



CITY OF HAMILTON

CORPORATE SERVICES DEPARTMENT
Financial Services Division

and

PUBLIC WORKS DEPARTMENT
Environment & Sustainable Infrastructure Division

TO: Mayor and Members General Issues Committee	WARD(S) AFFECTED: CITY WIDE
COMMITTEE DATE: July 9, 2012	
SUBJECT/REPORT NO: Procurement Service Delivery Model Change (FCS12049/PW12054) (City Wide)	
SUBMITTED BY: Roberto Rossini, General Manager Finance & Corporate Services Department Gerry Davis, CMA General Manager Public Works Department	PREPARED BY: Rick Male (905) 546-2424, Extension 4157
SIGNATURE: 	

RECOMMENDATION

That staff be authorized to proceed with the staff reorganization; converting a Specification Clerk position (Public Works) to a Procurement Specialist position (Corporate Services) in accordance with the procurement service delivery model change outlined in Report FCS12049/PW12054.

EXECUTIVE SUMMARY

A review of the City's procurement program was undertaken in 2010 by an external consultant, NIGP, the Institute for Public Procurement. The finding of this review included 58 recommendations made by the consultant. Staff have been working through the recommendations and have provided updates on occasion. This report deals with a recommendation to re-establish the Procurement Section as the agent for

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all formal contracts including linear construction contracts issued by the Public Works Department.

This reorganization of the Procurement Section includes the conversion of a Specification Clerk, currently in the Public Works Department to a Procurement Specialist in the Procurement Section.

Alternatives for Consideration - See Page 4

FINANCIAL / STAFFING / LEGAL IMPLICATIONS

Financial: The transfer of the Specification Clerk position from Public Works to a Procurement Specialist in Procurement will have an initial budget impact of approximately \$15,000, including wages and benefits.

This budget impact of \$15,000 will be absorbed through increased recoveries from capital, thereby eliminating any budget pressures.

Staffing: None

Legal: None

HISTORICAL BACKGROUND

A review of the City's procurement program was undertaken in 2010 by an external consultant, NIGP, the Institute for Public Procurement. The findings of this review included 58 recommendations for staff to consider and more specifically, the report included proposed amendments to have linear construction tenders issued by the Procurement Section, in the same manner as all other formal contracts are issued.

Recommendation 47: Consider the option of re-establishing the Procurement Section as the agent for all formal tenders including those for linear construction. (Long Term)

The following excerpt supports the recommendation above and is taken from the NIGP report:

“A centralized Procurement Section will also add value in large procurement efforts such as construction. Professional, highly trained and motivated procurement officers will add value both to the process and to the organization's bottom line during these processes. Additionally, the procurement officer lends credibility to the process and maintains the public's trust in the process. Currently, Public Works conducts its own linear construction contracting. 2.5 Fulltime employees (FTEs) issue the Public Works (PW) road construction tenders. This 2.5 consists of a Supervisor, a Contract Coordinator and Specifications Clerk. Through this group, approximately 30-40 tenders are issued each year with a value of \$50-\$70 million. The City should consider the propriety of developing a long-term plan to re-incorporate this function within the transformed Procurement Section. This cannot occur until after the complete transformation of the Procurement Section has occurred.”

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While the entire transformation has not been completed, it is agreed to begin the implementation of the recommendation. The number of tenders issued for Public Works unit price contracts has increased to sixty to seventy per year.

The Budgets Complement Control Policy requires that transferring complement from one department to another requires Council approval. In this case, the staff complement is being transferred from Public Works to Corporate Services.

POLICY IMPLICATIONS

Organization Restructuring - Policy No: HR -54-12

Corporate Budget Policy - Policy No: CBP - 1

RELEVANT CONSULTATION

Public Works Department (Environment and Sustainable Infrastructure).
Human Resources (Labour Relations).

ANALYSIS / RATIONALE FOR RECOMMENDATION

The Request for Tenders issued for linear construction projects are currently issued by the Environmental and Sustainable Infrastructure (ESI) Section of Public Works. The current practice has been that all Request for Tenders issued by ESI have been issued through their offices and bids are received in the Procurement Section on the date of close.

A bid tracking system, distinct and separate from all other contracts issued by the Procurement Section was developed and resides on the Public Works' pages on the City of Hamilton website. This requires vendors to access two separate sites to obtain information about the City's construction projects.

Procurement has been working with the various Client Departments and Legal Services to harmonize our contract documents and started with the City's stipulated price (lump sum) construction documents. Having completed this exercise, the Committee City is now working on the unit priced construction contract language. In going through these exercises, the Committee has enhanced the maintenance and revision control of the various contract template documents that are currently utilized.

By integrating the issuance of linear construction contracts with the Procurement Section, process efficiencies can be realized. Also the process would be simplified from a vendor's point of view:

- having all contracts consolidated into one contract tracking system (Biddingo),
- having one location to pick up all construction documents issued by the City,
- having consistent document fees for the purchase of the contract documents,
- having the ability to make payment with credit and debit cards, in addition to cash and cheques as is only currently available through Public Works.

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The Procurement staff went through a reorganization in 2011 to create procurement teams, aligned with the Client Departments. All procurement staff are currently in a centralized location. With this proposed change, the Public Works' procurement team would be together creating synergies that would benefit the client group, as well as, procurement.

Some of the benefits of bringing all the Public Works' procurement staff together are:

- the ability for Procurement to better manage work volumes within the Public Works Department by allowing team members to assist during peak times, where volumes cannot be managed by one Procurement Specialist;
- the ability for Procurement to provide back-up for staff vacancies and absences (vacation); minimizing or eliminating any delays in issuing contracts,
- consolidate contract information by using one bid tracking system, and
- facilitate knowledge sharing among Procurement staff. Procurement staff can benefit from the experience of other Procurement Specialists assisting with addressing issues as they arise.

The reorganization is in line with the distributed model that is presently in use for Human Resources and Finance & Administration. The principle is to ensure work flow within both Public Works and Procurement will continue in delivering the service. Physical location of staff and Service Level Agreements will be addressed as the distributed model is incorporated into respective Department plans.

The Specification Clerk is vacant due to a recent retirement and is currently being filled on a temporary basis. When this position is filled on a permanent basis, it will greatly assist the new Procurement Specialist to learn the procurement activities by being located with the rest of the Procurement Staff. Given that both positions are within the scope of the CUPE Local 5167 collective agreement, proper notice will be provided to the union executive as well as the current incumbent regarding these changes.

ALTERNATIVES FOR CONSIDERATION

Should Committee and Council decide not to accept the formal recommendation the alternatives would be as follows:

Maintain Public Works (Environment & Sustainable Infrastructure) continuing to prepare and issue tenders for unit price contracts associated with roads, sewers, watermains, bridges, etc., but pursue options for using the consolidated contracting tracking system (Bidding) and pick up of documents at Procurement with no additional increase in cost or loss of efficient delivery of tenders.

CORPORATE STRATEGIC PLAN

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

- ◆ Council and SMT are recognized for their leadership and integrity.

Financial Sustainability

- ◆ Delivery of municipal services and management capital assets/liabilities in a sustainable, innovative and cost-effective manner.

APPENDICES / SCHEDULES

None.