

Supporting Narrative for 2023 Procurement Metrics

Overview

In 2023, the City issued approximately \$2.5 billion in procurement through the issuance of over 8,366 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 2023 this average was 145 working days, representing an increase of 24 days over 2022's average of 121 days. The increase in cycle time for 3 of the 5 events was primarily due to staff vacancies and capacity in PMMD. The number of days for the Divisional evaluation of bids/proposals received from the Client Divisions also increased. This is explained in more detail under the section Average Cycle Time.

The value of all non-competitive purchases (NCPs) for the city totaled \$187 million, representing 7.5% of the City's total purchases. The dollar value of the non-competitive procurements decreased by 38.8% over 2022, and the number of non-competitive purchases decreased by 6.3%.

City Divisions are required to conduct a three-quote process for contracts greater than \$3,000, up to a maximum of \$50,000. In 2023, Divisions issued \$36.5 million in purchases through the issuance of over 7,049 Divisional Purchase Orders (DPOs), of which \$5.8 million was processed under the Non-Competitive Procurement process through the issuance of 262 DPOs. 2023's activity represents a reduction of 656 DPOs compared to 2022. The dollar value of purchases made by DPOs decreased by \$6.9 million from \$43 million in 2022 to \$36.5 million in 2023. In 2023, only 1.5% of City purchases were processed using DPOs.

The value of inventory maintained by the Materials Management and Stores Section has increased significantly over the last five years (due to the COVID19 Pandemic) and continues to include a six-month stockpile of personal protective equipment (PPE). In 2023, the inventory levels returned to those seen pre-pandemic, allowing the warehouse to meet the target inventory turnover rate of 4.1. This rate falls within the ideal turnover range of 4 and 6 for Maintenance, Repair, and Operations (MRO) organizations, such as the City of Toronto, indicating effective inventory management.

Procurements Processed by PMMD Purchasing Client Services Units

As indicated in Table 1 below, in 2023 the City issued approximately \$2.5 billion in contracts, through the issuance of over 1,317 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	2019	2020	2021	2022	2023
Purchase Orders Issued	1,009	1,061	1,022	898	830
Blanket Contracts Issued	532	611	616	564	487
Total Issued	1,541	1,672	1,638	1,462	1,317
Purchase Order Value (000s)	\$2,089,832	\$1,429,522	\$2,107,874	\$1,969,888	\$1,960,223
Blanket Contracts Value (000s)	\$833,409	\$849,724	\$993,860	\$2,093,829	\$491,865
Total Value (000s)	\$2,923,240	\$2,279,246	\$3,101,734	\$4,063,717	\$2,452,088

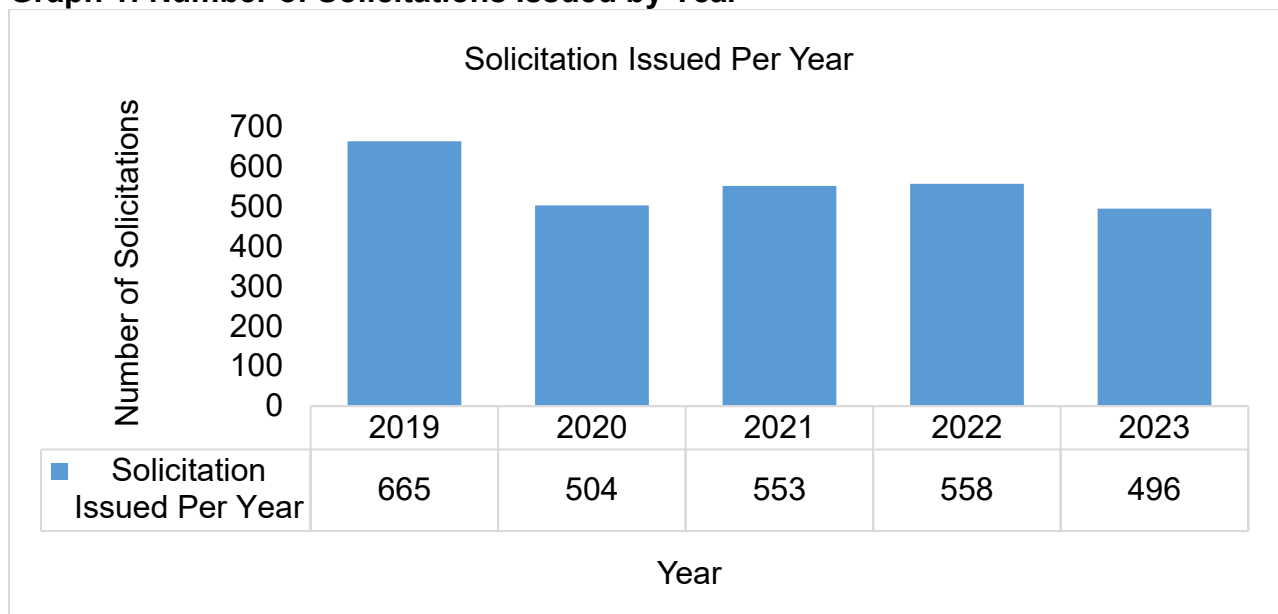
Formal Competitive Solicitations Issued by Year

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)

During the period 2019-2023, PMMD has been actively working on consolidating procurements (where possible) of similar goods and services into larger corporate solicitations and leveraging multi-year agreements, increasing the use of the Category Management and Strategic Sourcing practices, rosters, and use of group purchasing organizations procurement contracts (including the Provincial Vendor of Record). All of these strategies have contributed to streamlining the number of procurements issued by PMMD each year through process efficiencies, as well as achieving best value for the city.

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 in procurement processing with PMMD, including Client Divisions, Financial Planning, Legal Services and occasionally City Agencies or Corporations. The 5 cycle events are defined below and are a companion to Graph 2 descriptions.

There were increases in all **5 events** in the processing time, some more significantly than others.

- 1. Initiation of the solicitation, preparation, and approval of a solicitation document for issuance.**

This event increased by 6.78 days in 2023. Some reasons for the increase include:

- staff vacancies and capacity within PMMD Buying Teams, which included delays in assignment to corporate buyers and buyer processing time.
- complex solicitations that required more time to prepare, and/or divisions taking longer than average to provide all requirements before PMMD could publish to marketplace

- 2. Time period between the solicitation issue date and closing date.**

This event had an insignificant increase of less than 1 day in 2023.

- The event is driven by the requirements of the Notice of Intended Procurement Policy for how long a solicitation is to be posted on the marketplace, as well as the time required to support the issuance of addenda.

3. Solicitation closing date and date summary sent to Client Division (net-work days).

This event increased from 3.80 days in 2022 to 9.14 days in 2023 – an increase of 5.34 days.

- The increase was primarily due to staff vacancies and capacity of PMMD Buying Teams in 2023 which impacted the time to validate all mandatory requirements and send the summary to divisions.
- Note: The value of 1 day previously reported in 2022 for this event was adjusted upwards to reflect the processing time more accurately, with improvements in reporting that were not available in 2022.

4. Divisional evaluation of bids/proposals received (net-work Days).

The number of days in this event increased by 7.87 days from 31.49 in 2022 to 39.36 days in 2023.

- This event is driven by the number of days the Client Divisions takes to complete this task. Staff capacity or competing priorities in City divisions could have been potential factors.
- Bid disputes and sample evaluations could have also added to the number of days.
- Note: The values for this event were previously reported as 38.58 days in 2022 but have been adjusted downwards to reflect the processing time more accurately with improvements in reporting that were not available in 2022.

5. 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).

This event increased by 3.62 days from 25.72 days in 2022 to 29.34 days in 2023 and can be contributed to:

- In part, by staff vacancies and capacity in PMMD
- More likely factors are the complexity of the solicitations, and the time required to complete negotiations and for Legal Services to finalize legal agreements

Overall, in 2023, the average cycle time to process a procurement from the initiation of the solicitation with PMMD until the issuance of a purchasing document was 145 working days. This represents an increase of 24 working days over 2022's average cycle time of 121 days.

Graph 2: Average Time in the Procurement Cycle: 2019 - 2023

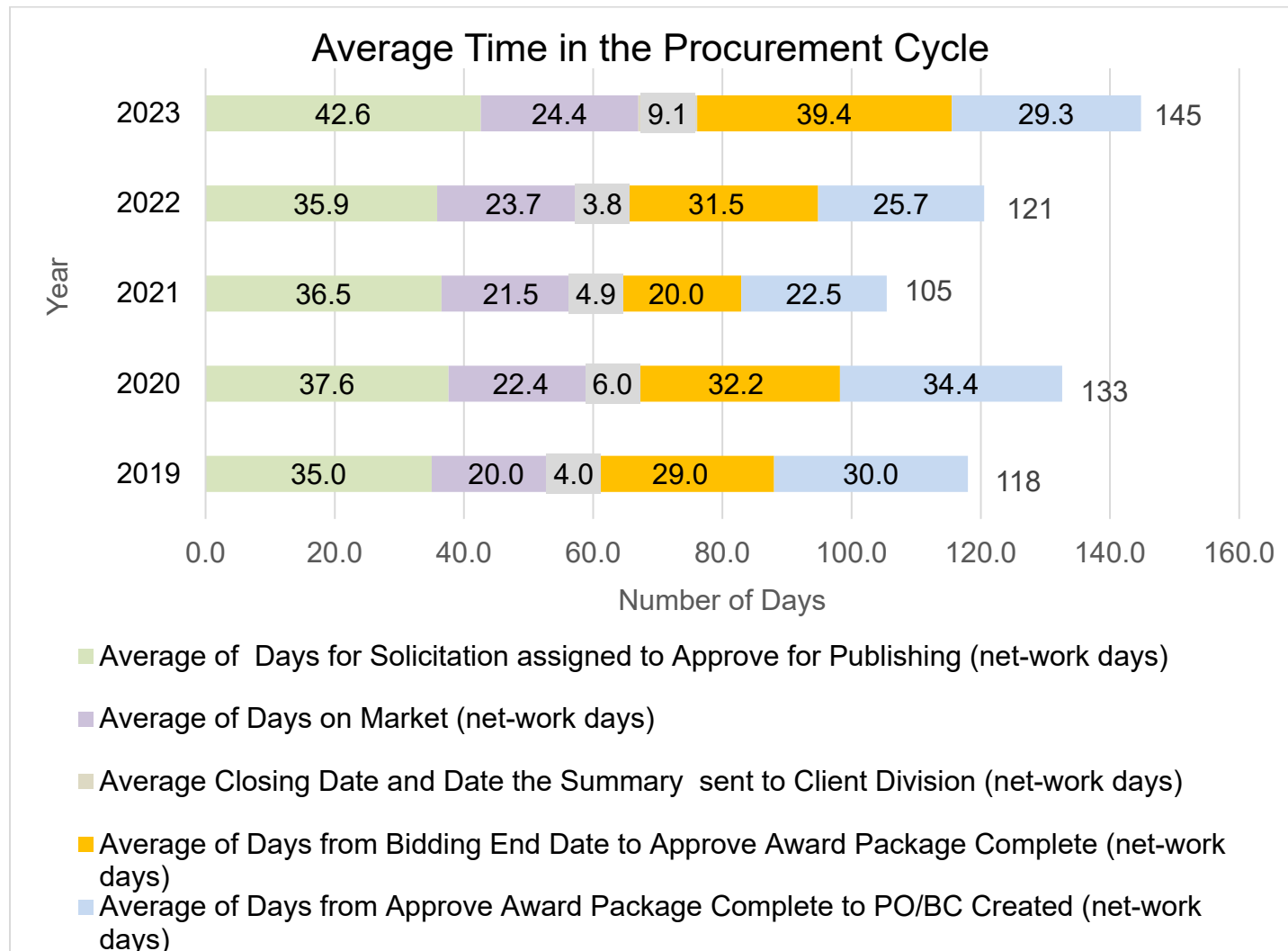


Table 2: Average Time in the Procurement Cycle: 2019 - 2023

Cycle Events	2019	2020	2021	2022	2023
Initiation of the solicitation, preparation, and approval of a solicitation (net-work days)	35.00	37.60	36.10	35.86	42.60
Time period between the solicitation issue date and closing date (net-work days)	20.00	22.40	21.50	23.66	24.40
Solicitation closing date and date summary sent to Client Division (net-work days)	4.00	6.00	4.90	3.80	9.10
Divisional evaluation of bids/proposals received (net-work Days)	29.00	32.20	20.00	31.49	39.40
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)	30.00	34.40	22.50	25.72	29.30
Total Average Time in the Procurement Cycle	118	133	105	121	145

Non-Competitive Procurement

In 2023, the value of all non-competitive procurements (NCP) for the City totaled \$186.5 million, which represents 7.5% of the City's total procurements of approximately \$2.5 billion.

The number of non-competitive procurements decreased by 6.3% of the total procurements over 2022 and decreased by 38.8% 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 2022 and 2023.

Table 3: Number and Percent of NCP Activity \$3000 and Above in 2022 vs 2023

Non- Competitive Activity	2022 Number of Procurements Issued	2022 Procurement Value	2023 Number of Procurements Issued	2023 Procurement Value
Approved by Divisions	294 (3.2% of Total POs/BCs/DPO issued)	\$7,275,556 (0.2% of Total Purchases)	262 (3.1% of Total POs/BCs/DPO issued)	\$5,862,705 (0.2% of Total Purchases)
Approved by PMMD	235 (2.6% of Total POs/BCs/DPO issued)	\$57,442,196 (1.4% of Total Purchases)	240 (2.9% of Total POs/BCs/DPO issued)	\$44,646,351 (1.8% of Total Purchases)
Approved by Council	71 (0.8% of Total POs/BCs/DPO issued)	\$240,109,762 (5.8% of Total Purchases)	60 (0.7% of Total POs/BCs/DPO issued)	\$135,991,085 (5.5% of Total Purchases)
Total Non-Competitive Activity	600 (6.5% of Total POs/BCs/DPO issued)	\$304,827,513 (7.4% of Total Purchases)	562 (6.7% of Total POs/BCs/DPO issued)	\$186,500,140 (7.5% of Total Purchases)

Table 4: Relation to Total Procurement Activity in 2022 and 2023

	2022		2023	
Procurement Activity	# 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)	9,167	\$4,107,187,607	8,366	\$2,488,603,538

Table 5 summarizes the top 5 non-competitive exception codes used in 2023 and provides a comparison of those exception codes in 2022.

Table 5: Top 5 Most Significant Non-Competitive Exception Codes in 2023

Top 5	2023		2022		Change 2023 vs 2022	
Exception Code	No.	Dollar Value	No.	Dollar Value	No.	Dollar Value
Time Constraint	118	\$56,149,671	122	\$18,792,023	(4)	\$37,357,648
Exclusive Rights	106	\$24,070,129	120	\$42,639,359	(14)	(\$18,569,230)
Compatibility	76	\$57,529,331	81	\$19,004,725	(5)	\$38,523,606
Bridging Contract	70	\$15,871,632	92	\$19,366,044	(22)	(\$3,494,412)
Work Already Completed	46	\$3,130,541	29	\$1,904,081	17	\$1,226,459
Top 5 Total	416	\$156,750,303	444	\$101,706,232	(28)	\$55,044,072
Total NCP	562	\$180,500,140	600	\$304,827,513	(38)	(\$118,327,373)

Breakdown 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 2022 to 2023 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 2022 and 2023

	2022	2023	Change between 2022 and 2023	% Change
Total Number of Procurements Issued	294	262	(32)	(10.9%)
Total Dollar Value	\$7,275,556	\$5,862,705	(\$1,858,587)	(19.4%)

Table 7 below shows the 2022 to 2023 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 2022 and 2023

	2022	2023	Change between 2022 and 2023	% Change
Total Number of Procurements Issued	235	240	5	2.1%
Total Dollar Value	\$57,442,196	\$44,646,351	(\$12,795,845)	(22.3%)

Table 8 below compares non-competitive procurements greater than \$500,000 in value from 2022 to 2023 that are approved by Standing Committee and Council.

Table 8: Comparison of Council Approved Non-Competitive Purchase Orders and Blanket Contracts Between 2022 and 2023

	2022	2023	Change between 2022 and 2023	% Change
Total Number of Procurements Issued	71	60	(11)	(15.5%)
Total Dollar Value	\$240,109,762	\$135,991,085	(\$104,118,677)	(43.4%)

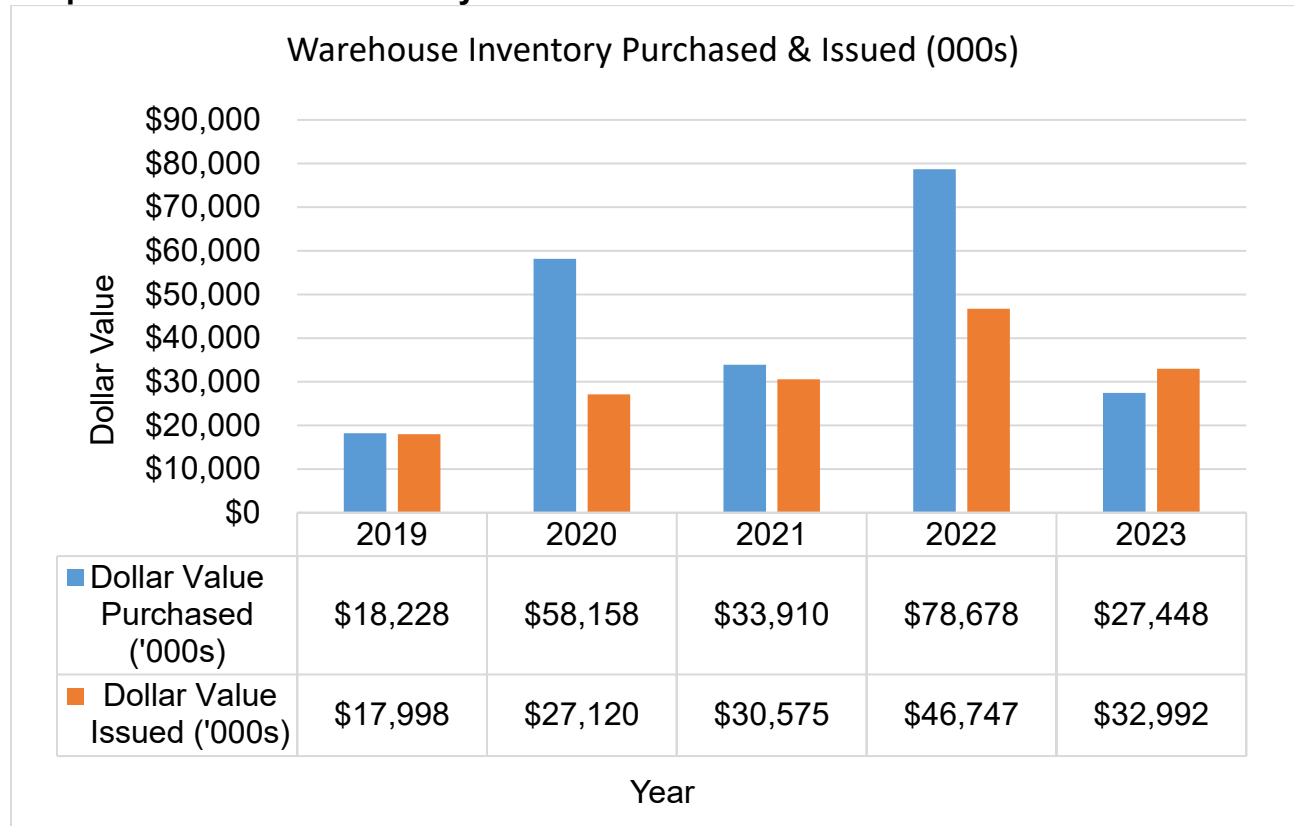
Materials Management & Stores

For the Materials Management Section, 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 2019 to 2023, and particularly in the three years due to COVID-19 specific inventory.

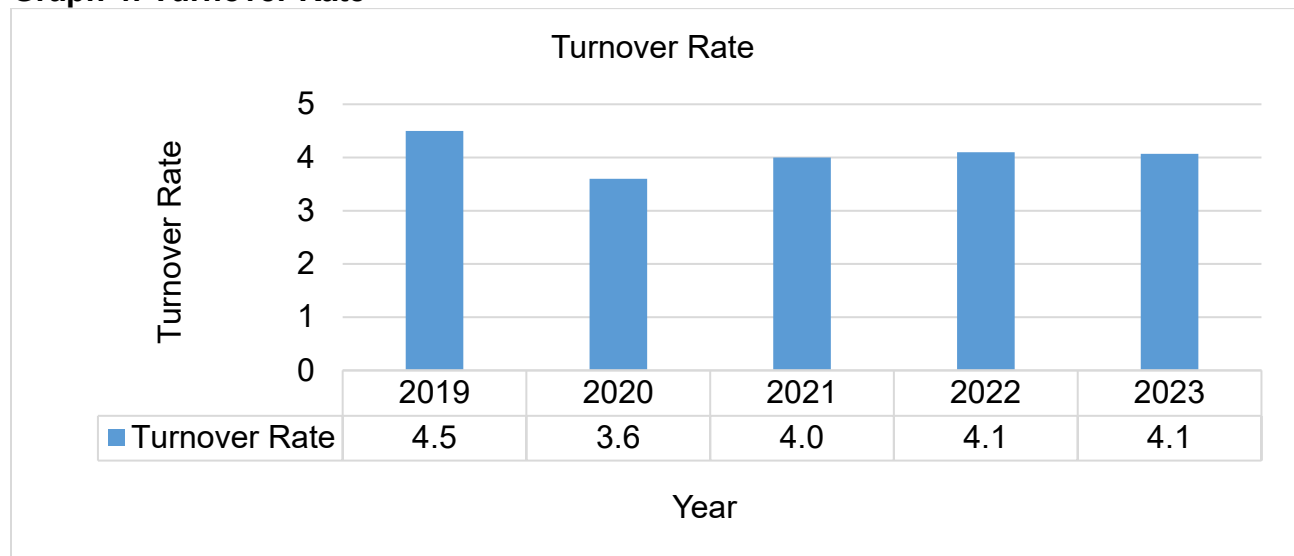
The decrease in 2023 issues by approximately \$51,000,000 dollars put levels back to more normal inventory purchases compared to the COVID pandemic years.

Graph 3: Warehouse Inventory Purchased & Issued



Graph 4 below shows the turnover rate of the warehouse inventory over the five years from 2019 to 2023. Over this period, the turnover rate fluctuated, starting at 4.5 in 2019 and decreasing to 3.6 in 2020, before gradually increasing to 4.0 in 2021. Subsequently, it remained steady at 4.1 for 2022 and 2023, falling within the ideal turnover range of 4 and 6.

Graph 4: Turnover Rate



Divisional Purchase Orders (DPOs) – Procurements Processed by Divisions

As shown in Graph 5 below, in 2023, the Divisions issued over 7,049 DPOs valued at approximately \$36.5 million, of which 294 DPOs valued at \$7.2 million were processed as Non-Competitive Procurements.

Graph 5 further shows that in 2023, there was a reduction of 656 DPOs compared to 2022 and that the dollar value of purchases made by DPOs decreased by \$6.9 million from \$43.4 million.

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

