



# Finance, Administration and Audit Committee Report

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**DATE:** Wednesday, June 05, 2019

**WARD(S):** ALL

**TITLE: PROCUREMENT ACTIVITY REPORT – Q1 2019**

**FROM:**

Michael Coroneos, Chief Financial Officer and City Treasurer

**ACTION:** FOR INFORMATION

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**Purpose**

This report provides details of the Procurement Activities undertaken in Q1 2019

**Report Highlights**

- Total procurement spend for Q1 2019 was \$17.4 million.
- 69 contracts were awarded for \$14.9 million.
- Departments processed an additional \$1.4 million in Low Dollar Module purchases and \$1.1 million in PCard transactions.
- Average cycle time to award contracts improved by 16 days, or 17.8%, when compared to the first quarter 2018.

**Recommendations**

1. The Q1 2019 Procurement Activity Report be received.

**Background**

This report has been prepared in compliance with the City's Corporate Procurement Policy.

The Policy sets out the Delegation of Authority to Award at various levels of the organization for procurement related activities, and requires the Director of Procurement Services to report the awards to Council on a quarterly basis.

The following table provides a summary of the Delegation of Award Authority per the Policy.

	Competitive Procurement	Non-Competitive Procurement		
	Tenders/RFP/RFQ	Sole Source	Single Source	Emergency
Manager	≤\$25,000	Nil	Nil	≤\$10,000
Director	\$25,001-\$100,000	≤\$25,000	≤25,000	≤25,000
Deputy City Manager/ Chief	\$100,001-\$500,000	\$25,001-\$50,000	\$25,001-\$50,000	\$25,001-\$50,000
City Manager	>\$500,000	>\$50,000	\$50,001-\$100,000	>\$100,000
Council	Quarterly Reporting		>\$100,000	

## **Previous Reports/Authority**

<https://pub-vaughan.escribemeetings.com/filestream.ashx?DocumentId=13476>

Item 7, Report No. 5, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on March 19, 2019.

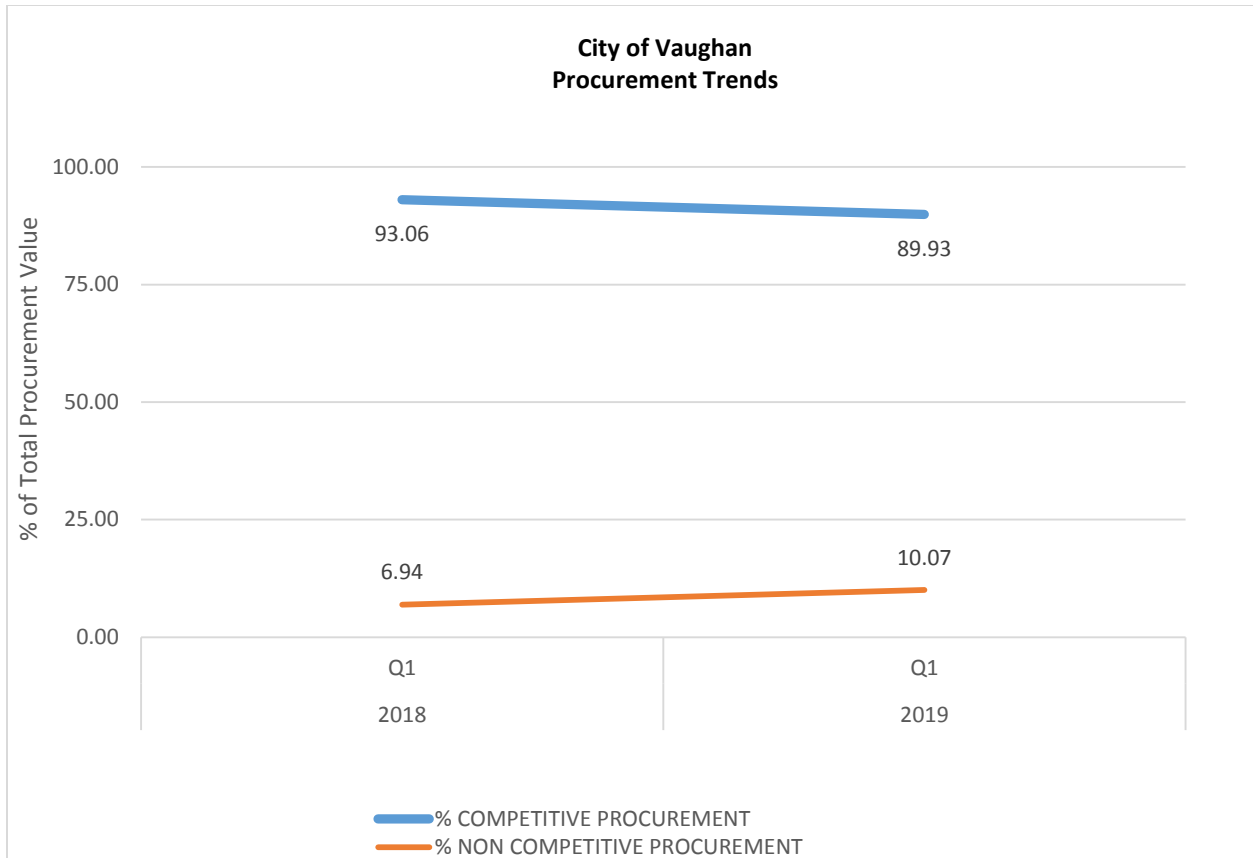
## **Analysis and Options**

### **69 procurement contracts worth \$14.9 million were processed in the first quarter**

Procurement Services processed 36 competitive bids valued at \$13.4 million and 33 non-competitive bids valued at \$1.5 million. Non-Competitive bids comprise 10.07 per cent of the total approved award value, compared to 6.94 per cent during the same quarter last year.

The non-competitive bid value included a \$0.5 million Council-approved Single Source award for fitness equipment at the Community Centres and Fire Stations.

The following chart shows the year-over-year quarter 1 competitive vs non-Competitive comparison, expressed as a percentage of the total procurement value.



The Q1 2019 Non-Competitive % decreases to 6.90 after adjusting for the \$0.5 million Council-approved Single Source award for fitness equipment

Procurement Services will continue to work with client departments to further improve the competitive procurement awards, while reducing the non-competitive spend.

Attachment 1 provides a breakdown of the 69 procurements by type, and by delegated authority, that were awarded during the first quarter.

Attachment 2 categorizes the 69 procurements by Portfolio/Office, and by procurement type, that were awarded during the first quarter.

Attachment 3 summarizes the competitive and non-competitive procurement activity for the first quarter.

### **Departments processed an additional \$1.4 million in Low Dollar Module (LDM) Purchase Orders**

The introduction of LDM Purchase Orders through JDE has provided a more robust reporting tool, allowing the distribution of monthly reports to departments with information on their LDM purchases. It also provides Procurement Services with the ability to review the types of procurements made, and engage in meaningful

conversations with departments regarding spend patterns and alternate procurement methods that could be thoughtfully considered. This will help facilitate the departments' procurement needs while leveraging the City's buying capacity to obtain the best value for money spent.

During the first quarter, there were 1,525 LDM purchase orders issued, totaling \$1.4 million with an average of \$938 per transaction. Over 60 percent of the LDM procurements were for materials and supplies. The remaining 40 percent relates to vehicle maintenance and repairs, furniture and equipment purchases and training and development fees.

This year's quarter 1 LDM purchases represents a decrease of \$200,000 over the same quarter last year, or a reduction of 12.5 per cent year-over-year.

Procurement Services staff continue to review and monitor these transactions with client departments to determine if alternative procurement methods could be considered.

### **Departments processed an additional \$1.1 million in Purchasing Card (PCard) transactions**

To provide City employees with the flexibility to conduct day-to-day business, departments have the authority to purchase low value goods and services using PCards. As of March 31, 2019, there were 271 approved PCard holders throughout the City of Vaughan and Vaughan Public Libraries.

All employees authorized to use a PCard must attend mandatory training and sign a Purchasing Card Agreement Form (setting out in writing their responsibilities and restrictions regarding the use of the PCard) before a card is issued. During the first quarter, nineteen (19) employees were trained over nine (9) training sessions, while nine (9) PCards were issued and eighteen (18) deactivated.

Furthermore, prior to card issuance, individual transaction limits, monthly credit limits and merchant category restrictions are assigned to each cardholder based on the business requirements and within the delegated authority outlined in the Corporate Procurement Policy (PS-003) approved by Council.

Any employee authorized to use a PCard may purchase low-value goods/services within approved budgets, and in accordance with the rules and guidelines detailed in the Corporate Procurement Policy, Purchasing Card Policy and any policies that govern the reimbursement of employee expenses.

All cardholders are required to attach invoices/receipts, in support of their transactions, to their monthly activity statement and forward the documentation to their department head for review and approval of all purchases charged under their area of responsibility.

The City of Vaughan implemented the PCard Program to transition from manual-intensive processes to a more efficient and cost-effective method of purchasing low value goods and services, reducing overall transaction time while improving transparency, visibility, monitoring and reporting.

During the first quarter, departments processed 2,843 transactions worth \$1.1 million, averaging \$388 per transaction. Analysis shows that over 80 percent of the PCard transactions were primarily for low value operating supplies, advertising, professional memberships, training, seminars and travel-related services.

As a result, the City has realized administrative and transactional savings through the significant reduction of cheque payments to multiple vendors, and to employees for reimbursement of out-of-pocket costs.

Attachment 4 provides a summary of Other Procurement Activity for the first quarter 2019.

**Average cycle time to award contracts improved by 16 days, or 17.8%, when compared to the first quarter 2018.**

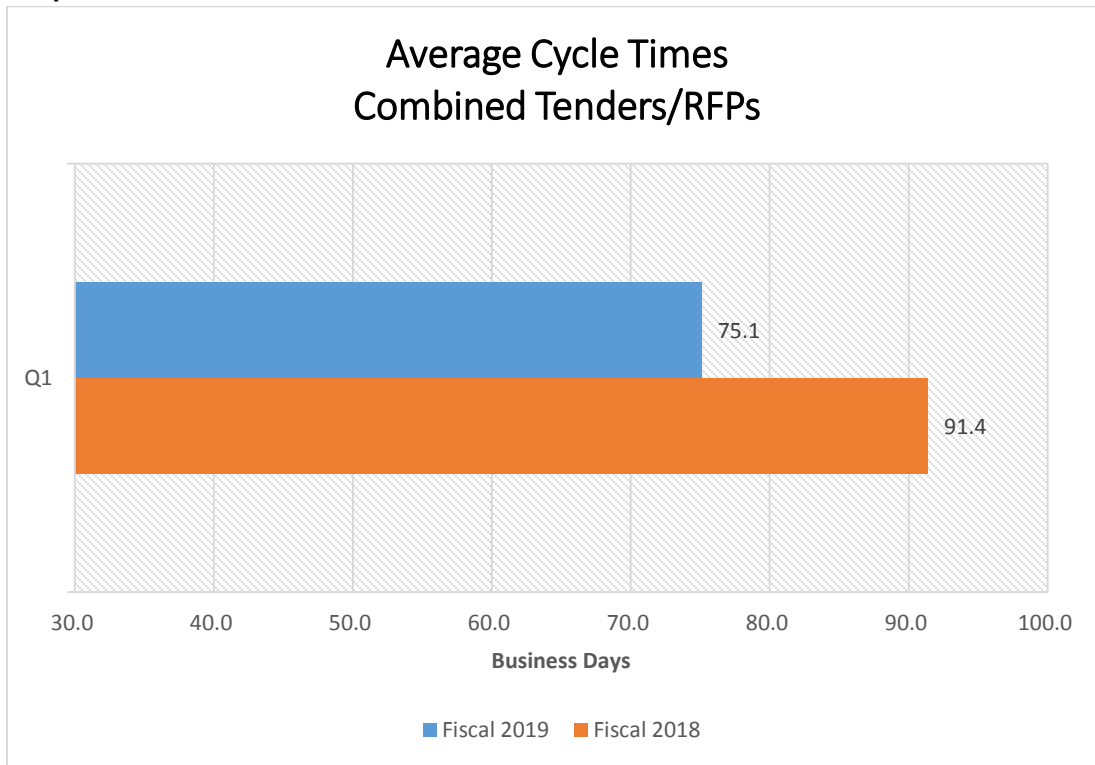
The Council-approved revised Corporate Procurement Policy, with the new delegation of award authority, enabled the City to procure and award its goods, services and construction within shorter timeframes.

The first quarter average cycle time to award Tenders and Request for Proposals (RFPs) contracts improved by 16 days, or 17.8%, when compared to the first quarter 2018.

Procurement Services will continue to work with client departments to further improve the cycle time to award contracts and improve project delivery time.

The year-over-year quarter 1 cycle time comparison is depicted in Graph 1.

**Graph 1**



### **Financial Impact**

There is no financial impact resulting from receipt of this report.

### **Broader Regional Impacts/Considerations**

There are no impacts to other governments/organizations resulting from the receipt of this report.

### **Conclusion**

This report has been prepared in compliance with the Procurement Policy approved by Council on April 1, 2017.

**For more information**, please contact:

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### **Attachments**

Attachment 1: Procurement Activity – Procurements by Type, and by Delegated Authority, Awarded During the First Quarter

Attachment 2: Procurement Activity – Procurements by Portfolio/Office, and by Procurement Type, Awarded During the First Quarter

Attachment 3: Procurement Activity – Competitive and Non-Competitive Procurement Activity for the First Quarter

Attachment 4: Other Procurement Activity – First Quarter

**Prepared by**

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