



# INFORMATION REPORT

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>DATE:</b>	June 12, 2017
<b>SUBJECT/REPORT NO:</b>	City Procurement E-Bidding System (FCS17057) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
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<b>SIGNATURE:</b>	

## Executive Summary:

This report gives information with respect to the new E-Bidding System that was acquired to administer the procurement of goods and services for the City of Hamilton (City). The new system is scheduled to be implemented in the second quarter (Q2) of 2017 and provides many benefits for all City staff, as well as the City's vendor community as a whole.

## Information:

Since the implementation of the City's initial procurement E-bidding portal in 2011, many E-bidding solutions have emerged in the marketplace promoting more robust and efficient solutions. In August of 2016, City of Hamilton Procurement staff began discussions with both the Hamilton Wentworth District School Board and the Hamilton Wentworth Catholic District School Board to collaboratively develop requirements for a new E-bidding system for inclusion in a formal Request for Proposals (RFP). In October 2016, news of this collaborative effort spread to neighbouring Municipalities and public agencies and they too requested participation in this RFP.

On January 23, 2017 City of Hamilton Procurement staff issued a Request for Proposals ("RFP") for an E-Bidding System to upgrade or replace the City's existing

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electronic portal for the posting of competitive bids and vendor information. The RFP was developed to facilitate four main components of service:

- Main E-Bidding Portal
- Bid Evaluation
- Contract Management
- Vendor Performance

Although the RFP was issued and led by the City of Hamilton, the RFP was a cooperative bid solicitation prepared on behalf of ten participating agencies within Hamilton and Halton. These agencies included the Corporation of the City of Burlington, the Corporation of the Town of Oakville, the Regional Municipality of Halton, the Corporation of the Town of Halton Hills, Hamilton Wentworth District School Board, Hamilton Wentworth Catholic District School Board, Halton District School Board, Halton Catholic District School Board and Sheridan College.

The RFP captured all ten of the participating agencies' requirements and allowed for each agency to negotiate and execute their own contract with the successful proponent. The RFP also included language to allow other public sector agencies not listed in the RFP to "piggyback" and engage the successful vendor for the same scope of services. This "piggyback" option is being utilized more and more within public procurement and is seen by both agencies and vendors as a great opportunity because, of its effectiveness and efficiency in terms of awarding a contract. City staff is currently aware of at least five other public sector agencies within Ontario who have expressed an interest in piggybacking once the RFP process was complete.

On February 22, 2017 the RFP closed and the City received 5 proposal submissions. The evaluation committee was comprised of two City of Hamilton Procurement staff, a City of Hamilton Information Technology staff member and representatives from eight of the participating agencies. The team evaluated and scored each proposal by consensus and held demonstrations with the top three scoring proponents. The proponent who was awarded the highest score for both technical and cost was the eSolutionsGroup Limited ("eSolutions"). In April, Procurement staff with the assistance of Legal Services, entered into negotiations with eSolutions and they were awarded the contract for services in May 2017.

## **BENEFITS TO THE E-BIDDING SYSTEM**

As indicated above, E-Bidding System has four main components of service:

- E-Bidding Portal
- Bid Evaluation
- Contract Management
- Vendor Performance

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### E-Bidding Portal

Similar to the City's current E-bidding portal provider Biddingo, the eSolutions' E-bidding portal includes a web hosted system that provides City staff with ability to manage the bid posting process from start to finish. The E-bidding portal provides public access to all bids, addenda and all other associated bid details posted for both end users and vendors to see. Vendors will be able to create an account within the eSolutions' platform, manage their account and register for bids online. After registration, vendors are able to download and view any City of Hamilton bid document as well as any other public agency's document that is currently utilizing the eSolutions platform. Similar to the current process the City has with Biddingo, the eSolutions' E-bidding portal will continue to issue several automated notifications and reminders to vendors interested in bidding on City of Hamilton projects.

The following are additional benefits resulting from the use of the E-Bidding Portal:

#### City:

- The module facilitates the ability for the City Procurement team to build online submission forms for vendors to upload their bids electronically.
- Reduces the overall environmental impact of paper based tendering processes

#### Vendors:

- The online bid submission functionality will include the ability for vendors to provide confidential pricing, bonding, references and subcontractor information.
- The ability to download documents electronically allows bidders to distribute sections of a document easier for estimating purposes and to solicit subcontractor pricing.
- Reduces and eliminates bid irregularities and non-compliant bids (bids are always legible, no math errors or ability to miss unit prices, bids always received by the closing deadline).
- Easier for vendors to submit an offer on time from anywhere.
- Eliminates the need for vendors to personally deliver or courier their bids into the Procurement Office.

The information and bid results arising from the receipt of on-line bid submissions through the E-bidding portal will further populate information within the three remaining components of E-Bidding System as follows.

### Bid Evaluation Module

The Bid Evaluation module is facilitated through the electronic submission of bids and proposals. Immediately after a bid closes, the bid results are available in real time (within seconds) with a tabulated view that indicates the lowest bidder overall and a side by side comparison of unit prices and lump sum costs. This module also aims to

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improve reporting of bid and proposal results, giving staff the ability to run reports such as:

- Estimated vs. Actual Budget costs for a bid solicitation
- Number of Tenders, Quotes, Proposals per Department with amounts
- Export full submission by vendor

The Bid Evaluation module allows downloading of electronically submitted tenders in a form suitable for evaluation purposes without having to manually re-enter data or sort through pages of documents. This module also reduces need and staff time required to manually evaluate and validate bids.

### Contract Management Module

The Contract Management module allows City staff to manage corporate and departmental contracts in a central location for the entire organization. The centralized system provides the following benefits to:

City:

- Provides a single location for staff to view all active and historical contract details.
- Contract reports can be run for a single department or for the entire organization.
- Module provides notifications to staff for contract renewals and other elements of contract management.
- Special access permissions can also be added to the contract management module to give groups or individuals within the City for access to this information.

Vendors:

- Module sends out automated emails to vendors alerting them of their upcoming insurance and WSIB safety certificates renewals.
- Vendors are able to upload their documents directly into the system for review by City and Procurement staff.

### Vendor Performance Management

Procurement Policy #8 Vendor Performance Evaluation, section 4.8 states: *“at the completion of every Contract for Goods and/or Services of \$100,000 or greater, the Client Department is required to complete a Vendor Performance Evaluation Form. Each performance evaluation is to be completed and forwarded to the Procurement Section.”*

The fourth component of the E-Bidding Solution is the Vendor Performance Management module, which allows Procurement staff to setup an automated process to

capture the required Vendor Performance Evaluation Forms, as well as any Vendor Performance Incident forms issued throughout the term of a contract.

This module will be set up so that the vendor evaluation score sheets can be applied to contracts and automatically initiated at a specified interval (e.g. on contract anniversary, or when the contract has reached substantial completion, or at the end of warranty). Workflow for the evaluations may be customized and configured by contract type to meet the specific and tailored needs of the City. The system has the ability to automatically forward the score sheets to the end user department and possibly auto route it to the appropriate supervisor for review.

Depending on the outcome of the evaluation score or result, different workflows can be automatically initiated (e.g. if a low score is provided, then a Procurement representative may need to be involved to take further action). All of the evaluations and results will be stored on the vendor's profile and related contracts. The vendor will receive an overall performance result and that will also be tracked. The system will also track vendors that have been suspended, banned and those that the City is currently in litigation with.

Various performance reports can be generated by staff and several automated system alerts will keep staffs informed of upcoming evaluations or tasks that are due.

In addition to addressing Procurement's requirements set out in the RFP, the Vendor Performance Management module coincidentally addresses a subsequent recommendation issued by the City's Audit Services in April 2017. Recommendation #3 from the Internal Audit Performance Audit Report 2016-03, Use of External Consultants, Report AUD17008, states: *"That Procurement investigates methods of tracking vendor performance and incorporating past performance into the awarding of future contracts."*

This module provides a tool for staff to capture vendor performances and log them for further consideration and use.

## **COST STRUCTURE AND IMPACT ON BIDDERS**

### **Cost Structure**

The RFP that was issued required Proponents to provide a "Vendor Pay Model" proposal which would result in a zero cost impact to the public sector agency. The executed contract with eSolutions ensures that all four components of the E-Bidding System are provided to the City at zero cost. Any costs associated with use of the system are borne by the vendors who are utilizing the eSolutions' platform.

As part of the RFP, Proponents were evaluated based on their costs to vendors and bidders for the use of the platform. eSolutions' proposal was ranked favourably in this

criterion compared to other Proponents. The contract that was executed with eSolutions ensures that the costs to the vendors remain current to December 31, 2018 with any renewal years subject to the Consumer Price Index only. These costs to the bidders are now lower than the City's incumbent provider.

Upon implementation of the system, vendors will have two options to choose from in order to view and submit bids to the City of Hamilton. Option one includes an "Annual Profile Fee" for a bidder's unlimited use at a rate of \$165.00 per year (the City's incumbent provider rate is \$250.00 per year). The \$165 rates includes all costs associated with viewing, printing and bidding a contract, save and except for the City of Hamilton fee for documents as approved through the City's Fee and Charges By-law. This option allows each vendor to create a profile, select categories, bid online, and fully manage their profile with an unlimited number of contacts. Vendors who pay the profile fee will be sent notifications to view and download any of the City's advertised bids and tenders that match the vendor profile and will have an unlimited ability to download and submit documents.

In addition to this, the vendor will also have the ability to express interest in any other agency currently utilizing eSolutions as their e-bidding portal at no additional cost.

The second option to vendors is a "one-time access fee". For those vendors only interested in a single bid or tender, the fee to create a one-time temporary profile at a rate of \$45 per bid. At the closing of the particular bid, the vendor's profile will become inactive and any notifications of future advertised bids will automatically stop.

#### Impact on Bidders

In an effort to make the transition from the incumbent provider Biddingo to eSolutions as easily as possible, Procurement staff in conjunction with eSolutions have develop a communication and transition plan to advise bidders of the change. In addition to email blasts and marketing flyers, staff from both Procurement and eSolutions will host a Vendor Demonstration Day where vendors can view a live demonstration of the e-bidding portal and ask questions they may have.

Procurement staff has also worked with eSolutions to identify any commonalities with respect to vendors currently listed as both City of Hamilton bidders under Biddingo and bidders who have a current profile with eSolutions. Staff can advise that 84 percent of the vendors who are registered City bidders are also vendors with eSolutions. This commonality gives staff confidence that 84 percent of our current vendors are already familiar with the eSolutions website, already have a subscription with eSolutions and quite possibly have had experience in submitting electronic bids to other agencies.

Implementation

Procurement staff has begun holding informational meetings with various client groups within the City that have an extensive requirement for City procurement services. Procurement has met to discuss the system's capabilities and have attempted to work together with these client groups to capture their requests. These discussions have been beneficial to not only generate interest and endorsement by the client groups, but to also familiarize them with the Vendor Performance Management module.

**Savings to the City**

Since the E-Bidding System is a zero cost to the City, there will be an immediate cost savings of \$9,605.00 as this is annual cost to maintain Procurement's current contract management system. With the efficiency of this system and as staff learn to use to the system to its fullest, staff also expect to achieve some time savings in reporting in the maintenance of contracts.

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