

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

- Indigenous Procurement Program began its consultation and engagement phase with the creation of a working group. The Working Group is an advisory working group to represent the voices of the Indigenous business communities including Elders, Knowledge Keepers, and Indigenous business-owners, who will share knowledge to guide The City with insight and understanding.
- Operations Excellence focus areas have been defined, lean six sigma white and yellow belt trainings were completed, and initial current state maps for procurement activities were captured.
- The Social Procurement Questionnaire was digitized, making it easier and more efficient for suppliers to participate with their responses and automating the scoring process.
- Large-scale and complex procurements were delivered, including Event Centre Negotiations and Development Manager, and category purchasing for Vehicle Fleet, External Management Consulting and Engineering & Architecture.

Service Challenges

- Re-aligned City services and staff required additional efforts to redefine procurement customer service support and procurement processes, to minimize disruption to procurement compliance and cycle times.
- SAP Ariba first year implementation has required ongoing support towards training and adoption.
- Recruiting activities are still in progress to fill resources gaps due to organizational re-alignment and increase in service demand.
- Ongoing supply disruptions and commodity price volatility due to natural, geopolitical, and labor events.

Trends & Potential Uncertainties

- The Service's ability to retain skilled staff is moving in a positive direction, while current challenges in recruiting externally to complement existing resources is expected to continue.
- The market continues to trend with uncertain conditions leading to ongoing commodity price volatility in 2024.
- Proactive procurement planning and contract management has improved, resulting in reduced risk of non-compliant and delayed procurements.



Measuring Our Performance

Legend

— Actuals

■ Expected Future Performance

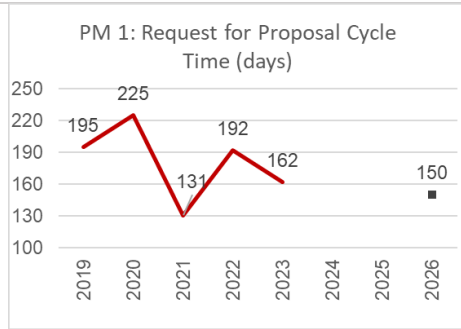
→ Progressing as planned

⊖ Not progressing as planned

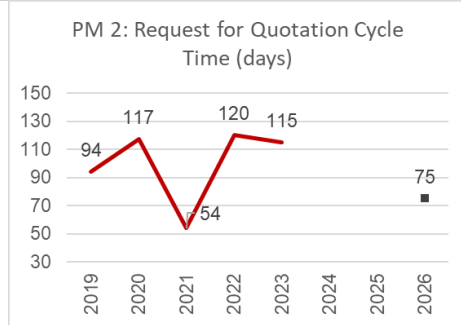
Performance Measures

Story behind the numbers

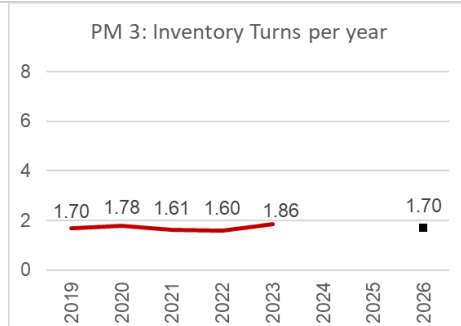
Status



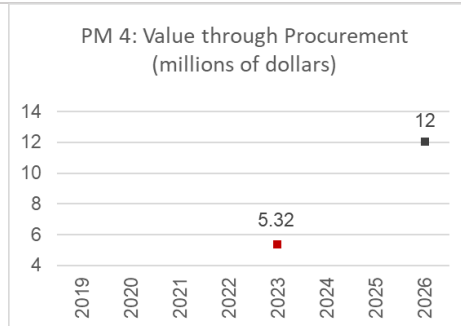
Current cycle times are below targets. RFP target is 150 days and RFQ is 75 days, actuals are 160 days and 115 days respectively. The procurement type, complexity, internal prioritization and resourcing, and other various factors influence cycle time. The Service hired 30 per cent new staff in 2023, the Corporation is still adapting to the Realignment and the new contract management system (SAP Ariba), the Service has restructured to align with customer demands, new initiatives, and Council priorities. The Service is continuing to focus on implementing SAP Ariba with other City technologies and undertaking



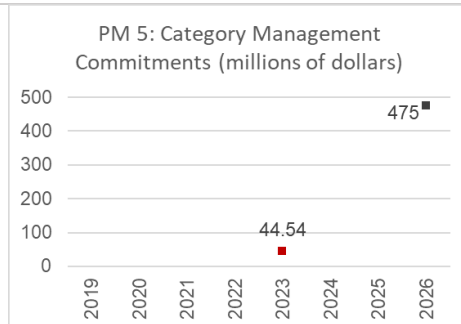
strategic improvement activities by managing service quality, compliance, removal of non-value-added activities through its Operational Excellence project, increasing corporate purchasing with the use of standing offers [RFSO], and increasing transparency in the procurement process to support The City's investment of public funds. The Service is planning to review these measures to further represent all aspects of the cycle time in future reports, such as RFSO. The Service has also implemented a new dashboard to centralize its KPIs and drive data accuracy.



Since the start of 2023 the service is heading in the right direction by increasing the inventory turns from 1.56 (Jan) to 1.86 (end of December). This was achieved by increasing communication with business units and challenging demand needs, placing staggered inventory purchase orders to suppliers to better match demand, and pursuing write-off opportunities for non-moving inventory.

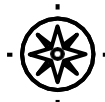


Value through procurement achieved 170 per cent of the 2023 target of \$3.1 million with actuals of \$5.3 million. This result is attributed to the successful negotiation of key high value contracts. The Service invested in commercial negotiations training for all buy staff along with the implementation of the Category Management approach to address key areas of City spend. This resulted in contracts that provide better value to City Services.



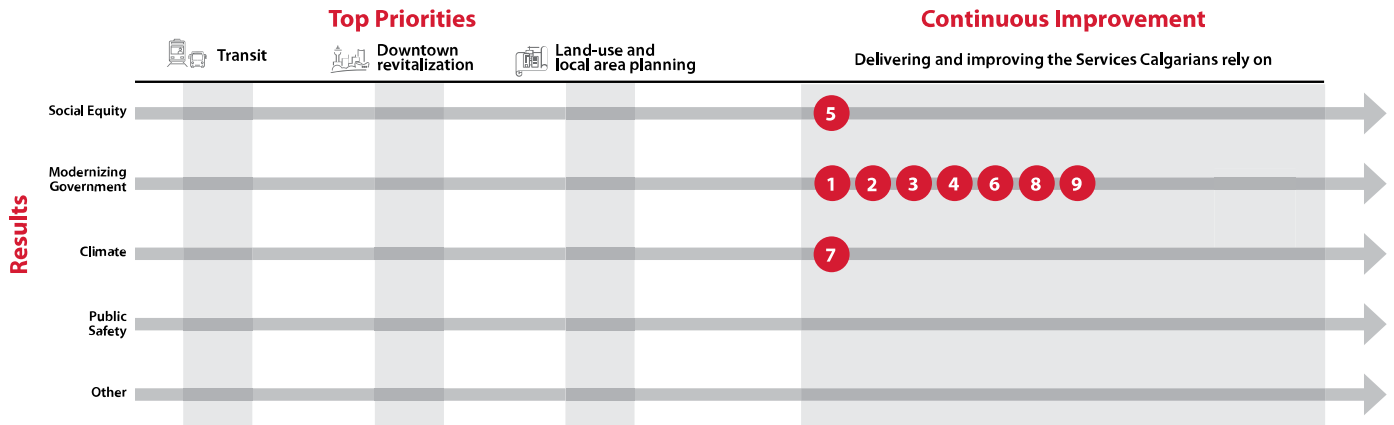
Category Management Commitments achieved 125 per cent of the 2023 target of \$35.6 million with actuals of \$44.5 million. This result reflects the strategic sourcing approach on several high value procurements including Fuel, Software Licensing, and Wireless Mobility, as well as procurements under categories such as Vehicle Fleet, Engineering & Architecture and External Management Consulting.










Progress on Service Delivery

Alignment with Council Refined Priorities and Result Areas



- Legend**
- Completed
 - Progressing as planned
 - Not progressing as planned
 - Not started
 - 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.	In 2023 a project manager was recruited (contractor) and the project is now in the chartering stage. This initiative overlaps with the Maintenance Management Modernization project.	
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.	In 2023 Warehouse & Inventory completed the Inventory Management Solution Study and two key recommendations were made: 1) implement e-Supplier and 2) expand eProcurement to the General Stores operation. In 2024 improvements to the inventory management system will be initiated as per these recommendations including scoping and initiating the implementation of e-Supplier, developing project plan and hiring a Project Business Lead to lead the implementation of this work. eProcurement, the module used for Corporate Clothing Online will be expanded to users for materials issued from General Stores.	
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 will be resumed in 2024 after the completion of the Warehouse & Inventory business model and policy reviews.	

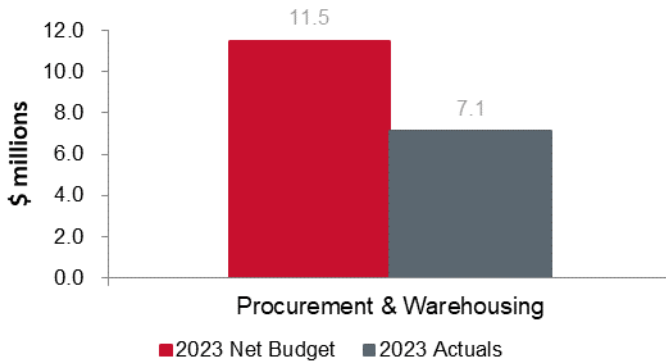
Initiative	Initiative Update	Status
<p>4 Improve public procurement compliance while increasing transparency in The City's investment of public funds in the procurement of goods and services by fully leveraging the recently adopted Corporate Contract Management System capabilities ensuring integration with key internal applications and increasing automation of supply chain processes. Procurement Cycle Times will also be improved.</p>	<p>2023 completes the implementation phase of SAP Ariba and the start of the stabilization phase which includes improvements in processes, system configuration, and workflow through the Operational Excellence project. Ongoing support included digitizing the Social Procurement Questionnaire to reduce Supplier efforts, procurement template improvements to increase compliance, and continued cross corporate and Supplier user training and troubleshooting. Improvements will continue through 2024 under systems optimization as well as opportunities for integration with other software systems.</p>	
<p>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.</p>	<p>The Service revised, expanded, and digitized the Social Procurement Questionnaire to include consideration for how potential suppliers are supporting reconciliation. The Indigenous Procurement program is comprised of 4 phases with the first phase, Baseline – Analyze – Engage proceeding as planned. A Working Group made up of indigenous community members, and Engage.calgary.ca page is providing guidance on strategy development and approach. Phase 1 is anticipated to complete Q2 2024 with transition into Strategy development based on the results of the engagement.</p>	
<p>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.</p>	<p>In 2023 Supply Chain Resilience moved from pilot to implementation, increasing access to all leaders in The City and reducing negative impacts to service delivery. All net new contracts are captured, identifying related commodities and associated supply chain risks. This change has allowed The City to manage risks more proactively. The resilience system will continue to be updated with more contract data, which is expected to be completed within the Current One Calgary cycle.</p>	
<p>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.</p>	<p>The revised Social Procurement questionnaire was directly aligned to Council's focus areas and other key directions. A digitized form simplified the procurement process for suppliers who no longer needed to answer a new questionnaire with each submission, contributing to improved procurement cycle time. With the foundation now established, action shifts to achieving targeted outcomes for specific underrepresented groups using refined scope requirements and evaluation criteria.</p>	
<p>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.</p>	<p>The project is in its first phase of implementation which focuses on translating the voice of the customer to improve the City's procurement process. The team has been working on mapping all current state procurement processes and overlaying existing practices with leading practices in industry to generate a lean future state. Lean training programs within Supply Management have also been completed.</p>	

Initiative	Initiative Update	Status
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.	Category Management at The City is in the early phases of adoption. Vehicle Fleet, External Management Consulting, Engineering & Architecture, Energy, and Environment & Safety are ongoing categories in various stages of implementation. Despite resourcing challenges and prevailing market conditions in early Q1 and Q2 of 2023, Category Management exceeded commitment targets for 2023. 2024 will see the activation of Construction, and Facilities Maintenance categories along with broader implementation of existing category strategies delivering greater value to The City.	



Service Updates on Financial Performance

Net Operating Budget and Actuals as of December 31, 2023

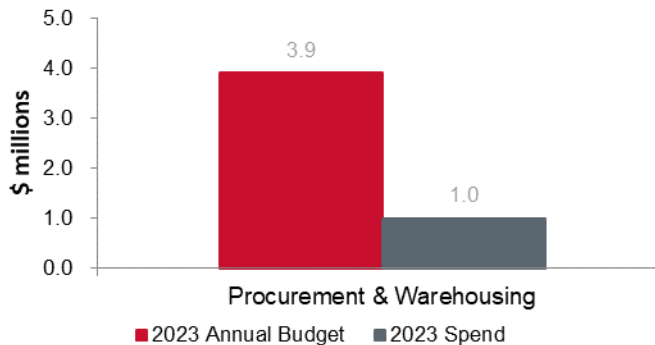


Operating Budget Updates - 2023 net operating budget vs actuals:

Procurement & Warehousing Service Line has a favourable operating variance of \$4.4 million. The main reason is attributable to: \$0.1 million favourable variance in revenue (net of cost of sales) due to increase in third party sales, \$3.7 million favourable variance due to intentionally managing the workforce and \$0.4 million favourable variance is due to lower than budgeted business expenses and \$0.2 million favourable in contract services is due to lower than budgeted costs in consulting services.

In 2024, the service launched Category Management - Engineering and Architecture, Management Consulting, supported multiple emergency support activations, and supported the Event Center procurement, all while providing Procurement & Warehousing daily services to front-line customers and supporting our employees return to the corporate workspace.

Capital Budget and Spend as of December 31, 2023



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

Procurement & Warehousing has spent 25.4 percent of the 2023 approved capital budget. The underspend is mainly contributed to resource availability, delays in supply chain and seasonal impacts of weather on construction. In 2023, the expenditures were focused on software licenses and consulting services.

Warehouse Infrastructure

This project is in design phases as per renovations, work will take place in 2024.

Fuel System

Spend is behind planned schedule on fuel system upgrades. Delays due to Facility Management re-alignment (impacting design work), delays in supplier procurement of parts, and seasonal impacts of weather on construction projects.

Inventory System Improvement

Work is proceeding on two of the three initiatives associated with this Capital program. Significant spend will take place in 2024 procurements are finalized and implementation of projects start.

Business Tech Maintenance & Qualification/Performance Management

A budget of \$1.8 million to sustain a contract management system focusing on modernizing procurement, regulatory compliance, service efficiencies, risk management, compliance, and performance of suppliers. In 2023 focus was on implementation, Operational Excellence system efficiencies, and maintenance of the system.