



**CITY OF HAMILTON**  
**HEALTHY AND SAFE COMMUNITIES DEPARTMENT**  
**Macassa and Wentworth Lodges**  
**and**  
**Children's Services and Neighbourhood Development Division**  
**and**  
**Recreation Division**

<b>TO:</b>	Chair and Members Health and Safe Communities Committee
<b>COMMITTEE DATE:</b>	June 25, 2018
<b>SUBJECT/REPORT NO:</b>	Group Purchasing Services for Food and Related Supplies (HSC18026) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Holly Odoardi (905) 546-2424 Ext. 1906
<b>SUBMITTED BY:</b>	Paul Johnson General Manager Healthy and Safe Communities Department
<b>SIGNATURE:</b>	

**RECOMMENDATION(S)**

- (a) That Complete Purchasing Services Inc. and their vendors be approved as the single source purchasing agent and vendors, pursuant to Policy #11 - Non-competitive Procurements, for group purchasing services for food and related supplies for food service and nutrition programs at Macassa and Wentworth Lodges for a period of five years;
- (b) That Council approve Complete Purchasing Services Inc. as the single source purchasing agent, and the vendors used in conjunction with the Complete Purchasing Services Inc. as single source vendors, pursuant to Policy #11 - Non-competitive Procurements for group purchases for cleaning and related supplies for the laundry and housekeeping programs at both Macassa and Wentworth Lodges for a period of five years
- (c) That Macassa and Wentworth Lodges continue to increase the proportion of purchases of local food products through the approved suppliers in the Complete Purchasing Services Inc. program; and,
- (d) That the Recreation Division and the Red Hill Family Centre be approved to be added to Complete Purchasing Services Inc. program for food and related supplies and the associated vendors be approved as single source vendors.

## **EXECUTIVE SUMMARY**

Macassa and Wentworth Lodges have been satisfactorily using Complete Purchasing Services Inc., a group purchasing service, to procure food and supplies for their food services departments over the past seventeen years. In addition to food and related services, more recently, the Building Services department has also procured products through Complete Purchasing Services Inc. This has been a cost effective and efficient arrangement for the City of Hamilton. Complete Purchasing Services Inc. has a Canada-wide purchasing power of over \$850 million dollars which benefits the Lodges in obtaining competitive pricing. Value-added services that are provided at no 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 AdvantAge Ontario, formerly Ontario Association of Non-Profit Homes and Services for Seniors 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 are members of another purchasing group; however, their approach to purchasing does not best suit the requirements for the Lodges and City of Hamilton. The majority of the for-profit long-term care organizations have proprietary buying groups specific to their businesses or are members of large purchasing groups.

Staff recommend continuing Macassa and Wentworth Lodges' relationship with our current purchasing group by seeking approval to establish Complete Purchasing Services Inc. as the single source for this purpose for the next 5 years.

Based on the above analysis, staff recommend leveraging the Canada wide purchasing power of Complete Purchasing Services Inc., as it would be a cost effective and efficient strategy for Recreation's Food Services unit as well as Red Hill Family Centre's meal program. The Recreation Division operates 14 arena concessions and a full service kitchen at Sackville Seniors Centre and purchases food and related supplies through various contracted vendors. Red Hill Family Centre provides breakfast, lunch and snacks for up to 79 children on a daily basis.

## **Alternatives for Consideration – See Page 7**

## **FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial: Food and related supplies, cleaning and related supplies, are purchased within the allocated operating budgets at each Lodge. Complete Purchasing Inc. has waived the membership fees for the City of Hamilton. Both Recreation and the Red Hill Family Centre would benefit from reduced product costs.

Staffing: There are no staffing implications associated with the recommendations of Report HSC18026.

Legal: There are no legal implications associated with the recommendations of Report HSC18026.

## **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 AdvantAge Ontario for over 15 years. Municipal members of AdvantAge Ontario who use Complete Purchasing Services Inc. include many municipal homes (e.g. Region of Niagara, Region of Peel, City of Ottawa, Huron County, York Region, City of London, Region of Waterloo and Northumberland County, and the 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 400 manufacturers through over 75 distributors 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 and in 2017, this arrangement allowed the Lodges to increase their local food purchasing by 43% without negatively impacting food costs.

In 2016, both Lodges requested and received Council approval to purchase Ecolab laundry detergents, chemicals and related supplies through Complete Purchasing Inc. as single source vendor. To date this request has been favourable as it has provided the opportunity for the Lodges to take advantage of the efficiencies in purchasing power and the incentive program.

In 2017, discussions began between the Lodges, Recreation and Red Hill Family Centre on how this approach to purchasing would provide budget efficiencies.

The Lodges require City of Hamilton Council approval in order to continue this advantageous arrangement and extend the benefits to Recreation and the Red Hill Family Centre.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

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**

Individuals at a long term care organization and local hospitals whom are members of another purchasing group were consulted for a comparison of their procurement process which included pricing, contract management, local purchasing and value-added services.

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

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

At the recommendation of the Procurement Section, the Recreation Division and the Red Hill Family Centre were consulted to verify if there would be any benefit in expanding the scope of Compete Purchasing Services Inc. to their operations. The results of this consultation resulted in the recommendation for these areas to be approved to participate in the purchasing program.

## **ANALYSIS AND 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 400 manufacturers and over 75 distributor relationships including significant participants with Canadian and Ontario food service supply chains. The City of Hamilton would not have the same purchasing power if it negotiated alone. 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.

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There are additional distributors that the Lodges use to a lesser extent which include: Sammons Preston- Canada, Russell-Hendrix and Hubert Food Service Equipment, Don's Produce.

The average cost of food and supplies purchased through these distributors over the past year was \$1,552,000 dollars (Macassa Lodge - \$1,002,000 and Wentworth Lodge - \$550,000). Using the Complete Purchasing Services Inc. negotiated pricing, the Lodges purchased their Ecolab cleaning and related supplies through one of the major distributors. The average cost of cleaning and related supplies purchased through this distributor over the past year was \$32,000.

The fee-for service has been waived thus offering annual savings of \$4,293 for both Lodges. In addition, Complete Purchasing Services Inc. offers a rebate program to both Lodges. The Lodges have received an incentive 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 for both the Lodges and the City's Purchasing Section would far exceed the Complete Purchasing Service Inc. fee as noted above.

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 re-call 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.
3. An on-line, web-enabled ordering and inventory management system is provided.
4. Education resources are available at no additional charge including:
  - Education course modules (video-based).
  - 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 facility operations.
5. Complete Purchasing is committed to offering a variety of products that have been locally sourced. Local is defined as from Ontario producers. Currently 43% of all products purchased by the Lodges are local.

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*OUR Vision: To be the best place to raise a child and age successfully.*

*OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.*

*OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.*

6. The Red Hill Family Centre is the City of Hamilton's only inclusive child care facility for children aged 1.5- 5 years of age. Nutritious breakfast, morning and afternoon snacks and lunch are prepared onsite daily by a qualified cook. The menu has been developed in consultation with a registered dietician to meet the recommendations for this age group as set out in Canada's Food Guide. Ordering quality food and beverages from a reliable service in a cost effective manner will assist with budgetary efficiencies. Currently, Red Hill spends \$88,000 annually on food and beverages. Several vendors used by Red Hill Family Centre fall under Complete Purchasing Services, for example, Sysco and Agropur.
7. The Recreation Division operates 14 arena concessions and a full service kitchen at Sackville Seniors Centre spending approximately \$320,000 annually on food, beverage and confectionary products. Financially this would allow the Recreation Division to take advantage of more favorable product pricing based on the efficiencies of purchasing power, volume incentive program and waived membership fees. There would also be administrative efficiencies from the on-line, web-enabled ordering and inventory management system.

Through Hamilton's Food Strategy, Recreation has agreed to explore opportunities to increase the percentage of healthy, local food purchased for its facilities (Recommendation 9.3). Complete Purchasing's commitment to offering a variety of products that have been locally sourced aligns with this recommendation.

## **ALTERNATIVES FOR CONSIDERATION**

There are two potential alternatives to using Complete Purchasing Services that staff reviewed.

### **Option One**

Lodge staff, with the assistance of staff in the Procurement Division, to obtain a similar range of suitable vendors and pricing. There would be no impact to the Recreation Division or the Red Hill Family Centre as they would continue with existing processes.

#### **Financial:**

Competitive pricing would be limited to the extent of City of Hamilton purchasing volume versus the \$850 million purchasing power of a larger purchasing group. 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 the equivalent to a 1.0 FTE increase over a one year period. 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.

**Option Two**

Partner with the St. Joseph's Health System Group Purchasing Organization and access their Food and Nutrition group that is known as MEALsource. Currently, both St. Joseph's Health Services and the Hamilton Health Sciences utilize this program. MEALsource has approximately 34 healthcare organizations across Ontario as members. MEALsource deals with fewer distributors and manufacturers than Complete Purchasing Inc. and their method of contract negotiation differs. Again, there would be no impact to the Recreation Division or the Red Hill Family Centre as they would continue with existing processes.

**Financial:**

A comparison review of pricing was investigated of the 25 most commonly purchased items in the food service departments. It was found that the costs of food and supplies were comparable to current prices with Complete Purchasing Inc. In addition to this the fee-for-service, rebate program, and percentage of food grown locally for MEALsource is comparable to Complete Purchasing. MEALsource does not offer the value-added services of Complete Purchasing Inc. such as web-based menu management and production programs, educational resources and in-service training.

**Staffing:**

Replacing the services of Complete Purchasing Services Inc. with MEALsource, would require that the Directors of Food Services for both Lodges participate in monthly purchasing meetings with other members of the MEALsource group. They would meet to develop standards for products and provide feedback and agreement on contracts and vendors. Additional time would be required to gather information on volume of products used and entering new product codes, pricing and nutrient data when contracts change. 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.

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**Legal:**

There are no legal implications related to this alternative.

**ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN**

**Community Engagement & Participation**

Hamilton has an open, transparent and accessible approach to City government that engages with and empowers all citizens to be involved in their community.

**APPENDICES AND SCHEDULES ATTACHED**

None.