Supply Chain Transformation Update

Commission Meeting
August 15, 2018
Agenda

- Supply Chain Transformation Strategy
- Procurement Facts
- Accomplishments
- FY19 Focus Areas
Supply Chain Transformation Strategy

Best Practices
- Strategic Sourcing
- Negotiations Management
- Risk Management
- Partnerships with Suppliers
- Supplier Recognition
- Contract Management & Supplier Centric Strategies
- Cost Reduction Planning / Tracking
- Budget Adjustments to Preserve Cost Reductions
- Consortium Buying
- Asset Recovery

Procurement Role
- Core Part of Corporate Strategy

Innovation & Technology
- Spend Analysis & Category Management
- Demand Aggregation
- Electronic RFI’s/RFP’s
- Reverse Auctions
- Optimization & Decision Support
- Contract Mgmt & Compliance
- Results Tracking & Reporting
- Supplier Performance Evaluation
- Project Mgmt & Executive Dashboard

Objectives
- Aggressive Stretch Objectives
- Total Cost of Ownership Perspective
- ROIC / ROE goals
- Objectives Shared Across Entire Organization
- Incentives / Consequences
- Supplier Performance Metrics

Optimized Organization
- Structure That Works in Your Culture
- Cross-functional Involvement
- Speaking With One Voice
- Commitment to Continuous Learning
- Professional Career Track
- Governance

Good Leadership
- The Right Leader
- Leadership Culture at All Levels
- Bias to Action and Results

Blue = Underway/Completed
Red = Not started

Transformation Initiatives Across Six Key Dimensions for Sustainable Supply Chain Management Transformation
## WSSC 2018 Procurement Facts

<table>
<thead>
<tr>
<th></th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>$532.0M</td>
<td>Procurement Spend</td>
</tr>
<tr>
<td>682</td>
<td>Active Suppliers</td>
</tr>
<tr>
<td>1,280</td>
<td>Total Requests by Various Departments</td>
</tr>
<tr>
<td>1,969</td>
<td>Total Processed Purchase Orders (POs)</td>
</tr>
<tr>
<td>336</td>
<td>Solicitations</td>
</tr>
<tr>
<td>494</td>
<td>Change Orders</td>
</tr>
<tr>
<td>235</td>
<td>Option Terms</td>
</tr>
<tr>
<td>207</td>
<td>Task Orders (both competitive and non-competitive)</td>
</tr>
<tr>
<td>$5.6M</td>
<td>P-Card Spend/9,921Transactions</td>
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**Our Commitment: Continuous Improvement**
### FY 2018 Procurement Spend

**Procurement Spend $531,859,086.41**

**Program Code** | **Total Spend**
---|---
Construction | $241,237,609.35
Goods and Services | $152,675,082.90
Professional Services | $82,006,411.99
A/E | $44,101,676.44
Utility | $11,683,445.78
Other | $154,859.95

**Grand Total** | **$531,859,086.41**

**WSSC Team**

<table>
<thead>
<tr>
<th>WSSC Team</th>
<th>Spend</th>
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</thead>
<tbody>
<tr>
<td>Engineering &amp; Construction Department</td>
<td>$331,363,654.53</td>
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<tr>
<td>Production Department</td>
<td>51,724,741.96</td>
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<tr>
<td>Utility Services Department</td>
<td>45,615,465.79</td>
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<td>Information Technology Department</td>
<td>41,915,528.41</td>
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<td>Inventory (General Services Department)</td>
<td>36,845,213.15</td>
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<td>General Services Department</td>
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<td>Customer Service Department</td>
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<td>General Counsels Office</td>
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<td>Asset Management Office</td>
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<td>Finance Department</td>
<td>979,341.13</td>
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<tr>
<td>Human Resources Office</td>
<td>906,458.26</td>
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<tr>
<td>Communications &amp; Community Relations Office</td>
<td>822,650.59</td>
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<tr>
<td>OSDI - Office of Supplier Diversity &amp; Inclusion</td>
<td>474,530.87</td>
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<td>Human Resources Non-Department</td>
<td>388,716.55</td>
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<td>STAT Office</td>
<td>331,049.74</td>
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<td>General Managers Office</td>
<td>304,376.93</td>
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<td>Intergovernmental Relations Office</td>
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<td>Internal Audit</td>
<td>165,474.29</td>
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<td>Procurement Office</td>
<td>125,069.94</td>
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<td>Finance Non-Departmental</td>
<td>118,840.50</td>
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<td>Commissioners Corporate Secretary Office</td>
<td>58,034.45</td>
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<td>Equal Employment Opportunities Office</td>
<td>28,337.46</td>
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<tr>
<td>Other (e.g. inventory items, prepaid insurance, construction retainage, etc.)</td>
<td>662,158.23</td>
</tr>
</tbody>
</table>

**WSSC Team Total Spend** | **$531,859,086.41**

***Payments thru June 30, 2018***
Transformation Evolution

Sustain
- Benchmark procurement best practices
- Set continuous improvement goals
- Engage stakeholders in the decision making process

Evaluate
- Assess existing supplier relationships
- Evaluate supplier performance
- Assess and promote employee development

Leverage
- Simplify and streamline procurement
- Manage total cost of operations
- Leverage client collaboration

Align
- Support WSSC Strategic Priorities
- Align with individual goals
- Support SLBE/MBE goals
- Support local commerce

Assess
- Identify possible cost reduction opportunities
- Target strategic suppliers
- Assess supply needs

Best In Class
Operational Excellence
- e–catalogs & Electronic approvals
- Contract Repository
- Electronic invoicing

Procure–to–Pay Technology
- Contractor Performance Evaluation
- Strategic Sourcing | Contracting Officer Representatives I Cross functional Collaboration

Supply Chain Transformation
(proof of concept)

Project Cornerstone resource demands may impact the timing of some transformation elements
FY’18 Accomplishments by Strategic Priority

- **Improve Infrastructure**
  - Supported the replacement & enhancement of 20.65 miles of sewer lines and 49.28 miles of water lines
  - Led contracting support for multi-million dollar bio-energy project

- **Enhance Customer Experience and Community Engagement**
  - Hosted Tap Into Business @ WSSC (Over 400 attendees)
  - Attended various county sponsored economic development events
  - Supported re-design and repurposing of RGH 9th floor as a part of our focus on enhancing Customer Relations

- **Inspire Employee Engagement**
  - CPO recognized Procurement team with a Certificate of Excellence Awards
  - 76% participation rate in the Annual Giving Campaign
  - Initiated Institute of Supply Management Mastery Training Model – Procurement competency training

- **Protect Our People, Infrastructure, Systems, and Resources**
  - Finalized the Contractor Performance Evaluation Tool
  - Worked with GCO to develop cloud-based technology contract template
  - Initiated Supply Chain Risk Management Program
FY’18 Accomplishments by Strategic Priority

**Cost Effectiveness**
- Saved $8.7M
- Initiated Wave 3 Sourcing Categories
- Developed new Travel & Reimbursement Program

**Cycle Time Reduction**
- Implemented new Procure-to-Pay (P2P) system
- Reduced overall cycle time by 16%
- Enhanced metrics and reporting capability

**Manage Supplier Performance**
- Established performance guidelines to evaluate suppliers
- Implemented contractor performance evaluation tool
- Enhanced forecasting tool

**Supply Chain Diversification**
- $157M in MBE/SLBE contract awards (26% of total)
- Led solicitation for CATS contract: 23 of 32 awarded firms are MBE or SLBE
- Enhanced partnership & collaboration with OSDI

**Technology Enhancements**
- Implemented P2P
- Leading P2P optimization effort
- Built initial requirements for Phase III P2P
Strategic Sourcing Example

IT Maintenance

Objectives
- Establish an IT governance model
- Seek opportunities to reduce IT maintenance costs
- Rationalize software licenses
- Standardize contract language where appropriate

Key Strategies
- Eliminate redundant functionality in software portfolio
- Ensure level of maintenance support purchased aligns to software maturation level (e.g., a premium support offering as a permanent default may not be cost-effective as internal knowledge base rises and the deployed solution matures)

Expected Results
- Inventory of hardware and software maintenance licenses
- An approach to managing IT Maintenance agreements based on software maturation, service needs, and cost
- Savings: $1.03M
FY19 Focus Areas

- P2P Optimization (incl. e-catalogs)
- Staff Development and Stabilization
- Invoice Standardization (incl. electronic invoicing)
- Supplier Scorecards
- Contract Repository
- Supply Chain Diversification
- Supply Chain Risk Management
- Strategic Sourcing
- Continued Cycle Time Improvement
Questions