



Date: February 18, 2005

TO: Board Members - Parks and Recreation

FROM: General Manager - Parks and Recreation

SUBJECT: Ethical Purchasing Policy and Supplier Code of Conduct

RECOMMENDATION

That the Board approve the implementation of the Ethical Purchasing Policy and Supplier Code of Conduct, as outlined in the attached report and approved by Vancouver City Council on February 17, 2005.

POLICY

The following are approved Board purchasing policies for:

- contracting for goods and services
- consultant - hiring
- consultant - contracts
- energy efficiency purchasing policy.

There is no applicable Board policy for ethical purchasing and supplier code of conduct.

BACKGROUND

On March 15, 2004, Park Board staff reported to the Finance Committee on current research toward the implementation of an ethical and environmental purchasing policy. A survey was sent to approximately 225 Park Board contractors to gather information regarding their ethical and environmental purchasing practices. Other municipalities across Canada were contacted to obtain information about their current practices.

On April 8, 2004, City Council declared its attention to implement a Sustainable and Ethical Procurement policy for the City of Vancouver before the end of the 2004 calendar year. City staff were asked to report back within a two month period on a series of questions related to the implementation of such a policy for City purchases of apparel, coffee and related items.

On May 31, 2004, Park Board staff reported to the Finance Committee in regards to the implementation of an ethical and environmental purchasing policy. As part of this report, staff also provided answers to the same questions posed by City Council.

On June 22, 2004, City staff reported back to City Council. At this meeting, Council members approved the implementation of Phase I, which was the creation of a task force, co-chaired by Councillors Louie and Louis, and comprised of a Park Board Commissioner, Park Board and City staff, various businesses, and other non-government organizations. This task force was to prepare and present a draft policy to Council on the purchase of apparel and fair trade agricultural products. Council also directed staff on a Phase II work plan requesting a report back by December 2004. This report includes resource requirements for developing and implementing a comprehensive Sustainable and Ethical Procurement Policy that incorporates environmental and social objectives. Council also directed staff, in the interim, to purchase fair trade certified coffee, at the expiration of current contracts, and where there are no contracts, as soon as is practical.

In August of 2004 the Ethical Purchasing Policy (EPP) Task Force was formed and work on an Ethical Purchasing Policy and Supplier Code of Conduct (SCC) was completed in November 2004. A report to City Council recommended acceptance of the proposed Ethical Purchasing Policy and the Supplier Code of Conduct. At the Council meeting on December 16, 2004, Council passed the following resolution:

- A. THAT City Council receive the Final Report of the Ethical Purchasing Policy Task Force (Appendix A of the Policy Report dated December 6, 2004, entitled "Ethical and Sustainable Purchasing Policy");
- B. THAT City Council adopt in principle the Ethical Purchasing Policy (EPP) and Supplier Code of Conduct (SCC) (Appendix B of the Policy Report dated December 6, 2004, entitled "Ethical and Sustainable Purchasing Policy"), as recommended by and included in the report of the Ethical Purchasing Policy Task Force, to complete Phase I of the development of a Sustainable and Ethical Purchasing Policy for the City of Vancouver, subject to a report back from staff in early 2005 on the impact on the City's operations including potential costs and resource requirements of implementation (see "I" below);
- C. THAT Council direct staff to report back early in 2005 with the resource requirements for implementation of the Ethical Purchasing Policy and Supplier Code of Conduct;
- D. THAT Council direct staff to begin the implementation process of the Ethical Purchasing Policy by notifying all current City suppliers of apparel items and certified fair trade agricultural products that all future contracts with the City will require full disclosure of supplier and sub-contractor factory locations, and inviting suppliers to voluntarily begin this process by disclosing their own and their sub-contractor factory sites, subject to "G" below;
- E. THAT the City forward the Ethical Purchasing Policy and Supplier Code of Conduct to the Vancouver Park Board, Vancouver Public Library and Vancouver Police Department;

- F. THAT the Ethical Purchasing Policy and Supplier Code of Conduct be copied directly to the other municipalities in the GVRD, the GVRD itself, the UBCM, the FCM, United Cities and Local Governments, the Provinces and Territories of Canada and the Federal Government, the Vancouver School Board, and the Vancouver 2010 Olympic Committee, with encouragement from the City that these groups adopt an Ethical Purchasing Policy and Supplier Code of Conduct of their own, and offering this Ethical Purchasing Policy and Supplier Code of Conduct as a model;
- G. THAT all contractual provisions required to be placed into the City's procurement documentation to implement the recommended Ethical Purchasing Policy and Supplier Code of Conduct be reviewed and approved by the Director of Legal Services prior to their use in any procurement document;
- H. THAT Council direct staff to report back early in 2005 with the work plan for Phase II of the project: the development of a comprehensive Sustainable and Ethical Procurement Policy that incorporates broader environmental and social objectives;
- I. THAT Council direct staff to report back early in 2005 on the impact on the City's operations including potential costs for implementing the Ethical Purchasing Policy and Supplier Code of Conduct as recommended by the Task Force.

On February 4, 2005 another meeting was held with the EPP Task Force. City staff recommended changes to the wording of the EPP and SCC. These changes were reviewed with the Task Force and were agreed to. Changes are reflected in the attached copies of the Ethical Purchasing Policy and the Supplier Code of Conduct.

On January 24, 2005, Park Board staff reported to the Finance Committee the Council's directions on EPP, and on operational and financial implications of the EPP policy. The Finance Committee requested staff to follow up with the City of Vancouver on increasing the Park Board operating budget to cover the increased costs due to the implementation of the EPP policy. At the same time, the General Manager, as part of the Corporate Management Team's review of the policy, provided advice and a recommendation for the Council report in respect to the financial implications for the Park Board.

DISCUSSION

At the February 17, 2005 City Council meeting, the following recommendation was approved:

RECOMMENDATION

- A. THAT subject to Recommendation F below, Council modify the Ethical Purchasing Policy and Supplier Code of Conduct related to the purchase of apparel and fair trade certified agricultural products approved in principle at its meeting of December 16, 2004 as contained in Appendix A and B to this report, respectively;
- B. THAT subject to Recommendation D below, Council direct staff to implement the Ethical Purchasing Policy in accordance with the work plan outlined herein;
- C. THAT subject to Recommendation D below, Council direct staff to implement the work plan outlined herein as Phase II of the development of a comprehensive Sustainable and Ethical Procurement Policy;
- D. THAT Council approve the creation of one full time permanent position in the corporate purchasing department to provide support to all City departments and Boards to implement and for ongoing administrative support of the Ethical Purchasing Policy related to the purchase of apparel and fair trade certified agricultural products and to develop and implement a comprehensive Sustainable and Ethical Purchasing Policy that incorporates broader environmental and social objectives as Phase II at an estimated annual cost of \$68,000, (\$51,000 for 2005) subject to classification by the General Manager of Human Resources; and one time additional \$20,000 be provided for consulting and other required services to support the implementation of the recommended Ethical Purchasing Policy and development of a comprehensive Sustainable and Ethical Procurement Policy; funding to be provided in the 2005 annual operating budget without offset;
- E. THAT Council approve an increase in the 2005 operating budget of \$185,000 (\$246,000 for full year) for Park Board and \$151,000 (\$284,500 for full year) for all other City departments to cover estimated increase in costs of apparel and agricultural products resulting from the implementation of the Ethical Purchasing Policy; funding to be provided in the 2005 annual operating budget without offset;
- F. THAT all contractual provisions required to be placed into the City's procurement documentation to implement the recommended Ethical Purchasing Policy and Supplier Code of Conduct be reviewed and approved by the Director of Legal Services prior to their use in any procurement document.

Consistent with our strategic direction in environmental sustainability, it is important for the Park Board to lead by example in making changes of this type. At the same time, staff recognizes that it will take time and investment to achieve the benefits of sustainability and ethical purchasing. Over time, as more suppliers enter the marketplace, the additional costs may be reduced through increase competition and more product availability.

We recognize that for items sold to the public such as coffee, ideally prices should be set to recover the increased costs of fair trade products. However, we must compete in the marketplace for these revenues and there may be a reaction to an increase in prices, resulting in potentially reduced revenues and the inability to fully recover the costs resulting from the policy. The City has recognized this and has made a provision for funding to cover the estimated increase in costs for the apparel and agricultural products currently available.

Upon the Board's approval of this policy, staff will review all requirements for agricultural products and apparel and determine what fair trade products are available. We will work closely with vendors to ensure that the fair trade requirements will be met. To mitigate the cost impacts from use of fair trade product and continue to provide food services, staff will monitor the costs and develop price strategies. As the Park Board purchases over 275 agricultural products and the certification process for fair trade product is ongoing, a gradual implementation of the ethical purchasing process is prudent. There are also contractual obligations such as lease/license agreements in place that may limit implementation of the EPP policies. As part of the operating budget to fund other parks and recreation programs, Park Board relies on the rental revenue (\$1,500,000) from the licensees to fund other programs. The incorporation of the requirement of ethical purchasing policies in the new contracts as they come due may impact the amount of the rental revenue that can be generated.

Staff support the adoption of this policy as the Ethical Purchasing Policy and Supplier Code of Conduct are consistent with the Board's strategic direction and the potential cost increases are addressed by City Council through adjustment to the Board's global budget as outlined in the Council report of February 17, 2005. In view of the number of agricultural products and contractual obligations with our licensees, staff recommend the implementation of ethical purchasing policy be limited to Park Board operations.

SUMMARY

Staff recommend adoption of the attached Ethical Purchasing Policy and Supplier Code of Conduct as approved by Council on February 17, 2005. Park Board staff will work closely with City staff to implement this policy, including work on documentation for upcoming bid documents. Once approved, the contract language will be added to all bid documents for apparel and for future contracts for Fair Trade agricultural products.

Prepared by:

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Board of Parks & Recreation
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CMM