

# Supply Chain Transformation Update

Commission Meeting  
August 15, 2018

# Agenda

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

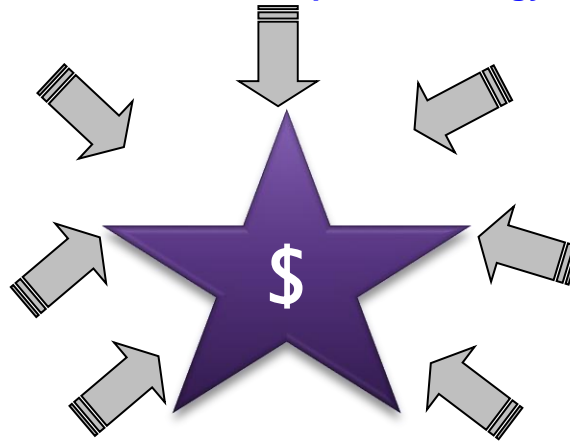
# Supply Chain Transformation Strategy

## 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



## Objectives

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

## Good Leadership

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

## 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

## Optimized Organization

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

Blue = Underway/Completed  
Red = Not started

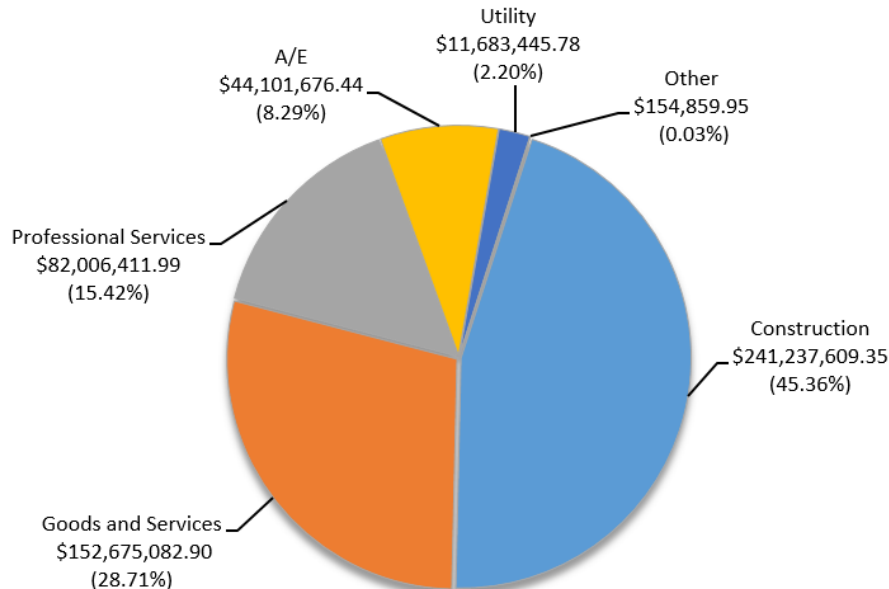
# WSSC 2018 Procurement Facts

\$532.0M	Procurement Spend
682	Active Suppliers
1,280	Total Requests by Various Departments
1,969	Total Processed Purchase Orders (POs)
336	Solicitations
494	Change Orders
235	Option Terms
207	Task Orders (both competitive and non-competitive)
\$5.6M	P-Card Spend/9,921 Transactions

**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
<b>Grand Total</b>	<b>\$531,859,086.41</b>

WSSC Team	Spend
Engineering & Construction Department	\$331,363,654.53
Production Department	51,724,741.96
Utility Services Department	45,615,465.79
Information Technology Department	41,915,528.41
Inventory (General Services Department)	36,845,213.15
General Services Department	14,065,713.33
Customer Service Department	1,767,857.61
General Counsels Office	1,720,876.22
Asset Management Office	1,268,108.61
Finance Department	979,341.13
Human Resources Office	906,458.26
Communications & Community Relations Office	822,650.59
OSDI - Office of Supplier Diversity & Inclusion	474,530.87
Human Resources Non-Department	388,716.55
STAT Office	331,049.74
General Managers Office	304,376.93
Intergovernmental Relations Office	206,887.86
Internal Audit	165,474.29
Procurement Office	125,069.94
Finance Non-Departmental	118,840.50
Commissioners Corporate Secretary Office	58,034.45
Equal Employment Opportunities Office	28,337.46
Other (e.g. inventory items, prepaid insurance, construction retainage, etc.)	662,158.23
<b>WSSC Team Total Spend</b>	<b>\$531,859,086.41</b>

**\*\*\*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

2019

Operational  
Excellence

e-catalogs & Electronic  
approvals

Contract Repository

Electronic invoicing

Procure-to-Pay Technology  
Contractor Performance  
Evaluation

Strategic Sourcing | Contracting Officer  
Representatives | Cross functional  
Collaboration

Supply Chain Transformation  
(proof of concept)



2018

2017

2016  
2015

2014  
2013

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 9<sup>th</sup> 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

Achieve Business  
Process  
Excellence and  
Maintain  
Financial  
Stability



## 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

