



PURCHASING SERVICES

PROGRAM MAP

Purchasing & Materials Management

Purchasing

Materials Management
Stores & Distribution

The objective of Purchasing Services is to provide value in support of public programs and service delivery through the application of open, fair, equitable and accessible procurement processes and practices.

SUMMARY OF PERFORMANCE MEASUREMENT RESULTS

Question	Indicator/Measure	Internal Comparison of Toronto's 2016 vs. 2015 Results	External Comparison to Other Municipalities (MBNC) By Quartile for 2016	Chart & Page Ref.
Community Impact Measures				
How many bids are received for each purchasing call document?	Average Number of Bids Received per Purchasing Call Document – (Community Impact)	Increase Average Number of Bids Received per Purchasing Call increased in 2016 (no graph)	2 Higher average number of bids received per call compared to others	27.1 pg. 5
Customer Service Measures				
How long does the purchasing call process take in Toronto before a purchase order is issued?	Average Time For Call Preparation And Approval – (Customer Service)	Decrease Time for prep and approval decreased in 2016	N/A	27.2 pg. 6
How long does the purchasing call process take in Toronto before a purchase order is issued?	Average time for Call – (Customer Service)	Decrease Time for Call decreased	N/A	27.2 pg. 6
How long does the purchasing call process take in Toronto before a purchase order is issued?	Average time for divisions to evaluate bids/proposals – (Customer Service)	Decrease Evaluation time decreased in 2016	N/A	27.2 pg. 6
How long does the purchasing call process take in Toronto before a purchase order is issued?	Average time from receipt of recommendation to award to issuance of Purchase Order– (Customer Service)	Decrease Award to P.O. issuance time decreased in 2016	N/A	27.2 pg. 6

Question	Indicator/Measure	Internal Comparison of Toronto's 2016 vs. 2015 Results	External Comparison to Other Municipalities (MBNC) By Quartile for 2016	Chart & Page Ref.
How long does the purchasing call process take in Toronto before a purchase order is issued?	Total purchasing cycle/process time – (Customer Service)	Decrease Total cycle/process time decreased in 2016	N/A	27.2 pg. 6
Efficiency Measures				
What types of purchasing methods are being used?	Percentage of Purchase Orders/Contracts by Number of Orders – (Efficiency)	Decrease Use of blanket contracts decreased in 2016	N/A	27.3 pg. 7
How much is being purchased through each of these methods	Percentage of Purchase Orders/Contracts by Dollar Value of Orders)– (Efficiency)	Decrease Value of blanket contracts decreased in 2016	N/A	27.4 pg. 7
What does it cost in Toronto to process the purchase of goods and services	Centralized Purchasing Operating Costs per \$1,000 of Municipal Purchases of Goods and Services – (Efficiency)	Increase Cost per \$1,000 of goods increased	3 Higher cost per 1,000 goods compared to others	27.5 27.6 pg. 8/9
Overall Results	Service Level Indicators (Resources)	N/A	Service Level Indicators (Resources)	N/A
	Performance Measures (Results)	<div style="display: flex; justify-content: space-between; font-size: small;"> 6 - Favorable 0 - Stable 3 - Unfavorable </div> <p>66.7% favorable or stable</p>	Performance Measures (Results)	<div style="display: flex; justify-content: space-between; font-size: small;"> 0 - 1st quartile 1 - 2nd quartile 1 - 3rd quartile 0 - 4th quartile </div> <p>50 % in 1st and 2nd quartiles</p>

For an explanation of how to interpret this summary and the supporting charts, please see the Guide to Toronto's Performance Results. These quartile results are based on a maximum sample size of 15 municipalities.

COMMUNITY IMPACT

The objective of an open and competitive bidding process is ensuring the best value has been obtained for the item or service being purchased. Request for Quotation and Tender Call documents are awarded on the basis of lowest price meeting specifications. Request for Proposals are awarded to the highest scoring proponent.

One way of measuring the effectiveness of the purchasing process is the average number of bids received for each purchasing document (such as tenders, proposals, quotations, expressions of interest, etc.) issued. Toronto received 4,160 bids per 884 calls with a result of 4.7 bids for each purchasing call.

27.1 – HOW MANY BIDS ARE RECEIVED FOR EACH PURCHASING CALL IN TORONTO COMPARED TO OTHER MUNICIPALITIES?

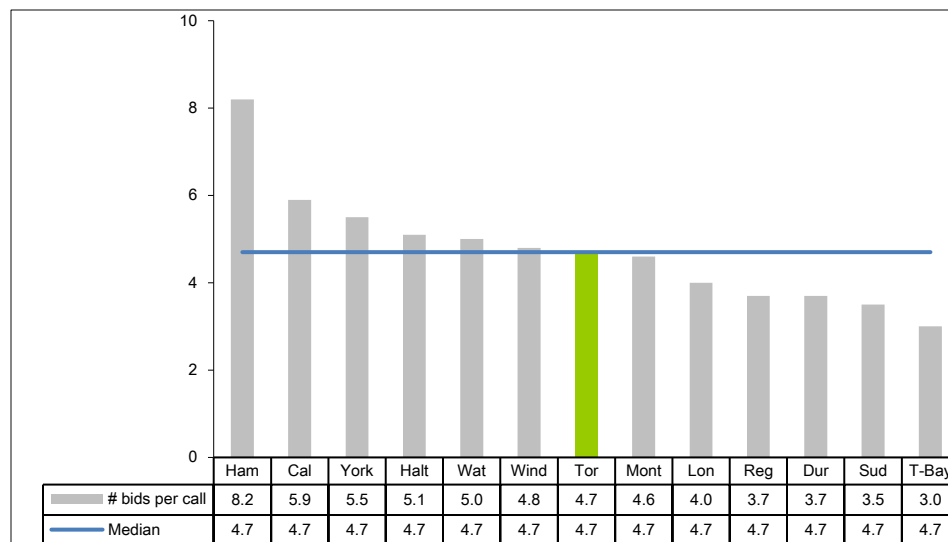


Chart 27.1 compares Toronto to other municipalities in terms of the average number of bids received per purchasing call.

Chart 27.1 (MBNC 2016) Average Number of Bids Received per Purchasing Call Document

In 2016, Toronto ranked seventh of thirteen (second quartile) in terms of the highest average number of bids received per purchasing call. The scale and complexity of items purchased can influence results. The reason why a particular Call may have received a low number of responses depends on the particular facts of the Call itself. When a low number of responses are received on a Call, PMMD follows up with vendors who chose not to respond in an effort to determine why they may not have chosen to participate.

The average cycle time for the purchasing process is broken down into four components:

- Preparation and approval of a Call document;
- Time period between the Call issue date and Call closing date;
- Divisional evaluation of bids/proposals received; and
- Time period from receipt of recommendation to award, to issuance of the Purchase Order (and legal agreements where required).

CUSTOMER SERVICE

27.2 –HOW LONG DOES THE PURCHASING CALL PROCESS TAKE IN TORONTO BEFORE A PURCHASE ORDER IS ISSUED?

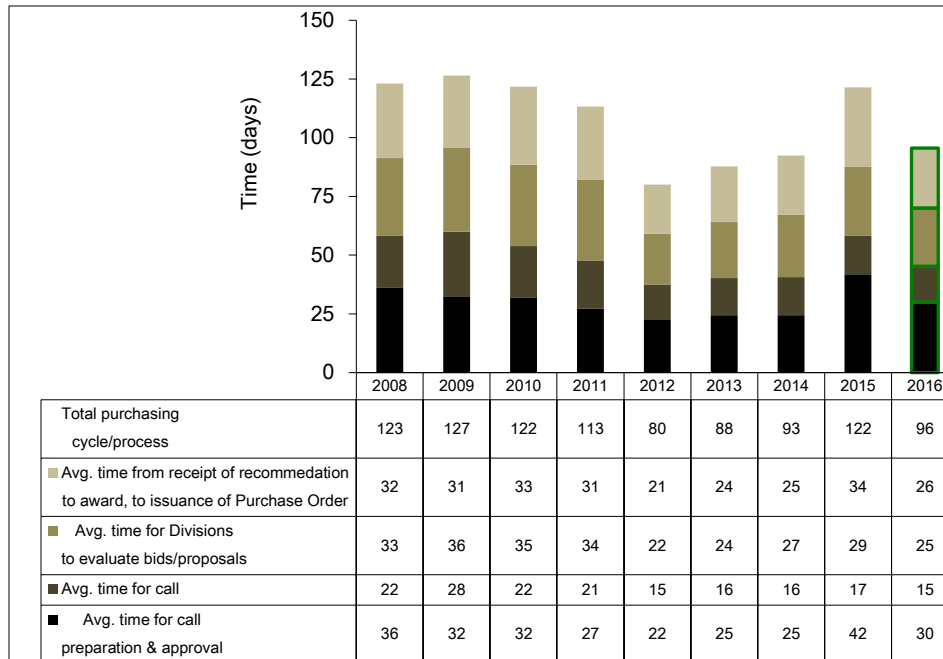


Chart 27.2 shows the average purchasing cycle time from 2008 to 2016 for each of these four components as well as the total of these components.

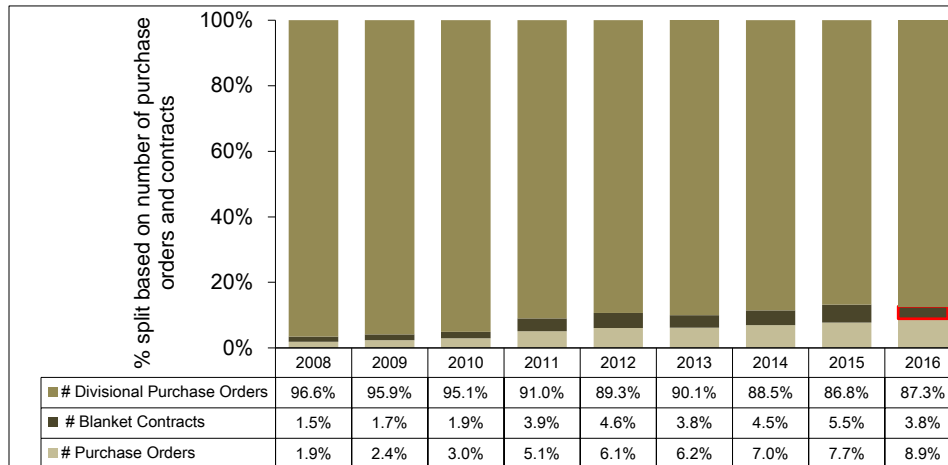
Chart 27.2 (City of Toronto) Average Cycle Time for Purchasing Process

Results showed minor decreases in some areas, which amounted to an overall decrease of 26 days in the average cycle time for the purchasing process from 2015 to 2016. Variations in the results are due to a variety of factors, including the complexity of specification development, issues of non-compliance and priority given by divisions, and time required to prepare and execute legal agreements.

EFFICIENCY

A high-functioning municipal purchasing operation is characterized by a significant number of Blanket Contracts, and Purchase Orders and a minimum number of individual Calls and Divisional Purchase Orders. Large value Blanket Contracts allow the City to take advantage of its purchasing power while making it more efficient for divisions to source and order goods and services.

27.3 –WHAT TYPES OF PURCHASING METHODS ARE BEING USED IN TORONTO?



Charts 27.3 shows the percentage breakdown of the number of divisional purchase orders, blanket orders and purchase orders from 2008 to 2016.

Chart 27.3 (City of Toronto) Percentage of Purchase Orders/Contracts by Number of Orders

In 2016, there was a 1.7 percent decrease in the use of blanket contracts, 1.2 percent increase in the use of purchase orders, and 0.5 percent increase in divisional purchase orders. These numbers will fluctuate due to the use of multi-year contracts.

27.4 –HOW MUCH IS BEING PURCHASED IN TORONTO THROUGH EACH OF THESE METHODS?

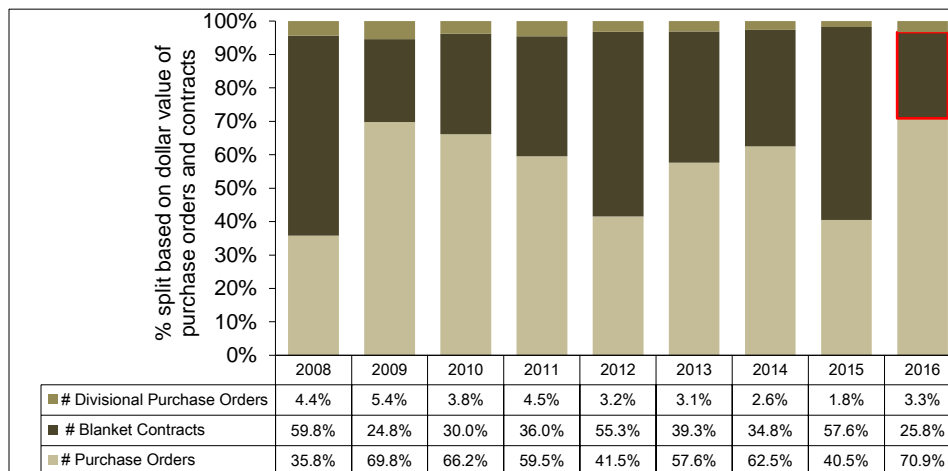


Chart 27.4 shows the percentage breakdown of divisional purchase orders, blanket contracts and purchase orders by dollar value of orders.

Chart 27.4 (City of Toronto) Percentage of Purchase Orders/Contracts by Dollar Value of Orders

Another way of examining efficiency is to contrast the cost of the process to support a municipal purchase with the value of the goods and services purchased. Note these costs relate to those of each municipality's centralized purchasing function and not elements of the purchasing process that occur within operating divisions.

27.5 –WHAT DOES IT COST IN TORONTO TO PROCESS THE PURCHASE OF GOODS AND SERVICES?

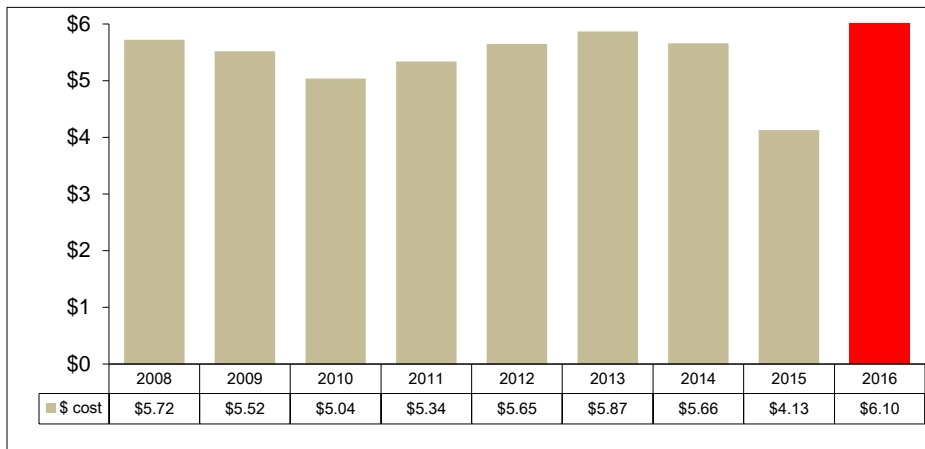


Chart 27.5 provides Toronto's cost of the purchasing function per \$1,000 of goods and services purchased. Costs in 2016 were higher than in 2015.

Chart 27.5 (City of Toronto) Centralized Purchasing Operating Costs per \$1,000 of Municipal Purchases of Goods and Services

The cost decrease in 2015 is likely due to the increase in the dollar value of goods and services purchased (due to snow removal and solid waste contracts). The operating costs remained consistent with the previous years' data.

Note that the results in 2010 were an anomaly due to large Infrastructure Stimulus Fund Projects. The costing methodology used for this report includes allocations of program support costs and other amounts so that they are more comparable to other municipalities. Moreover, the MBNC measure is based on a three year rolling average for goods purchased. These costs will therefore differ from those used in other internal reports such as the semi-annual [Treasurer's Report](#), which are based on direct costs and which do not use a three year rolling average.

27.6 –HOW DOES TORONTO'S COST TO PROCESS THE PURCHASE OF GOODS AND SERVICES COMPARE TO OTHER MUNICIPALITIES?

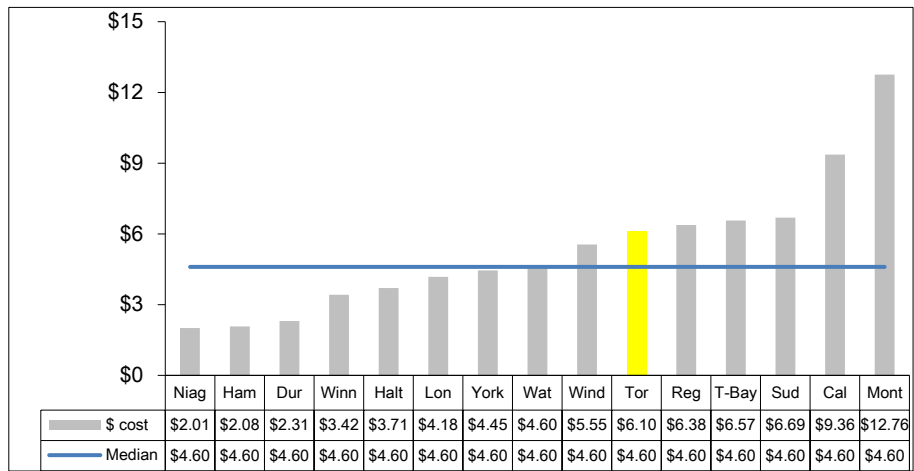


Chart 27.6 compares Toronto's 2016 costs to other municipalities. Toronto ranks tenth out of fifteen (third quartile) in terms of the lowest cost of purchasing per \$1,000 of goods and services purchased.

Chart 27.6 (MBNC 2016) Centralized Purchasing Operating Costs per \$1,000 of Municipal Purchases of Goods and Services

2016 ACHIEVEMENTS AND 2017 PLANNED INITIATIVES

The following initiatives have improved or are expected to further improve the efficiency and effectiveness of the Purchasing and Materials Management Division (PMMD):

2016 Initiatives Completed/Achievements

- Updated the Purchasing By-law, Chapter 195, and the Procurement Processes Policy to reflect leading practices in government procurement introduce a Supplier Code of Conduct and prepare for the implementation of upcoming trade agreements.
- Completed a Program Review for Purchasing & Materials Management Division, recommending implementation of category management & strategic sourcing, and review of the optimal approach of the use of warehouses in the City.

2017 Initiatives Planned

- Continue to support the sustainment, improvement and protection of the integrity of the City's financial system (SAP), including testing, training, user support, and system upgrades.
- Modernize the supply chain management technology
- Re-engineering PMMD service delivery, through implementation of Category Management, implementation of new technology, and optimization of materials management.

Factors Influencing the Results of Municipalities

The results of each municipality included in this report can be influenced to varying degrees by factors such as:

- Organizational form: single tier municipalities provide a broader range of municipal services than regional municipalities, which impacts the type and mix of goods and services that are purchased. Larger municipal agencies and corporations may have their own purchasing division and do not use a centralized purchasing function (which is the focus of this report).
- Policies and practices: approval process and dollar thresholds/limits for purchases in municipalities may differ, which can impact the time spent on the procurement process and which departments/divisions can conduct processes or a portion of the process. Extent to which municipalities have authorized the use of P-cards, blanket orders, multi-year tenders/contracts etc. can impact the efficiency of the purchasing process.
- Economic conditions and timing of purchases: changing economic conditions can impact year-over-year comparisons. The number of bids received and costs of goods and services received. Seasonal fluctuations in prices and the timing of purchases.
- Location and specialized services: the location of a municipality can impact/limit the number of bids as well as the degree of specialized expertise required from contractors or service providers.
- Provincial/Federal Programs: grant programs may impact the level of spending in any given year.
- Supply and Demand: Buying off season or when goods and services are in high demand will impact the cost of goods and services received.