



# PURCHASING SERVICES

## PROGRAM MAP

### Purchasing & Materials Management

Purchasing

Materials Management  
Stores & Distribution

The objective of Purchasing Services is to:

- Ensure the best value to the taxpayers of the City of Toronto in the acquisition of goods and services by providing leadership, quality customer service and the application of open, fair, equitable and accessible business processes and practices to all City Divisions and designated Agencies and Corporations;
- Administer appropriate delegation of commitment authority;
- Develop innovative business practices; and provide warehouse inventory controls over common items available to City Divisions through Materials Management operated stores.

SUMMARY OF PERFORMANCE MEASUREMENT RESULTS

Question	Indicator/Measure	Internal Comparison of Toronto's 2017 vs. 2016 Results	External Comparison to Other Municipalities (MBNC) By Quartile for 2017	Chart & Page Ref.
How many bids are received for each purchasing call document?	Average Number of Bids Received per Purchasing Call Document – (Community Impact)	Decrease Average Number of Bids Received per Purchasing Call decreased in 2017 (no graph) (Community Impact)	2 Higher average number of bids received per call compared to others (Community Impact)	27.1 pg. 5
How long does the purchasing call process take in Toronto for call preparation and call issuance?	Average time for call preparation and call issuance (net-work days) – (Customer Service)	Increase Time for Preparation and Call Issuance increased in 2017 (Customer Service)	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 (net-work days) – (Customer Service)	Increase Time for Call increased (Customer Service)	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 (net-work days) – (Customer Service)	Increase Evaluation time increased in 2017 (Customer Service)	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 (net-work days) – (Customer Service)	Increase Award to Purchase Order issuance time increased in 2017 (Customer Service)	N/A	27.2 pg. 6
How long does the purchasing call process take in Toronto for Closing Date and Date the Summary to be sent to the Client Division?	Average Closing Date and Date the Summary was sent to Client Division (net-work days) – (Customer Service)	Increase Time for Average Closing Date and Date the Summary was sent to Client Division increased in 2017 (Customer Service)	N/A	27.2 pg. 6

Question	Indicator/Measure	Internal Comparison of Toronto's 2017 vs. 2016 Results	External Comparison to Other Municipalities (MBNC) By Quartile for 2017	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)	Increase  Total cycle/process time increased in 2017 (Customer Service)	N/A	27.2 pg. 6
What types of purchasing methods are being used?	Percentage of Purchase Orders/Contracts by Number of Orders – (Efficiency)	Increase  Use of blanket contracts increased in 2017 (Efficiency)	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)	Increase  Value of blanket contracts increased in 2017 (Efficiency)	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 (Efficiency)	3  Higher cost per 1,000 goods compared to others (Efficiency)	27.5 27.6 pg. 8/9

## SUMMARY OF OVERALL RESULTS

Internal Comparison of Toronto's 2017 vs. 2016 Results	Internal Comparison of Toronto's 2017 vs. 2016 Results	External Comparison to Other Municipalities (MBNC) By Quartile for 2017	External Comparison to Other Municipalities (MBNC) By Quartile for 2017
Service Level Indicators (Resources)  N/A	Performance Measures (Results)  <div style="display: flex; justify-content: space-between; align-items: center;"> <div style="width: 100%; text-align: center;"> <div style="background-color: green; width: 100%; height: 10px; margin-bottom: 2px;"></div> <div style="background-color: yellow; width: 100%; height: 10px; margin-bottom: 2px;"></div> <div style="background-color: red; width: 100%; height: 10px;"></div> </div> <div style="width: 100%; text-align: center; font-size: 8px;"> <div style="background-color: green; width: 100%; height: 10px; margin-bottom: 2px;"></div> <div style="background-color: yellow; width: 100%; height: 10px; margin-bottom: 2px;"></div> <div style="background-color: red; width: 100%; height: 10px;"></div> </div> </div> <p>20% favorable or stable</p>	Service Level Indicators (Resources)  N/A	Performance Measures (Results)  <div style="display: flex; justify-content: space-between; align-items: center;"> <div style="width: 100%; text-align: center;"> <div style="background-color: green; width: 100%; height: 10px; margin-bottom: 2px;"></div> <div style="background-color: yellow; width: 100%; height: 10px; margin-bottom: 2px;"></div> <div style="background-color: red; width: 100%; height: 10px;"></div> </div> <div style="width: 100%; text-align: center; font-size: 8px;"> <div style="background-color: green; width: 100%; height: 10px; margin-bottom: 2px;"></div> <div style="background-color: yellow; width: 100%; height: 10px; margin-bottom: 2px;"></div> <div style="background-color: red; width: 100%; height: 10px;"></div> </div> </div> <p>50% in 1st and 2nd quartiles</p>

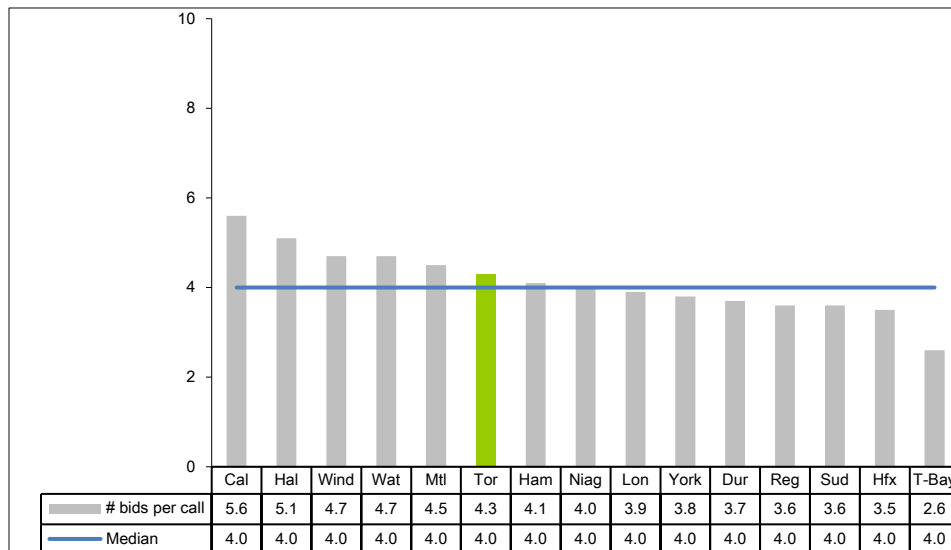
For an explanation of how to interpret this summary and the supporting charts, please see the Guide to Toronto's Performance Results. These quartile results are based on a maximum sample size of 15 municipalities.

## 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 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 3,849 bids per 885 calls with a result of 4.3 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 2017) Average Number of Bids Received per Purchasing Call Document**

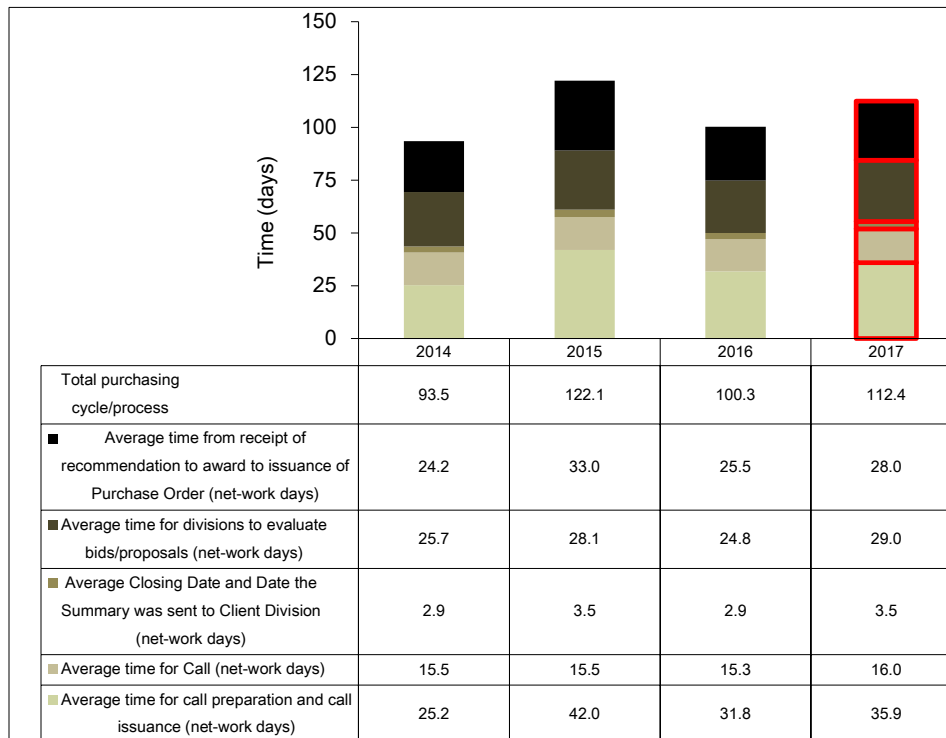
In 2017, Toronto ranked sixth of fifteen (second quartile) in terms of the highest average number of bids received per purchasing call. The scale and complexity of items purchased can influence results. The reason why a particular Call may have received a low number of responses depends on the particular 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.

## CUSTOMER SERVICE

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

- Average time from receipt of recommendation to award to issuance of Purchase Order (net-work days)
- Average time for divisions to evaluate bids/proposals (net-work days)
- Average Closing Date and Date the Summary was sent to Client Division (net-work days)
- Average time for Call (net-work days)
- Average time for call preparation and call issuance (net-work days)

### 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 2014 to 2017 for each of these five components as well as the total of these components.

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

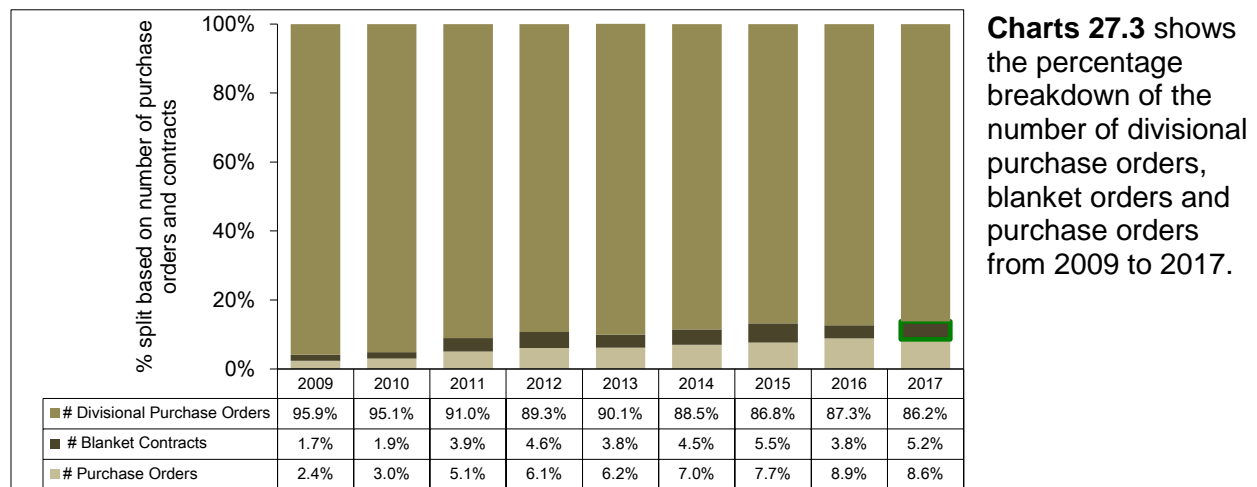
Results showed increase in all areas, which amounted to an increase in 12 days in the average cycle time for the purchasing process from 2016 to 2017. The time to prepare and execute a legal agreement by the client division (in consultations with their legal representative), receipt of a signed agreement, security and insurance requirements from the successful bidder can impact the cycle time.

Please see the [2018 Annual Controller's Report – Activities of the Accounting Services and the Purchasing & Materials Management Divisions](#) for more information.

## 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 2009 to 2017.

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

In 2017, there was a 1.4 percent increase in the use of blanket contracts, 0.3 percent decrease in the use of purchase orders, and 1.10 percent decrease in divisional purchase orders. These numbers will typically fluctuate due to the use of multi-year contracts.

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

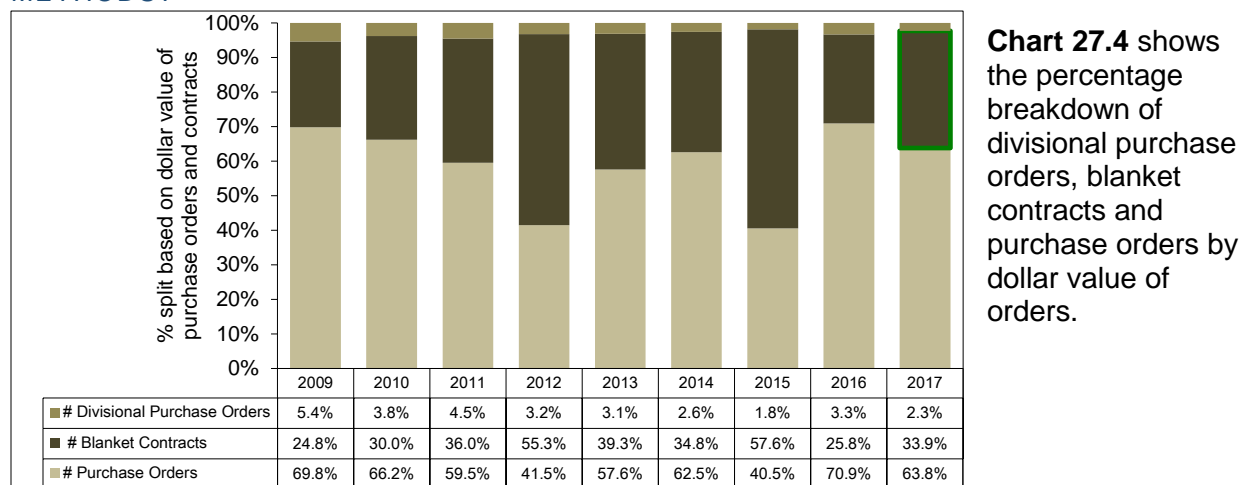
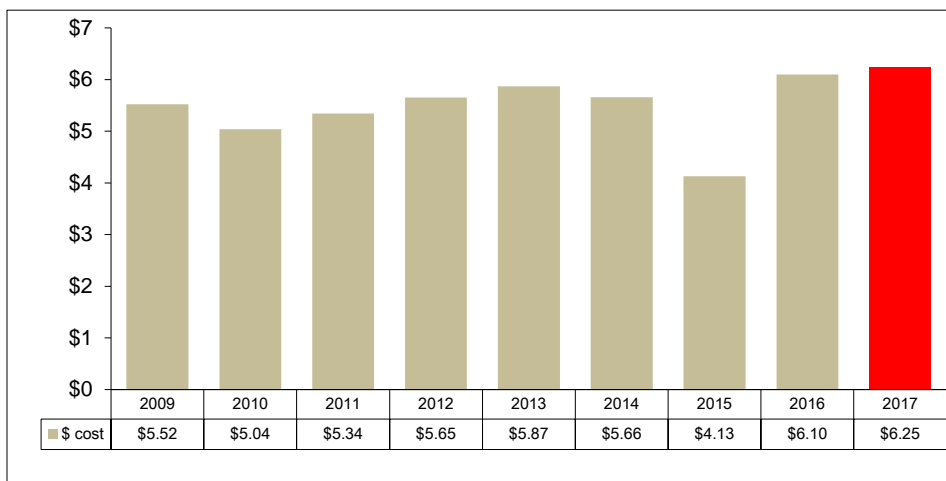


Chart 27.4 shows the percentage breakdown of divisional purchase orders, blanket contracts and purchase orders by dollar value of orders.

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 2017 were slightly higher than in 2016.

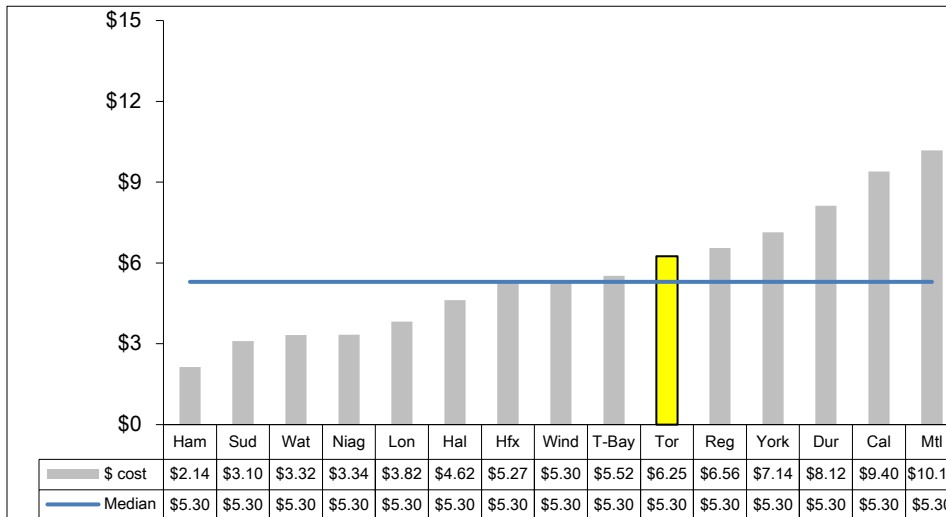
**Chart 27.5 (City of Toronto) Centralized Purchasing Operating Costs per \$1,000 of Municipal Purchases of Goods and Services**

The lower result observed 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 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 2017 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 2017) Centralized Purchasing Operating Costs per \$1,000 of Municipal Purchases of Goods and Services**

The results for this measure can be impacted by fluctuations in the annual operating budget (for purchasing) and the central purchasing activity value, which can change from year to year.

## 2017 ACHIEVEMENTS AND 2018 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):

### 2017 Achievements

- Continued to provide purchasing services at best value in support of public programs and service delivery through the application of open, fair, equitable and accessible procurement processes and practices.
- Provided materials management and warehousing services in support of public programs and service delivery.
- Completed the consolidation of the City's corporate warehouses, reducing it from 3 warehouses into 1 warehouse at 799 Islington Avenue.
- As part of the Category Management/Strategic Sourcing and Operations Transformation of PMMD, completed the Current State Assessment, Blue printing of all modules, launched a pilot project for the Sourcing and Contract management module.
- As part of the Category Management/Strategic Sourcing and Operational Transformation, launched the Project Management Office and issued the RFP for external consultant services.
- Recognized by the Canadian Gay and Lesbian Chamber of Commerce with the 2017 Program Supplier Diversity Policy as part of the City's Social Procurement Program.

### 2018 Initiatives Planned

- Support the sustainment, improvement and protection of the integrity of the City's financial system (SAP), including testing, training, user support and system upgrades.
- Implement SAP Ariba, a source-to-pay cloud based software as a service solution, as part of the supply chain management transformation project, that will bring automation to the purchasing and accounts payable functions.
- Improve P-Card processes while maintaining controls and increasing use of p-card.
- Review business processes and data elements used to account for expenditures, cash management, and accounts receivable, transforming accounting and maximizing investment in the SAP financial system.

## 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:

- **Economic Conditions:** Fluctuations in economic conditions could impact year-over-year comparisons of measures that incorporate the number of bids received and the costs of goods and services received.
- **Geographic Location:** Parts of the Province may limit the number of bids as there may be an absence of specialized contractors and/or service providers.
- **Government Form:** Single-tier municipalities have a unique purchasing environment, i.e. more layers of policy, more complex processes and diverse goods and services purchased.
- **Organizational Form:** Municipal purchasing departments in Ontario do not look after all the same services or customers, i.e. some are responsible for stores/inventory operation, warehousing, insurance, mail room and/or a combination, while others are not; and some are responsible for procurement for Police, Emergency Services, Transit, Development and Social Services and others are not.
- **Policy and Practices:** Time spent on the procurement process can differ based on the approval process in the municipality. It also differs on which department can conduct the process or a portion of the process which may or may not be based on dollar value of purchase. Progressive procurement practices that benefit the municipality, e.g. multi-year tenders, procurement cards, will also skew the results and may result in measures that appear less efficient.
- **Processes and Systems:** Extent to which municipalities have authorized the implementation of procurement cards, blanket orders, contracts, etc.
- **Provincial/Federal Policies:** Federal and Provincial grant programs may impact the level of spending in any given year. Changes in tax policies such as the introduction of HST may impact the costs of goods and services within different municipalities at different rates.
- **Supply and Demand:** Buying off season or when goods and services are in high demand will impact the cost of goods and services received.