

# Supporting Narrative for 2024 Procurement Metrics

## Overview

In 2024, the City issued approximately \$3 billion in procurements through the issuance of 8,244 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 from the initiation of the procurement with PMMD until the issuance of a purchasing document. In 2024, the total average procurement cycle time was 145 working days, unchanged from 2023.

The value of all non-competitive purchases (NCPs) for the city totaled \$266 million, representing 8.9% of the City's total purchases. The dollar value of the non-competitive procurements increased by 42.6% over 2023, and the number of non-competitive purchases decreased by 19%.

City Divisions are required to conduct a three-quotation process for competitive divisional purchases greater than \$3,000, up to a maximum of \$50,000. Effective July 1<sup>st</sup>, the Procurement Bylaw was updated providing Division Head's increased authority for competitive purchases up to a maximum of \$120,000 (non-competitive procurement authority remained unchanged). In 2024, Divisions issued \$45.2 million through the issuance of 7,057 Divisional Purchase Orders (DPOs), of which \$6.1 million were processed using the Non-Competitive Procurement process and the issuance of 243 DPOs. 2024's activity represents an increase of 8 DPOs compared to 2023. The dollar value of purchases made by DPO increased by \$8.7 million from \$36.5 million in 2023 to \$45.2 million in 2024. In 2024, 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 2024, 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 2024 the City issued \$2.9 billion in contracts, through the issuance of over 1,187 Purchase Orders (POs) and Blanket Contracts (BCs).

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

<b>Year</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Purchase Orders Issued	1,061	1,022	898	830	830
Blanket Contracts Issued	611	616	564	487	357
<b>Total Issued</b>	<b>1,672</b>	<b>1,638</b>	<b>1,462</b>	<b>1,317</b>	<b>1,187</b>
Purchase Order Value (000s)	\$1,429,522	\$2,107,874	\$1,969,888	\$1,960,223	\$2,285,000
Blanket Contracts Value (000s)	\$849,724	\$993,860	\$2,093,829	\$491,865	\$651,434
<b>Total Value (000s)</b>	<b>\$2,279,246</b>	<b>\$3,101,734</b>	<b>\$4,063,717</b>	<b>\$2,452,088</b>	<b>\$2,936,434</b>

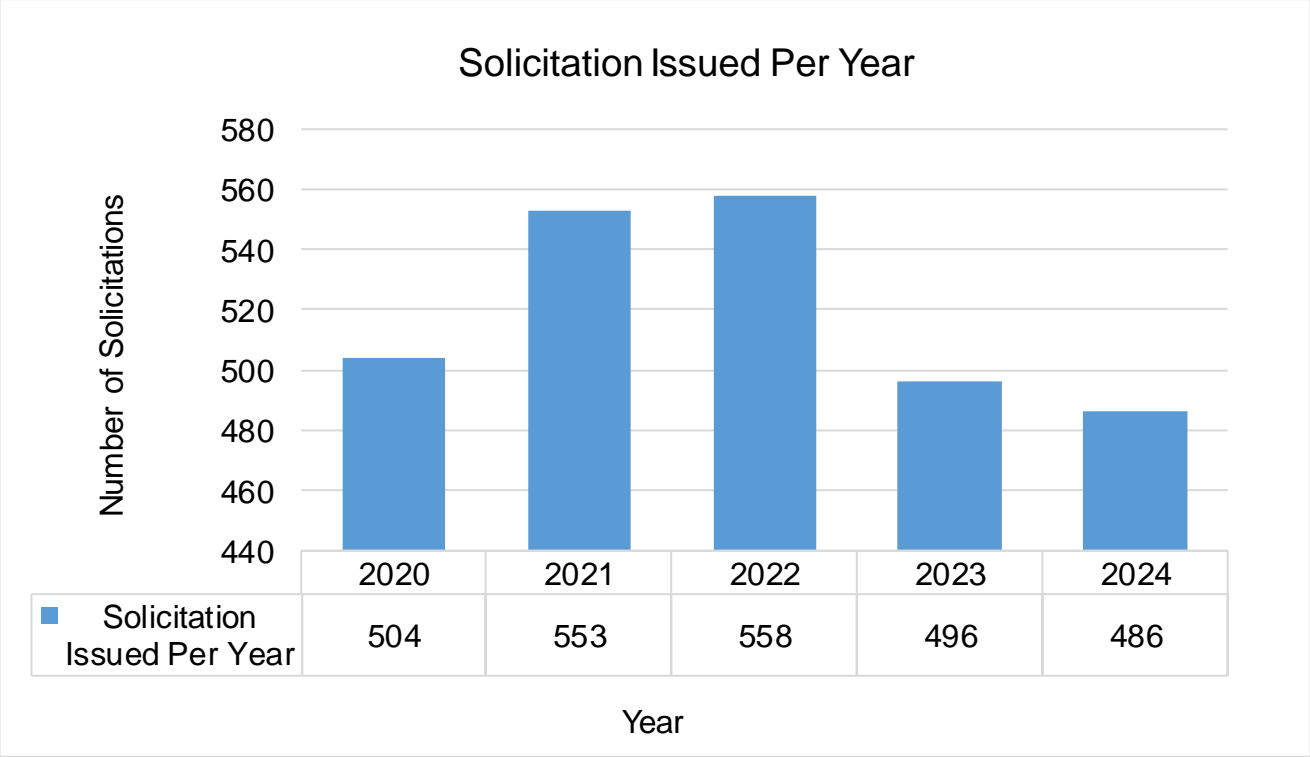
### **Formal Competitive Solicitations Issued by Year**

The Purchasing & Materials Management Division, 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 (RFTs)
- Request for Quotations (RFQs)
- Request for Proposals (RFPs)
- Request for Information (RFIs)
- Request for Expression of Interest (REOIs)
- Request for Supplier Qualification (RFSQs)
- Negotiated Request for Proposals (nRFPs)

During the period 2020-2024, 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). 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 (and occasionally City Agencies and or Corporations), Financial Planning, and Legal Services Divisions. The 5 cycle events are defined below and are a companion to the descriptions in Graph 2.

All event processing times are calculated using net-working days.

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

This event increased by 2.5 days in 2024. Some reasons for the increase include:

- staff vacancies and capacity within PMMD Buying Teams, which included delays in assignment to Corporate Buyers and 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 the marketplace

- reprioritizing of projects by client divisions

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

The difference in the time frame from the solicitation issue date to the closing date remained at less than 1 day in 2024.

- 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.**

This event decreased from 9.1 days in 2023 to 8.7 days in 2024 – a decrease of 0.4 days.

- The decrease was primarily due to completing the associated tasks for validating the mandatory requirements and sending the summary to divisions with improved efficiency in 2024.

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

The number of days in this event decreased by 3.8 days from 39.4 in 2023 to 35.6 days in 2024.

- 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.

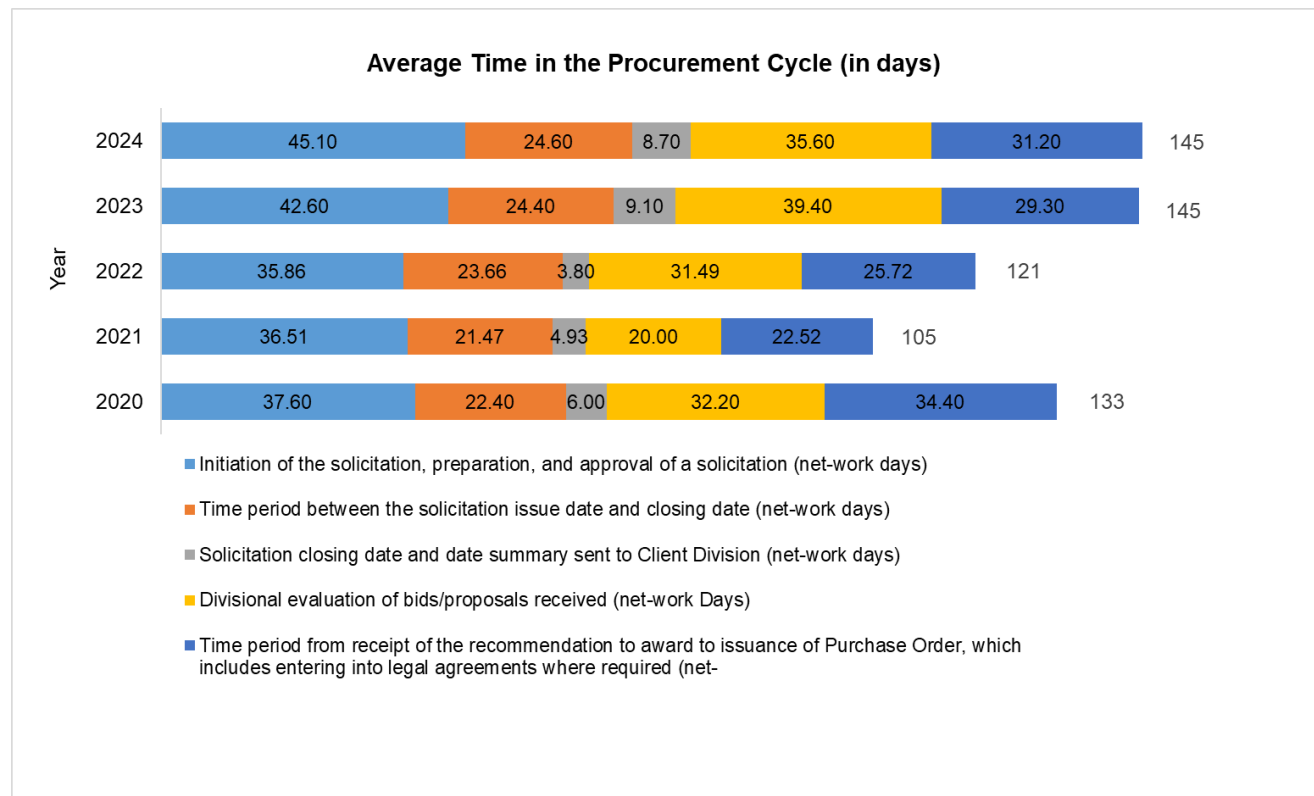
## **5. Time period from receipt of the recommendation to award to issuance of Purchase Order, which includes entering into legal agreements where required (net-work days).**

This event increased by 1.9 days from 29.3 days in 2023 to 31.2 days in 2024 and can be contributed to:

- In part, by staff vacancies and capacity in PMMD and in Client Divisions
- Factors are the complexity of the solicitations, and the time required to complete negotiations for non-binding purchases, and for Legal Services Division to finalize legal agreements
- This event includes the length of time for the solicitation to be adopted by BAP/Standing Committee and the processing of the executed legal agreement and purchase requisition by the Client Division

Overall, in 2024, the average cycle time to process a procurement from the initiation of the solicitation with PMMD until the issuance of a purchasing document remained at 145 working days, unchanged from 2023.

**Graph 2: Average Time in the Procurement Cycle: 2020 - 2024**



**Table 2: Average Time in the Procurement Cycle: 2020 – 2024**

<b>Cycle Events</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Initiation of the solicitation, preparation, and approval of a solicitation	37.60	36.10	35.86	42.60	45.10
Time period between the solicitation issue date and closing date	22.40	21.50	23.66	24.40	24.60
Solicitation closing date and date summary sent to Client Division	6.00	4.90	3.80	9.10	8.70
Divisional evaluation of bids/proposals received	32.20	20.00	31.49	39.40	35.60
Time period from receipt of the recommendation to award to issuance of Purchase Order, which includes entering into legal agreements where required	34.40	22.50	25.72	29.30	31.20
<b>Total Average Time in the Procurement Cycle</b>	<b>133</b>	<b>105</b>	<b>121</b>	<b>145</b>	<b>145</b>

### **Non-Competitive Procurement**

In 2024, the value of all non-competitive procurements (NCPs) for the City totaled \$266 million, which represents 8.9% of the City's total procurements of approximately \$3 billion.

The number of non-competitive procurements decreased by 19% of the total procurements over 2023 and increased by 42.6% 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 2023 and 2024.

**Table 3: Number and Percent of NCP Activity \$3000 and Above in 2023 vs 2024**

<b>Non-Competitive Activity</b>	<b>2023 Number of Procurements Issued</b>	<b>2023 Procurement Value</b>	<b>2024 Number of Procurements Issued</b>	<b>2024 Procurement Value</b>
Approved by Divisions	262 (3.1% of Total POs/BCs/DPO issued)	\$5,862,705 (0.2% of Total Purchases)	243 (2.9% of Total POs/BCs/DPO issued)	\$5,978,100 (0.2% of Total Purchases)
Approved by PMMD	240 (2.9% of Total POs/BCs/DPO issued)	\$44,646,351 (1.8% of Total Purchases)	162 (2.0% of Total POs/BCs/DPO issued)	\$30,714,340 (1% of Total Purchases)
Approved by Council	60 (0.7% of Total POs/BCs/DPO issued)	\$135,991,085 (5.5% of Total Purchases)	50 (0.6% of Total POs/BCs/DPO issued)	\$229,201,366 (7.7% of Total Purchases)
<b>Total Non-Competitive Activity</b>	<b>562 (6.7% of Total POs/BCs/DPO issued)</b>	<b>\$186,500,140 (7.5% of Total Purchases)</b>	<b>455 (5.5% of Total POs/BCs/DPO issued)</b>	<b>\$265,893,805 (8.9% of Total Purchases)</b>

**Table 4: Relation to Total Procurement Activity in 2023 and 2024**

	<b>2023</b>	<b>2024</b>	<b>2024</b>	<b>2024</b>
<b>Procurement Activity</b>	<b># of POs, BCs and DPOs issued</b>	<b>Value of POs, BCs and DPOs issued</b>	<b># of POs, BCs and DPOs issued<sup>1</sup></b>	<b>Value of POs, BCs and DPOs issued<sup>1</sup></b>
<b>Total Procurement Activity (Competitive and Non-Competitive)</b>	8,366	\$2,488,603,538	8,244	\$2,981,685,319

Table 5 summarizes the top 5 Non-competitive Exception Codes used in 2024 and provides a comparison of those in 2023.

**Table 5: Top 5 Most Significant Non-Competitive Exception Codes in 2024**

<b>Top 5</b>	<b>2024</b>		<b>2023</b>		<b>Change 2024 vs 2023</b>	
<i><b>Exception Code</b></i>	<i><b>No.</b></i>	<i><b>Dollar Value</b></i>	<i><b>No.</b></i>	<i><b>Dollar Value</b></i>	<i><b>No.</b></i>	<i><b>Dollar Value</b></i>
Exclusive Rights	87	\$14,741,190	106	\$24,070,129	-19	-21.8%
Compatibility	86	\$20,509,765	76	\$57,528,331	10	11.6%
Time Constraint	69	\$25,302,224	118	\$56,149,671	-49	-71.0%
Work Already Completed	38	\$2,050,518	46	\$3,130,541	-8	-21.1%
Bridging Contract	37	\$14,785,587	70	\$15,871,632	-33	-89.2%
<b>Top 5 Total</b>	<b>317</b>	<b>\$77,389,284</b>	<b>416</b>	<b>\$156,750,303</b>	<b>-99</b>	<b>-31.2%</b>
<b>Total NCP</b>	<b>455</b>	<b>\$265,893,805</b>	<b>562</b>	<b>\$186,500,140</b>	<b>-107</b>	<b>-23.5%</b>

### **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 2023 to 2024 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 2023 and 2024**

	<b>2023</b>	<b>2024</b>	<b>Change between 2023 and 2024</b>	<b>% Change</b>
<b>Total Number of Procurements Issued</b>	262	243	-19	-7.3%
<b>Total Dollar Value</b>	\$5,862,705	\$5,978,100	\$115,395	2.0%

Table 7 below shows the 2023 to 2024 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 2023 and 2024**

	2023	2024	Change between 2023 and 2024	% Change
<b>Total Number of Procurements Issued</b>	240	162	-78	-32.5%
<b>Total Dollar Value</b>	\$44,646,351	\$30,714,340	(\$13,932,011)	-31.2%

Table 8 below compares non-competitive procurements greater than \$500,000 in value from 2023 to 2024 that are approved by Standing Committee and Council.

**Table 8: Comparison of Council Approved Non-Competitive Purchase Orders and Blanket Contracts Between 2023 and 2024**

	2023	2024	Change between 2022 and 2023	% Change
<b>Total Number of Procurements Issued</b>	60	50	-10	-16.7%
<b>Total Dollar Value</b>	\$135,991,085	\$229,201,366	\$93,210,281	68.5%

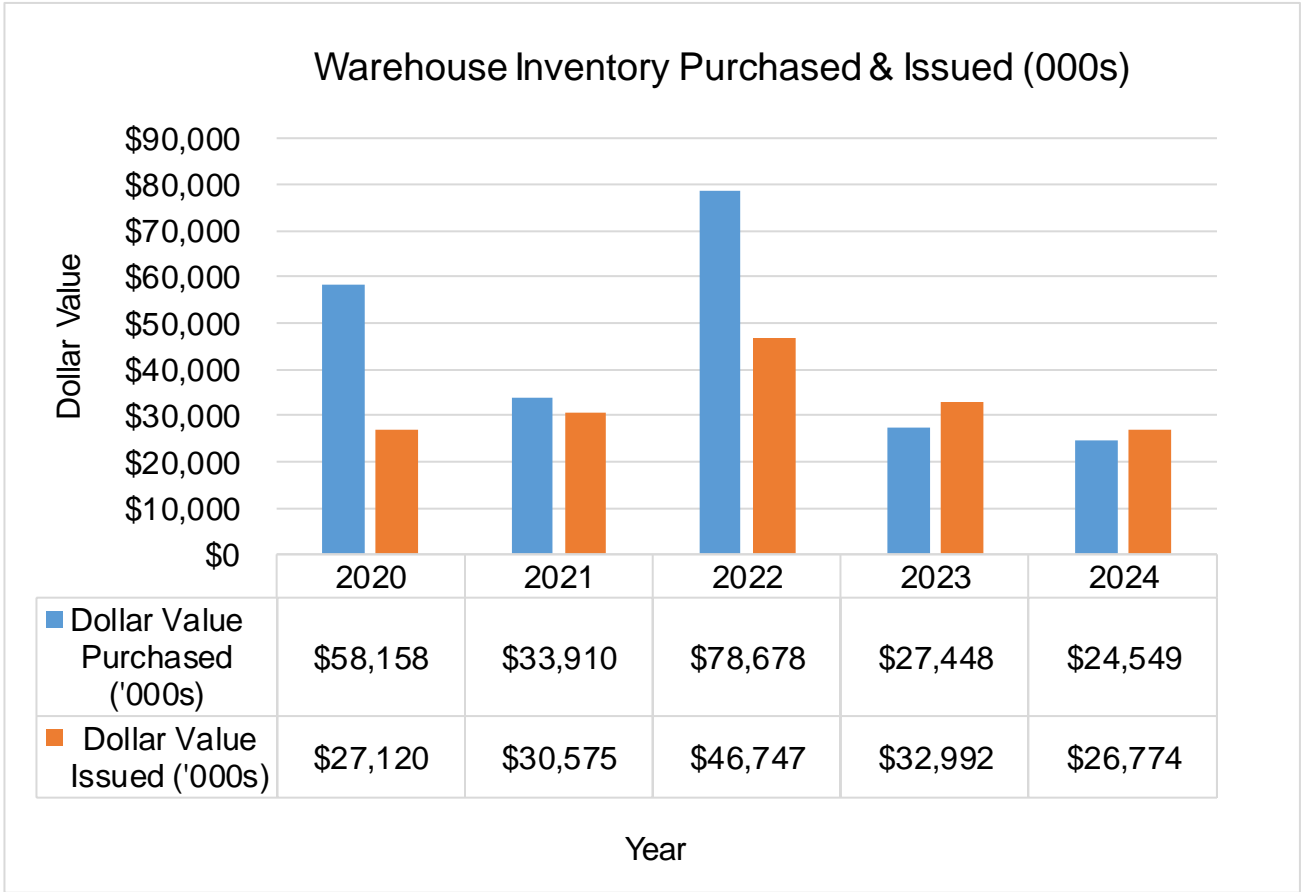
### **Materials Management & Stores**

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 and 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 2020 to 2024, and particularly in the three years due to COVID-19 specific inventory. Inventory has now started trending back to a more normal value.

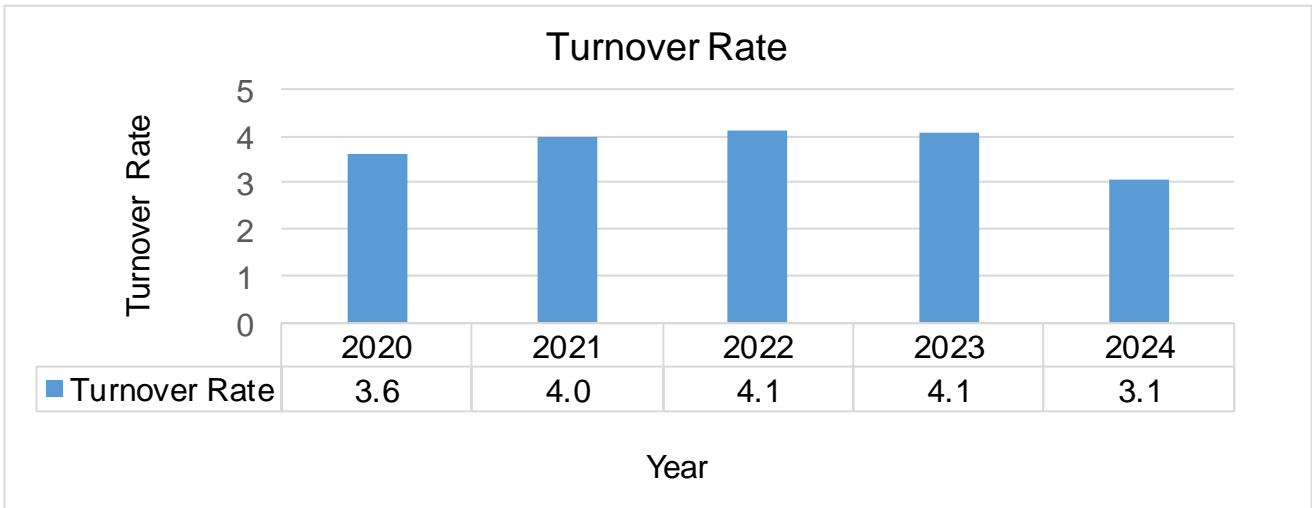
2024 issues continue their downward trend and should now level off to more normal inventory purchases compared to the COVID pandemic years.

Graph 3: Warehouse Inventory Purchased & Issued



Graph 4 below shows the turnover rate of the warehouse inventory over the five years from 2020 to 2024. Over this period, the turnover rate fluctuated, starting at 3.6 in 2020 and increasing to 4.0 in 2021. Subsequently, it remained steady at 4.1 for 2022 and 2023 and decreased to 3.1 in 2024, below 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 2024, the Divisions issued over 7,057 DPOs valued at approximately \$45.3 million, of which 243 DPOs valued at \$6 million were processed as Non-Competitive Procurements.

Graph 5 further shows that in 2024, there was an increase of 8 DPOs compared to 2023, and that the dollar value of purchases made by DPOs increased by \$8.7 million from \$36.5 million.

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

