

TRANSMITTAL LETTER FOR BOARD MEETING OF DECEMBER 6, 2012

COMMITTEE ON PROCUREMENT

Mr. David St. Pierre, Executive Director

..Title

Procurement and Materials Management Department – 2011 Annual Report

..Body

Dear Sir:

Submitted herewith is the 2011 Annual Report of the Procurement and Materials Management Department. Accomplishments for 2011 are included in this report as well as comparative data.

Respectfully submitted, Darlene A. LoCascio, Director of Procurement and Materials Management



DAL:SB:bn

Attachment

The
Metropolitan Water Reclamation District
Of
Greater Chicago

2011

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 2011.

RESPONSIBILITIES

The Procurement and Materials Management Department is charged with the responsibility for procurement of all materials and services that are used by the Metropolitan Water Reclamation District of Greater Chicago. The "Purchasing Act" for The Metropolitan Water Reclamation District of Greater Chicago 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, determination of control, operation of storerooms, disposal of obsolete, surplus and unusable material, and quality 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 (RFP) over \$10,000 are advertised but not opened in public.

Informal bids are opened on a daily basis for commodities (supplies, material or equipment) \$25,000 and under and for services \$10,000 or under.

The Procurement Department's 2011 staff totals sixty-nine (69) 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-seven (37) 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 Administrative Division is composed of the Director of Procurement and Materials Management and two (2) Secretaries to the Officer. The Procurement Director supervises the administration of all functions of the Procurement Department: buying, inventory control, and stores. The Procurement Director is also the Chairman of the Board of Standardization that meets on a tri-monthly basis. The Administrative Division has the responsibility for the coordination, preparation and management of the departmental budget totaling \$8,869,300 for 2011, 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 Procurement and Materials Management, is responsible for the processing of all requests for goods and/or services required by the various departments of the Metropolitan Water Reclamation District of Greater Chicago. 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 Procurement and Materials Management, one (1) Senior Administrative Assistant and three (3) Administrative Assistants. 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 Affirmative Action unit in General Administration.

The Buying Section is supervised by a Head Buyer and consists of a staff of two (2) Buyer IIIs, four (4) Buyer IIs, four (4) Buyer Is and one (1) Principal Office Support Specialist. This section is responsible for the procurement of all goods and services for the District in an economical and expeditious manner.

The Clerical Section is supervised by one (1) Senior Administrative Assistant and has a staff of three (3) clerical positions. This section is responsible for data entry, filing, and record keeping, contract documents issuance and quotation receipts. This section reports to the Head Buyer.

STORES DIVISION

The Stores and Inventory Division is managed by the Stores and Inventory Manager. This division is charged with the responsibility of maintaining and controlling an optimum inventory 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 Materials Planner. The Administrative Section has the overall responsibility for this division and is responsible for preparing a variety of monthly inventory reports. The Administrative Section is responsible for system contract administration.

The Stores Section, consisting of thirty-five (35) positions, is managed by the Stores Administrator, and is composed of five (5) units as follows: The Administrative Unit and four (4) plant storerooms. This section is responsible for the accuracy and accountability of the physical material under its control. The plants' staff order, receive, move, store, issue, stock transfer material requirements and provide feedback to central planning. This section develops budgets for materials; 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 twenty (20) employees. The remaining storerooms are located and staffed as follows: Calumet Water Reclamation Plant, 5 employees; North Side Water Reclamation Plant, 4 employees; John E. Egan Water Reclamation Plant, 5 employees.

INVENTORY CONTROL DIVISION

The Inventory Control Division has a staff of eight (8) employees and is managed by the Materials Planning Administrator. This position is supported by one (1) Materials Planning Supervisor, one (1) Senior Materials Planner and five (5) Materials Planners. They are supported by an on-line computerized inventory database system providing instant access to all pertinent inventory data. Inventory Control personnel identify, catalog and maintain commodity standards, ensure inventory data integrity, effectively balance supply and demand requirements, and effect improvements in systems applications and physical workflow.

Inventory Control personnel assigned to the storeroom locations are responsible for physical count verification using a daily cycle counting technique to reconcile differences between inventory records and physical counts. Personnel also update stock locations, material master numbers and material descriptions, as well as perform spare parts inventory receipts.

The Inventory Review Board is chaired by the Materials Planning Administrator. The purpose of the Board is:

- To maintain inventory policies 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 and consumed on a regular basis to inventory of department 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 MWRDGC'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 2011 include:

Significant activities in 2011 include:

- The District conducted its first reverse auction to procure electricity and realized a cost savings of \$9.9 million dollars in 2012 and a \$19.8 million dollars over a twenty-four month period;

- The District for the first time solicited bids for Professional Underwriting Services for the District's bond sale which resulted in approximate cost savings of \$0.8million; in the future the District will also solicit bids for bond counsel and financial advisors;
- Developed a interactive Material Issue Request form that included a workflow approval process which resulted in a streamlined approval, reduced paperwork, eliminated the entry of information in the SAP enterprise system and reduced the number of errors in inventory control;
- Continued the departments' security roles to ensure the District's enterprise system has good internal controls and appropriate segregation of duties;
- In 2011 the MWRD cost savings on contracts and RFPs that were advertised equals \$15,886,248.89. The cost savings is based on the District's estimated cost for the contracts/RFPs and the award amount approved at the Board meetings in 2011;
- Improved customer service by providing on-line access to the District's vendor application form.

ACTIVITY COMPARISON

Activity		2011	2010	2009
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Requisitions:

Received	Number	8,166	10,265	13,737
Items on Requisitions	Number	11,568	12,984	17,270
Inquiries Mailed/Faxed	Number	36,196	42,788	58,313
Quotes Received	Number	12,397	15,684	21,136

Purchase Order Activity:

To \$1,000.00	Number	2,987	3,690	4,403
	Value	\$1,076,641	\$1,309,460	\$1,521,847
\$1,000.01 To \$5,000.00	Number	1,158	1,348	1,512
	Value	\$2,539,973	\$3,063,822	\$3,377,994
\$5,000.01 To \$10,000.00	Number	268	282	369
	Value	\$1,977,793	\$2,066,845	\$2,732,293
Over \$10,000.00	Number	351	428	471
	Value	\$145,249,943	\$526,717,691	\$320,489,094
Total	Number	4,764	5,748	6,755
	Value	\$150,844,350	\$533,157,818	\$328,121,228

Emergency Orders Issued:

Under \$25,000.00	Number	2	0	1
Over \$25,000.00	Number	6	4	2
Total	Number	8	4	3

Contracts Advertised:

Contracts Advertised	Number	134	179	193
Advertisements Mailed/Faxed	Number	60,232	63,104	71,830
Bid Documents Distributed	Number	2,749	3,160	3,824
Bids Received and Processed	Number	513	578	696

Sales:

Scrap, Surplus Material and Equipment	Value	\$139,466	\$159,524	\$68,519
Agricultural Products	Value	\$13,738	\$0	\$4,569
Document Fees	Value	\$22,400	\$18,200	\$53,250
Total	Value	\$175,604	\$177,724	\$126,338

Stores Operation and Issue:

Shipments Received	Number	11,098	9,736	11,382
Inventory Issue Slips Processed	Number	14,275	17,002	19,958
Contract Requisitions Prepared	Number	5,100	5,571	8,171
Non-Contract Requisitions Prepared	Number	2,201	3,167	4,208
Transport Requisitions Prepared	Number	3,196	4,192	5,036