

Subject: Update on Changes to Town Purchasing Process

Recommendation:

BE IT RESOLVED THAT Council receive Report #2024-0176 Update on Changes to Town Purchasing Process, for information;

AND THAT Council direct the Chief Administrative Officer to take all necessary steps for Pelham to formally join the 'Canoe Procurement Group' operated by LAS;

AND THAT Council approve in principle the proposed approaches to the use of 'Rosters' in situations where time is of the essence (typically grants and emergencies) or for the purchase of services that are expected to cost less than \$100,000.

Background:

In 2022 and 2023, there were several large tenders and a number of grants that required a very fast turnaround, resulting in the hurried hiring of consultants and other third parties. In the process of this work, some structural and systemic limitations in the municipality's capacity to purchase goods and services became apparent. The purchasing system, which incorporates people, systemic processes, legal requirements, policy and technology, touches a majority of municipal operations. Council directed the CAO to take necessary steps to improve institutional capacity in this regard. This report is provided as a progress report on general enhancement efforts at the administrative level and to obtain some direction to guide future efforts.

Analysis:

The 'Purchasing Project' is expected to take approximately 18 months for complete implementation. At the time of writing, staff have been working on this project for roughly eight months. A team of subject matter experts and primary system users was assembled and has been meeting routinely, typically sequestered for an entire day at a time, once every two months. This team includes staff from Purchasing,

IT, Corporate Services, Building & Planning, Public Works, Legal Services, and the Office of the CAO.

At the time of writing, some of the milestone accomplishments include:

- Implementation of new Procurement Policy (S402-00);
- Implementation of new Purchase Card Policy (S402-01), which favours the use of purchase cards when feasible;
- Implementation of new standard form contracts that are streamlined and simplified for ease of use;
- Development of new internal procedures for how proposals and tenders are requested and reviewed;
- Development of flow charts to illustrate internal procurement processes;
- Creation of a contract inventory (partial/ongoing); and
- Partial development of standardized scope of work for engineering projects (ongoing).

Importantly, by including the Purchasing Coordinator in Public Works team meetings, the communications, and sharing of documents have improved to the point where 21 of 23 of the planned 2024 RFPs were issued by May 2024, which is roughly two months ahead of the same pace last year, a strong indicator of significant gains in efficiency.

With respect to technology, the Town is in the process of migrating all purchasing into SAP/Concur, which is a significant and highly regarded software platform for purchasing activities. In 2024, purchases are being entered into both systems to allow for learning of the software. In 2025 only the SAP/Concur software will be utilized. This software is at present only being used in Corporate Services, but it will be rolled out to other users before year's end as training is rolled out to most senior leaders, all administrative assistants, and various other users of the software.

A focused training session is planned for November when all involved parties will again be sequestered to discuss workflow improvements, learn the new software, and review the draft changes to the Procurement Policy currently being worked on by the Town Solicitor. There is a considerable volume of work required before this meeting, however.

Town administration is also recommending that the Town begin making use of the services offered by 'Canoe Procurement Group', which was founded by LAS, which in turn is the business services arm of the Association of Municipalities of Ontario, to which the Town is already a member. Council will recall that during this term the Town has entered into two contracts through LAS for the hedging of natural gas

and for the purchase of electricity. Thus far there have been no problems with either of these contracts/relationships.

The 'Canoe Procurement Group' is a purchasing consortium that obtains guaranteed pricing for many goods and services commonly used by municipalities and other public sector entities. There is no cost to join, nor are there ongoing fees associated with membership. The Town can access the bulk purchase price obtained by Canoe Procurement Group for such items as culverts, arborist equipment, office furniture, playground equipment, traffic lights and even snowplows. Doing so provides comfort that prices are reasonable and consistent with other municipalities and could avoid timelines normally associated with the purchasing function. There is a mechanism to ensure compliance with Canada's various free trade agreements. While the Town has always had access to the Canoe Procurement Group, it has not previously utilized these services. For the purchase of many common goods, this could expedite the purchasing process dramatically. If Council approval is provided, this would obviate the need to obtain multiple quotes (the ground work having essentially been accomplished by Canoe Procurement Group). In many instances Town staff could continue to work with local suppliers, provided they have existing relationships with Canoe. Council commentary and guidance on the use of this service would be welcome. If purchases are going to be made through Canoe, then some further amendments to the Town's Procurement Policy, and the associated internal procedures, will also be necessary.

Council direction would also be helpful with respect to the issue of whether or not a rostering system would be an acceptable component of the Town's purchasing regime. The primary argument in favour of a rostering system is that having vetted suppliers (typically architects, engineers, and contractors) allows for expeditious awarding of contracts when time is of the essence. The most frequent example of this is unexpected, short-timeline grants offered by higher-order governments. As Council is aware, these are offered most years and virtually all the Town's recent purchasing challenges have arisen from this scenario. If proceeding with a roster system is appealing to Council, the Town administration will develop a policy to support this direction. It is anticipated that the Town could develop its own roster system or could use a previously developed roster system such as the system developed and used by Niagara Region.

The roster system could be developed to include different categories for different projects such as roads, water and wastewater, geotechnical assignments, legal services, and facilities. The Region of Niagara uses different categories to ensure that only qualified proponents with the skills and expertise to carry out the specified scope of work are retained.

It is anticipated that the roster system will be developed and used to support time-sensitive projects (ie. to support grant submissions or are considered an emergency) and/or are less than \$100,000 in value. Based on an analysis of past engineering submissions the value of the majority of the larger engineering assignments exceeds \$100,000. As a result, the engineering assignments that would be awarded under the proposed roster system would be smaller assignments of lesser value and would include a smaller scope of work.

There are several arguments against employing a roster system. The first of these is that a roster essentially ignores the entire point of the tender process: receiving bids from unknown parties, providing equal opportunity to all, and ensuring the lowest price. There is also an argument that rosters imply favouritism (against businesses not on the roster). However, this is somewhat offset by the businesses being prequalified through a credible process operated by the Region (or Town).

If the concept of rostering is a non-starter for Council, then providing said direction to staff will simplify how the balance of this project proceeds. If Council is supportive or uncertain of the merits of rostering, then more work will be done on this element and it will return to Council at a future date for further discussion and possible approval/implementation.

Financial Considerations:

There are no immediate financial considerations associated with this report. Most costs incurred have pertained to staff time. Software was already included in the budget. There are no new budgetary requests associated with the changes to the purchasing process.

Alternatives Reviewed:

Not applicable as this is a Council-directed initiative.

Strategic Plan Relationship: Enhancing Capacity and Future Readiness

There will be significant savings of time, workload reduction and potential financial savings if Pelham can successfully create a more consistent, rigorous and efficient purchasing system. A reputable purchasing regime also demonstrates professional acumen and helps create public trust in the institution.

Consultation:

Thanks go out to the Town Solicitor, Treasurer, Deputy Treasurer and Director of Public Works, each of whom reviewed and contributed to the drafting of this report.

Other Pertinent Reports/Attachments:

None.

Prepared and Submitted by:

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