

2021 Annual Controller's Report

Date: June 14, 2022

To: General Government and Licensing Committee

From: Controller

Wards: All

SUMMARY

This report provides a summary of the key activities, initiatives, and performance indicators for the City's Procure to Pay (P2P) process, and reports on consulting service expenditures incurred by City Divisions and Agencies and Corporations for the year ending December 31, 2021, with prior year comparatives, where applicable.

Procure to Pay Activities

The Procure to Pay (P2P) process integrates purchasing and accounts payable activities for the Accounting Services Division (ASD) and Purchasing and Materials Management (PMMD) Division. The process begins with the selection of goods and/or services, purchasing and ordering activities, receiving activities and invoicing and payment. The P2P process also includes compliance reviews and reporting in addition to reconciliations. The responsibilities incorporated into the P2P process are organizational, beginning with the activities of PMMD and ending with payment processing performed by the ASD. For the purposes of this report, the P2P activities being reported include:

- Competitive purchasing activity, procurement cycle times, activities of Purchasing and Materials' Management stores and other procurement information
- A summary of non-competitive purchasing activity valued at \$3,000 and above for City Divisions, excluding Accountability Offices, and excluding purchases completed through Schedule A of Chapter 71 - Financial Control
- Contract extensions used to maintain continuity of services from vendors or bridge between competitive processes, and
- Invoice payment cycle times

In 2021, the City issued approximately \$3.1 billion procurement in contracts, through the issuance of over 10,430 purchase orders and blanket contracts. The competitive procurement process resulted in the issuance of 9,674 purchase orders and blanket contracts valued at approximately \$2.7 billion, representing 85.3% of the City's total purchases. The value of all non-competitive purchases for the City totalled \$464.3 million, representing 14.7% of the City's total purchases. The number of non-competitive

purchases decreased by 17.6% of total purchases over 2020, but increased by 84% in total dollar value due to a few high value purchases for Solid Waste Management Services and the development of a community recreation center.

With respect to procurement cycle times, in 2021 the average time taken to complete a procurement from initiation of the procurement with PMMD until the issuance of a purchasing document was 105 working days, which represents a reduction of 28 days from 2020's 133 days. This reduction in cycle time has been due to major improvements in the evaluation process, award and issuance of Purchase Orders (POs).

City Divisions are able to conduct a three quote process for contracts up to \$50,000. In 2021, Divisions issued approximately \$46.1 million in purchases, through the issuance of over 8,792 Divisional Purchase Orders (DPOs), of which \$7.6 million was processed under the Non-Competitive Procurement process, through the issuance of 355 DPOs. 2021 activity represents a reduction of 761 DPOs compared to 2020. The dollar value of purchases made by DPOs decreased by \$1.6 million from \$47.7 million in 2020 to \$46.1 million in 2021. In 2021, only 2.4% of City purchases were processed using DPOs.

The value of inventory maintained by the PMMD Stores Unit has increased over the last five years, significantly in the last two years due to COVID-19 specific inventory, such as a six month stockpile of personal protective equipment (PPE). In 2021, the warehouse was able to meet the target and achieve an inventory turn rate of 4, which falls within an appropriate turnover range of 4 and 6 for a Maintenance, Repair and Operations (MRO) organization such as the City of Toronto.

In 2021, the City's invoice payment cycle times remained fairly consistent with prior years, with 90% of invoices received paid in 90 days. Payment cycle times are the result of organizational activities, with divisions responsible for receipt of goods and the Accounting Services Division (ASD) responsible for ensuring that the three-way match process has been appropriately executed prior to invoices being paid.

Consulting Expenditures

City divisions and consolidated entities use external consulting services for a number of reasons, with frequency and value varying by year and project. Consulting services supplement critical skill sets and expertise that are needed just-in-time and/or are not available within existing staff complements, as well as enable the City to quickly complete special projects or essential initiatives, or respond to emergency situations while maintaining existing service levels. P2P activities at the City include the value of consulting expenditures incurred by City divisions. The City obtains external consulting services through formal, competitive procurement processes to ensure that the most competent individuals and/or organizations with relevant expertise are selected. In addition, expenditures for consulting services were also budgeted as part of fiscal 2021.

Overall, the City of Toronto and its consolidated Agencies and Corporations (A&Cs) spent \$45 million on operating and capital consulting services in 2021, which represents less than 1% of the City's 2021 total consolidated expenditures. The City's annual consulting expenditures represent costs that were spent in compliance with competitive procurement processes as well as amounts previously approved by City Council.

The Controller is committed to creating, implementing and maintaining ongoing timely procurement dashboards with relevant key performance indicators and metrics for the P2P process which will eliminate the need for annual reporting to Committee and Council.

RECOMMENDATIONS

The Controller recommends that the General Government and Licensing Committee:

1. Direct the Controller to publish all future Procure to Pay (P2P) metrics to publicly-available dashboards, rather than by report to Committee, and
2. Direct the Controller to publish annual consulting expenditure details to the City of Toronto's Open Data Portal, rather than by report to Committee.

FINANCIAL IMPACT

There are no current or known future year financial impacts arising from the recommendations contained in this report.

Approval for expenditures is received through the annual operating and capital budget processes. The City's investments in goods and services, including consulting services, are required to maintain service offerings and delivery, deal with emergent situations such as the COVID-19 pandemic or for modernization initiatives, generating returns on investments in future fiscal periods, which improve overall service delivery and the lives of Toronto residents.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

This annual report from the Controller addresses Council requests dating back to 2001, pertaining to activities of the Accounting Services and Purchasing and Materials Management Divisions that are organizational such as Procure to Pay activities, and the reporting of consulting expenditures incurred by City divisions and consolidated entities. Previous requests made by Council include:

- The percentage of invoices that are paid according to terms; and the number of invoices that have been paid past the term and the penalty that is incurred.
<http://www.toronto.ca/legdocs/2005/agendas/council/cc050221/pof3rpt/cl001.pdf>

- Consulting expenditures that will include actual consulting expenditures for the previous year and the year prior organized by: department or local board, by the specific consulting categories, and by vendor.
<http://www.toronto.ca/legdocs/2002/agendas/council/cc020618/au6rpt/cl001.pdf>
- A requirement that reporting of consulting expenditures be based on actual expenditures incurred and not on the value of contracts awarded unless specifically requested by Council.
<http://www.toronto.ca/legdocs/2001/agendas/council/cc011204/au10rpt/cl010.pdf>
- Performance indicators for the Purchasing and Materials Management Division
<http://www.toronto.ca/legdocs/2005/agendas/council/cc050201/au1rpt/cl006.pdf>
- Purchase order activity including all single source purchases exceeding the Department Purchase Order limit and the reasons thereof; percentage of purchase orders processed through the Purchasing Division using single source as justification; and all instances where purchase orders have been issued after the fact.
<http://www.toronto.ca/legdocs/2003/agendas/council/cc030414/au1rpt/cl008.pdf>
- A summary of all non-competitive purchases including divisional purchase orders, as well as non-competitive purchases reported to the Standing Committees and Council.
<http://www.toronto.ca/legdocs/mmis/2009/au/reports/2009-10-20-au11-cr.htm#AU11.5>
- The use of contract extensions up to \$500,000, with particular attention to multiple extensions on the same contract.
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.GL19.2>

COMMENTS

ISSUES BACKGROUND

Procure to Pay Process

The City's Procure to Pay (P2P) process begins after City divisions receive approval through the operating and capital budget processes to commit the organization to the delivery of goods/services from outside vendors for payment. Purchases are made through both competitive and non-competitive procurement processes, and are required to ensure the delivery of services to the community. Purchases include the use of outside consultants with the requisite expertise and organizational infrastructure needed to support City projects and initiatives. The P2P process is a partnership between City divisions, outside vendors and corporate partners such as Accounting Services and Purchasing and Materials Management Divisions.

A high-functioning municipal purchasing operation is one that is characterized by a significant number of Blanket Contracts and Purchase Orders and a minimum number of individual solicitations and Divisional Purchase Orders (DPOs). Large value Blanket Contracts allow the City to take advantage of economies of scale while making it more efficient for divisions to source and order goods and services.

PROCURE TO PAY ACTIVITIES FOR 2021

Procurements Processed by PMMD Purchasing Units

As indicated in Table 1 below, in 2021, the City issued approximately \$3.1 billion in contracts, through the issuance of over 10,430 purchase orders and blanket contracts. Out of the 10,430 purchase orders valued at \$3.1 billion, the competitive procurement process resulted in the issuance of 9,674 purchase orders and blanket contracts valued at approximately \$2.7 billion.

Table 1: Purchase Orders & Blanket Contracts Issued and Value per Year (inclusive of competitive & non-competitive procurement)

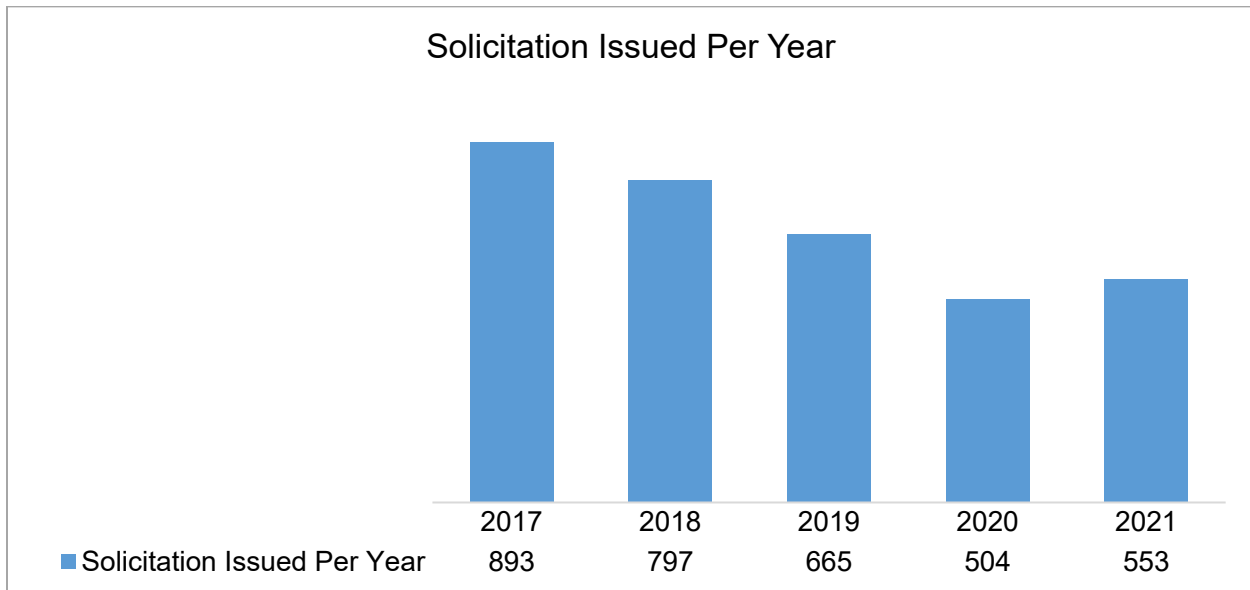
Year	2017	2018	2019	2020	2021
Purchase Orders Issued	1,166	1,131	1,009	1,061	1,022
Blanket Contracts Issued	705	612	532	611	616
Divisional Purchas Order Issued	11,723	11,268	10,938	9,553	8,792
Total Issued	13,594	13,011	12,479	11,225	10,430
Purchase Order Value (000s)	\$1,429,274	\$2,168,278	\$2,089,832	\$1,429,522	\$2,107,874
Blanket Contracts Value (000s)	\$760,503	\$465,327	\$833,409	\$849,724	\$993,860
Total Value (000s)	\$2,189,177	\$2,633,605	\$2,923,240	\$2,279,246	\$3,101,734

Solicitations Issued by Year

PMMD has been actively working on consolidating procurements where possible, of goods and services into larger corporate calls over the last few years, increasing the use of the Category Management and Strategic Sourcing practice, rosters and

encouraging the use of group purchasing organizations procurement contracts (including the Provincial Vendor of Record). All of these actions will contribute to streamlining the number of procurements issued by PMMD each year. As indicated in graph 1 below, PMMD has been able to streamline some of its procurements over the last five years from 2017-2021. The slight increase in solicitations issued from 2020 to 2021 are largely due to impacts from the COVID-19 pandemic.

Graph 1: Number of Solicitations Issued by Year



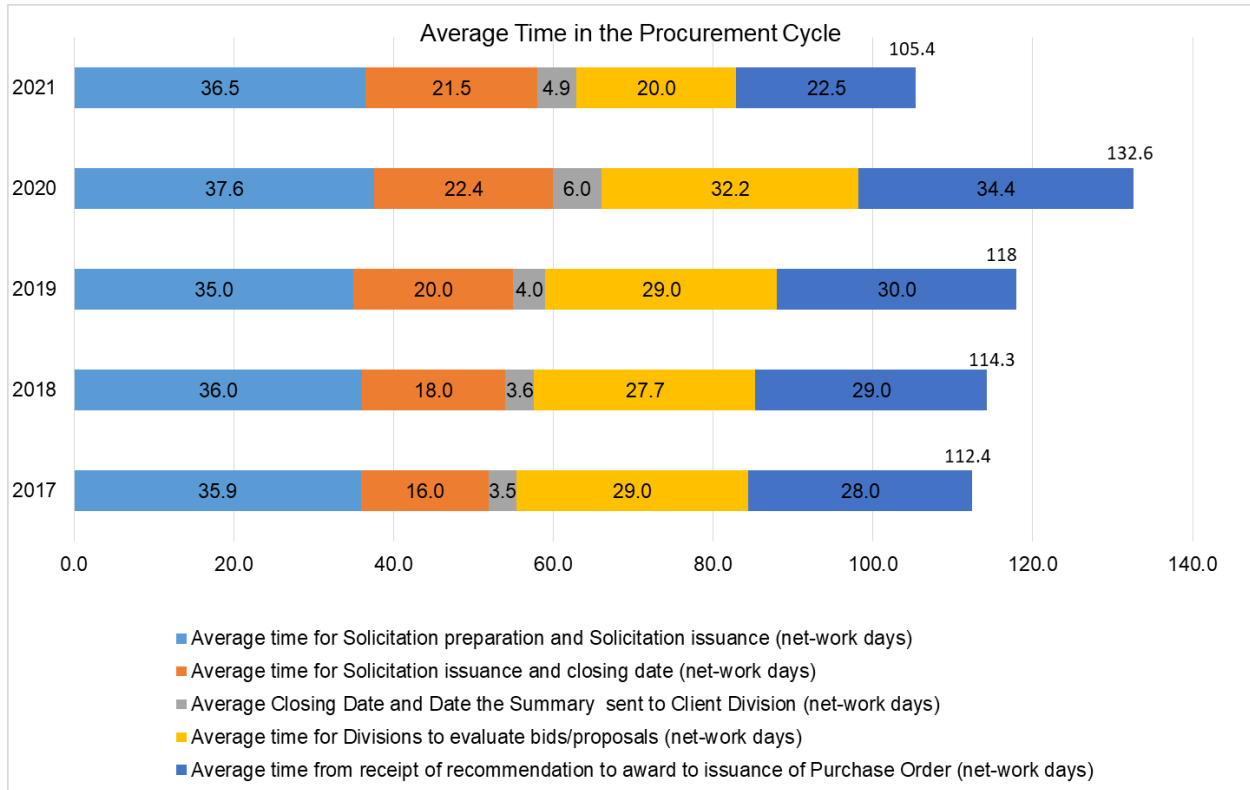
Average Cycle Times

Cycle time is broken down into five (5) major events, in which multiple parties are involved from PMMD, the Client Division, Financial Planning, Legal and occasionally City Agencies or Corporations:

- Initiation of the solicitation, preparation and approval of a solicitation document for issuance;
- Time period between the solicitation issue date and closing date;
- Solicitation closing date and date summary sent to Client Division;
- Divisional evaluation of bids/proposals received; and
- Time period from receipt of recommendation to award to issuance of Purchase Order, which includes entering into legal agreements where required.

Graph 2 below displays the Average Time in the Procurement Cycle from 2017 to 2021. In 2021, the overall time it took to complete a procurement on average from the initiation of the procurement with PMMD until the issuance of a purchasing document was 105 working days, which represents a reduction of 28 days from 2020 where the average cycle time was 133 days. Overall the data provided in graph 2 shows that the cycle time of all five (5) major events has improved. PMMD in collaboration with City Divisions continues to seek ways to reduce the procurement cycle times while ensuring adherence to the processes and bylaws are maintained.

Graph 2: Average Time in the Procurement Cycle

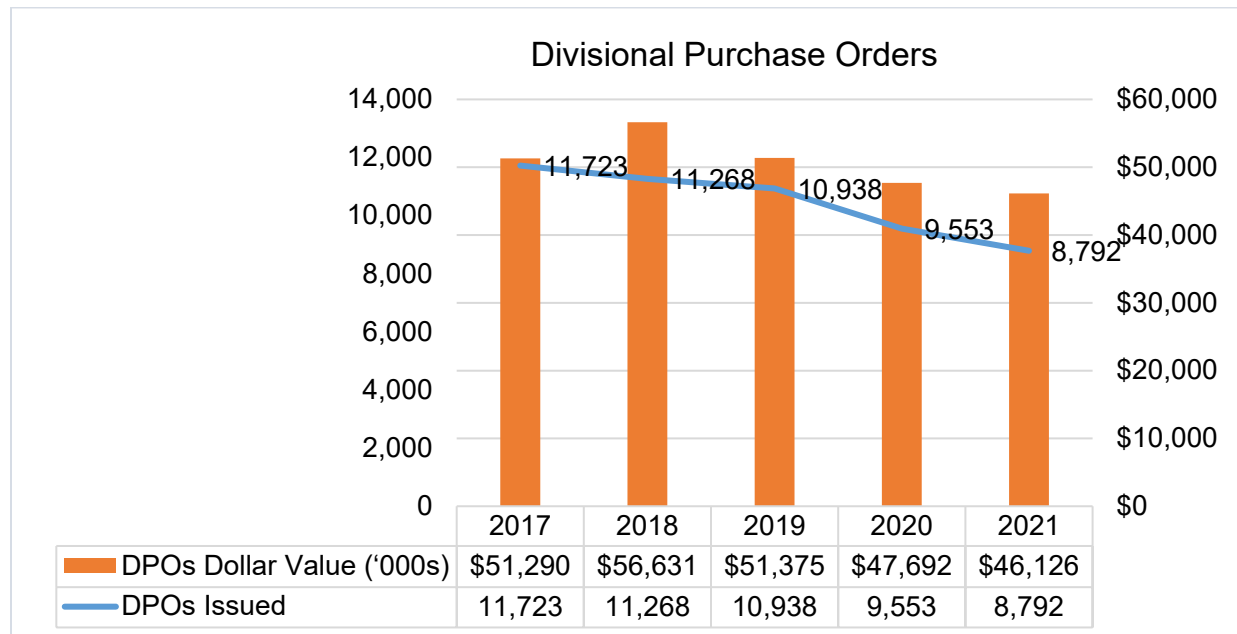


Divisional Purchase Orders (DPOs) – Competitive Procurements Processed by Divisions

City Divisions are able to conduct a three quote process for contracts up to \$50,000. As shown in graph 3 below, in 2021, the Divisions issued over 8792 DPOs valued at approximately \$46.126 million, of which 355 DPOs valued at \$7.6 million were processed as Non-Competitive Procurements.

Graph 3 further shows that in 2021, there was a reduction of 761 DPOs compared to 2020 and that the dollar value of purchases made by DPOs decreased by \$1.566 million from \$47.692 million in 2020 to \$46.126 million in 2021. Only 2.4% of City purchases in 2021 were processed using DPOs. The decrease is primarily attributable to changing priorities of the Divisions to focus on responding to COVID-19 or in relation to the fact that services were slowed down or stopped for periods of time during 2021.

Graph 3: Divisional Purchase Orders (Inclusive of Competitive DPOs & Non-Competitive Procurement DPOs)



Non-Competitive Procurement

In 2021, the value of all non-competitive procurements for the City totalled \$464.3 million (2020: \$252.3 million), which represents 14.7% (2020: 11.1 %) of the City's total procurements of approximately \$3.1 billion.

The number of non-competitive procurements decreased by 17.6% of total procurements over 2020 and increased by 84% in total dollar value. Table 2 below shows the comparison of non-competitive procurements to total overall procurements in the City for 2020 and 2021.

Table 2: Comparison of Non-competitive Procurements to Total Overall Procurements in the City for 2020 and 2021

	2021		2020	
	# of POs, BCs and DPOs issued ¹	Value of POs, BCs and DPOs issued ¹	# of POs, BCs and DPOs issued ¹	\$ Value of POs, BCs and DPOs issued ¹
Total Procurement Activity (Competitive and Non-Competitive)	10,430	\$3,147,859,936.51	11,225	\$2,279,246,028
Non-Competitive Activity \$3,000 and Above Only				

	2021		2020	
Approved by Divisions	355 (3.4% of Total POs/BCs/DPO issued)	\$7,597,901 (0.2% of Total Purchases)	509 (4.5% of Total issued)	\$11,517,021 (0.5% of Total Purchases)
Approved by PMMD	246 (2.4% of Total POs/BCs/DPO issued)	\$83,686,066 (2.7% of Total Purchases)	340 (3.0% of Total issued)	\$149,452,042 (6.4% of Total Purchases)
Approved by Council	155 (1.5% of Total POs/BCs/DPO issued)	\$372,993,672 (11.8% of Total Purchases)	69 (0.6% of Total issued)	\$91,349,405 (3.9% of Total Purchases)
Total Non-Competitive Activity	756 (7.2% of Total POs/BCs/DPOs issued)	\$464,277,640 (14.7% of Total Purchases)	918 (8.2% of Total issued)	\$252,318,467 (11.1% of Total Purchases)

¹ PO, BC and DPO means Purchase Order, Blanket Contract and Divisional Purchase Order

With regards to the reasons for the use of non-competitive procurements, table 3 below shows the main non-competitive exception codes used in 2021. The emergency non-competitive contracts are highly used to support COVID-19 response efforts. The public body purchase has 200% growth due to one purchase order for development of the East Bay Waterfront Community Recreation Centre. For a full list of non-competitive procurements by exception code, refer to Appendix A.

Table 3: Usage of 5 Most Significant Non-Competitive Exception Codes in 2021

Reason Code Non-Competitive	2021		2020		Change 2021 vs 2020	
	No.	Dollar Value	No.	Dollar Value	No. %	Dollar Value %
Emergency	93	\$169,302,870	206	\$116,337,788	(54.9%)	45.5%
Other Reason	9	\$107,898,185	2	\$188,399	350%	57171.2%
Exclusive Rights	198	\$98,872,090	136	\$31,552,217	45.6%	213.4%
Time Constraint	121	\$21,964,380	77	\$9,994,856	57.1%	119.8%

	2021		2020		Change 2021 vs 2020	
Public Body Purchase	3	\$19,448,524	1	\$15,000	200%	129556.8%
Total	424	\$417,486,048	422	\$138,771,323	200%	164.08%

Break down of Non-Competitive Procurements

Tables 4-6 below show the overall change in the use of non-competitive procurements by approval range. More specifically, table 4 compares 2020 to 2021 for the use of non-competitive procurement approved by Divisions in the range of \$3,000 to \$50,000. For a summary by Division of Non-competitive contracts valued from \$3,000 to \$50,000, refer to Appendix B.

Table 4: Comparison of Non-Competitive Divisional Purchase Orders (DPOs) \$3,000 and Above

	2021	2020	Change 2021 vs 2020	% Change
Total Number	355	509	(154)	(30.3%)
Total Value	\$7,597,901	\$11,517,021	(\$3,919,119)	(34.0%)

Table 5 below shows the 2020 to 2021 comparison of the use of non-competitive procurement approved by PMMD from \$3,000 to \$500,000. A Division can choose to bring a non-competitive contract forward to PMMD for approval that is less than \$50,000 if they believe it is complex. For a summary by Division of Non-Competitive contracts approved by PMMD, refer to Appendix C.

Table 5: Comparison of Non-Competitive Purchase Orders and Blanket Contracts Processed by PMMD \$3,000 and Above

	2021	2020	Change 2021 vs 2020	% Change
Total Number	246	340	(94)	(27.6%)
Total Value	\$83,686,066	\$149,452,042	(\$65,765,975)	(44.0%)

Table 6 below compares non- competitive procurements greater than \$500,000 in value from 2020 to 2021 that are approved by Standing Committee and Council. For a summary by Division of Non-competitive contracts approved by Council, refer to Appendix D.

Table 6: Comparison of Council Approved Non-Competitive Purchase Orders and Blanket Contracts

	2021	2020	Change 2021 vs 2020	% Change
Total Number	155	69	86	124.6%
Total Value	\$372,993,672	\$91,349,405	\$281,644,267	308.3%

Overall tables 4-6 above indicate that in 2021, there was an increase in the number and dollar value of the council approved non-competitive contracts. The increase is primarily attributable to the following reasons:

- Technology Services including software license renewals, system upgrades, maintenance and support
- Shelter Support and Housing Services including Toronto Rent Bank program, disinfection services for shelter facilities to support COVID-19 pandemic response, catering services to provide meals to homeless residents and Rapid Housing initiatives and;
- Solid Waste Management Services including landfill operations, management and construction services for the City of Toronto's Solid Waste Management Services, and Stormwater management

Compliance and Quality Assurance

PMMD is conducting Quality Assurance (QA) reviews using a risk based approach to assess compliance in divisional purchasing activities against the Divisional Purchase Order Procedure. Work included:

- Improving business process for value added activities such as trend analysis, a revised remediation strategy, and client relationship management activities
- Updating Quality Assurance procedures and templates
- Improving data extraction to reduce manual effort and cycle time
- Leveraging Ariba for the preparation of the Quarterly DPO Report distributed to divisions
- Retraining and on-boarding staff on business processes and;
- Identifying system improvements for the QA Database that need to be developed

Next steps for Continued Improvements to Quality Assurance and Training

PMMD has developed a plan outlining further enhancements to the Compliance Program, for additional improvements to data, reporting, and metrics, creation of a dashboard to monitor activities and the development of a new Compliance Policy has been developed. Quality assurance of rosters and miscellaneous line item on contracts is also being added to the unit's activities for 2022.

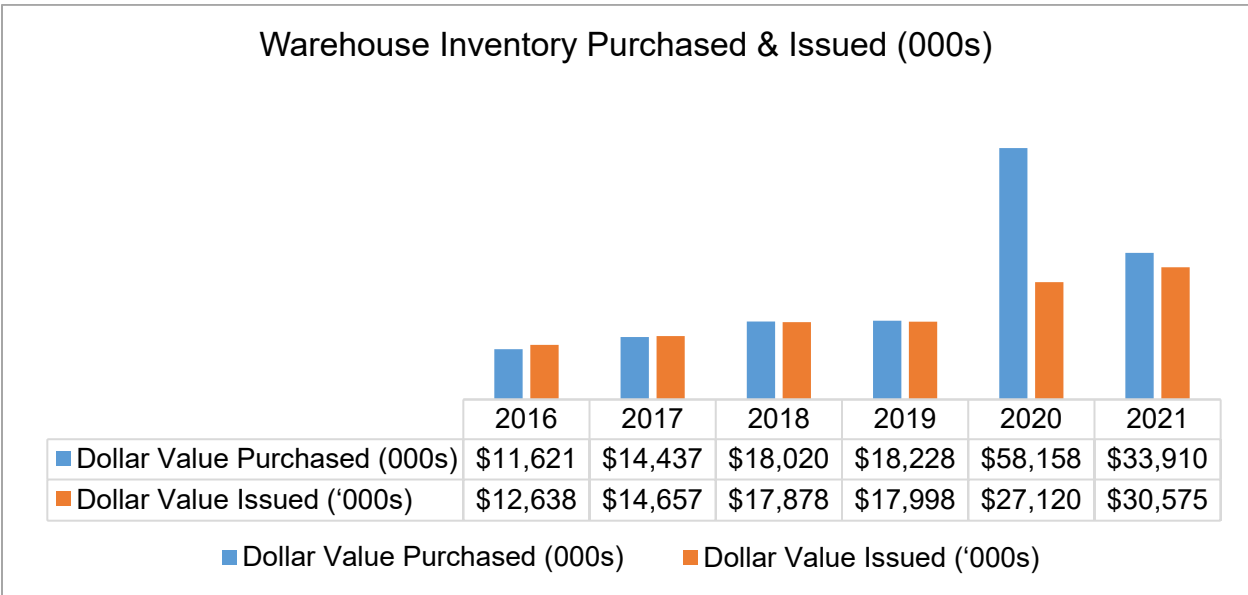
Continuous review of data will be part of the quarterly analysis to identify new risks and opportunities for improved compliance. A full Program evaluation will also be conducted to identify any additional immediate and long term improvements.

PMMD will also continue to provide DPO Training which is a mandatory requirement for City staff prior to receiving access to procure goods/services by DPOs. PMMD provides training on Divisional Purchase Orders (DPO) monthly to ensure that all City staff are trained to follow proper purchasing policies and procedures.

PMMD Materials Management & Stores

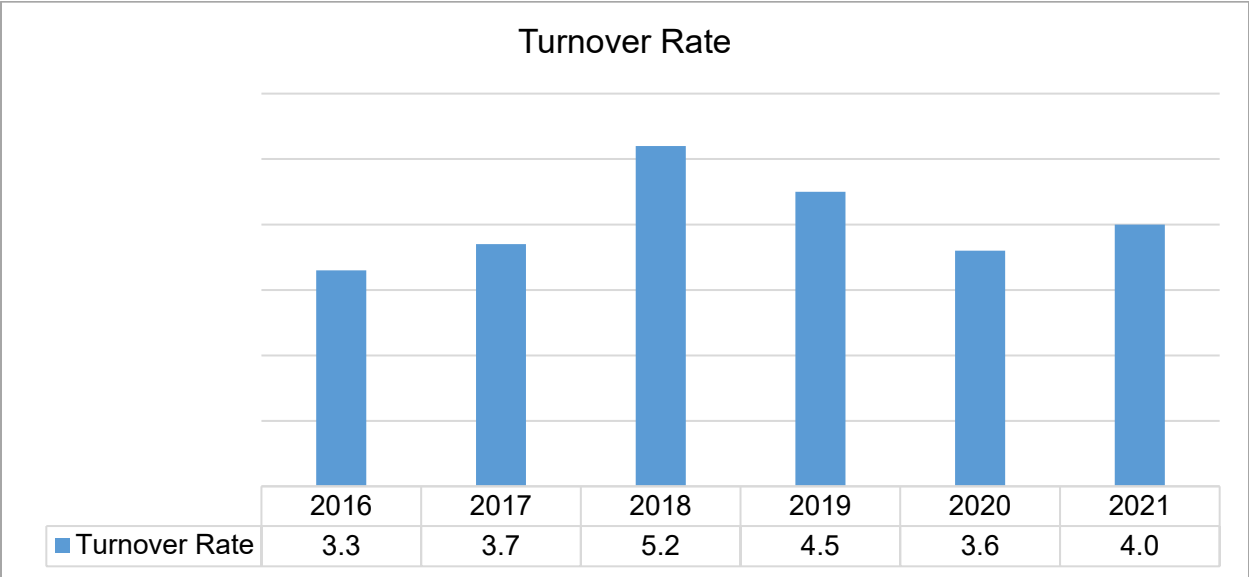
For the Materials Management Unit which runs the corporate warehouses, high functioning characteristics include a balance between the value of stock issued and the value of goods received, and an optimal inventory turnover rate for goods (too low may indicate risk of obsolescence, too high may indicate a risk of “stock outs”). Graph 4 below shows that overall, the value of warehouse inventory increased over the last six years from 2016 to 20 in the last two years due to COVID-19 specific inventory.

Graph 4: Warehouse Inventory Purchased & Issued



In 2021, PMMD was directed to establish a 6 month stockpile of personal protective equipment in response to COVID-19. The warehouse was able to meet the target and achieve an inventory turn rate of 4. For a Maintenance, Repair and Operations (MRO) organization such as the City of Toronto, the appropriate turnover rate is between 4 and 6. Graph 5 below provides the turn over rate’s for the last six years from 2016 to 2021.

Graph 5: Turnover Rate



Other Procurement Related Information

Use of Subcontractors in Custodial Services Contracts

At its meeting held on July 16 - 19, 2013, City Council, as part of EX33.2 "Quality Jobs, Living Wages and Fair Wages in Toronto" delegated to Division Heads the ability to approve the use of subcontractors in Custodial Services contracts where, in the Division Heads' determination, the use of subcontractors is appropriate due to extenuating circumstances. Council also required Division Heads to report semi-annually to the Government Management Committee on the exercise of such delegation. There was no use of subcontractors in Custodial Services in 2021 to report.

Policy for Access to Information to Members of Council at Various Stages of the Procurement Process – Councillor Requests

To ensure transparency in the procurement process, PMMD staff are required to report regularly to Council with specific information about information requests by Councillors to access procurement information. There were no such requests from Councillors in 2021.

Invoice Payment Cycle Times

Centralized payment processing is the responsibility of the Accounts Payable section of Accounting Services, however, timely payment of supplier invoices is dependent on the submission of supplier invoices with all required information, and approvals and system entries executed by City divisions. For this reason, timely supplier payments are an organizational responsibility, requiring a close partnership between suppliers, City divisions and Accounts Payable to ensure that proper approvals are received before invoices are paid. Most City invoices follow a three way match process, where the original purchasing document, the goods receipt indicator and the invoice details must match in their entirety before payment is made to the supplier. In situations where this match does not occur, invoices are parked for divisional action until the match process

has been finalized, including all required approvals and system entries. Frequently, unmatched invoices give rise to payments made outside of standard 30 day payment terms.

In 2021, Accounting Services continued to work with divisions to make incremental improvements to the Procure to Pay (P2P) stream, continuing to prioritizing payments, while managing organizational cash flow in response to the COVID-19 pandemic. As a result, payments made within the City’s standard payment terms remained consistent with the previous year.

Divisions continued to be trained and encouraged to standardize internal processes, and parked documents that are ready to pay are given priority status by the Accounts Payable team. In addition, suppliers are required to provide invoices with relevant purchasing documents to assist with the match process and invoices are received electronically to expedite the payment process. As a result of these efforts, marginal changes will continue to occur, however significant improvements in the P2P process are anticipated with the completion of the Financial System Transformation Project in 2024.

The table below outlines the percentage of invoices paid in 30 day increments.

Table 7: Payment Cycle Time

Year	Invoices Processed	0 – 30 days	31 – 60 days	61 – 90 days	91 – 180 days	180+ days
2021	396,128	63%	18%	9%	8%	3%
2020	444,390	64%	17%	8%	7%	4%
2019	454,474	60%	19%	7%	7%	7%
2018	445,608	69%	16%	6%	6%	3%

During 2021, 63% of invoices were paid within the standard 30 days, as compared with 64% in 2020; 81% of invoices were paid within 60 days in both 2021 and 2020. 90% of the invoices received from external suppliers were paid in 90 days in 2021, as compared to 89% in 2020.

CONSULTING SERVICES EXPENDITURES

Consulting Expenditures for City Divisions and Consolidated Entities

Similar to any public or private entity, the City retains consultants for specific projects or assignments which require certain technical capabilities, or unique and specialized advice, not available in-house or as required by legislation. It is often more cost effective to retain these specialized services on an as required basis, compared to employing

and training staff for specialized skills that are used infrequently and may become redundant as requirements change.

Consulting services are acquired in accordance with the Council approved policy on the Selection and Hiring of Professional and Consulting Services, as well as the City's Purchasing By-law, policies and procedures. The City's A&Cs use similar methods in their selection of consultants. As outlined in the Council approved policy for the Selection and Hiring of Consulting Services, the term "Consulting Services" is defined as any firm or individual providing expert advice or opinion on a non-recurring (or non-annual) basis to support or assist management decisions in the following areas:

- **Technical:** undertake activities on a defined assignment to assist managers in analyzing technical problems and recommending solutions (including the selection of engineering/architectural designs, research, appraisals, and planning).
- **Management / Research and Development:** undertake planning, organizing and directing activities to assist managers in analyzing management problems and recommending solutions for a defined assignment (can be operational, administrative, organizational policy in nature); with research and development, investigative study, to provide the City with increased knowledge or information.
- **Information Technology:** undertake activities on a defined assignment to assist managers in needs assessment and system selection including information processing, telecommunications and office automation (can be analytical, testing or of a business process nature).
- **External Lawyers and Planners (Legal):** as determined in consultation with City Legal staff is a service undertaken for legal advice or opinion which requires expertise and time that is not available by City staff.
- **Creative Communications:** inclusive of advice and recommendations on strategies for advertising, promotions, public relations and design which requires expertise and time that is not available by City staff.

City divisions and A&Cs report consulting expenditures to Accounting Services, confirming both actual and budget amounts; Accounting Services is only responsible for compiling the listings based on divisional and consolidated entity submissions.

Accountability Offices

Consulting services expenditures and non-competitive procurement activity for Accountability Officers are not included in this report as their expenditures are subject to a review by an external consultant and are reported separately.

Consulting Services Expenditures – City Divisions and Agencies and Corporations

Consulting services supplement critical skill sets and expertise that are needed just-in-time and/or are not available within existing staff, as well as enable the City to quickly complete special projects or essential initiatives while maintaining existing service levels. The use of consultants with specialized skills and expertise is a normal component of an entity's business model.

While spending on consulting services is subject to operational and capital requirements and varies from year to year, several measures implemented since 2002 have resulted in improved control. The initial zero-based justification during the budget process, stricter guidelines on the selection of consultants, compliance with purchasing policies, the requirement to report consulting expenditures as a separate item on the quarterly Operating and Capital Budget Variance report as well as separate annual reporting, collectively ensure that City Divisions and A&Cs are maintaining control over their consulting expenditures. The services of external consultants are only used when absolutely required.

Consultants engaged by City divisions and A&Cs are typically used when:

- A specialized skill set is required that aligns with best practices and the most up to date expertise, such as a system implementation or the implementation of a significant, new accounting standard;
- The existing staff complement cannot absorb one-time special purpose or project work within existing capacity and hiring permanent staff with the required skills is not cost effective, such as for building and construction project design or specialized legal advice;
- An independent objective review is required and/or mandated by a third party, and benefits from outside involvement or expertise, such as public engagement or a service delivery review; and
- Work needs to be completed quickly to meet Council, federal or legislative requirements, such as addressing the delivery of supportive housing.

Each initiative that uses consultants has unique circumstances and requirements that are considered before determining the most cost effective way of completing the work. Through detailed planning processes and consideration of the above factors, City Divisions and A&Cs determine when the use of consultants is justified.

As a result, the extent of consulting work will be dependent upon the City's annual requirements, as well as evolving business needs in order to accommodate unanticipated requested or changes in the external environment to achieve overall operational and financial efficiencies.

City Divisions and A&Cs have confirmed their 2021 consulting services expenditures, by supplier, for each of the five categories funded from both the Operating and Capital

Budgets. A summary of the consulting services expenditures for 2021, with 2020 comparatives, for Operating and Capital, is presented below in Table 8. The details of the consulting services expenditures for 2021, by category and vendor for each City division and A&C, are shown on Appendix E (Operating) and Appendix F (Capital).

Table 8: Consulting Services Expenditures by Service Area – Operating and Capital
By Consulting Category for City Divisions and A&Cs (Details in Appendix E and Appendix F).

Category	Creative Comm.	Info. Tech.	Legal	Mgmt./ R&D	Tech.	2021 Total	2020 ¹ Total	Increase / (Decrease)
	(\$ 000's)							%
City Divisions								
City Manager	-	1,073.5	-	758.2	319.0	2,150.7	1,421.8	51.3%
Community and Social Services	96.2	811.1	-	637.5	200.6	1,745.3	1,389.0	25.7%
Corporate Services	-	256.9	388.3	21.4	277.6	944.1	1,150.5	(17.9%)
Finance and Treasury Services	4.3	381.6	329.1	5,165.9	130.5	6,011.4	5,476.6	9.82%
Infrastructure and Development	3.6	142.6	190.2	1,098.9	12,808.1	14,243.4	11,799.8	20.7%
Total City Divisions	104.0	2,665.7	907.6	6,084.3	13,735.8	25,095.0	21,237.8	18.2%

Category	Creative Comm.	Info. Tech.	Legal	Mgmt./ R&D	Tech.	2021 Total	2020 ¹ Total	Increase / (Decrease)
	(\$ 000's)							%
A&Cs								
Exhibition Place	-	6.3	-	5.0	117.1	128.4	82.1	56.4%
TO Live	220.7	-	90.1	-	1,439.7	1,750.5	1,282.8	36.5%
Toronto Community Housing Corporation	-	9.9	33.4	681.4	672.6	1,397.3	3,143.7	(55.6%)
Toronto Police Service	147.9	184.1	134.3	549.9	142.2	1,158.4	1,454.3	(20.3%)
Toronto Police Services Board	-	-	143.5	50.4	-	193.9	104.6	85.4%
Toronto Public Library Board	6.6	-	14.8	32.5	-	53.9	200.6	(73.1%)
Toronto Transit Commission	41.3	483.7	1,420.1	4,363.8	7,058.0	13,367.0	11,920.7	12.1%
Toronto Waterfront Revitalization Corporation	170.0	16.6	691.2	270.0	321.2	1,469.1	1,526.2	(3.7%)
Toronto Zoo	19.6	-	-	380.9	33.2	433.8	804.1	(46.1%)
Total A&Cs	606.1	700.7	2,527.4	6,334.0	9,784.0	19,952.2	20,519.1	(2.8%)
Grand Total	710.2	3,366.4	3,434.9	14,016.0	23,519.8	45,047.2	41,756.9	7.9%

Publication on the Open Data Portal

Open Data is a foundational element that will enable innovation and new opportunities for the delivery of City services to the diverse communities that the City serve. The Open Data Master Plan, adopted by City Council in January 2018, provides a strategic framework and roadmap for the City, and visibility into how open data helps meet the needs of Torontonians:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EX30.12>

Accounting Services has already published a database of consulting services expenditures on the Open Data website, which is available to the public. The database presents expenditures for the past five years, and can be accessed using this hyperlink:

<https://www.toronto.ca/city-government/budget-finances/city-finance/expense-reporting/consulting-services-expenses/>

By continuing to upload the consulting services expenditures data onto the Open Data portal, this will increase community engagement and transparency. For this reason, it is recommended that continuing publication of consulting expenditure details to open data replace this required annual reporting.

CONTACT

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SIGNATURE

Andrew Flynn
Controller

ATTACHMENTS

- Appendix A: 2021 Non-Competitive Procurement by Exception Code
- Appendix B: Comparison of 2020/21 Non-Competitive Purchases Processed by Divisional Purchase Orders (DPO) \$3,000 up to \$50,000
- Appendix C: Comparison of 2020/21 Non Competitive Purchases Processed by PMMD \$3,000 up to \$500,000
- Appendix D: Comparison of 2020/21 Non-Competitive Purchases Awarded by Committee and Council Greater than \$500,000
- Appendix E: 2021 Consulting Services Expenditure – Operating
- Appendix F: 2021 Consulting Services Expenditure – Capital