

Benefit Driven Procurement Update

RECOMMENDATIONS:

That the Priorities and Finance Committee recommend that Council:

1. Direct Administration for procurement covered under the Procurement Policy valued less than \$5,000 that it is recommended Administration 'Support Local', effective 2021 May 1;
2. Direct Administration for procurement covered under the Procurement Policy for goods & services valued from \$5,000 to less than \$75,000 and for construction valued from \$5,000 to less than \$200,000 to obtain a minimum three (3) supplier quotes of which at least one (1) is from a local supplier, where possible, effective 2021 May 1;
3. Direct Administration for new procurements covered under the Procurement Policy for goods and services \$75,000 or greater, and for construction \$200,000 or greater, Supply Management is to recommend to the Procuring Entity including a Benefit Driven Procurement questionnaire with a minimum five per cent (5%) evaluation weighting; and
4. Direct Administration to return to the Priorities and Finance Committee with a Council policy inclusive of Benefit Driven Procurement no later than Q3 2021.

RECOMMENDATIONS OF THE PRIORITIES AND FINANCE COMMITTEE, 2021 MARCH 16:

That Council:

1. Direct Administration for procurement covered under the Procurement Policy valued less than \$5,000 that it is recommended Administration 'Support Local', effective 2021 May 1;
2. Direct Administration for procurement covered under the Procurement Policy for goods & services valued from \$5,000 to less than \$75,000 and for construction valued from \$5,000 to less than \$200,000 to obtain a minimum three (3) supplier quotes of which at least one (1) is from a local supplier, where possible, effective 2021 May 1;
3. Direct Administration for new procurements covered under the Procurement Policy for goods and services \$75,000 or greater, and for construction \$200,000 or greater, Supply Management is to recommend to the Procuring Entity including a Benefit Driven Procurement questionnaire with a minimum five per cent (5%) evaluation weighting; and
4. Direct Administration to return to the Priorities and Finance Committee with a Council policy inclusive of Benefit Driven Procurement no later than Q3 2021.

Excerpt from the Minutes of the 2021 March 16 Regular Meeting of the Priorities and Finance Committee:

"Moved by Councillor Gondek

That the Recommendations contained in Report PFC2021-0395 be amended by adding Recommendation 4 and 5 as follows:

4. Revisit the benefit driven procurement questionnaire to streamline it for use with all future requests for proposal or expressions of interest, temporarily replacing it with an

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open ended form to be included with all upcoming requests for proposal or expressions of interest, as an effort to support businesses that demonstrate a commitment to ethical standards of employment and service delivery;

5. Direct Administration to return to the Priorities and Finance Committee no later than Q2 2021 with a verbal update that outlines the final revised version of the benefit driven procurement questionnaire, as well as a verbal update on development of a Council policy inclusive of Benefit Driven Procurement;

MOTION DEFEATED”

HIGHLIGHTS

- On 2019 December 16, Council Approved the Social Procurement Advisory Task Force (renamed Benefit Driven Procurement Advisory Task Force) Terms of Reference, Scoping Report for the Pilot Projects and the Work Plan; and directed Administration to return to the Priorities and Finance Committee with an update no later than Q1 2021.
- What does this mean to Calgarians?
 - To show Calgarians where contracts have been leveraged through the Benefit Driven Procurement ("BDP") Pilot creating added and intentional local economic and community benefit beyond the investment of the taxpayers' dollars in the purchase of a good or service.
 - Demonstrates The City is investing to support local small to medium-sized businesses that strive to provide opportunities for diverse and underrepresented (e.g. Indigenous, youth, women, new-comer) groups.
- Why does this matter?
 - Every purchase has an economic, environmental, and social impact whether intended or not. Benefit Driven Procurement intends to capture those impacts and seek to make intentional, positive contributions to both the local economy and the overall vibrancy of the community.
 - Supports Calgary's economic recovery, through providing opportunities to local suppliers (defined as businesses that operate in Calgary), builds community resilience and reduces barriers to conduct business with The City.
 - Proactively prepares The City to meet future requirements of Infrastructure Canada Funding Programs while continuing to get the best value for taxpayers' dollars.
 - Maintains alignment to all applicable trade agreements.
- The Benefit Driven Procurement Pilot (conducted from May 2020 to February 2021) considered 37 over threshold procurement submissions for the addition of Benefit Driven Procurement criteria. Of those, 19 have been posted to market and 6 of those have been awarded contracts.
- Engagement is in-progress with internal and external groups with the intent to educate, gather feedback, and make improvements where applicable.
- Training has been developed and offered to key external and internal stakeholders and informational videos are posted on Calgary.ca.
- Strategic Alignment to Council's Citizen Priorities: A prosperous city
- Background and Previous Council Direction is included as Attachment 1.

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DISCUSSION

In response to Council's Support Local initiative, Administration is recommending to start implementation starting Q2 2021.

Under the Procurement Policy less than \$5,000 (Under Trade Agreement Threshold)

Recommendation 1 is to bring internal awareness and encourage a positive shift in decision-making to purchase locally when using a Corporate Credit Card, without sacrificing agility or increasing costs. These purchases are decentralized with approximately 3,000 credit card holders spending on average \$300 per transaction. Approximately 54 per cent (54%) of credit card spend is within Calgary and 69 per cent (69%) is spent within Alberta. The intent of the recommendation is to increase this spend within Calgary where possible, aligning with the Council strategy to support local.

Under the Procurement Policy for goods & services from \$5,000 to less than \$75,000 and for construction from \$5,000 to less than \$200,000 (Under Trade Agreement Threshold)

Recommendation 2 is to be more inclusive of local suppliers. This will be achieved by the procuring entity utilizing the current three quote process to include at least one local supplier where possible. The Benefit Driven Procurement questionnaire will be made available to be applied where the procurement type is conducive to its application.

In 2020, as part of the pilot and during the State of Local Emergency, Supply Management used different approaches to help support local firms by: leveraging established local supply chain lines to provide ongoing COVID-19 related support; using specific criteria when purchasing COVID-19 products from local suppliers; and having Calgary Businesses provide raw materials to support the making of local products. Many of these suppliers were local in location, staffing, and distribution and may have had their goods produced elsewhere. The City purchased \$6.4 million in COVID-19 related products and services. Sixty (60) suppliers were awarded in total, fifty-eight (58) were Canadian companies for a total value of \$6.35 million, forty-seven (47) were Alberta companies for a total value of \$3.57 million, and forty-four (44) were Calgary companies for a total value of \$3.47 million.

The intent of Recommendation 2 is to Support Local and to further economic resilience by increasing access to contracts from The City for small and medium-sized businesses and social enterprises. If approved this will be implemented in conjunction with the new Administration Procurement Policy which comes into effect 2021 May 1.

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Under the Procurement Policy for goods and services \$75,000 or greater, and for construction \$200,000 or greater (Over Trade Agreement Threshold)

Recommendation 3 is to gain additional community benefit from existing procurement needs. Benefit Driven Procurement is about capturing the social impacts of procurement and seeking to make intentional positive contributions to the community. This will be achieved by recommending to the Procuring Entity the inclusion of a Benefit Driven Procurement questionnaire, with a minimum five per cent (5%) evaluation weighting, during Procurement Planning. This percentage is the starting point to analyze sensitivity to the percentage as compared against other decision factors as: price, delivery, service, quality, etc. At the conclusion of the pilot, Administration will re-evaluate the minimum weighting to be applied as part of the overall evaluation criteria. Inclusion of the Benefit Driven questionnaire will enable Administration to articulate the story of community benefit for the awarded contracts.

As of 2021 February 26, thirty seven (37) procurements were identified as having a potential for the application of the Benefit Driven Procurement questionnaire. Of those, nineteen (19) have been posted to market. From those, six (6) projects were awarded for a total value of \$15.6 million. Applying a five per cent (5%) weighting on four (4) of the awarded contracts resulted in no financial impact to the taxpayer, in addition, community benefit was captured. For the six (6) awarded contracts, the community benefits delivered were suppliers with varying levels of; socially inclusive supply chains, apprenticeship programs and paid work experience, career-track employment, living wage policies. Of the awarded suppliers some were small to medium-sized companies, and all with operating businesses in Calgary.

The intent of Recommendation 3 is to further economic resilience, signal to the market that community benefit is important to The City, be a catalyst for change in the market place, increase opportunities for diversified supply chain, and increase readiness to respond to future community employment benefit requirements for projects with funding by Infrastructure Canada. If approved this will be implemented in conjunction with the new Administration Procurement Policy which comes into effect 2021 May 1.

Return to Council

Recommendation 4 is to solidify the pilot learnings into a Council policy inclusive of Benefit Driven Procurement no later than Q3 2021.

Timeline

See Attachment 1.

Next Steps

Administration will implement the recommendations as approved. Integration of benefit driven procurement into the under and over threshold procurement processes, guidance documents, tools, and eLearning to be launched in April 2021. Stakeholder engagement as a part of service improvement will continue as well as pilot monitoring, measurement and reporting. Also, a replacement Council policy for the Sustainable Environmental & Ethical Procurement Policy ("SEEP") which will include Benefit Driven Procurement and new learnings from the remainder of the pilot will be developed.

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STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- Public Engagement was undertaken
- Public Communication or Engagement was not required
- Public/Stakeholders were informed
- Stakeholder or customer dialogue/relations were undertaken

The Benefit Driven Procurement Advisory Task Force was created to bring the voice of and be the liaison to the diverse communities who provide and directly benefit from Benefit Driven Procurement. Administration has engaged with them and other external stakeholder groups on pilot opportunities and challenges, on the development of the Benefit Driven Procurement questionnaire, application of questionnaire, promotion activities for procurements at market, and measurement and evaluation strategy for pilot.

IMPLICATIONS

Social

Increased access to City contracts will contribute to a more diverse, stronger, and more resilient small and medium-sized and social enterprises business sector. Increased apprenticeship, work-experience, and entry-level opportunities in the trades and other career-track employment, especially for traditionally under-represented community members, i.e. Indigenous, women and immigrants can have a positive social impact.

Environmental

The analysis determined that no environmental implications were applicable.

Economic

This project includes running pilot projects to support the development of policy that guides public spending to make intentional, positive contributions to both the local economy and the overall resilience of the community. This means using procurement dollars to achieve overarching institutional, governmental, or individual goals such as helping local economic recovery, building capacity, building resilience and reducing barriers, so that more people have access to do business with The City.

Service and Financial Implications

No anticipated financial impact

RISK

The top risks identified with the Benefit Driven Procurement project are internal resistance to change, external resistance to change, and additional costs to The City. Starting with a pilot project, engaging a cross-section of Administration for the task force and implementing over a three-year period will support the adoption of Benefit Driven Procurement. In addition, the impact of social criteria into procurements and identifying impacts to cost will be monitored.

ATTACHMENT(S)

1. Background and Previous Council Direction

**Deputy City Manager's Office Report to
Priorities and Finance Committee
2021 March 16**

**ISC: UNRESTRICTED
PFC2021-0395
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- 2. Benefit Driven Procurement Questionnaire
- 3. Benefit Driven Procurement Pilot Data

Department Circulation

General Manager	Department	Approve/Consult/Inform