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TO:	CHAIR AND MEMBERS COMMUNITY AND PROTECTIVE SERVICES COMMITTEE MEETING ON DECEMBER 9, 2013
FROM:	SANDRA DATARS BERE MANAGING DIRECTOR HOUSING, SOCIAL SERVICES AND DEARNESS HOME
SUBJECT:	SINGLE SOURCE FOR A SUPPLY CHAIN GROUP PURCHASING ORGANIZATION

RECOMMENDATION

That, on the recommendation of the Managing Director Housing, Social Services and Dearness Home the following actions **BE TAKEN** with the respect to the implementation of a Supply Chain Group Purchasing Organization Contract for the City of London:

- (a) That approval hereby **BE GIVEN** to declare Silver Group Purchasing owned and operated by Extencicare (Canada) Inc., 3000 Steeles Ave., Markham, Ontario, L3R 9W2 the single source supplier of a Supply Chain Group Purchasing Organization for a one year term with up to three one year renewals in accordance with the "Procurement of Goods and Services Policy" Section 14.4 Single Source, clause (d);
- (b) That Civic Administration **BE AUTHORIZED** under the Supply Chain Group Purchasing Organization to purchase food products for the City of London and other services and products specific to Dearness Home;
- (c) That the approval **BE CONDITIONAL** upon the Corporation negotiating satisfactory terms and conditions with Silver Group Purchasing to the satisfaction of the City Treasurer, Chief Financial Officer and the Managing Director Housing, Social Services and Dearness Home;
- (d) That Civic Administration **BE AUTHORIZED** to undertake all the necessary administrative acts in connection with this matter; and
- (e) That the approval **BE CONDITIONAL** upon the Corporation entering into a formal contract relating to the subject matter of this approval.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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- September 23, 2013 (Community and Protective Services Committee) Long Term Care and Adult Day Program Management Consulting & Administrator Services Contract
- January 21, 2013 (Community and Protective Services Committee) Single Source for the Supply of Foods Products

BACKGROUND

Purpose:

To recommend that Silver Group Purchasing be declared the single source provider of a supply chain group purchasing organization for the City of London.

Purchasing Process:

Approval for this selection is requested in accordance with the Procurement of Goods and Services Policy, Section 14.4, clause (d).



Context:

In October of 2013 Council approved a three year Managing Consulting Services contract with Extendicare (Canada) Inc. (ECI) to provide management consulting services for the Dearness Home. As part of this agreement the following clause was negotiated:

“advice with respect to developing an annual business plan, operating budget and capital plan for the Home, supporting Council-approved budget targets to reduce the City’s net operating expenditures to operate the home (through ongoing service reviews). This will include, but will not be limited to identifying any efficiencies and or cost savings for service delivery, being mindful of ensuring effective and appropriate resident care, in compliance with legislative requirements.”

One of the options that Extendicare identified was a membership in Silver Group Purchasing to access the supply chain purchasing services through Extendicare (Canada) Inc. During the negotiation of the contract, civic administration considered inclusion of this membership in the negotiated contract but did not include this provision since the City of London already had an existing contract in place for a group purchasing service.

The existing contract in effect until December 31, 2013 is with Complete Purchasing Services and was confirmed in a report to the Community and Protective Services Committee in January 2013 where Council approved a single source request for the one year supply of food products from Sysco Food Services to the City of London. Council further authorized Civic administration to enter into negotiations with a supply chain group buying consortium for a group purchasing program on the platform of Sysco Food Services as the supplier of food products. This approval resulted in a 1 year contract with Complete Purchasing Services for the 2013 year.

Historically, although the City has contracted with Complete Purchasing Services, purchases were limited to only food products (single source through Sysco Food Services) for the Dearness Home, City Golf courses, City Hall Cafeteria, Storybook Gardens and the Seniors Centres. As a result, the value realized from a membership with a group supply chain purchasing organization was limited and savings were only realized for purchases of food products.

Discussion:

Under this proposed agreement, all food products for the Dearness Home, City Golf courses, City Hall Cafeteria, Storybook Gardens and the Seniors Centres would be procured through Silver Group. In addition, civic administration wishes to expand use of the supply chain group purchasing organization for products specific to long term care included but not limited to the following:

- medical supplies;
- incontinence products;
- chemicals;
- resident handling and hygiene systems; and
- resident furniture and equipment.

Expanding the type of purchases under the supply chain group purchasing organization reduces the workload of the competitive purchasing process currently led by purchasing staff. The City would utilize the strength of the Silver Group national buying program to procure the goods and services to deliver the best in quality and value. Expanding our ability to access a larger number of vendors/suppliers, allows the City to take advantage of a broader range of products to respond and be more flexible to adapt to the changing environment of long term care. Also, procurement for all services would not be limited to a single supplier as is current practice. Under this agreement the best prices will be leveraged to achieve the best value at the lowest cost for the City of London.

Currently, the City is under contract (through the City’s competitive purchasing process) for the provision of medical supplies and incontinence products at Dearness Home and the intent is to transition the supply of these products only as the opportunity arises. Additionally, any supplies purchased at Dearness Home that contribute volume to a larger City wide contract will continue to remain within the City’s control.



Through the continued use of a Supply Chain Group Purchasing Organization, the City of London will ensure best value since these organizations are able to better access additional value through savings as a result of contracting with high volume commodities and offering access to prices negotiated directly with various suppliers. In addition, there are many other non-tangible benefits offered through Supply Chain Group Purchasing Organizations including education, transition support, access to menus and detailed usage reports. Procurement completed by Silver Group not only meets the City of London Procurement of Goods and Services Policy; it also meets the specific requirements contained within the Service Agreements with the South West Local Health Integration Network (SWLHIN).

Rationale:

Silver Group Purchasing is a division of Extencicare (Canada) Inc. It is the only group purchasing organization in Canada that specializes in senior’s care and owns their own long term care homes (Extencicare). At present Silver Group services 450 customer sites representing over 35,000 long term care beds resulting in approximately \$175 million in purchasing power. Silver Group purchasing exists in every Extencicare owned home and in other homes including municipal homes in Kingston and Muskoka.

The partnership between Silver Group and Extencicare has been designed to maximize efficiencies and economies of scale in the long term care sector. By working together Extencicare has been able to develop a model of service that aligns itself with provincial funding. Through the unity of the Management Consulting Services contract and a contract with Silver Group Purchasing, ECI will be better able to leverage the synergy between these two divisions and achieve cost savings for the City of London. Contracting with Silver Group Purchasing is recommended and meets the requirements in accordance with the Procurement of Goods and Services Policy, Section 14.4, clause (d) for compatibility with services previously acquired.

The City has the option to amend the existing Extencicare contract for the use of Silver Group Purchasing. However, it is recommended that a separate contract for Silver Group Purchasing services be initiated since purchases to be made under this agreement will include other service areas in addition to long term care.

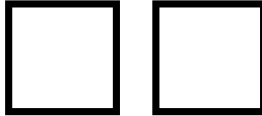
FINANCIAL IMPACT

There is no membership fee or additional cost to the City to utilize the services of Silver Group Purchasing (part of Extencicare Canada Inc).

The annual cost for food purchases are included within the various service based budgets and purchases specifically for long term care are contained within the Dearness Home service based budget. The chart below outlines the total volume of food purchases with all suppliers and would be representative of the purchases going forward for all food products.

Location of Food Purchases	2012 Actual	2013 Budget	2013 YTD*
Dearness Home	\$821,856	\$844,000	\$739,521
City Hall Cafeteria	\$114,468	\$135,700	\$91,397
Story Book Gardens	\$72,416	\$99,949	\$77,943
Thames Valley Golf	\$146,297	\$142,641	\$133,476
Fanshawe Golf	\$144,205	\$130,202	\$153,439
River Road Golf	\$45,003	\$45,257	\$43,260
Hamilton Road SC	\$28,868	\$20,000	\$29,405
Kiwanis SC	\$54,777	\$40,000	\$41,068
TOTAL	\$1,427,890	\$1,457,749	\$1,309,509

* year to date as of the end of November



As mentioned above the City wishes to expand use of the supply chain group purchasing organization for products specific to long term care for the following reasons:

- ✓ to ensure best value for the City;
- ✓ to streamline and take advantage of purchasing efficiencies; and
- ✓ to maintain compliance with SWLHIN Service Agreements.

The chart below outlines total volume of Dearness purchases under the proposed expansion of the supply chain group purchasing program.

Category of Purchases	2012 Actual	2013 Budget	2013 YTD*
Chemicals	\$40,125	\$38,000	\$34,928
Medical Supplies	\$259,905	\$196,100	\$151,840
Incontinent Supplies	\$132,890	\$127,934	\$107,065
Resident Furniture	\$79,540	\$52,800	\$9,973
Handling & Hygiene	\$87,395	\$63,960	\$98,130
TOTAL	\$599,855	\$478,794	\$401,936
* year to date as of the end of November			

Although Silver Group has represented that most market baskets calculated indicate a potential savings over their competitors, a market basket comparison completed by civic administration determined relatively little difference. The market basket contained 20 food items over the course of 13 months with a total sales volume of approximately \$200,000. The variance between the two baskets was approximately \$600. However, Silver Group has indicated that through the use of their value contracts there will be potential for additional savings.

Therefore, we believe that based on our analysis, although there is potential for additional savings, the costs for purchases under Silver Group appear to be comparable. As a result, costs should not exceed the purchases made through the contract with Complete Purchasing Services and the value of the non-tangible benefits listed above, further enhance this recommendation.

Acknowledgements:

This report was prepared with the assistance of Anna Lisa Barbon, Manager Financial and Business Services and Janice Brown, Financial Business Administrator.

RECOMMENDED BY:	REVIEWED AND CONCURRED BY:
SANDRA DATARS BERE MANAGING DIRECTOR HOUSING, SOCIAL SERVICES AND DEARNESS HOME	MIKE TURNER DEPUTY CITY TREASURER

- cc. A.L. Barbon, Manager Financial and Business Services
 B. Coxhead, Managing Director Parks and Recreation
 J. Freeman, Manager Purchasing and Supply