

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.

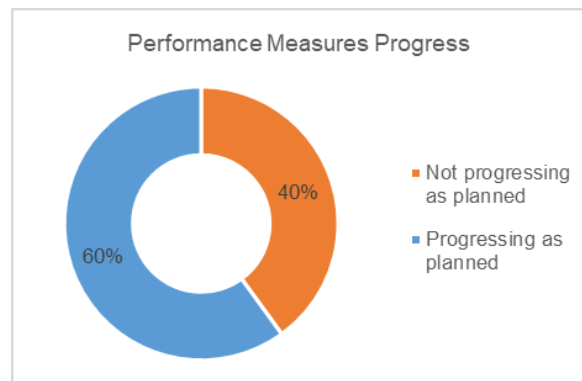
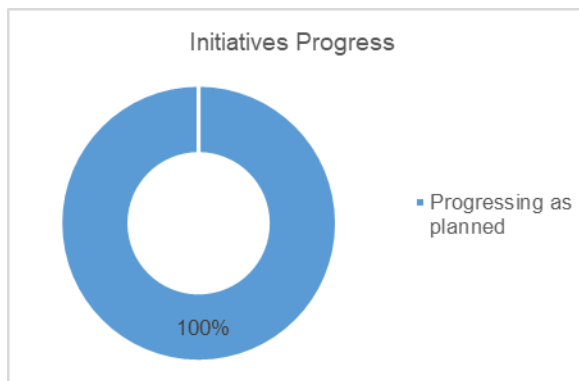
Our service stewards The City's supply chain activities through: purchase of construction, consulting, information technology, inventory, goods and services; planning, forecasting, inventory control, distribution, and end-of-life disposal of Corporate Inventory. We facilitate corporate adherence to legislation 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

Key service results

- The Indigenous Procurement program completed the first phase of engagement with the Indigenous business community. Through an Indigenous working group, online questionnaire, and direct Indigenous-owned business connections, we have followed the principal of "nothing about us, without us" central to reconciliation. What We Heard reports at Engage.calgary.ca/indigenous procurement will inform strategies to reduce barriers and improve capabilities for Indigenous-owned businesses to participate in The City's procurement process.
- Operational Excellence engaged City services and suppliers to create a current state analysis of the procurement process. Value stream mapping sessions with business units, suppliers and the team were conducted to design Future State lean processes to improve cycle time, user experience and compliance.
- A workload management tool is being developed to track progress, find bottlenecks, improve efficiency, and highlight areas for continuous improvement.

Progress summary



Risk(s) impacting the progress

City-wide Procurement Planning
Business Continuity and LABC
Separation of Warehouse & Inventory with Supply Management



Measuring Our Performance

Legend

— Actuals

■ Expected Future Performance

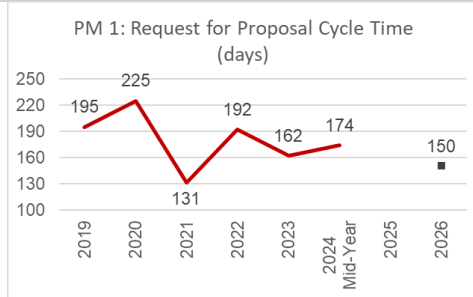
➡ Progressing as planned

⊖ Not progressing as planned

Performance Measures

Story behind the numbers

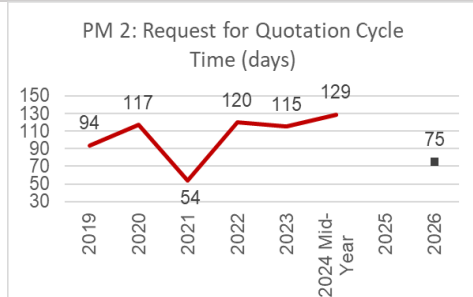
Status



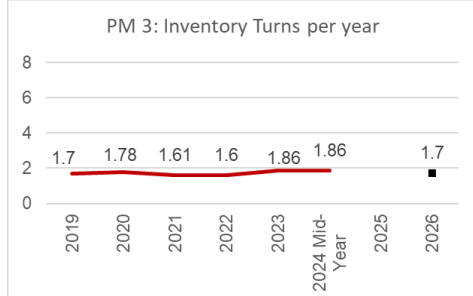
The current RFP and RFQ cycle times are underperforming at an average of 174 days and 126 days, respectively. The procurement type, complexity, internal prioritization and resourcing, and other various factors influence cycle time. In addition, activation of the Emergency Operations Centre and higher procurement volumes have also impacted performance.



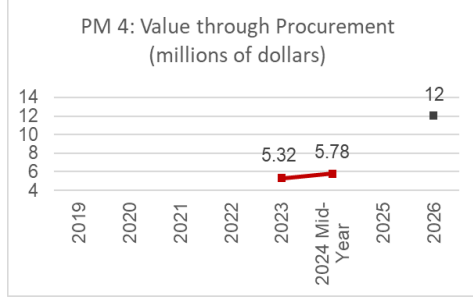
The Corporation is still adapting to the Realignment and the new contract management system (SAP Ariba), and the Service has restructured to align with customer demands, new initiatives, and Council priorities.



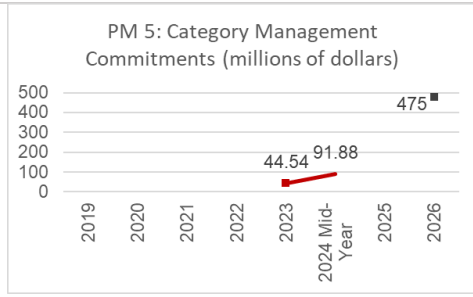
The Service is continuing to focus on SAP Ariba training and applying customer and supplier feedback through the Operational Excellence program to improve cycle time, user experience and compliance. Procurement standing offers have been awarded to improve speed, efficiency, and value with public funds. A new dashboard is also in development to monitor real-time key metrics such as Cycle Time and a new Planning and Contract Management team has been onboarded.



The Service is heading in the right direction by increasing the inventory turns from 1.56 in January 2023 to 1.86 by the end of June 2024. This was achieved by increasing communication with the BUs and challenging their demand needs, placing staggered inventory POs to our suppliers to better match demand and pursuing write-off opportunities for non-moving inventory.



The mid-year value is \$5.7 million which already exceeds 2024's target of \$4.7 million. This strong performance is attributed to last year's investment in specialized negotiations training for procurement staff and monthly monitoring of the cost saving strategies. The goals for the rest of 2024 are to maintain the momentum, continue work on standardizing the data capture process, and introduce process automation for efficiency gains.



Currently, Category Management is on track to reach 2024's target of \$169 million. New categories such as Construction, and Facility Management have been initiated. Strategies to optimize procurement and supplier performance are ongoing. Opportunities for improvement include increasing business unit awareness and dealing with supply chain constraints. The goals for the rest of 2024 consist of improving category adoption and expanding competitive market analysis. Category Management is committed to achieving its goals and delivering best value for Calgarians.



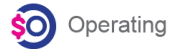
















Progress on Service Delivery














PROGRESS STATUS



FUNDING TYPE



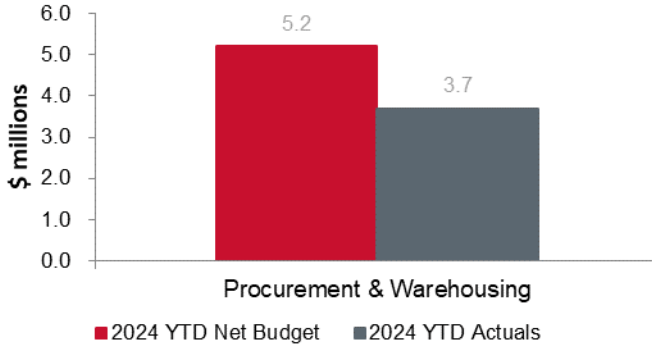
Initiative 1		Impact Area: City-wide	Funding Type:  
<p>Better meet customer needs through increased visibility on Corporate inventory availability, demands and past usage. Integrating systems and processes among services and end-users will increase efficiencies in how Corporate inventory is provided to City services and support front-line service delivery to Calgarians. Investment of public funds towards Corporate inventory will also be optimized.</p>			
UPDATE 	<p>This initiative overlaps with the Maintenance Management Modernization Project (3M Project). A contract project manager has been hired. The chartering has been completed. During this phase, it was realized that the project requires inventory work to be separated and create its own project due to its scale.</p>		
Initiative 2		Impact Area: City-wide	Funding Type:  
<p>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.</p>			
UPDATE 	<p>This eSupplier project is currently with The City's IT Project Board for approval. This initiative co-sponsored by Supply, Fleet & Inventory, and Accounts Payable</p>		
Initiative 3		Impact Area: City-wide	Funding Type:  
<p>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.</p>			
UPDATE 	<p>The Technical & Manufacturing division within Fleet & Inventory will recruit positions to support this initiative in Q3/Q4 2024. The goal is to commence work in Q1 2025.</p>		
Initiative 4		Impact Area: City-wide	Funding Type:  
<p>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.</p>			
UPDATE 	<p>2024 is the start of the stabilization phase which focuses on improvements in processes, system configuration, and workflow through the Operational Excellence program. We have developed and will soon launch revised Sourcing templates which will improve the experience for Supply, Procuring Entities and Suppliers. We are in development of a new User Interface for internal users. We continued cross corporate and Supplier user training and support. Improvements will continue through 2024 under systems optimization, opportunities for integration with software systems, and training updates.</p>		
Initiative 5		Impact Area: City-wide	Funding Type:  

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 Indigenous Procurement program is to reduce barriers and improve the capability for Indigenous-owned businesses to sell products and services to The City. Phase 1 was completed in June and included analysis of internal and external data sets, and inputs from the Working Group, Indigenous Business Questionnaire, and direct connections with Indigenous Businesses. What We Heard reports summarizing input received are posted The City's Calgary.ca Engage portal and will directly inform Phase 2 Strategy development in 2024.	
Initiative 6	Impact Area: City-wide	Funding Type:  
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.		
UPDATE 	The City now has a high level supply chain resilience framework in place, that enables proactive measures to manage supply disruptions and uncertainties. As the program continues its multi-year roll out, the goal is to onboard 3 additional service areas in 2024 to increase market intelligence. Challenges encountered to date include increasing volatility of supply and demand, natural disasters, and geopolitical tensions.	
Initiative 7	Impact Area: City-wide	Funding Type:  
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.		
UPDATE 	Targeted outcomes for Indigenous-owned businesses: Phase 1 (Baseline – Analyze – Engage) completed in June 2024. The Service continues working with the Indigenous Relations Office, Calgary Economic Development, and Indigenous communities to co-develop an Indigenous Procurement Strategy. To amplify the impact of the Questionnaire, the Service is collaborating on a pilot of revised questions supporting the Calgary Climate Strategy; the pilot is on track for completion in 2024.	
Initiative 8	Impact Area: Not applicable	Funding Type:  
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.		
UPDATE 	Workload Management implementation began in 2024 with a proof of concept and a pilot dashboard has also been developed. By taking these steps, Supply will gain visibility into work assignments, proactively identify bottlenecks, and achieve complete transparency regarding workload and time allocation at each procurement stage.	
Initiative 9	Impact Area: City-wide	Funding Type:  
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.		
UPDATE 	Construction and Facility Management categories have been added to existing suite of categories including Vehicle Fleet, External Management Consulting, Engineering & Architecture, Energy, Environment & Safety. Notwithstanding the slow adoption rate and prevailing supply market constraints, Category Management is on track to attain the 2024 target of \$169 million. The goal for the remaining year is increasing business unit awareness, better market analytics to tackle supply chain constraints and continuous improvement on supplier performance.	



Service Updates on Financial Performance

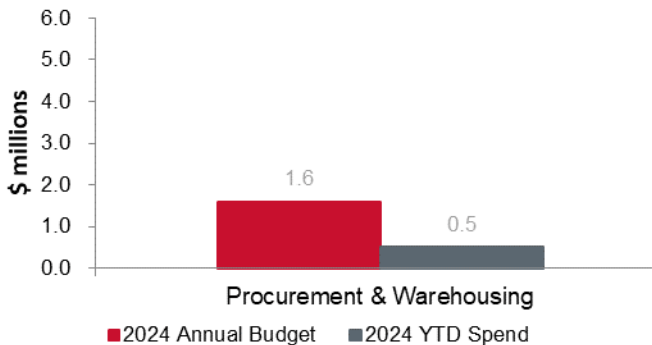
Net Operating Budget and Actuals as of June 30, 2024



Operating Budget Updates - 2024 YTD net operating budget vs actuals:

Procurement and Warehousing has a favourable operating variance of \$1.48 million. The main reasons that have contributed to the variance \$0.28 million favourable variance in revenue (net of cost of sales) due to increase in third party sales, \$2.0 million favourable variance due to intentionally managing the workforce, (\$0.6) million unfavourable variance is due to higher than budgeted contracted services, \$0.17 million unfavourable in materials is due to higher than budgeted costs, the remaining (\$0.03) million unfavourable is due to multiple smaller variances.

Capital Budget and Spend as of June 30, 2024



Capital Budget Updates - 2024 total capital budget vs 2024 YTD spend:

Procurement and Warehousing has spent 33 per cent of the 2024 approved capital budget. In 2024, the capital expenditures have been used to leverage the latest technology in the services areas and maintaining existing assets within the corporate inventory warehouses. Corporate change and resource availability have had impacts on project delivery. Capital has been re-casted to align with work schedules.

- Operational Excellence project delivered a current state analysis and created the future state of the procurement process to improve cycle time, user experience and compliance.
- Procurement workload management is being implemented to track progress, find bottlenecks, improve efficiency, and highlight areas for continuous improvement.
- Work is proceeding and on-track for the initiatives associated with warehouse infrastructure. The dock project has kicked off and will be completed by Q3 of this year. The Building R-basement project is in design phase development.
- The scope for fuel site upgrades is currently being revised/expanded and an RFP will be sent out soon to have a consultant onboard by Fall 2024. Completion of the design phase is expected by early 2025 and start of the construction is expected by Spring 2025.
- Work has started on the e-supplier system improvement with the IT Project Board giving the go-ahead to start work on the solution design phase in conjunction with Accounts Payable and Supply.