

Procurement & Warehousing

Led by: Director of Supply Management

Service Description

Procurement & Warehousing offers procurement, inventory, and warehouse services that deliver the best value for public funds and promotes trust in The City of Calgary.

Our service stewards The City's supply chain activities through: purchase of construction, consulting, information technology, inventory, goods and services; planning, forecasting, inventory control, distribution, and end-of-life disposal of Corporate Inventory. We facilitate corporate adherence to legislation and regulatory requirements and bind contracts between Suppliers and The City as delegated, under the Bylaw 43M99 Execution of Agreements while enabling benefit driven procurement and contract compliance.

Service Updates

Highlights

2023 has started out strong with an influx of critical City procurements including, but not limited to, the negotiation of City's Event Centre, Software License Management, and Wireless Service Provider. Procurement & Warehousing has been diligent in the implementation of its' initiatives with the planning and procurement for the new Operational Excellence program, executing The City's first three spend Categories, digitizing the Social Procurement questionnaire, stabilizing SAP Ariba to ensure transparency of all procurement activities from sourcing to contract award, developing the Supply Chain Resilience Framework and supporting digital tools and staggering Inventory deliveries to better match demand.

Other achievements completed in parallel include creating staffing stability through people changes and filling vacancies, closing Supply stream activities from the Corporate Realignment and sharing City successes with external partners and collaborators.

Challenges

- In response to supply resource gaps due to vacancies, turn-over and customer realignments, Procurement & Warehousing remained nimble and flexible while planning and executing program, project, and operational activities. Capacity was created through recruitment for several operational employees, procurement of external resources and adjustment of functional teams within Supply to meet demands.
- To reduce cycle times and improve service delivery, the Service is working on removing non-value-added work, implementing automation and increasing transparency.
- Lack of business unit inventory demand forecasting and changes in demand created a need for long lead times and excess inventory on hand to support essential services. Staggered deliveries on Inventory were implemented to better match material arrival with demand to better manage the Inventory Turns per year.



Measuring Our Performance

Legend

— Actuals

■ Expected Future Performance

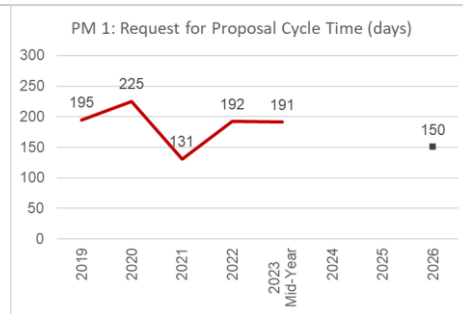
➡ Progressing as planned

⊖ Not progressing as planned

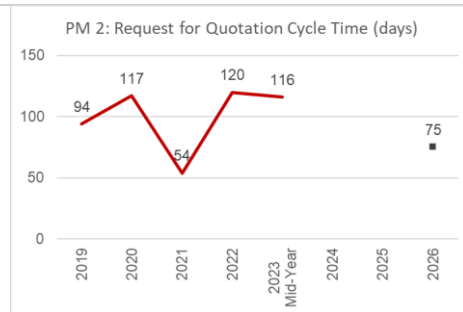
Performance Measures

Story behind the numbers

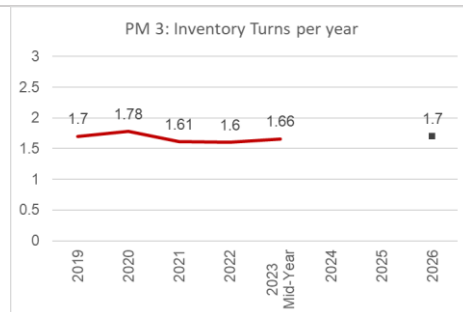
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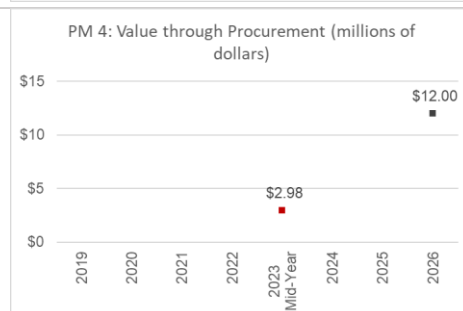
The data depicts the average time it takes in days from procurement plan approval to contract awards for all goods, services, and construction procured through a competitive Request for Proposal (RFP) or Request for Quotation (RFQ). The current RFP and RFQ cycle times are underperforming at an average of 191 days and 119 days, respectively. The procurement type, complexity, internal prioritization and resourcing, and other various factors influence cycle time. The Service hired 20 per cent new staff in 2023, the City is still adapting to the Realignment and the new contract management system.



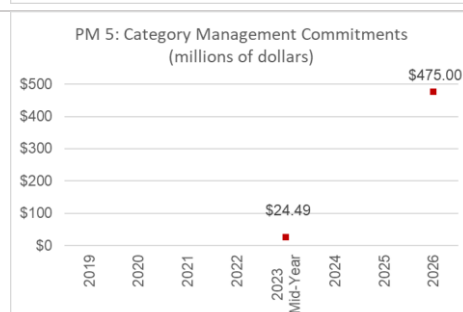
The Service has restructured to align with customer demands. The Service is continuing to focus on implementing SAP Ariba with other City technologies and undertaking strategic improvement activities by managing service quality, compliance, removal of non-value-added activities, increasing corporate purchasing with the use of request for standing offers [RFSO], and increasing transparency in The City's investment of public funds in the procurement process. The Service is planning to review these measures to further represent all aspects of the cycle time in future reports, such as RFSO.



Since the start of 2023, the Service is heading in the right direction by increasing the inventory turns from 1.56 (Jan) to 1.66 (end of June). The excess Inventory is due to delays in projects, changes in demand, poor BU demand forecasts, and the long lead time materials required to support essential services. This is managed by communication and review of inventory requests with BUs to ensure usage plans are in place that match inventory requests, staggering Inventory deliveries to better match demand and pursuing write-off opportunities for non-moving inventory.



Looking at the mid-year value, the performance measure is progressing as planned. The team has conducted training with the buy staff to increase the number of entries in the SAP Ariba contract management system. The monthly entry number is trending upwards, and it is expected that the mid-year number will continue to increase in value. Due to inflationary forces the value through procurement measurement has been a mix of cost savings and cost avoidances.



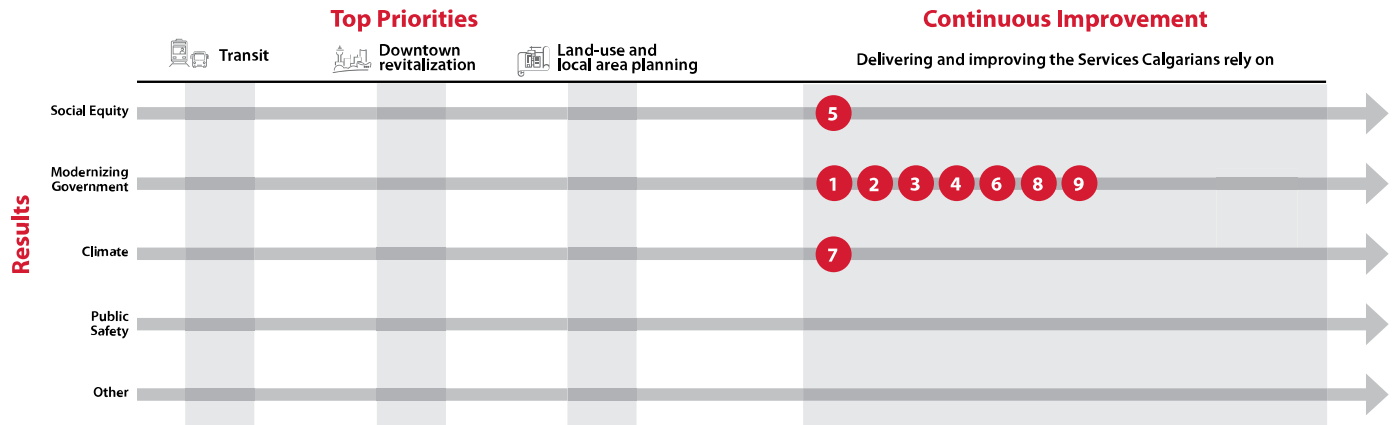
This measure reflects the City commitments using a Category Management framework and strategic sourcing approach. Current 2023 commitments reflect the strategic sourcing approach on a number of high value procurements. The intent is to broaden the application of this approach to maximize value across a greater number of categories of spending. Category roll out is progressing slower than expected due to market conditions and staff resourcing constraints. It is expected by 2024, the Service will be back on track with new categories and broadening approaches to more areas of The City.





Progress on Service Delivery

Alignment with Council Refined Priorities and Result Areas



Legend



Completed



Progressing as planned









Not progressing as planned



Initiative number

Initiative	Initiative Update	Status
1 Better meet customer needs through increased visibility on Corporate inventory availability, demands and past usage. Integrating systems and processes among services and end-users will increase efficiencies in how Corporate inventory is provided to City services and support front-line service delivery to Calgarians. Investment of public funds towards Corporate inventory will also be optimized.	This initiative is underway and discussions with City services has commenced to better understand service needs and demands. This initiative is dependent on ongoing work to modernize corporate inventory ordering and delivery processes, and consolidate and standardize corporate inventory, procurement, and warehouse service data to improve data accuracy, reliability, transparency, and availability of inventory.	
2 Meet the needs of customers by advancing Corporate inventory ordering and delivery processes to a more user-friendly model with an e-catalogue of available inventory and provision of flexible pick-up or delivery options. This enhanced model will promote a faster and better customer service culture and enable less time to be spent on ordering and receiving goods.	Improvements to the inventory management system have been initiated, including the purchase of the eSupplier module which will enable the transition to an online model. Future work to be completed includes scoping and initiating the implementation of eSupplier, developing a project plan and hiring a Project Business Lead to lead the implementation of this work.	
3 Improve accuracy, reliability, visibility and availability of inventory while reducing oversupply by consolidating and standardizing Corporate inventory, procurement, and warehouse service data. Provide a clearer picture of current and future needs, support decision-making and advance communication between Procurement & Warehousing and City services by focusing on master data cleaning and standardization.	This initiative is progressing as planned with the recent approval of a Team Lead, Supply Chain Data Management to lead the work. Pending the recruitment process for the Team Lead position, future work will include developing a master data management and maintenance process.	

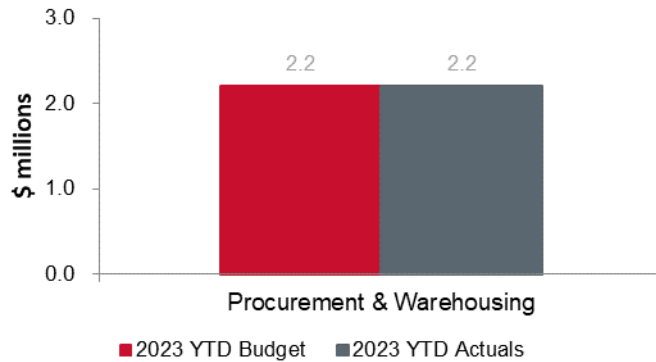
Initiative	Initiative Update	Status
4 Improve public procurement compliance while increasing transparency in The City's investment of public funds in the procurement of goods and services by fully leveraging the recently adopted Corporate Contract Management System capabilities ensuring integration with key internal applications and increasing automation of supply chain processes. Procurement Cycle Times will also be improved.	The project is broken down into three phases; SAP Ariba implementation (2023), Systems optimization (2024), and Systems integration (2025). Supply is currently in progress and on track with the first-year implementation of contract management system SAP Ariba. As of June 2022, all procurement contracts and amendments are now executed in SAP Ariba. Supply is currently supporting user adoption & competency and system and process stability. Planning and procurement of an operational excellence consultant for Phase 2 is in progress and is at the procurement evaluation stage.	
5 Foster social and economic reconciliation through strong, collaborative relationships while maintaining The City's compliance with public procurement law and strengthening The City's commitment to Truth and Reconciliation by developing an Indigenous Procurement Framework and Strategy in conjunction with the Indigenous Relations Office and other partners.	The Service revised, expanded, and digitized the Social Procurement Questionnaire (effective 2023 May) to include consideration for the actions taken by potential suppliers supporting reconciliation. Digitization further allowed for the tailoring of the questionnaire to amplify particular evaluation factor(s). Tailoring was piloted on The City's procurement to obtain an Indigenous consultant to engage the Indigenous supplier community. On 2023 June 12, the Service formally launched engagement planning of the Indigenous supplier community.	
6 Minimize the impact of cost escalations and supply chain disruptions to City services, enable uninterrupted service delivery to Calgarians and protect investment of public funds by developing a Corporate Supply Chain Resilience Strategy that identifies, assesses, and proactively manages The Corporation's supply chain risks. This will be achieved through consultation with Industry and partners.	The research and analysis for the program commenced in Q4 of 2022. The focus of Q1 to Q2 of 2023 was collaboration with the senior management teams and individual contributors for awareness and support. Ongoing collaboration with various teams is expected throughout the implement and sustain phase of the program. Dashboard and framework for the initiative is in place. Program is currently in the pilot phase and expected to roll out to every business unit in Q4 of 2023. Resilience program has been reflected in adjustments to Business Unit and corporate risk registers.	
7 Leverage The City's purchasing power of goods and services to provide added environmental, climate, social and economic outcomes, beyond price and quality, through intentional investment and by engaging stewards of the Calgary Climate Strategy, other supporting Corporate strategies, and frontline service budget holders.	The revised questionnaire was directly aligned to Council's resilience foundations and other key directions. Digitizing increased effectiveness by considering underrepresented groups' experiences and efficiency by shortening procurement cycle time. Digitization removed of barriers such as procurement submission fees and business no longer create a net-new questionnaire response for each submission to The City. The revised questionnaire now allows for tailoring to bring more emphasis to a particular factor important to the front-line holders of procurement budgets.	
8 Improve procurement operations by modernizing performance dashboards, standardizing internal processes, implementing training and development programs, and increasing workload transparency. Efforts toward continuous service improvement is intended to improve employee satisfaction, The City's ability to recruit and retain qualified staff and improve customer and supplier service.	The Initiative is progressing as planned since the procurement via a Request for Proposal (RFP) was created and put out to the market seeking technical proposals to develop and implement an Operational Excellence and Continuous Improvement framework for the Service. Currently, the Service is evaluating the received proposals before moving to the negotiation and execution stages.	

Initiative	Initiative Update	Status
<p>9 Strengthen The City's purchasing power, increase public trust and maximize The City's best value for public funds by implementing the Category Management Framework to strategically source and consolidate purchasing of The City's goods and services based on category type.</p>	<p>Category management implementation at the City is in the early phases of adoption. Vehicle Fleet, External Management Consulting, Engineering & Architecture, and Environment & Safety are ongoing categories in various stages of implementation. Due to resourcing challenges and prevailing market conditions in early Q1 and Q2 of 2023, the expected future performance for 2023 is in progress. Current data of in progress work indicates ability to meet this year's objectives. Currently work is commencing on the Energy category which is expected to generate significant value to The City.</p>	



Service Updates on Financial Performance

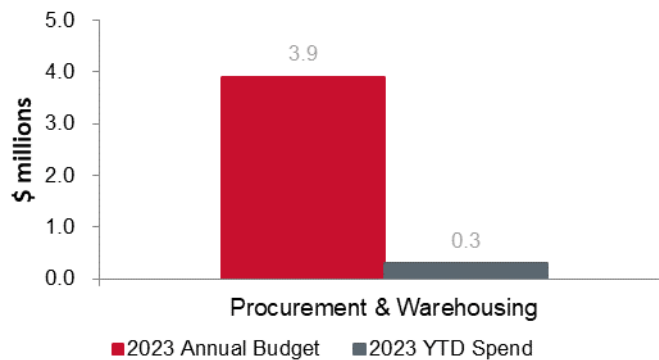
Net Operating Budget and Actuals as of June 30, 2023



Operating Budget Updates - 2023 YTD net operating budget vs actuals:

Net budget unfavorable variance of (\$0.08) million is attributable to: \$0.25 million favorable variance in revenue due to increase in third party sales, \$0.48 million favorable variance due intentionally managing the workforce, (\$0.46) million unfavorable variance is due to higher than budgeted communication costs, (\$0.32) million unfavorable in materials is due to higher than budgeted costs in electronic equipment and misc. supplies, the remaining (\$0.03) million unfavorable is due to multiple smaller variances.

Capital Budget and Spend as of June 30, 2023



Capital Budget Updates - 2023 total capital budget vs 2023 YTD spend:

This budget supports four programs. Major spend on the Warehouse Infrastructure program will be for redesign and development of Fleet parts warehouse currently in design stage. IT development for Clothing Online is in final stage of onboarding remaining customers to the new platform. Spend is proceeding on Fuel System program upgrades and is slightly lower than anticipated based on initial assumptions and dependencies. The work on the Inventory System Improvement is proceeding on two of the three initiatives associated with this program. Significant spend will occur when the IRIS Replacement RFP is awarded. Based on progress to date this will happen at earliest Q4 2023. Spend on the Business Technology program was on completing contract management system (CMS) implementation, social procurement digitization, and first year maintenance of the system. Future system optimization, integration, and enhancement of Supplier performance management is on track for the budget cycle.