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AUTHORED BY JANE RUSHTON, MANAGER, PURCHASING AND STORES
JASON EVANS, MANAGER, FLEET OPERATIONS

SUBJECT GROUP PURCHASING FOR THE CITY OF NANAIMO

OVERVIEW

Purpose of Report:

This report provides information regarding a new process being used to streamline purchasing and take advantage of group buying efficiency.

BACKGROUND

The City continually looks for innovative ways to meet the purchasing needs of each department while ensuring compliance with the City's Procurement Policy and related Trade Agreements.

Group purchasing entities are public agencies that use the buying power of their membership to competitively publish, evaluate and award contracts and leverage their combined purchasing power through cooperative efforts. Group purchasing centralizes purchases, reduces duplication and creates economies of scale. The City has previously used group purchasing formats including:

1. **Regional Purchasing Co-Operatives** – joining with entities such as the School District 68, Vancouver Island Regional Library and the Nanaimo Regional District to jointly publish combined requirements.
2. **Provincial Vendor-of-Record Arrangements** – where the Province coordinates the competitive market opportunity and makes the results available, through the BC Goods and Services Catalogue, to the Broader Public Sector.

DISCUSSION

Most recently the City joined the Sourcewell buying group formerly known as the National Joint Power Alliance (NJPA). Sourcewell is a service cooperative created to provide programs and services to members in the government, education, and non-profit sectors. Its statutory purpose is to assist members in meeting specific needs which are more efficiently delivered cooperatively than by an individual entity.

Sourcewell Process

Similar to the City's own procurement, Sourcewell uses a rigorous Request For Proposal (RFP) process. The process is continuously being refined to meet the changing needs of their members. The result is a national, competitively solicited procurement and contract process that is not only valued by members but meets or exceeds their requirements—offering exceptional products and services from nationally acclaimed vendors. RFPs are publicly advertised and evaluation results are clear and transparent.

Sourcewell Benefits

Being a member of Sourcewell leverages the buyer of a broader geographic scope which includes thousands of government, education and not-for-profit agencies, First Nation governments and other public agencies in Canada and the United States.

Sourcewell is a newer approach to purchasing, in that rather than working directly with the local resellers as the intermediary, the contract relationship is formed with the manufacturer. Manufacturer pricing is typically far more favourable than pricing through local suppliers. Local suppliers are still involved in the process and act as the delivery agents for the manufacturer.

There is no direct cost to the City to utilize Sourcewell. Sourcewell is funded by the administrative fees built into the manufacturer price. These administrative fees range from 0.25% to 2.2% and average 1.1% per transaction.

The City's Approach

The City will continue to ensure best value is being achieved. Once the quote has been received from the manufacturer with Sourcewell pricing, the City will post a public Notice of Intent for any supplier to review and challenge the purchase. A challenge will be accepted if a product of equal or greater specifications can be delivered for less than or equal to the quoted price. An accepted challenge will result in the City conducting an open competitive market solicitation.

Value for the City

The administrative burden to process the purchase is greatly reduced through the Sourcewell process by having the front end work completed prior to the contemplated purchase. Purchasing staff time alone is reduced from an average of thirty-eight hours to complete an open market solicitation to approximately thirteen hours where a Notice of Intent is used. There is an expectation that Departmental staff time will be reduced as well.

Next Steps

The City plans to trial Sourcewell through two upcoming purchases:

1. In 2019 – One Backhoe
2. In 2020 – One CCTV Inspection Van

CONCLUSION

Sourcewell will be added to the Purchasing group's purchasing toolkit as a means to purchase select equipment or supplies.

SUMMARY POINTS

- The City has benefited from group purchasing methods in the past.
- New membership with Sourcewell will broaden the group purchasing tools available to support departmental purchases with reduced administrative burden.

- This innovative method is expected to streamline purchases and result in better value for the City.

Submitted by:

Jane Rushton
Manager, Purchasing and Stores

Jason Evans
Manager, Fleet Operations

Concurrence by:

Laura Mercer
Director of Finance

Bill Sims
Director of Engineering & Public Works