

**CITY OF HAMILTON**

**CORPORATE SERVICES DEPARTMENT**  
**Treasury Services Division (Financial Services)**

<b>TO:</b> Chair and Members Audit, Finance and Administration Committee	<b>WARD(S) AFFECTED:</b> CITY WIDE
<b>COMMITTEE DATE:</b> May 14, 2012	
<b>SUBJECT/REPORT NO:</b> Process of Appointment of Citizens to the Procurement Sub-Committee (FCS12039) (City Wide) (Outstanding Business List Item A)	
<b>SUBMITTED BY:</b> Antonio D. Tollis City Treasurer	<b>PREPARED BY:</b> Rick Male, 905-546-2424 ext. 4157
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That the Procurement Sub-Committee Terms of Reference, Item 3(b) Membership, be deleted;
- (b) That Outstanding Business List Item A be considered complete and removed from the list.

**EXECUTIVE SUMMARY**

The Procurement Sub-Committee was established in 2007 to review policies, procedures and processes regarding city procurements. This review was to be done with input and consideration from associations commencing with the construction industry. The original formation of the Procurement Sub-Committee included Members of Council and construction industry representatives. These efforts were focused on lump sum or stipulated price type contracts and did not contemplate changes to the

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City's unit priced construction contracts primarily used for roads and sewers contracts currently issued by the Public Works Department.

When the construction documents for stipulated price type contracts were finalized and accepted by the construction industry representatives and the Procurement Sub-Committee, staff were directed to initiate the process to replace the construction industry representatives with representatives that were involved in the provision of goods and services to the City.

At the time that this direction was given (February 2010), staff did not appreciate the difficulty in identifying representatives for goods and services to replace the construction industry representatives that were part of the original Procurement Sub-Committee. The challenge is that the City procures a huge variety of goods and services. Goods range from office supplies to complex engineered equipment for the City's water/wastewater treatment plant and services range from janitorial services to landscaping services (grass cutting) to professional consulting services. It would be difficult to select three representatives who would be able to speak to the concerns that exist in any one of these sectors. Further, there are no large organizations representing the interests of these diverse groups.

To add to the challenge, the Procurement Sub-Committee has had their mandate expanded to include such things as the review of the budget and process for the procurement of furniture for the City, and to allow the Procurement Sub-Committee the ability to consider alternative proposals during a Request for Proposals process. For these mandates, it may not be appropriate to have industry representatives from select goods and services industries participate in these discussions.

The approach to include industry members from the construction industry worked well as the associations are well established, sophisticated in their knowledge of the construction industry, have a large membership and are a commodity that the City spends significant dollars each year.

This report outlines the recommended change to the Terms of Reference and more specifically, the Membership Section.

***Alternatives for Consideration –Not Applicable***

<b>FINANCIAL / STAFFING / LEGAL IMPLICATIONS</b> (for Recommendation(s) only)
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**Financial:   None.**

**Staffing:     None.**

**Legal:           None.**

**HISTORICAL BACKGROUND** (Chronology of events)

The Procurement Sub-Committee was established in 2007 to review policies, procedures and processes regarding city procurements. The original formation of the Procurement Sub-Committee included Members of Council and construction industry representatives.

The Terms of Reference of the Procurement Sub-Committee states:

“3.    Membership

The Procurement Sub-Committee shall be composed of the following:

- (a) four Elected Officials; and
- (b) three industry representatives with one representative from the OGCA, one representative from the HHCA and one representative from the architectural association (voting members). The membership shall be amended, as required, to include representation from providers of goods and services to the City, as appropriated. (Voting privileges of industry representative rescinded – Item 9, A&A Report 07-010.)”

The initial review undertaken was the City’s construction contract documents for the Industrial, Commercial and Institutional (ICI) Sectors. These efforts were focused on lump sum, or stipulated price type contracts, and did not contemplate changes to the City’s unit priced construction contracts primarily used for roads and sewers contracts currently issued by the Public Works Department.

An inter-departmental team was established with representatives from various City Departments (Clients), Legal Services and Procurement. City staff met with representatives from construction associations to better understand their concerns with the procurement process and obtain feedback as changes were made to the construction tender documents and process. As a result of this review, the City adapted the Canadian Construction Documents Committee (CCDC) template for stipulated price contracts. The City then developed supplementary general conditions to amend those aspects of the CCDC template that were not in the best interest of the City. The changes to these construction contracts were well received by the associations and contractors.

A Procurement Sub-Committee meeting was held in 2010 to present the changes made to the City’s stipulated price type contracts and staff were directed to move onto other contract types (goods and services) and find appropriate industry representation for the Procurement Sub-Committee.

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Since the construction type contracts were the initial focus of the contract reviews, staff are recommending that unit priced construction contracts are reviewed next, rather than goods and services. Further, the current version of the goods and services contract template is more recent than the existing unit priced construction documents.

Also, there are currently two versions of unit priced contracts issued by the City. One version is utilized by the Public Works Department for the issuance of roads and sewer tenders and the other is utilized by Procurement for all other Client Departments. There would be an enormous advantage to harmonizing these two versions as Procurement will be undertaking the issuance of the roads and sewers contracts as recommended in the Procurement Operational Review.

Once the review of unit priced contracts is completed, staff can then move their focus to the other contract document types issued by the City. In the case of goods and services, staff will seek feedback from various industry representatives and smaller associations. Staff will consider and address the feedback received and listen to the concerns of the various groups. In this way, the intent of having industry representatives provide meaningful input to the Procurement Sub-Committee is satisfied. Staff will also ensure they communicate with these groups on the changes being made and when these changes are being addressed at the Procurement Sub-Committee. These groups will then have an opportunity, if they choose, to request to appear as a delegate before the Procurement Sub-Committee. By soliciting feedback, on a more informal level, it eliminates the difficulty of selecting three representatives to address the concerns of the industries associated with the goods and services being procured by the City and allows for broader input.

To add to the challenge, the Procurement Sub-Committee has had their mandate expanded to include such things as the review of the budget and process for the procurement of furniture for the City and to allow the Procurement Sub-Committee the ability to consider alternative proposals during a Request for Proposals process. For these mandates, it may not be appropriate to have industry representatives from select goods and services industries participate in these discussions as they may not have the expertise or knowledge of the particular good or service that is being considered in the Request for Proposals.

<b>POLICY IMPLICATIONS</b>
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None.

**RELEVANT CONSULTATION**

Legal Services Division, City Manager's Office, was consulted in the preparation of this report.

**ANALYSIS / RATIONALE FOR RECOMMENDATION**

(include Performance Measurement/Benchmarking Data, if applicable)

Staff are recommending a change to the membership of the Procurement Sub-Committee to address the challenges in selecting three representatives to speak to the concerns of the groups related to the goods and services procured by the City and to address the fact that the mandate of the Procurement Sub-Committee has been expanded to include such things as consideration of alternative proposals and furniture purchases for the City.

Staff can look to engage a wider audience if feedback is solicited on a more informal basis, thereby resulting in a more comprehensive solution for a larger vendor community. This exercise should also result in better communication and sharing of information between the City and the various industries from which it procures.

**ALTERNATIVES FOR CONSIDERATION**

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

None.

**CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)**

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability, 3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development, 6. Environmental Stewardship, 7. Healthy Community

***Skilled, Innovative & Respectful Organization***

- ◆ More innovation, greater teamwork, better client focus.

**APPENDICES / SCHEDULES**

None.