

# Procurement & Warehousing

Led by: Supply Management

## Description:

Procurement & Warehousing offers procurement, inventory and warehouse services which deliver the best value for tax payers' dollars and promotes trust in The City of Calgary.

This service provides Corporate supply chain activities: procurement of construction, consulting, inventory, goods and services; and planning, forecasting, physical inventory control, distribution, and end-of-life asset disposal. The service facilitates Corporate adherence to legislation and regulatory requirements. On behalf of the customers, this service line binds contracts between suppliers and The City through authority, delegated by the City Manager, under Bylaw 43M99 Section 5 Execution of Agreements.

## Customers:

Procurement & Warehousing services both internal and external customers. Internal customers include operational employees through to and including City executive leaders. External customers include potential suppliers, non-City agencies, businesses and the general public.

## What is delivered to customers:

Procurement & Warehousing delivers best value for tax payers' dollars through fair, open and transparent processes. This service delivers executed contracts, inventory to maintain customer assets and operations, fuel and the services to store and distribute fuel, and recovery of the residual value on retired assets.

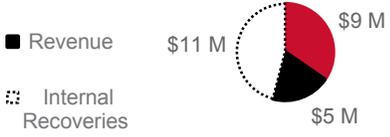
## Partners:

Procurement & Warehousing works with contributing services and internal and external partners to provide service. Contributors: Law, IT, Facilities Management, Environmental & Safety Management, and Human Resources. Key partners: Clerk's Office, Fleet Services, Facility Management, Corporate Analytics & Innovation, MERX™(external bidding portal), and other levels of government.

## Service need (value proposition):

Customers expect to have their procurement, inventory and warehouse needs met to enable them to meet their operational commitments and/or community outcomes. Customers need delivery of goods and services of the appropriate quality and cost. We meet these needs by considering the political, legal, economic, social and technological environments, and applying supply chain expertise. Customers expect risk mitigation strategies which align to public procurement law, trade agreements and City policy as they relate to procurement and warehousing. This centralized Enabling service adds value through public procurement expertise, Corporate economies of scale, consistency of approach, and standardized documentation reflecting the additional obligations of the public-sector procurement over and above private-sector procurement.

## Current state service value

<p><b>2,177</b> Procurement Files Processed (2017)</p> <p><b>93%</b> Warehouse Counter Customer Satisfaction</p>	<p><b>\$1.2 B</b> Total Awarded Value (2017)</p> <p><b>1.90</b> Inventory Turnover (2017)</p>	<p>2018 Budgeted Gross Operating Expenditures Funding Breakdown (\$ Millions)*</p> <p><b>\$16.50</b> Annual operating cost per resident</p>  <p>* Gross operating budget and the service cost ratio may include internal recoveries that are also included in other services gross operating budget.</p>
<p><b>Connections to Citizen Priorities</b></p> 		<p><b>What the service includes</b></p> <p>This service has no sub-services.</p> <p><b>Key Capital Investments</b></p> <p>This Service is continuing to transform supply chain activities at The City by investing in technological systems to enable process, people, and compliance efficiencies; and managing Corporate risk in procurement, safety and environmental compliance.</p>



# What we've heard and service outlook

## What we heard: Research & Engagement Results

Customers value: subject matter expertise, creativity, value for money, awareness of customer objectives and an efficient timeline. Strengths identified: reliability, product quality, product availability, service is available in customers' place of work, and openness to looking at ways to work better together. Improvement areas included: understanding customers' challenges and creating innovative solutions, process clarity, consistency and efficiency in service delivery. We are investigating how Procurement & Warehousing can make a further, positive impact on environmental, social and market-led opportunities.

## What Council has directed

P1: Support customers to plan and negotiate prices for commodities to be more resilient to change.

P3: Pilot of market-led procurement to enhance support for entrepreneurs.

P4, N1: Investigate opportunities for social procurement.

N5: Working with all business units to achieve value for money for each service and across The Corporation through capital planning.

W1: Modern and efficient Procurement & Warehousing service focused on resilience and continuous improvement.

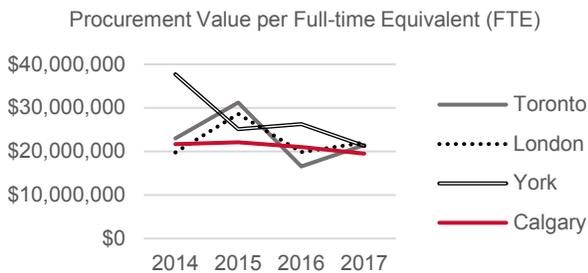
W2: Leveraging technology and alternative service delivery to implement simplified, automated, and streamlined processes and procedures.

W4: We are evolving our processes to create a modern and efficient service that is focused on innovation, resilience and continuous improvement.

## What are we watching?

The primary focus is protecting City interests and gaining best value for tax payers' dollars with respect to Procurement & Warehousing. The service is diligently monitoring the public procurement landscape: new provisions of trade agreements, public procurement case law, auditor reports, tariffs, and emerging trends from other governments such as bid rigging and fraudulent activities. At the same time, Procurement & Warehousing is actively seeking opportunities to further strengthen the 5-Point Plan (Agility, Alignment, Standardization, Effectiveness & Efficiency, Competition) reflecting the changes and emerging opportunities to be more business friendly (e.g. market-led proposals) and leverage social procurement and technological advances.

## Benchmarking



Source: Municipal Benchmarking Network Canada

Municipal Benchmarking Network Canada supports Council's Directive of "A Well-Run City" and actions undertaken to improve performance and increase efficiency and effectiveness of municipal services. Municipalities utilize different methods to deliver the same service often resulting in differing costs. Results are influenced by: population, geographic size, organizational form, government type, and legislation speak to the uniqueness of each municipality. Understanding municipal performance results within the broader context can help identify potential areas for improvement.

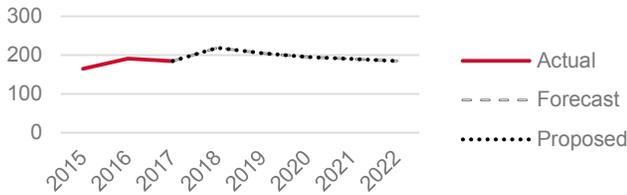
## What matters to Calgarians

VALUE DIMENSION	DESCRIPTION
Availability	Customers will have the appropriate product or service available at the right time and right location.
Quality	Fulfill customers' needs through the appropriate quality of product or service to meet the desired outcomes.
Legislative Compliance	Providing professional advice to enable adherence to applicable legislative and regulatory requirements.
Transparency	Demonstrating taxpayers' dollars spent was conducted fairly, impartially and in accordance with applicable obligations.
Reduces risk	Providing professional guidance to reduce financial and reputational risk related to procurement and warehousing.

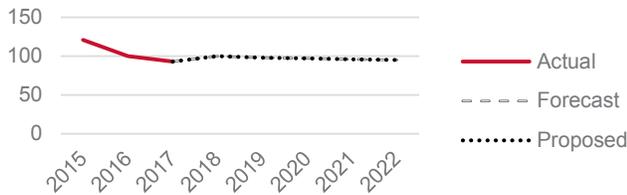


## How is the Service performing? Where we are headed and where do we want to go?

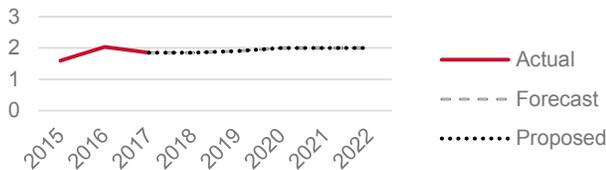
Request for Proposal Cycle Time (days) (Number of calendar days from initiation to award of Requests for Proposal (RFP))



Request for Tender Cycle Time (days) (Number of calendar days from initiation to award of Requests for Tender (RFT))



Inventory Turns per year (Warehouse efficiency ratio determined by value (\$) of items sold compared to the value (\$) of inventory items in stock, excluding critical spares)



### Story behind the curve

Request for Proposal (RFP) and Request for Tender (RFT) Cycle Time

Procurement & Warehousing is striving to reduce the time to contract suppliers while maintaining quality and compliance. RFP and RFT cycle time measures the time from receipt of request to the contract award date. The cycle time is comprised of activities from the procurement team, customers and contributors. Resource availability in procurement team, customers and contributors can affect cycle time.

RFP and RFT cycle time has been impacted by: document review, new trade agreement requirements for increased days on the market, rigorous evaluation and approval, strengthened contractual documentation, and changes in procurement complexity. (see What are we watching?)

The curve will be turned and maintained by: improvement to the procurement intake process (validate that customers are resource-ready), defining the cycle time measure (stages within the procurement), focusing on pre-engagement (upcoming requests, timing, priority, strategizing on the type of procurement, and opportunities for bundling), involvement in stage gating, reducing internal leadership review time (competency development of procurement staff and customers, and further RFP template/standard document development), improving the evaluation/negotiation process, and removal of non-value added activities (realizing current capital investment in a contract management system).

### Inventory Turns

Procurement & Warehousing is striving to reduce the risk and liability of obsolete and non-moving inventory for The City. Customers require knowledge and budget to manage inventory. Inventory Turns measures the number of times that our inventory value is sold per year. A higher number indicates the inventory is turning more frequently which is more effective for The City.

Inventory Turns has been impacted by: the need to stock parts for aging infrastructure (parts are no longer being manufactured) and obsolete items in inventory (awaiting disposition decisions).

The curve will be turned and maintained by working collaboratively with customers to: improve stocking decisions, improve material planning alignment with maintenance planning, develop inventory policies, and increase the consistency of application of inventory accounting process.



## What do we propose to do?

### What we propose to continue doing

STRATEGY
Provide centralized procurement services to deliver the operating and capital needs of all Service Lines.
Provide warehousing and inventory services to existing Service Line customers.
Implement alternative service delivery and technology efficiencies.

#### Why?

Customers continue to require centralized procurement, inventory and warehouse services to enable them to meet their community outcomes. This Service will continue to transform supply chain activities, considering appropriate levels of corporate risk while implementing the 5-point plan presented to Council in June 2016. It will do this by leveraging technology from capital investments and implementing alternative service delivery options.

### What we propose to do less of

STRATEGY
Manual handling of physical procurement files.
Manual creation of inventory records in Peoplesoft.
Manual ordering of fuel replenishment.

#### Why?

The implementation a Contract Management System, leveraging technology from capital investments, will reduce our manual processes of handling files and introduce system-controlled workflow, improving internal controls and compliance. The implementation of further automation of inventory records in PeopleSoft to reduce manual data entry errors and increase timeliness. The changes to the fuel replenishment strategy also allows us to be more responsive.

### What we propose to do more of or include as a new offering

STRATEGY
Use a web-based intake and monitoring of procurement requests.
Use a web-based intake and order tracking for clothing/uniform requirements (internal).
Proactively plan maintenance and operational parts needs with customers.

#### Why?

Implement best practices (proactive planning) to be more responsive to customer needs, driving increased availability and best value for taxpayer's dollars.



## What Operating Budget do we need to achieve these results and strategies?

For Council Approval

SERVICE PERFORMANCE RESULTS FOR 2019-2022	CURRENT	TREND
Request for Proposal Cycle Time (days) (Number of calendar days from initiation to award of Requests for Proposal (RFP))	219	↓
Request for Tender Cycle Time (days) (Number of calendar days from initiation to award of Requests for Tender (RFT))	100	↓
Inventory Turns per year (Warehouse efficiency ratio determined by value (\$) of items sold compared to the value (\$) of inventory items in stock, excluding critical spares)	1.85	↑

### Breakdown of net operating budget (\$000s)

	2019	2020	2021	2022
Previous Year's Budget	8,645	8,489	8,496	8,503
Less Previous Year one Time	-	-	-	-
Base	8,645	8,489	8,496	8,503
Revenue Changes	-	-	-	-
Internal Recovery Changes	-	-	-	-
Inflation	32	32	32	32
Operating Impact of Previously Approved Capital	-	-	-	-
Operating Impact of New Capital (Incremental)	-	-	-	-
Efficiencies	(188)	(25)	(25)	(25)
Service Reductions	-	-	-	-
Service Increases	-	-	-	-
One Time	-	-	-	-
Realignments	-	-	-	-
Total	8,489	8,496	8,503	8,510

### Total Operating Budget (\$000s) for Approval

	2018 Budget	2019			2020			2021			2022		
	At Mar 31	Base	One-Time	Total									
<b>Expenditure</b>	24,959	25,432	-	25,432	25,439	-	25,439	25,447	-	25,447	25,454	-	25,454
<b>Recoveries</b>	(11,464)	(11,464)	-	(11,464)	(11,464)	-	(11,464)	(11,464)	-	(11,464)	(11,464)	-	(11,464)
<b>Revenue</b>	(4,850)	(5,480)	-	(5,480)	(5,480)	-	(5,480)	(5,480)	-	(5,480)	(5,480)	-	(5,480)
<b>Net</b>	8,645	8,489	-	8,489	8,496	-	8,496	8,503	-	8,503	8,510	-	8,510



# Recommended Capital Investment to Support Service Delivery

For Council Approval

## Capital Budget for Council Approval

ACTIVITY	DESCRIPTION	2019 REQUEST (\$000s)	2020 REQUEST (\$000s)	2021 REQUEST (\$000s)	2022 REQUEST (\$000s)	2023+ REQUEST (\$000s)	Total REQUEST (\$000s)
Annual Investment Program(s)		-	-	-	-	-	-
Project(s)		250	450	250	-	-	950
480950	Qualification/Perform Mgmt	250	450	250	-	-	950
Program(s)		745	859	619	459	-	2,682
414301	Warehouse	90	180	90	180	-	540
414302	Business Applications and Technology Maintenance U	250	400	250	-	-	900
414310	Fueling Systems	405	279	279	279	-	1,242
<b>Sub-Total (New Budget Requests)</b>		995	1,309	869	459	-	3,632
Previously Approved Budget Remaining		940	931	196	-	-	2,067
<b>Total Capital Investment</b>		1,935	2,240	1,065	459	-	5,699

## Explanation of Capital Budget Requests

### Project(s)

#### Activity 480950: Qualification/Perform Mgmt

New Budget Request of \$950 thousand to focus on ensuring qualified suppliers are performing and are managed in accordance with The City's expectations. This is necessary to protect the public health and safety of the people we serve and safeguard critical assets and infrastructure of The City.

Funding from Pay-As-You-Go

Operating Impact of Capital: None

### Program(s)

#### Activity 414301: Warehouse

New Budget Request of \$540 thousand to continue to ensure warehouse storage infrastructure is compliant with safety and occupational legislation. This is to protect employees, contractors, visitors, and safeguard The City's inventory.

Funding from Pay-As-You-Go

Operating Impact of Capital: None



## Recommended Capital Investment to Support Service Delivery

For Council Approval

### **Activity 414302: Business Applications and Technology Maintenance U**

New Budget Request of \$900 thousand to continue focus on regulatory compliance with public procurement law. This program positions Procurement & Warehousing to better manage risk, ensure compliance and unlocking organization capacity.

Funding from Pay-As-You-Go

Operating Impact of Capital: None

### **Activity 414310: Fueling Systems**

New Budget Request of \$1,242 thousand for the continuation of the fuel dispensing equipment safety and environmental legislative compliance program. This program is focused on life-cycle maintenance and support of fuel dispensing equipment.

Funding from Pay-As-You-Go

Operating Impact of Capital: None