

The
Metropolitan Water Reclamation District
Of
Greater Chicago

2017

ANNUAL REPORT

OF THE

PROCUREMENT AND

MATERIALS MANAGEMENT DEPARTMENT

Darlene A. LoCascio, Director of Procurement and Materials Management

PROCUREMENT AND MATERIALS MANAGEMENT DEPARTMENT

In accordance with Illinois Compiled Statutes, Chapter 70, Section 2605/11.17 entitled the "Purchasing Act for the Metropolitan Water Reclamation District of Greater Chicago," the Director of Procurement and Materials Management respectfully submits to the Board of Commissioners this annual report describing the activities of her office for the year 2017.

RESPONSIBILITIES

The Procurement and Materials Management Department (P&MM) is charged with the responsibility for procurement of all materials and services that are used by the Metropolitan Water Reclamation District of Greater Chicago (District). The "Purchasing Act" for the District delineates both the authority and operating regulations. This Act outlines the duties and responsibilities of the Director of Procurement and Materials Management in the various areas of purchasing supplies and services, requesting and receiving bids, determining control and operation of the storerooms, disposing of obsolete, surplus and unusable material, and verifying quality and testing of materials.

Formal contracts and purchase orders for commodities (supplies, material or equipment) over \$25,000 and for services over \$10,000 are opened in public in the form of sealed bids on a weekly basis after formal advertisement. Request for Proposals over \$10,000 are advertised but not opened in public. Informal bids are opened on a daily basis for commodities \$25,000 and under and for services \$10,000 and under.

The P&MM 2017 staff totals sixty-three (63) positions, with which to fulfill the duties and responsibilities of the "Purchasing Act". The department is composed of four (4) Divisions: Executive - three (3) positions; Inventory Control - eight (8) positions; Acquisition – twenty-one (21) positions; and Stores and Inventory - thirty-one (31) positions.

Each Division Head, in addition to supervising the functions of their respective division, is a member of the Procurement Director's staff. The four (4) Divisions work together closely, as each one of its members is dependent on information supplied by the others.

EXECUTIVE DIVISION

The Executive Division is composed of the Director of P&MM and two (2) Administrative support personnel. The Director supervises the administration of all functions of the Procurement Department: buying, inventory control, and stores. The Director serves as the chair of the Board of Standardization that meets on a quarterly basis. The Executive Division has the responsibility for the coordination, preparation and management of the departmental budget totaling \$9,567,100 for 2017, administration of issues relating to personnel, supervision of the computer operation, and collection of revenues from the sale of obsolete, used and surplus materials.

ACQUISITION DIVISION

The Acquisition Division, managed by the Assistant Director of P&MM, is responsible for the processing of all requests for goods and services required by the various departments of the District in an economical and expeditious manner. Both formal and informal proposals are solicited for these requirements whenever practical. The division is separated into three (3) sections: Administrative, Buying and Clerical.

The Administrative Section is comprised of the Assistant Director of P&MM, one (1) Budget and Management Analyst, one (1) Senior Administrative Specialist and three (3) Administrative Assistants/Administrative Specialists. This section has the overall responsibility for this division as well as assignment, control and revision to the vendor bidding lists (or product classification groups); and identification of affirmative action applications for minority business enterprises (MBEs), women-owned business enterprises (WBEs), and small business enterprises (SBE's). The confirmation of MBE's, WBE's and SBE's firms is done by the Diversity section in General Administration.

The Buying Section is supervised by two (2) Head Buyers. One Head Buyer supervises one (1) Buyer III and four (4) Senior Buyers. During 2017, the Buyer III position was vacated and replaced with a Senior Buyer. So there are currently five (5) Senior Buyers. This group concentrates on contracts, RFPs and purchase orders with a dollar value greater than \$25,000 for commodities and \$10,000 for services.

The second Head Buyer supervises four (4) Buyers and four (4) clerical positions. The Buyers concentrate on purchase orders for commodities that are \$25,000 or less and for services which are \$10,000 or less. The Buyers are responsible for inventory contracts that replenish stock items in the District's storerooms. The Clerical Section is responsible for data entry, filing, record keeping, quotation receipts, and the contract document and purchase order file room on a daily basis.

STORES DIVISION

The Stores and Inventory Division is managed by the Stores and Inventory Manager. This division is responsible for maintaining and controlling optimum inventory levels to support the administrative, operating and maintenance requirements of the District in the most effective and economic manner. The division is separated into two (2) sections: Administrative and Stores.

The Administrative Section consists of the Stores and Inventory Manager and one (1) Senior Stores Specialist. The Administrative Section has the overall responsibility for this division and is responsible for developing budgets for materials and preparing a variety of monthly inventory reports. The Administrative Section is also responsible for system contract administration.

The Stores Section, consisting of thirty (30) positions, is managed by the Stores and Inventory Manager and is composed of five (5) units as follows: The Administrative Unit, consisting of one (1) Supervising Stores Specialist, and four (4) plant storerooms. This section is responsible for the accuracy and accountability of the physical material under its control. The staff orders, receives, moves, stores, issues, handles stock transfer material requirements and provides feedback to central planning. This section also plans, monitors, and analyzes inventory activities to assure a continuing optimum and economic inventory investment and user support level.

The largest storeroom is located at the Stickney Water Reclamation Plant (WRP) and is staffed by fifteen (15) employees. The remaining storerooms are located and staffed as follows: Calumet Water Reclamation Plant, five (5) employees; Terrence J. O'Brien Water Reclamation Plant, four (4) employees; John E. Egan Water Reclamation Plant, five (5) employees.

INVENTORY CONTROL DIVISION

The Inventory Control Division is managed by a Supervising Stores Specialist. This division is responsible for identifying, cataloging and maintaining commodity standards, ensuring inventory data integrity, effectively balancing supply and demand requirements and offering improvements in systems applications and physical workflow.

The Inventory Control Division has a staff of seven (7) employees and is managed by the Supervising Stores Specialist. This position is supported by one (1) Materials Planning Supervisor/Senior Stores Specialist, and five (5) Stores Specialists. They are supported by an on-line computerized inventory database system providing instant access to all pertinent inventory data.

Inventory Control personnel are responsible for physical count verification using a daily cycle counting technique to reconcile differences between inventory records and physical counts at all storerooms. Personnel also update consumption values, stock locations, material master numbers and material descriptions, iBid and investigate inventory inaccuracies with all staff and departments at the District.

An Inventory Review Board is chaired by the Supervising Stores Specialist. The purpose of the Board is:

- To maintain inventory for M&O ordered spare parts that balances an acceptable level of inventory investment while providing a high level of service to operating departments;
- To transfer items purchased by M&O and consumed on a regular basis to P&MM at the recommendation of the Inventory Review Board;
- To manage spare parts inventory by providing a link with the MRP controller within the SAP inventory module and Mainsaver;
- To review reorder points and maximum stock levels to maintain spare parts inventory in a cost-effective manner consistent with best business practices and the District's mission statement and operational goals;
- To identify and dispose of obsolete and surplus spare parts in a timely manner;
- To identify and consolidate duplicate spare parts inventory.

ACTIVITIES AND SIGNIFICANT ACCOMPLISHMENTS

Activities and significant accomplishments during 2017 include:

- Collaborated with the Maintenance & Operations Department (M&O) to award, in October, a contract to assist the District in becoming a Pennsylvania-New Jersey-Maryland Interconnection (PJM) service provider to market electricity generation capacity at the Lockport Powerhouse and to maximize return on investment to the District;
- Collaborated with M&O to ensure that 100 percent of materials and supplies required for preventive maintenance work orders are available in the storerooms. This is an ongoing process;
- Completed the replacement lighting project using high-efficiency light-emitting diode fixtures in the Stickney Water Reclamation Plant (WRP) storeroom;
- Secured the electricity supply price for 2019 of \$0.02924 per kilowatt-hour (kWh) for a total unit price of \$0.03150 per kWh, including a bandwidth of 100 percent;
- Continued to purchase recyclable plastic pallets made with recycled content for the storerooms. This was the second year of a three-year plan to replace the wooden pallets used for the racking systems at the storerooms. It is anticipated to be completed in 2018;
- Implemented a new Multi-Project Labor Agreement in collaboration with the Law Department;
- Developed a cost estimate range to be utilized for capital improvement projects;
- Developed and implemented a schedule for recurring contracts to ensure the replacement contract is in place before the end of the current contract. This effort eliminates the use of a change order during the interval period.

ACTIVITY COMPARISON

Activity		2017	2016	2015
Requisitions:				
Received	Number	8,828	7,712	6,559
Items on Requisitions	Number	12,232	10,731	9,524
Inquiries Mailed/Faxed	Number	27,978	31,848	30,729
Quotes Received	Number	8,347	10,395	10,160
Purchase Order Activity:				
To \$1,000.00	Number	3,410	2,932	2,609
	Value	\$1,141,430	\$968,430	\$954,796
\$1,000.01 To \$5,000.00	Number	1,413	1,179	1,169
	Value	\$3,323,492	\$2,765,587	\$2,712,029
\$5,000.01 To \$10,000.00	Number	321	337	325
	Value	\$2,407,399	\$2,460,041	\$2,399,210
Over \$10,000.00	Number	408	413	435
	Value	\$115,483,011	\$322,704,831	\$218,435,278
Total	Number	5,552	4,861	4,538
	Value	\$122,355,332	\$328,898,889	\$224,501,313
Emergency Orders Issued:				
Under \$25,000.00	Number	0	0	1
Over \$25,000.00	Number	2	6	2
Total	Number	2	6	3
Contracts Advertised:				
Contracts Advertised	Number	182	152	150
Advertisements Mailed/Faxed	Number	87,943	75,106	71,833
Bid Documents Distributed	Number	4,215	3,732	3,083
Bids Received and Processed	Number	546	496	471
Sales:				
Scrap, Surplus Material and Equipment	Value	\$116,041	\$67,015	\$154,916
Automobiles	Value	\$42,440	\$23,707	\$0
Document Fees	Value	\$2,100	\$3,800	\$10,050
Total	Value	\$160,581	\$94,522	\$164,966
Stores Operation and Issue:				
Shipments Received	Number	19,306	17,013	14,315
Inventory Issue Slips Processed	Number	15,961	15,227	13,713
Contract Requisitions Prepared	Number	6,260	3,948	3,563
Non-Contract Requisitions Prepared	Number	1,749	2,130	1,976
Transport Requisitions Prepared	Number	4,249	4,792	3,275