market. As such, it may result in higher prices and potentially upset other suppliers who no longer have the chance to bid on this work. It is important to note Saskatoon would not be the first organization to employ this strategy as other agencies have begun setting aside procurements for Indigenous vendors such as the [Federal Government's Procurement Strategy for Indigenous Business \(PSIB\)](#).

Option 4 - Dedicated Resource and Direct Awards to Indigenous Suppliers Above Open-Competition Thresholds

This option would combine both option 2 and option 3 to accelerate the achievement of the City's 5% Indigenous spending target. This option would both directing the Administration to include an Indigenous Procurement Specialist within the 2024 budget options for City Council's consideration as well as proceed with direct awards to Indigenous owned business over open-competition thresholds.

This approach would not only help achieve the 5% target quickly, but the dedicated resource would ensure this approach is sustainable and new partnerships and opportunities are constantly being sought to expand the City's purchasing impact in the community.

It is estimated through introduction of both measures, the 5% target could be reached by 2025.

RECOMMENDATION

That the Administration be directed to implement option 4 which includes a dedicated Indigenous Procurement Specialist as part of the 2024 budget options for City Council's consideration and to proceed with the identification and direct award of contracts above open competition thresholds to Indigenous owned businesses.

RATIONALE

The 5% Indigenous owned business spending target has been established as a key priority for City Council. While existing resources and current approach can meet this target it will take time as the SCM Team is currently balancing several different priorities and the current approach doesn't provide the necessary tools to achieve this goal quickly. Introduction of a dedicated Indigenous Procurement Specialist as well as the ability to identify and direct award contracts above open competition thresholds to Indigenous owned businesses provide the best opportunity to achieve and sustain a 5% spending target in the quickest fashion. As such, the Administration has recommended option 4.

REPORT APPROVAL

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