



STAFF REPORT ACTION REQUIRED

Update on the Toronto Social Procurement Framework

Date:	July 30, 2014
To:	Executive Committee
From:	Executive Director, Social Development, Finance & Administration, and the Treasurer
Wards:	All
Reference Number:	AFS # 18950

SUMMARY

In May 2013, City Council adopted the Toronto Social Procurement Framework to guide the development of an evidence-based social procurement policy by the end of 2015. This report provides an update on the implementation of the Toronto Social Procurement Framework.

To advance a City approach to social procurement, the Interdivisional Working Group on Social Procurement has been working to (1) engage stakeholders; (2) identify City purchasing opportunities to pilot social procurement initiatives; and (3) develop an evaluation and monitoring process for pilot initiatives.

RECOMMENDATIONS

The Executive Director, Social Development, Finance & Administration and the Treasurer recommend that:

1. City Council receive this report for information.

Financial Impact

There are no financial implications resulting from the adoption of the recommendations included in this report beyond what has been included in the 2014 Approved Operating and Capital Budgets for the City.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

Equity Impact Statement

The Toronto Social Procurement Framework is an equity-focused framework aimed at strengthening Toronto through strategic use of core City resources. As a mechanism for integrating economic, workforce and social development goals, social procurement expands traditional understanding of 'best-value' for public spending to include the generation of positive societal benefits alongside high quality and competitive dollar amounts. Through its principles, goals, objectives, and implementation plan, the Framework focuses on increasing economic opportunities for unemployed and underemployed Torontonians, particularly those who are disproportionately impacted by systemic factors and are most distant from the labour market. Implementation of the Framework seeks to bring greater diversity to the City's contracting process by understanding and addressing barriers to access for small and medium-sized enterprises ("SMEs"), especially those owned by members of equity-seeking groups, to compete for City contracts.

DECISION HISTORY

At its meeting on May 7, 2013, City Council adopted the Toronto Social Procurement Framework, a plan for developing a Social Procurement Policy for the City of Toronto.
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX31.11>

At its meeting on February 19 and 20, 2014, City Council adopted a motion directing staff to explore options for amending City procurement processes and policies to encourage and/or require Aboriginal hiring for City contracts, and report on progress made to the Aboriginal Affairs Committee.
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.EX38.2>

ISSUE BACKGROUND

Each year, the City of Toronto spends on average \$1.5 billion procuring goods and services, professional services and construction services. In issuing approximately 2,000 purchase orders and blanket contracts and approximately 19,000 divisional purchase orders to a range of vendors annually, the City commits to delivering City services at the best possible value through open, fair, competitive and transparent municipal procurement processes. In May 2013, City Council adopted the Toronto Social Procurement Framework, directing staff to explore ways to use the collective buying power of the City's divisions to maximize the City's economic, workforce and social development goals when determining best value for public funds.

The Framework identifies three social procurement goals for the City:

1. Increase access to economic opportunities for under and unemployed Toronto residents from disadvantaged communities,
2. Increase the number of employers who work with the City to promote local workforce development, and
3. Increase diversity in the supply chain by supporting access to all businesses to compete for City contracts.

Since Council's adoption of the Framework, the Interdivisional Working Group on Social Procurement has been applying the Framework to develop an evidence-based policy inclusive of best practices and a viable approach to targets, thresholds, and benchmarks for Council consideration. The Interdivisional Working Group is comprised of City staff from Social Development, Finance and Administration; Purchasing and Materials Management; Toronto Employment and Social Services; Equity, Diversity & Human Rights; and Economic Development & Culture, working in consultation with staff from Legal Services.

COMMENTS

The Council-approved Framework for social procurement organizes its activities into four main areas: consultation and engagement, piloting social procurements activities, monitoring and evaluation, and reporting on progress.

Consultation, Engagement and Partnerships

To support the development of a well understood and broadly supported Social Procurement Policy, the Framework includes consultation with various stakeholder groups to understand their needs, perspectives and opportunities as staff build greater City experience in social procurement. The Interdivisional Working Group has engaged in the following consultation and outreach activities:

City Divisions

Interdivisional Working Group members have engaged with City divisions to explain the Social Procurement Framework and to identify projects which could be included as pilots to the Framework. From these consultations, 10 pilot opportunities were proposed, and a total of seven pilots from five host divisions have been selected. Ongoing engagement with the divisions on the pilots will help determine the level of resources, supports, and infrastructure required to support a Social Procurement Policy.

Supplier Certification Organizations

Interdivisional Working Group members have met with the Canadian Aboriginal and Minority Supplier Council (CAMSC) and WBE Canada (Women Business Enterprises) in order to learn from their experience with developing supplier diversity and certifying supplier ownership. The City has joined both CAMSC and WBE Canada as the first government member of both organizations. Through these memberships, the City has gained access to lists of certified

suppliers to compare against the City's vendor list. Both organizations are working to build their supplier databases so the value of these lists will continue to grow as more organizations are certified. The City is also working with both groups to do outreach to diverse suppliers and to promote supplier diversity.

Interdivisional Working Group members also have met with the Canadian Gay and Lesbian Chamber of Commerce (CGLCC) and attended the launch of their supplier diversity certification program on June 19, during World Pride. The Working Group will continue discussions with the CGLCC as their program grows.

Small and Medium-Sized Enterprises

Working Group members have attended the following events to connect to Small and Medium-Sized Enterprises directly or through business networks:

Organization	Event	Date
Enterprise Toronto	Small Business Forum	October 23, 2013
Ontario Ministry of Government Services	Supply Ontario Kitchener	November 14, 2013
CAMSC	Diverse Partners Technology Forum	February 5, 2014
WBE Canada	Taking Supplier Diversity to the Next Level	February 5 & 6, 2014
Accenture / RBC / Telus	Supplier Diversity Mentorship Workshop	February 6, 2014
Toronto Board of Trade	Small Business Procurement Conference and Pitch Coach Session	March 20, 2014
Deputy Mayor Roundtables	Women Entrepreneur Roundtable	March 26, 2014
Deputy Mayor Roundtables	Small Business Roundtable	April 11, 2014
CAMSC	Procurement Fair	April 16, 2014
Daniels Spectrum	Social Purchasing Roundtable	April 17, 2014
Deputy Mayor Roundtables	Black Business Professionals Roundtable	May 12, 2014
Canadian Gay and Lesbian Chamber of Commerce	LGBT Supplier Diversity Conference	June 19, 2014
Deputy Mayor Roundtables	Young Entrepreneur Roundtable	July 16, 2014

These events provided opportunities to meet small and medium sized enterprises, many of which are diverse suppliers, to teach them about how to do business with the City and to get their feedback. Feedback from SMEs highlighted two specific concerns:

- 1) SMEs wanted more tips on how to respond to RFX documents (e.g. Request for Proposal, Request for Quotation, Request for Tender, etc.), and
- 2) SMEs wanted improved access to small dollar value procurements under \$50,000.

Both of these concerns are being addressed in the development of the Social Procurement Policy. Staff are working to refine and expand outreach materials for SMEs related to its RFX documents, and a small dollar value pilot project will be implemented as part of the Framework.

Unions and Associations

Members of the Interdivisional Working Group have met with the Central Ontario Building Trades on several occasions, and will continue to meet with Unions, Trade Associations, Industry Associations and Professional Associations that may be affected by the Social Procurement Policy to take into account their perspectives in the development of the Social Procurement Policy.

Community Organizations

In addition to the consultation groups identified in the Framework, staff from the Interdivisional Working Group have consulted with community organizations involved in the delivery of employment services and the development and operation of social enterprise, such as the, Toronto Region Immigrant Employment Council, Social Enterprise Toronto, Youth Employment Partnerships, Toronto Workforce Innovation Group, United Way Toronto, and the Toronto Community Benefits Network. In addition to reviewing the City's efforts to create and implement a Social Procurement Policy, these discussions have focussed on the role employment service agencies and social enterprise can play in the pilots and in the implementation of a Toronto Social Procurement Policy.

Other Orders of Government

The Interdivisional Working Group has met with TO2015 to learn from their experiences in supplier diversity. Staff will continue to seek to learn from TO2015's leadership in social procurement, including their growing knowledge of diverse suppliers as the PanAm/ParapanAm Games approach.

The City is also engaged in a separate social procurement pilot project which is jointly managed by the Toronto Enterprise Fund and Social Enterprise Toronto. This project is funded by United Way Toronto, the Government of Canada, the Government of Ontario, and in-kind support from the City of Toronto. It aims to connect social enterprises, businesses with a social or community-based mission, to government procurement opportunities, and in this way ensure that local communities benefit from large scale publicly-funded initiatives.

Finally, in partnership with the Atkinson Foundation, the City will host a social procurement learning community with other Toronto public sector institutions. This Community of Practice for Public Sector Social Procurement in Toronto will bring together municipal and provincial government agencies, education institutions, and transportation organizations in Toronto to share and learn how best to implement social procurement in their respective institutions. Through four sessions beginning in the fall of 2014, these institutions will meet to learn from experts in this field, build on existing institutional knowledge and practice, and problem-solve key implementation and policy issues. The Community of Practice will enhance the City's efforts to develop an effective Toronto approach to social procurement while leveraging the purchasing

power of other major institutions to advance Toronto's economic, workforce and social development goals.

Future Consultation

The Interdivisional Working Group has specific plans for further consultation with Metrolinx and the Diversity Business Network. Ongoing consultation remains a key step in implementing the Framework as staff seek to refine knowledge gained from the pilot process. Consultations with the stakeholder groups identified above will continue throughout development of the Social Procurement Policy.

Additionally, in response to feedback from consultations, Purchasing and Materials Management Division is working on a new "How to Do Business With the City" brochure to provide more guidance on responding to RFX documents. The Interdivisional Working Group is also developing a further outreach strategy to various business groups throughout the City to continue to promote how to do business with the City of Toronto.

Pilot Projects

At the core of the Social Procurement Framework is the need to pilot social procurement initiatives on a variety of City purchasing contracts in order to develop a consistent approach to social procurement. The pilots allow staff to consider how the policy should be implemented, including: when the policy may be applied, and what tools, resources, supports and infrastructure will be required for effective implementation of the policy.

The Framework identifies four policy and operational components for the pilots to investigate:

1. Considerations for Scope and Scale of Policy Application
2. Establishing Vendor Commitment and Targets
3. Ensuring Policy and Protocol Compliance
4. Developing and Implementing Monitoring and Evaluation Mechanisms

Considerations for Scope and Scale of Policy Application

Conducting a variety of pilots using different procurement types allows for an assessment of the suitability of social procurement application across various types, methods, project durations and contract values. In total, eight pilots, listed in Appendix 1, have been identified, representing a mix of procurement processes and balancing the need for a variety of purchasing criteria with a manageable number of pilot projects.

Seven of the pilots involve a specific procurement contract. These pilots reflect a variety of procurement types, including trades, services, professional services, and construction contracts. Different procurement methods are included, with at least one of each of type – tenders, requests for quotation, and requests for proposal – represented among the pilots. The pilots also reflect a variety of contract lengths, ranging from 1.5 to 5 years in length. Finally, contract budgets range from slightly under \$100,000 to multi-million dollar capital projects. In all cases, this variety will help to serve the development of a broadly-based policy.

To address the concerns of SMEs regarding improved access to smaller-scale City purchases with a value below \$50,000, the eighth pilot is a Small Dollar Value Pilot. Typically, for goods

and services under \$50,000, the City's Divisional Purchase Order procedure requires that the purchasing division obtain at least three quotes. Divisions may pick the three (or more) vendors they believe best suited to do the work and the lowest bid which meets the requirements is awarded the contract. The Small Dollar Value Pilot will investigate a different method of procurement for smaller-scale purchases.

Interdivisional Working Group members are working with staff in Information Technology to develop a system whereby purchases valued between \$10,000 and \$50,000 will be posted online for 3 to 5 days and advertised to everyone registered on PMMD's vendor registration list. The goal is to see if smaller companies can get better access to these types of contracts without significantly reducing the efficiency of the current process. The Social Development, Finance and Administration (SDFA) Division will facilitate the pilot and will post a portion of the small value contracts that SDFA processes through a centralized DPO function for Cluster A divisions. The small dollar value pilot is anticipated to commence in late September 2014 involving one or two smaller divisions, with the potential of adding a third larger division in January 2015.

Establishing Vendor Commitment and Targets

To date, two of the pilots have been issued to the open market. The remaining pilots have anticipated tender dates falling over the balance of 2014. Work toward establishing vendor commitments for the pilots has so far focused on developing appropriate language for these first two purchasing calls. While customization to the type and method of procurement is necessary, the language in each call must define both the City's understanding of social procurement activities and its expectations of the type of commitment the successful bidder will make to workforce development and/or supply chain diversity activities. For each of the pilot projects, the Interdivisional Working Group consults with the pilot host division and other relevant stakeholders (e.g. unions and community organizations) on the development of suitable Social Procurement requirements and works with Legal Services on establishing appropriate language for the associated call documents.

Successful proponents of contracts for pilot projects will commit to one or more social procurement activities. This could include activities such as: customized recruitment strategies; use of Social Enterprise in the supply chain, or other appropriate activities that will provide employment-related opportunities to unemployed and underemployed city residents. One pilot project, the renovation of the Franklin Horner Community Centre, has now been awarded to Aquicon Construction Co. Ltd. The language of the tender requires the successful bidder to participate in the Social Procurement Pilot Project focused on Workforce Development. The tender language specifies that the successful bidder will meet with City of Toronto staff to review opportunities for suitable workforce development strategies (such as hiring apprentices from a registered apprenticeship training program, sub-contracting work or services to social enterprises, and/or sharing any additional job opportunities not related to the skilled-trades that become available as a result of the project). As of the date of this report, it is anticipated that a pre-construction meeting will be arranged within the next two weeks in order to discuss the steps that the Contractor will undertake to fulfil the commitments made to the Workforce Development aspects of the Social Procurement plan.

A second pilot project is underway with the release of a Request for Quotation for a contract for provision of Mechanical Litter Removal Services. The requirements for this contract have been refined to reflect the nature of the call and to specify a ten business day time frame for the initial meeting and quarterly meetings over the duration of the contract to review progress on the agreed to workforce development activities.

Finally, staff are developing language for the Request for Proposal (RFP) for the third pilot project, a contract for an engineering consulting assignment for the planning, design and contract administration of the mitigation of basement flooding, consisting of the construction of storm and sanitary pipes, and storage facilities. This RFP is scheduled to be released in early August. Unlike a tender or an RFQ, an RFP will assign points to the proposals based on the social procurement commitments that proponents are prepared to make in their proposals.

Ensuring Policy and Protocol Compliance

Once pilot projects have a successful vendor and commitments and targets have been negotiated, then staff will focus on ensuring policy and protocol compliance. Staff will incorporate experiences from the pilot projects and feedback from consultations along with analysis of the implications of various methods of ensuring vendor compliance with social procurement commitments into the Policy.

Monitoring and Evaluation

The Social Procurement Framework identifies three key monitoring and evaluation tasks:

1. Establish an accountability and compliance framework that monitors implementation, measures outcomes, and produces reports;
2. Establish current baseline for City procurement activity with SMEs owned by equity-seeking groups;
3. Evaluate pilot approaches using a development approach so that refinements can be made throughout the pilot phase;

Staff are developing an accountability and compliance framework that monitors implementation and measures outcomes. One key outcome for the Toronto Social Procurement Framework is the diversity of the City's supply chain. To understand the impact of the Social Procurement Policy over the long term, it is necessary to establish a baseline of the current diversity of its suppliers. The City has joined supplier network organizations such as WBE Canada and CAMSC to gain access to their certification data. This data provides an independent identification of suppliers owned by some of the City's identified equity-seeking groups. Appendix 2 provides an update on the diversity of the City's suppliers showing which have self-declared and which have been certified under CAMSC or WBE Canada. The City will continue to work with both organizations and with the CLGCC to strengthen the baseline data on the City's suppliers.

The evaluation of the pilots will focus on vendor compliance, the investments generated by social procurement agreements, and the anticipated longer-term social outcomes. The evaluation will also determine the amount of support and resources required to support social procurement for different contract type, method, duration and value and for different social procurement vendor commitments.

In considering all of this data, staff will be able to weigh the achievement of the City's social procurement goals against the resources requirements of various methods to achieve those goals. This will support development of a robust, practical, and evidence-based Social Procurement Policy.

Encouraging Aboriginal Suppliers in the Procurement Process

In February of 2014, City Council directed the Director, Purchasing and Materials Management Division to explore options for amending City procurement processes and policies to encourage and/or require Aboriginal hiring for City contracts and to report on the progress made to the Aboriginal Affairs Committee. This direction aligns with the existing Social Procurement Framework. Consequently, on March 26, 2014, Interdivisional Working Group members participated in a discussion with the Aboriginal Affairs Committee about the Social Procurement Framework, the status of implementation, and issues to consider in encouraging Aboriginal Suppliers in City procurement. As the work progresses, further updates will be given to the Aboriginal Affairs Committee as relevant. The Working Group will also consult with CAMSC which certifies aboriginal suppliers to advance this component of the work.

Conclusion

Over the next year, the Interdivisional Working Group will continue the development of a Social Procurement Policy based on best practices. The Policy will include a viable approach to targets, thresholds, and benchmarks, and will be delivered by the end of 2015. In consultation with City divisions and partners, the Working Group will develop guidelines, a toolkit and other support mechanisms to assist in the successful implementation of the policy.

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ATTACHMENTS

Appendix 1: Social Procurement Pilot Projects
Appendix 2: City Supplier Diversity Data

Appendix 1:
Social Procurement Pilot Projects

Project Name	Purchasing Division	Nature of Procurement	Sector	Timeline		
				Tender Date	Start Date (est.)	Duration
Single Contract Procurement Pilots						
Franklin Horner Community Centre renovation	Parks, Forestry & Recreation	Tender	Construction	May 2014	Late 2014	2 years
Mechanical Litter Removal Services Contract	Solid Waste Management	RFQ	Services	June 2014	Jan 2015	5 years
Basement Flooding Protection Program – Phase 4	Engineering & Construction Services	RFP	Design, Construction	Aug 2014	Q4 2014	5 Years
New Q Pumping Station at the Ashbridge's Bay Treatment Plant	Engineering & Construction Services	RFP	Engineering, Construction	Sept. 2014	Q4 2014	3 to 5 years
Hostel-wide Indoor & Outdoor Painting Contract	Shelter, Support & Housing Administration	RFQ	Trades	Aug 2014	Nov 2014	Multi-year contract 1 + 3 yrs
St. Lawrence Market North Redevelopment Project	Facilities Design & Construction <i>(Facilities Mgmt)</i>	RFP	Construction	Pre-qual Q3 2014	Q4 2014	1.5 - 2 years
George Street Revitalization / Seaton House Redevelopment	Shelter, Support & Housing Administration	RFP	Design / Architecture	Sept. 2014	Late 2014	TBC
		RFP	Construction	TBC	2018	TBC
Small Dollar Value Pilot						
Small Dollar Value Pilot	Cluster A (Social Development, Finance & Administration)	DPO	multiple	n/a	Sept 2014	TBC

Appendix 2:
City Supplier Diversity Data

Table 1 – City-registered diverse vendors (self-declared and certified) in 2013

The information in this table was captured through PMMD’s Vendor Registration System. Self-declared businesses refers to registered businesses that have self-identified as being more than 50% owned by aboriginal peoples, people with disabilities, visible minorities, and/or women. Certified refers to businesses certified by either CAMSC or WBE Canada as being diverse suppliers. Certification with these organizations is open to businesses which are 51% or more owned, managed, and controlled by Aboriginal peoples and/or visible minorities (CAMSC) and women (WBE Canada). No comparable data is available for people with disabilities as there is no certifying body for people with disabilities at this time.

Diverse Vendor Group	Self-Declared		Certified	
	Percentage	Count	Percentage	Count
People with disabilities	1.0%	15	N/A	N/A
Aboriginal/First Nation	0.3%	5	0.8%	11
Visible minorities	10.1%	144		
Women	14.4%	206	0.3%	5
Not Applicable	74.2%	1,063	N/A	N/A
Total Responses	100.0%	1,433	N/A	N/A

Table 2 – Contracts awarded to diverse vendors (self-declared) in 2012 and 2013

This table cross-references vendors who have registered through PMMD's Vendor Registration System to the information for Divisional Purchase Orders, Purchase Orders, and Blanket Contracts contained in SAP. No certified vendors were awarded contracts in 2012 or 2013.

Contract Data	2012	2013
Total # of vendors awarded DPOs, POs and BCs	4,709	4,489
Total # of self-declared diverse vendors awarded DPOs, POs & BCs	331	238
Percentage of vendors awarded DPOs, POs, and BCs who self-declared as diverse	7.0%	5.3%
Total dollar value of DPOs, POs and BCs awarded to all vendors	\$ 1,465,512,663.83	\$ 1,653,277,073.32
Total dollar value of DPOs, POs and BCs awarded to self-declared diverse vendors	\$ 339,991,423.37	\$ 434,585,176.26
Percentage of total dollar value of DPOs, POs and BCs awarded to self-declared diverse vendors	23.2%	26.3%