

City Procure to Pay Metrics for 2022

The following is a summary of key activities, initiatives, and performance indicators for the City's Procure to Pay (P2P) processes and expenditures incurred by the City and its agencies and corporations for the year ending December 31, 2022, with prior year comparatives, where applicable.

In 2022, the City issued approximately \$4.1 billion in procurement through the issuance of over 9,167 purchase orders and blanket contracts issued by the Purchasing and Materials Management Division (PMMD) and Divisional Purchase Orders issued by divisions.

The average procurement cycle time measures the average time taken to complete a procurement from initiation of the procurement with PMMD until the issuance of a purchasing document. In 2022 this average was 125 working days, representing an increase of 20 days from 2021's number of 105 days. The increase in cycle time was primarily due to an increase in the number of days from the time the bidding process ended to the approval of the award of the solicitation.

The value of all non-competitive purchases for the city totalled \$305 million, representing 7.4% of the City's total purchases. The dollar value of the non-competitive procurements (NCP) purchased decreased by 34.3% over 2021 and the number of non-competitive purchases decreased by 20.6%.

City Divisions are able to conduct a three-quote process for contracts up to \$50,000. In 2022, Divisions issued \$43.5 million in purchases, through the issuance of over 7,705 Divisional Purchase Orders (DPOs), of which \$7.2 million was processed under the Non-Competitive Procurement process, through the issuance of 294 DPOs.

2022's activity represents a reduction of 1,087 DPOs compared to 2021. The dollar value of purchases made by DPOs decreased by \$2.7 million from \$46 million in 2021 to \$43.5 million in 2022. In 2022, only 1.06% of City purchases were processed using DPOs.

The value of inventory maintained by the Materials Management and Stores Unit has increased over the last five years, and significantly in the last three years due to COVID-19 specific inventory, which includes a six-month stockpile of personal protective equipment (PPE). In 2022, the warehouse was able to meet the target and achieve an inventory turn rate of 4.1, 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.

Procurements Processed by PMMD Purchasing Units

As indicated in Table 1 below, in 2022, the City issued approximately \$4.1 billion in contracts, through the issuance of over 1,462 Purchase Orders (PO) and Blanket Contracts (BC).

**Table 1: Purchase Orders & Blanket Contracts Issued and Value per Year
(inclusive of Competitive and Non-Competitive Procurement)**

Year	2018	2019	2020	2021	2022
Purchase Orders Issued	1,131	1,009	1,061	1,022	898
Blanket Contracts Issued	612	532	611	616	564
Total Issued	1,743	1,541	1,672	1,638	1,462
Purchase Order Value (000s)	\$2,168,278	\$2,089,832	\$1,429,522	\$2,107,874	\$1,969,888
Blanket Contracts Value (000s)	\$465,327	\$833,409	\$849,724	\$993,860	\$2,093,829
Total Value (000s)	\$2,633,605	\$2,923,240	\$2,279,246	\$3,101,734	\$4,063,717

Formal Competitive Solicitations Issued by Year

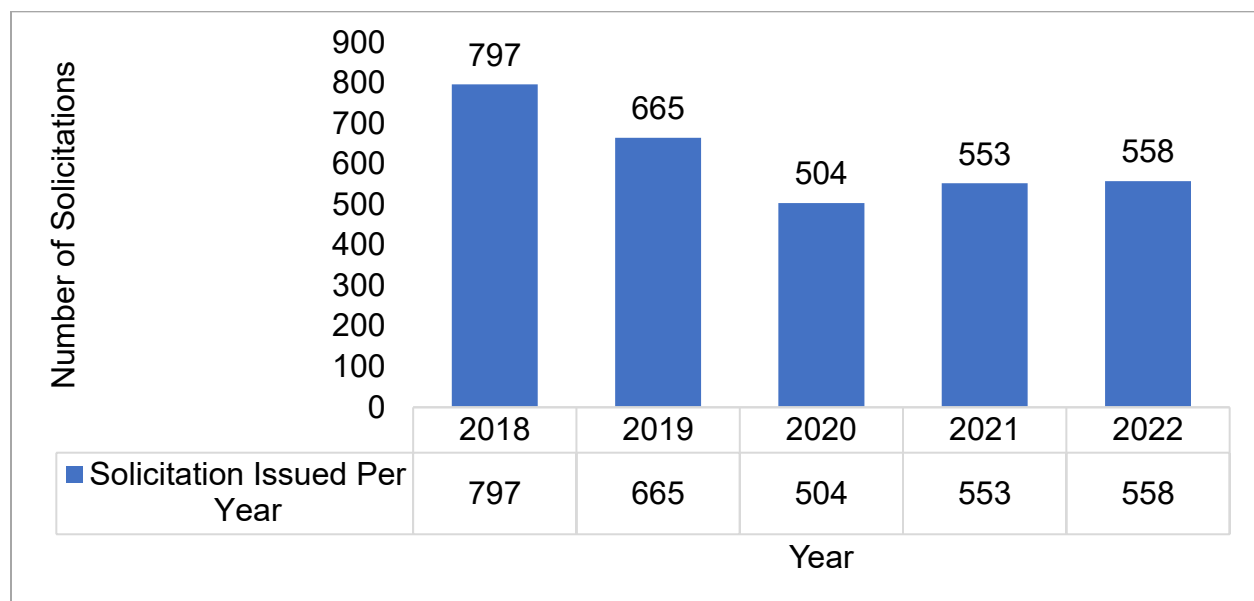
The Purchasing & Materials Management Division (PMMD), having responsibility for the commitment of public funds for the acquisition of goods and services, provides leadership, quality customer service and best value to the taxpayers of the City of Toronto through the application of open, fair, equitable and accessible business processes and practices. This is done by applying use of the following solicitation methods where the City is required to issue an open competitive solicitation

- Request for Tenders (RFT)
- Request for Quotations (RFQ)
- Request for Proposals (RFP)
- Request for Information (RFIs)
- Request for Expression of Interest (REOIs)
- Request for Supplier Qualification (RFSQ)
- Negotiated Request for Proposals (nRFP)

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 2018-2022, through the process of consolidating divisional needs to similar goods and services into one procurement and leveraging multi-year agreements where possible. The slight increase in solicitations issued from 2021 to 2022 is largely due to the impacts of 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. The 5 cycle events are defined as below and are a companion to Graph 2 descriptions:

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

In 2022, 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 125 working days, which represents an increase of 20 days over the 2021 average cycle time of 105 days.

The total cycle time increase is primarily due to the event for *Time period from receipt of the recommendation to award to issuance of Purchase Order*, which increased in 2022 by 18.6 days.

There is also a decrease of 4.9 days in 2021 to 1 day in 2022 for *Time period from receipt of the recommendation to award to issuance of Purchase Order* that has resulted from efficiencies built into the SAP Ariba Sourcing Module workflow for turnaround of this event. In previous years, solicitation that commenced prior to April 1, 2021, were still being managed in a legacy database which required manual processing outside of the SAP Ariba system. PMMD in collaboration with City Divisions continue 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: 2018 - 2022

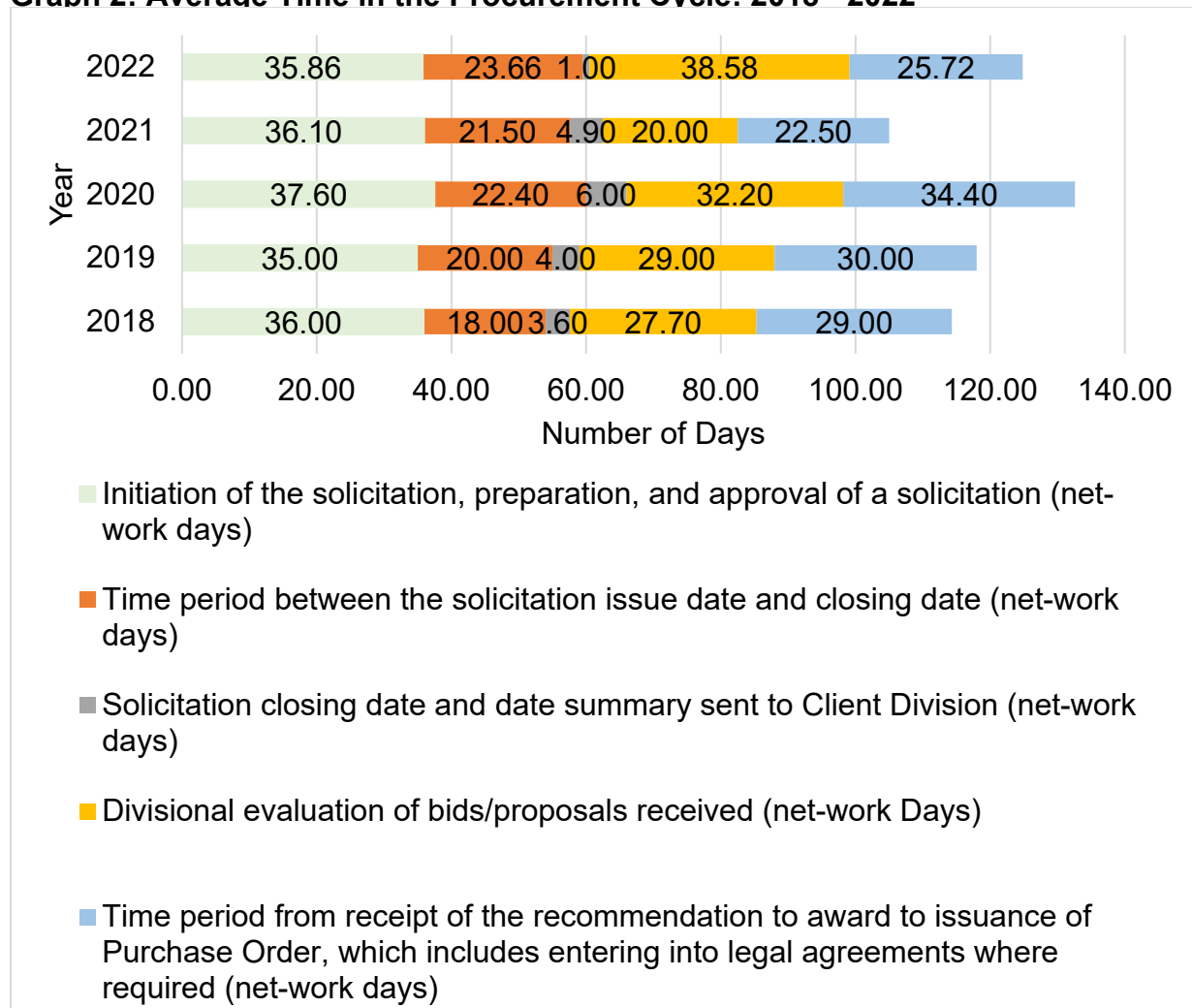


Table 2: Average Time in the Procurement Cycle: 2018 - 2022

Cycle Events	2018	2019	2020	2021	2022
Initiation of the solicitation, preparation, and approval of a solicitation (net-work days)	36.00	35.00	37.60	36.10	35.86
Time period between the solicitation issue date and closing date (net-work days)	18.00	20.00	22.40	21.50	23.66
Solicitation closing date and date summary sent to Client Division (net-work days)	3.60	4.00	6.00	4.90	1.00
Divisional evaluation of bids/proposals received (net-work Days)	27.70	29.00	32.20	20.00	38.58
Time period from receipt of the recommendation to award to issuance of Purchase Order, which includes entering into legal agreements where required (net-work days)	29.00	30.00	34.40	22.50	25.72
Total Average Time in the Procurement Cycle	114	118	133	105	125

Non-Competitive Procurement

In 2022, the value of all non-competitive procurements (NCP) for the City totalled \$304 million, which represents 7.4% of the City's total procurements of approximately \$4.1 billion.

The number of non-competitive procurements decreased by 20.6% of the total procurements over 2021 and decreased by 34.3% in total dollar value. Table 3 and Table 4 below shows the comparison of non-competitive procurements to the total overall procurements in the city for years 2021 and 2022.

Table 3: Number and Percent of NCP Activity \$3000 and Above in in 2021 vs 2022

Non-Competitive Activity	2021 Number of Procurements Issued	2021 Procurement Value	2022 Number of Procurements Issued	2022 Procurement Value
Approved by Divisions	355 (3.4% of Total POs/BCs/DPO issued)	\$7,597,901 (0.2% of Total Purchases)	294 (3.2% of Total POs/BCs/DPO issued)	\$7,275,556 (0.2% of Total Purchases)
Approved by PMMD	246 (2.4% of Total POs/BCs/DPO issued)	\$83,686,066 (2.7% of Total Purchases)	235 (2.6% of Total POs/BCs/DPO issued)	\$57,442,196 (1.4% of Total Purchases)
Approved by Council	155 (1.5% of Total POs/BCs/DPO issued)	\$372,993,672 (11.8% of Total Purchases)	71 (0.8% of Total POs/BCs/DPO issued)	\$240,109,762 (5.8% of Total Purchases)
Total Non-Competitive Activity	756 (7.2% of Total POs/BCs/DPO issued)	\$464,277,640 (14.7% of Total Purchases)	600 (6.5% of Total POs/BCs/DPO issued)	\$304,827,513 (7.4% of Total Purchases)

Table 4: Relation to Total Procurement Activity in 2021 and 2022

Procurement Activity	2021		2022	
	# of POs, BCs and DPOs issued¹	Value of POs, BCs and DPOs issued¹	# of POs, BCs and DPOs issued¹	Value of POs, BCs and DPOs issued¹
Total Procurement Activity (Competitive and Non-Competitive)	10,430	\$3,147,859,936.51	9,167	\$4,107,187,607

With regards to the reasons for the use of non- competitive procurements, Table 5 below shows the main non-competitive exception codes used in 2022. The emergency non-competitive contracts were highly used to support COVID-19 response efforts in 2020 and 2021, and were reduced in 2022.

Table 5: Top 5 Most Significant Non-Competitive Exception Codes in 2022

Top 5	2021		2022		Change 2021 vs 2022	
Reason Code Non-Competitive	No.	Dollar Value	No.	Dollar Value	No.	Dollar Value
Time Constraint	121	\$ 21,964,380	122	\$ 18,792,023	1	-14.40%
Exclusive Rights	198	\$ 98,872,090	120	\$ 42,639,359	-78	-56.90%
Bridging Contract	79	\$ 19,366,044	92	\$ 17,973,115	13	-7.20%
Compatibility	74	\$ 19,004,725	81	\$ 8,076,925	7	-57.50%
Emergency	93	\$ 169,302,870	37	\$ 89,707,770	-56	-47.00%
Top 5 Total	565	\$ 328,510,108	452	\$ 177,189,192	-113	46.10%
Total NCP	756	\$ 464,277,640	600	\$304,827,513	156	- 34.3%

Break down of Non-Competitive Procurements

Tables 6-8 below show the overall change in the use of non-competitive procurements by approval range. More specifically, Table 6 compares 2021 to 2022 for the use of non-competitive procurements approved by City Divisions in the range of \$3,000 to \$50,000

Table 6: Comparison of Non-Competitive Divisional Purchase Orders (DPOs) \$3,000 and Above Between 2021 and 2022

	2021	2022	Change between 2021 and 2022	% Change
Total Number of Procurements Issued	355	294	61	17.2%
Total Dollar Value	\$7,597,901	\$7,275,556	\$322,345	4.2%

Table 7 below shows the 2021 to 2022 comparison of the use of non-competitive procurement approved by PMMD from \$3,000 to \$500,000. City Divisions 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.

Table 7: Comparison of Non-Competitive Purchase Orders and Blanket Contracts Processed by PMMD \$3,000 and Above Between 2021 and 2022

	2021	2022	Change between 2021 and 2022	% Change
Total Number of Procurements Issued	246	235	11	4.5%
Total Dollar Value	\$83,686,066	\$57,442,196	\$26,243,871	31.4%

Table 8 below compares non-competitive procurements greater than \$500,000 in value from 2021 to 2022 that are approved by Standing Committee and Council

Table 8: Comparison of Council Approved Non-Competitive Purchase Orders and Blanket Contracts Between 2021 and 2022

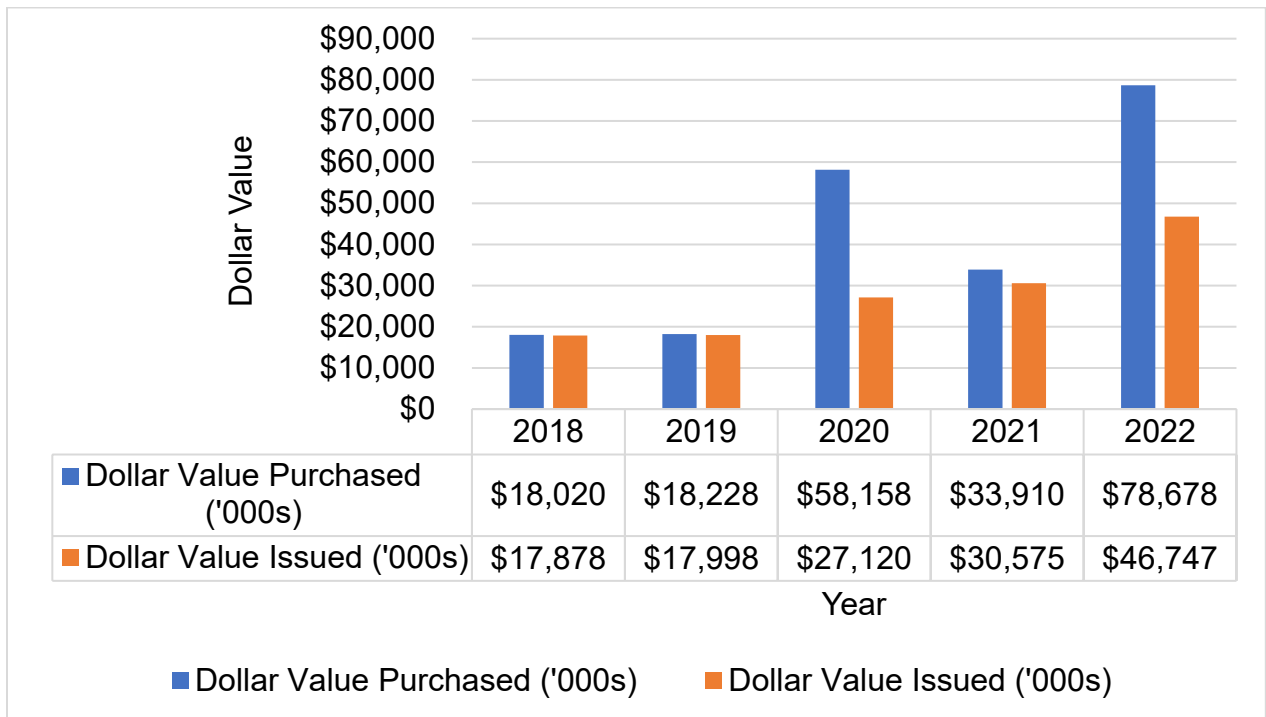
	2021	2022	Change between 2021 and 2022	% Change
Total Number of Procurements Issued	155	71	84	54.2%
Total Dollar Value	\$372,993,672	\$240,109,762	\$132,883,910	35.6%

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”).

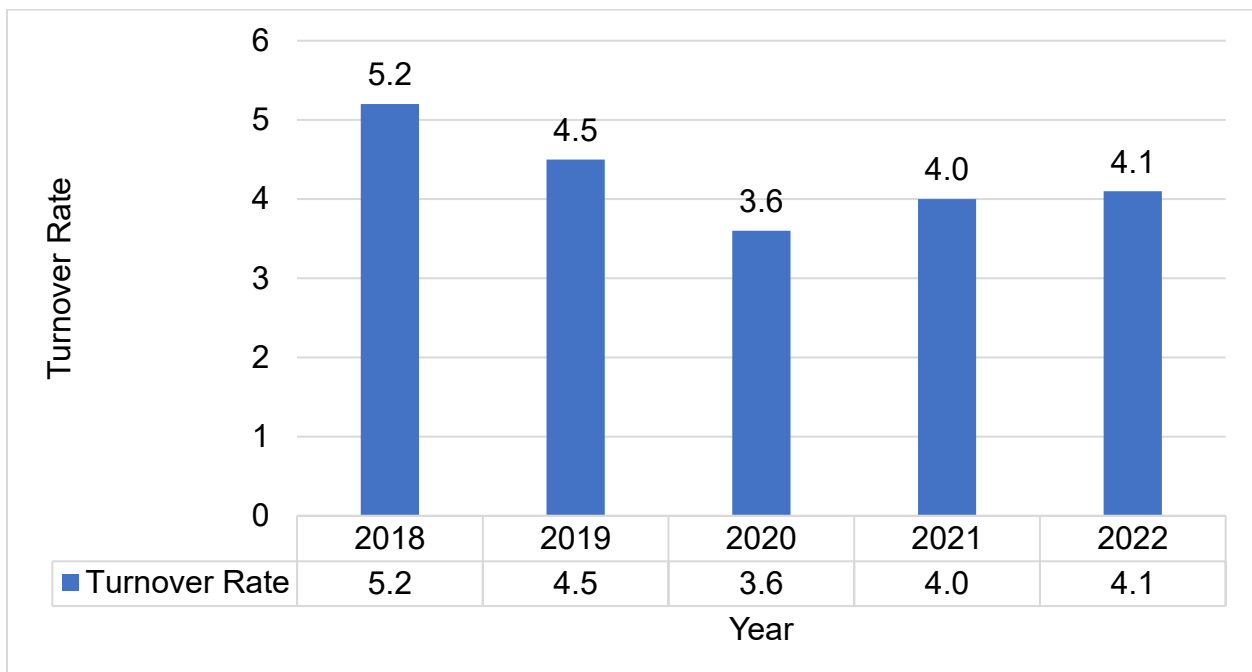
Graph 3 below shows that overall, the value of warehouse inventory increased over the last five years from 2018 to 2022, and particularly in the three years due to COVID-19 specific inventory.

Graph 3: Warehouse Inventory Purchased & Issued



The increase in 2022 spend by approximately \$42,271,712 dollars was due to the purchase of Rapid Antigen Test Kits required by the City.

Graph 4: Turnover Rate

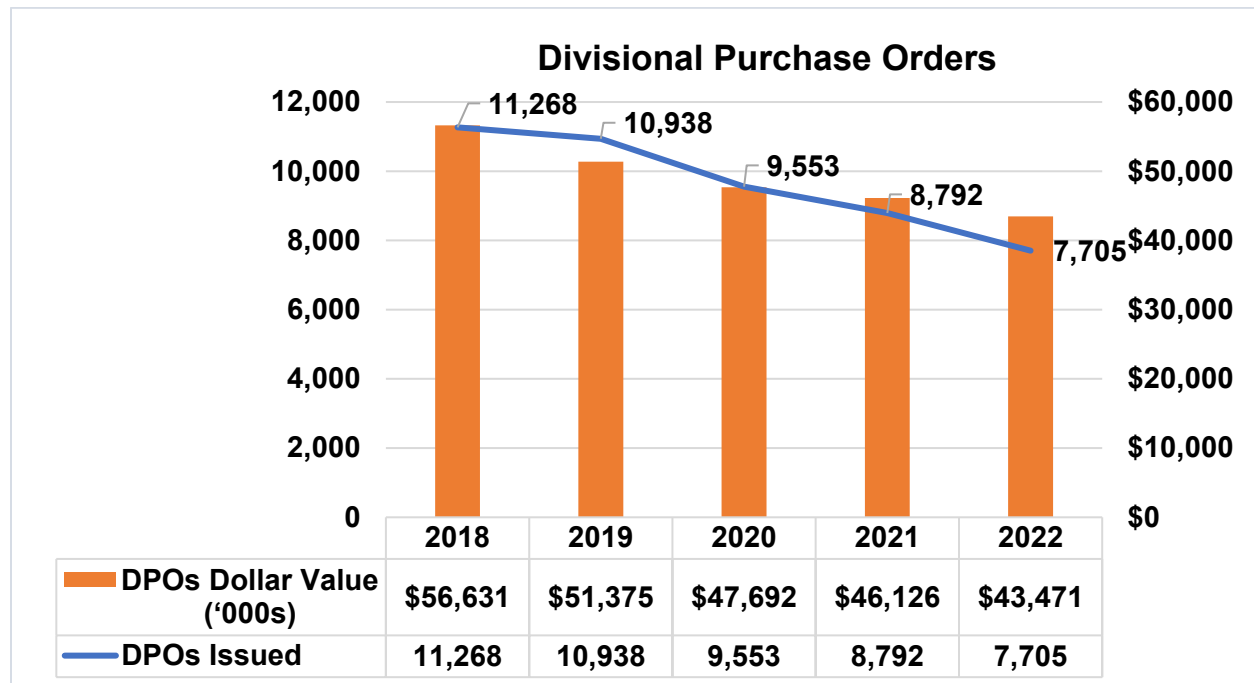


Divisional Purchase Orders (DPOs) – Procurements Processed by Divisions

As shown in Graph 5 below, in 2022, the Divisions issued over 7,705 DPOs valued at approximately \$43.5 million, of which 294 DPOs valued at \$7.2 million were processed as Non-Competitive Procurements.

Graph 5 further shows that in 2022, there was a reduction of 1,087 DPOs compared to 2021 and that the dollar value of purchases made by DPOs decreased by \$2.7 million from \$46.1 million.

Graph 5: Divisional Purchase Orders (Inclusive of Competitive DPOs & Non-Competitive Procurement DPOs)



Invoice Payments

Invoice Payment Cycle Times

Centralized payment processing is the responsibility of the City's Accounting Services Division; 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 the relevant 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 proper information and 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 2022, Accounting Services continued to work with divisions to make

incremental improvements to the Procure to Pay (P2P) process. As a result, payments made within the City’s standard payment terms increased slightly over the previous year. City Divisions continued to be trained and encouraged to standardize internal processes, and parked documents that are ready to pay were given priority status by the Accounts Payable team. In addition, suppliers were encouraged to provide invoices with relevant purchasing documents to assist with the match process, and invoices were 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 9: Percentage of Invoices Paid by Date: 2018 - 2022

Year	Number of Invoices Processed	0 to 30 Days	31 to 60 Days	61 to 90 Days	91 to 180 Days	Over 180 Days
2022	387,088.00	68%	17%	6%	6%	3%
2021	396,128.00	63%	18%	9%	8%	3%
2020	444,390.00	64%	17%	8%	7%	4%
2019	454,474.00	60%	19%	7%	7%	7%
2018	445,608.00	69%	16%	6%	6%	3%

During 2022, 68% of invoices were paid within the standard 30 days, as compared with 63% in 2021; 85% of invoices were paid within 60 days in 2022, as compared with 81% in 2021. 91% of the invoices received from external suppliers were paid in 90 days in 2022, as compared to 90% in 2021.