

CITY OF HAMILTON

COMMUNITY SERVICES DEPARTMENT
Macassa and Wentworth Lodges

TO: Chair and Members Emergency & Community Services Committee	WARD(S) AFFECTED: WARDS 6 and 13
COMMITTEE DATE: January 17, 2013	
SUBJECT/REPORT NO: Group Purchasing Service for Food and Related Supplies (Lodges) (CS13003) (Wards 6 and 13)	
SUBMITTED BY: Joe-Anne Priel General Manager Community Services Department	PREPARED BY: Vicki Woodcox (905) 546-2424 ext. 4827
SIGNATURE:	

RECOMMENDATION:

- (a) That Complete Purchasing Services Inc. be approved as the single source vendor for group purchasing services for food and related supplies for the food service and nutrition programs at Macassa and Wentworth Lodges for a period of one year;
- (b) That Sysco Canada Inc., GFS Canada Company Inc., Agropur Cooperative (Division of Natrel), Canada Bread Company Ltd., Sammons Preston Canada and Hendrix Food Service Equipment be approved as single source vendors to be used in conjunction with the Complete Purchasing Services Inc. group purchasing program for food and related supplies for the food service and nutrition programs at Macassa and Wentworth Lodges for a period of one year.

EXECUTIVE SUMMARY

Wentworth and Macassa Lodges have been satisfactorily using Complete Purchasing Services Inc., a group purchasing service, to procure food and supplies for their food services departments for the past ten years. This has been a cost effective and efficient

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arrangement beneficial to the City of Hamilton. Complete Purchasing Services Inc. provides the Lodges with \$850 million worth of Canada-wide purchasing power for a minimal fee. Value-added services that are provided at no additional cost include a risk management program, menu and meal production management resources specific to long-term care, electronic ordering and inventory systems and a variety of educational resources for staff training.

Complete Purchasing Services Inc. is the endorsed purchasing group of the Ontario Association of Non-Profit Homes and Services for Seniors (O.A.N.H.S.S.) and is used by 63% (136 sites) of its municipal members. A review of the market indicates that there are no other purchasing groups that would meet our needs. Local hospitals have their own purchasing groups focused on the specific needs of acute care foodservice which varies considerably from the requirements of long-term care. The for-profit long-term care organizations also have proprietary buying groups specific to their businesses.

Staff recommend continuing the Macassa and Wentworth Lodges' relationship with the current purchasing group by seeking approval to establish Complete Purchasing Services Inc. as the single source for this purpose.

Alternatives for Consideration – See Page 4

FINANCIAL / STAFFING / LEGAL IMPLICATIONS
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Financial:

Food and related supplies are purchased within the allocated operating budget at each Lodge. The fee for Complete Purchasing Inc. is also included in the operating budgets. The estimated savings from using Complete Purchasing Services Inc. are \$345,000. This includes a 19% reduction on products purchased at an estimated cost of \$264,000, as well as the \$6,200 in rebate. In addition to this, 1 FTE staff from purchasing would be required at an estimated cost of \$75,000 to perform the “broker function” that Complete Purchasing Services Inc. currently provides.

Staffing:

There are no staffing implications associated with the recommendation of Report CS13003.

Legal:

There are no legal implications associated with the recommendation of Report CS13003.

HISTORICAL BACKGROUND

Prior to 1997, Sodexo Canada Inc. held the contract for the management of the Food Service Departments at Wentworth and Macassa Lodges. This contract included the purchasing of all food and related supplies. The management contract was terminated in 1997 and the management of the food services programs was brought in-house. However, the agreement for purchasing food and supplies with Sodexo Canada Inc. was maintained through 1998. Several alternate purchasing services available to long-term care homes were reviewed at that time and Complete Purchasing Services Inc. was chosen for the lowest fee and most favourable terms. Since 1999, the Lodges have maintained this group purchasing arrangement.

Complete Purchasing Services Inc. has been the endorsed purchasing group of O.A.N.H.S.S. for over 15 years. Municipal members of O.A.N.H.S.S. who use Complete Purchasing Services Inc. include many municipal homes including the Region of Niagara, Region of Peel, City of Ottawa, Huron County, York Region, City of London, Region of Waterloo and Northumberland County, County of Simcoe. On our behalf, Complete Purchasing Services Inc. leverages their considerable market presence and negotiates with a range of suppliers, both manufacturers and distributors, to obtain best pricing and value for the City of Hamilton taxpayer. The company tenders with 450 manufacturers to establish national and regional contracts. Products available are suited to a long-term care environment that must comply with the standards and regulations set by the Ministry of Health and Long Term Care. Since 1999, the purchasing arrangement has been very satisfactory and has allowed the Lodges to control food service costs while maintaining the quality of resident meals. The Lodges require Council approval in order to continue this advantageous arrangement.

POLICY IMPLICATIONS

City of Hamilton's Procurement Policy By-law, Section 4.11 – Policy for Negotiations (Single source) Policy 11 provides for the recommending of a single source vendor for the supply of a particular Goods and/or Service because it is more cost effective or beneficial for the City.

RELEVANT CONSULTATION

The Directors of Food Services for both Lodges were consulted regarding the report content related to the food product sourcing market, services required, cost and operational issues.

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The Corporate Services Department, Procurement and Finance Section were consulted regarding the report recommendations, relevant policies and content.

ANALYSIS / RATIONALE FOR RECOMMENDATION

Complete Purchasing Services Inc. purchases for 3,500 clients across Canada representing over \$850 million in procurement value. The Lodges are provided access to tendered pricing with 450 manufacturers and over 80 distributor relationships including significant participants in Canadian and Ontario food service supply chains. The City of Hamilton negotiating alone would not have the same purchasing power. Vendors and products provided are specific to long-term care needs. Using the Complete Purchasing Services Inc. negotiated pricing, the Lodges purchased their food service supplies through four major distributors: Sysco Canada Inc., GFS Canada Company Inc., Agropur Cooperative (Division Natrel) and Canada Bread Company Ltd. There are additional distributors that the Lodges use to a smaller extent which include: Sammons Preston- Canada and Hendrix Food Service Equipment. The average cost of food and supplies purchased through these distributors over the past three years was \$1.39 million dollars with \$904,000 at Macassa Lodge and \$490,000 at Wentworth Lodge.

The fee-for-service for Complete Purchasing Services Inc. is minimal, annually \$1,863 for Wentworth Lodge and \$2,430 for Macassa Lodge. In addition, Complete Purchasing Services Inc. offers a rebate program to both Lodges. The Lodges have received an annual rebate of approximately \$6,300 over the past three years. There is no specific time limit on the agreement and it can be terminated with 30 days written notice. The cost of obtaining a similar service using in-house staff resources of both the Lodges and the City's Purchasing Section would well exceed the fee-for-service noted.

In addition, Complete Purchasing Services Inc. provides value-added services in the following areas:

1. Risk Management Protocol
All approved food vendors must be HACCP (Hazard Analysis and Critical Control Point) or ISO (International Organization for Standardization) certified. Without exception, only federally inspected meat suppliers are used. There is a stringent recall system and regular distribution inspections and audits.
2. An on-line, web-enabled, menu management and production program is available that allows customization of menus to meet resident preferences. The program includes long-term care specific menus, recipes, therapeutic guidelines and nutrient and costing information.

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3. An on-line, web-enabled ordering and inventory management system integrated with the menu and production program is provided.
4. Education resources are available at no additional charge including:
 - Training materials on over 25 relevant topics.
 - A professional development series focussing on general management and leadership skills of nursing, food services and environmental services managers.
 - A symposium series of workshops on relevant food service topics.
5. Complete Purchasing is committed to offering a variety of products that have been locally grown. Currently 20% of all products purchased by the Lodges are grown locally.

ALTERNATIVES FOR CONSIDERATION:

The alternative to using the services of Complete Purchasing Services Inc. would require Lodge staff, with the assistance of Purchasing Section staff, to obtain a similar range of suitable vendors and pricing.

Financial:

A November 2012 review of seventy of the highest volume representative products used in our food services departments indicated that prices from Complete were approximately 19% lower than non-Complete pricing. In addition, the useful value-added services would be difficult and expensive to procure outside of a purchasing group.

Staffing:

Replacing the services of Complete Purchasing Services Inc., would require that staff develop terms of reference and standards for contracts, contract administration and management of multiple vendors. The time required for day to day vendor issues, ordering and price comparison would be increased. These additional activities would be a pressure on existing Lodge staff resources and would ultimately reduce time and attention available to manage a quality resident food service.

Legal:

There are no legal implications related to this alternative.

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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

Financial Sustainability

- ◆ Delivery of municipal services and management capital assets/liabilities in a sustainable, innovative and cost effective manner.
- ◆ A group purchasing service is a cost-effective, efficient way of procuring food and related goods for Macassa and Wentworth Lodges and represents value for the City of Hamilton taxpayer.

APPENDICES / SCHEDULES

None