

Branch — Materials Management

Introduction

Materials Management is the supply chain management and tendering authority for the City of Edmonton. This branch ensures the responsible and efficient procurement of goods, services, and construction supporting all City departments and the Edmonton Police Service. In addition, Materials Management provides a full range of services including inventory management and distribution, mail processing and full service corporate printing services.

By working closely with industry and with all departments, Materials Management is helping to position the City as a customer of choice in order to increase competition, build capacity and obtain best value from the expenditure of tax dollars. The Materials Management branch is developing and promoting new approaches that enable greater access and opportunities for smaller local companies to do business with the City, while ensuring that the City's procurement processes remain fair, open and transparent, and in alignment with the relevant trade agreements and legal standards for public procurement.

"Given the significance of its spend, the City has considerable influence to drive change and increase the competitiveness of our supplier marketplace. We are taking a leadership position in working with industry to pursue areas of strategic importance to our organization, and are catalysts for greater supplier innovation, value and sustainability. These efforts are directly contributing to achieving The Way Ahead."

*- Dan Lajeunesse, Manager,
Materials Management Branch*

Materials Management continues to work at the corporate level and with departments to drive down costs by taking a strategic procurement approach to a growing number of product and service categories. There is also an emphasis on embedding sustainable purchasing practices and delivering inventory management and distribution improvements throughout the organization. The branch is also focusing on continuous improvement



of our business processes and information systems to become more efficient and effective in the delivery of services.

The City of Edmonton was one of only 57 North American cities and the only government agency in Canada to receive the National Purchasing Institute's *Achievement of Excellence in Procurement Award* in 2011. This award recognizes excellence in a number of areas including innovation, professionalism, e-procurement, productivity and leadership attributes of the procurement function. Given that the award criteria and evaluation process changes annually to reflect evolving best practices in procurement, this award demonstrates Materials Management branch is at the forefront of public procurement organizations. This is the 12th consecutive year that the City has won this award.

In 2011, Materials Management ...

- Managed many significant procurement projects including the North LRT expansion, Meadows and Clareview recreation centres, and the City Centre Airport Redevelopment Master Plan competition
- Implemented changes to the consultant engagement process and delivered corporate training to ensure that the City receives value from the use of consultants
- Continued to roll-out the Sustainable Purchasing Policy by embedding sustainability criteria into additional product and service categories and providing advice and training to departments on how to build sustainability into purchasing decisions
- Implemented a future state parts strategy across all fleet maintenance facilities that incorporates best practice fleet parts inventory management processes to improve Fleet Services maintenance service efficiency

Materials Management ensures the responsible and efficient procurement and distribution of goods and services for the City of Edmonton in support of Corporate Services Vision, Mission, Values and leadership principles.

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Opportunities and Challenges

Materials Management is committed to procurement innovations and is seeking opportunities in a number of areas including:

- Increase tendering in order to drive competition, analyze spend and increase competition
- Develop or look for opportunities to promote local business
- Continue to invest in technology improvements in order to reduce cost and increase efficiency of procurement processes
- Reduce the distribution of paper based tender documents

Materials Management is reviewing a number of processes and practices to seek opportunities for improvement and efficiencies. Any improvements would be funded out of the existing Materials Management budget.



With a focus on supply chain improvements, Materials Management will continue implementation of best practice tools and processes to optimize its use and minimize expenditures on parts and goods inventories that support operational needs. Materials Management will roll out inventory improvements to other inventory operations beyond Fleet Services.

Service and Budget Review

In 2012, Materials Management will be reducing three FTEs by eliminating the hired equipment dispatch function. This function has been in place for many years and provides a centralized, full-service contracting, fulfillment and administration service to all Departments covering a wide range of short and longer term equipment (with and without operator) and vehicle rentals. With this change, Materials Management would continue to manage the tendering and contracting for common corporate and departmental hired equipment requirements. Department staff would be required to make their own arrangements directly with the various vendors and would also be responsible for all related administration necessary to ensure timely payments to vendors and to maintain proper documentation of transactions.

In 2012, Materials Management will be reducing its inventory write-down budget by \$225 (62.5%). Reducing the inventory adjustment account would reduce our ability to write-down slow-moving inventory and get it off the City's balance sheet. With less budget funding, we would rely on Branch, Department or corporate surplus budget funds from time to time to write down inventories in a timely fashion

Materials Management is implementing expenditure restraints in a variety of cost elements where surpluses exist or where strategies can be employed to manage expenditures to reduce overall budget levels. This includes an increase in revenue as a result of surplus sales based on increased sales in recent years.

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Approved 2012 Budget – Branch Summary (\$000)

	2010 Actual	2011 Budget	\$ Change '11-'12	2012 Budget	% Change '11-'12
Revenue & Transfers					
User Fees, Fines, Permits, etc.	\$ 540	\$ 258	\$ 35	\$ 293	13.6
Grants	-	-	-	-	
Transfer from Reserves	-	-	-	-	
Total Revenue & Transfers	540	258	35	293	13.6
Expenditure & Transfers					
Personnel	9,983	11,251	(23)	11,228	(0.2)
Materials, Goods & Supplies	1,228	1,210	(238)	972	(19.7)
External Services	1,570	524	1	525	0.2
Fleet Services	134	156	(27)	129	
Intra-municipal Services	20	13	14	27	107.3
Utilities & Other Charges	266	332	(10)	322	(3.2)
Transfer to Reserves	-	-	-	-	
Subtotal	13,201	13,486	(283)	13,203	(2.1)
Intra-municipal Recoveries	(4,489)	(4,791)	(317)	(5,108)	-
Total Expenditure & Transfers	8,712	8,695	(600)	8,095	(6.9)
Net Operating Requirement	\$ 8,172	\$ 8,437	\$ (635)	\$ 7,802	(7.5)
Full-time Equivalents	146.0	149.0	(3.0)	146.0	

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Budget Changes for 2012 (\$000)

Revenue & Transfers - Changes

User Fees, Fines, Permits, etc. \$35

Materials Management revenues primarily consist of surplus sales and services provided to outside agencies such as EPCOR and other municipalities. Inflation for 2012 was \$5, with a \$100 increase for surplus sales revenues identified in the Service and Budget Review. This was offset with a revenue reduction of \$70 due to a cancelled contract for services from EPCOR.

Expenditures & Transfers - Changes

Personnel (\$23)

Movement within the salary ranges, changes in benefits, and the last year of a 3-year 1% LAAP contribution increase account for \$272. This is offset with a \$295 reduction for equipment dispatch positions identified in the Service and Budget Review.

Material, Goods & Supplies (\$238)

Identified inflationary measures of 2.65% account for a \$32 increase, which is offset by a \$40 Service and Budget Review reduction, a Service and Budget Review decrease of \$225 for inventory costs, and a \$5 reduction identified in the corporate opportunities savings for computer equipment.

External Services \$1

Inflationary increases and budget reallocation accounted for a \$14 increase for contract, consulting, and general services. This was offset with a reduction of \$10 identified in the Service and Budget Review and a reduction of \$3 for printing services.

Fleet Services (\$27)

There was an overall decrease to Fleet Services costs to align with reductions in Fleet Services' rates.

Intra-municipal Services (\$303)

There is a \$2 inflationary increase to intra-municipal charges for parking, printing and on-demand building maintenance costs. This is offset with \$277 in increased intra-municipal services to Drainage, Waste, Current Planning, and Fleet Services and \$28 inflationary increases for service billings to other departments for on-demand work, such as digital printing.

Utilities & Other Charges (\$10)

Inflationary measures increased training and utility costs by \$10. This was offset with a \$11 Service and Budget Review reduction and \$9 in telephone savings through the corporate opportunity exercise.

Full-time Equivalents - Changes

The 3 FTEs reduced in Materials Management are for hired equipment dispatch identified in the Service and Budget Review.