



City of Toronto Auditor General Report

Materials Management Reply



Introduction

- Materials Management operates 5 warehouses that deliver parts and related supplies to 23 satellite stores operating in a 24/7, 365 days/year environment.
- The department is comprised of Central Inventory Control (warehouses) Distribution Inventory Control (stores) and Inventory Management.
- The staff includes 81 union positions for Central Inventory Control and 80 union positions for Distributed Inventory Control, along with 14 staff for Inventory Management.



Background

- Jan. 2013 discussions begin with 24/7 DIC stores.
- Mar. 2014 live launch of Eglinton to 24/7.
- Oct. 2014 TTC Engineering Department released M&P Warehouse Needs Report
Recommend 756K sq. ft. required.
- July 2015 presented a report to the board on Warehouses Needs Analysis.
- Oct. 2015 commissioned Mitchell Rothesay to conduct a Warehouse and Logistics Optimization Study.

Background continued

- Jan. 2016 M&P acquired DVP leased warehouse.
- Apr. 2016 internal draft report on Warehouse Optimization
- Recommend one central located Distribution Center.
- Right size inventory at stores/warehouses.
- Consideration to consolidate satellite store locations.
- Increase point-of-use locations with direct deliveries.
- Cost/benefit analysis to determine 24/7 store locations.
- Improve current processes through the use of LEAN methodologies.



Inventory Statistics for 2015

- Materials Management received \$160.7M of inventory.
- Over 600,000 PO receipts were received.
- A total of 246,000 cycle counts were completed.
- At non 24/7 locations, an additional 167,000 counts were completed.
- 37,000 distinct active codes.
- Issue over \$390,000 material daily.



Staff

- Three out of four senior staff retired in 2015
- Challenges surrounding the future of the Parts Technician Program for Store persons.
- Challenges exist for succession planning-long tenure workforce.



Cycle Count Adjustments

- \$427K of adjustments were performed in 2015 which accounts for 0.26% of inventory received.
- According to industry standards (Supply Chain Digest), TTC adjustments were well within acceptable measures.
- Staff continues to strive for opportunities to improve.



Unaccounted Inventory

- Non-24/7 stores work as grocery type stores.
- All inventory transactions are written down as communicated via a clip board.
- Monthly wall-to-wall additional inventory counts (strip) are used to ensure parts availability and inventory accuracy.
- Lack of proper transactions are charged back to operations.
- Monthly reconcile records communicated to end user.



Missing Inventory/Transactions Delays

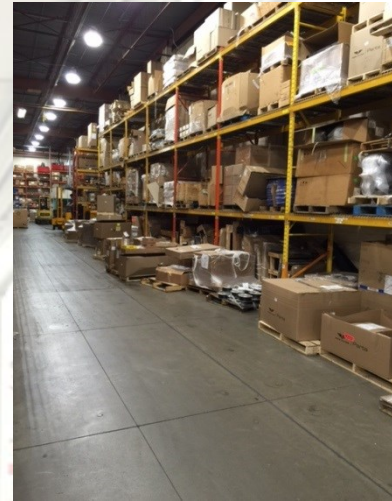
- Transactional missing inventory represented 0.23% of received inventory.
- 69% of this inventory had a unit value of \$2 or less.
- Upon review, 68% of all missing transactions were corrected and inventory accounted, leaving unaccounted inventory at 0.14% of received inventory.



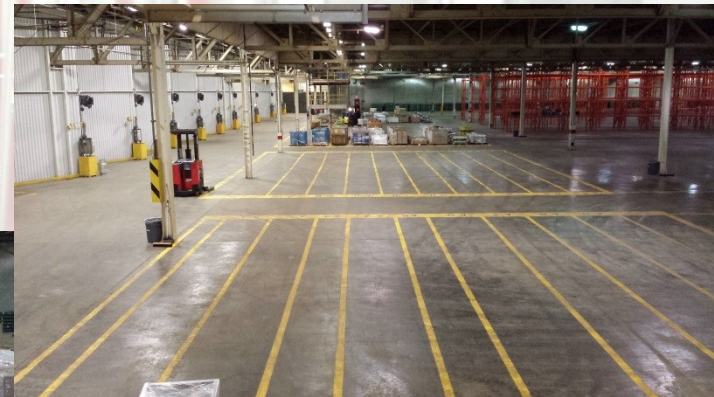
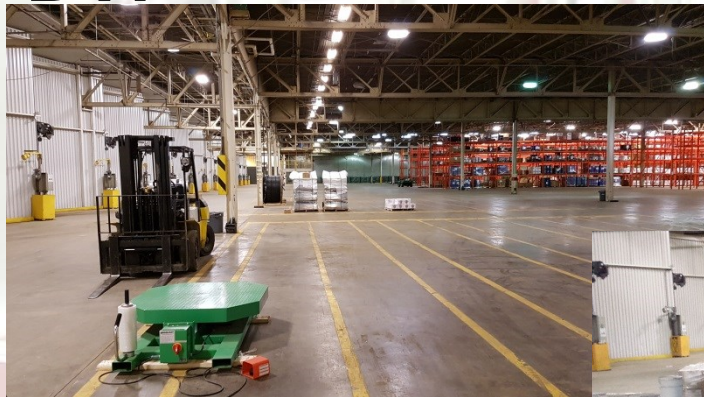
Returned Material

- TTC acknowledge this is an area for improvement.
- Improvements including aging reports, use of FIFO, 15 degree racking and escalation process should help us achieve our goal of less than 60 days.
- Procedures and escalation process has been updated accordingly to improve/eliminate lack of timely movement of goods combined with timely communication meetings.

Duncan



DVP



Resource Shortage for 24/7

- 2013-2015 5 major bus garage stores were converted to 24/7 coverage.
- June 2016- Nov. 2016 we have plans to convert the remaining 3 bus garages.
- Cost/benefit analysis along with risk assessment will determine the roll out to the remaining DIC store locations.
- System-wide 24/7 coverage would require 50 additional employees with a cost of \$4-\$5M.



Core part returns

- The latest revision to the IFS application captures all aspects of materials returns for cores and warranty items.
- All core/warranty items are consolidate at various stores locations and return to the Duncan warehouse for shipment back to the respective suppliers.



Warehouse Optimization Study

- Primary recommendation is to consolidate:
 - All leased warehouses into 1 Distribution Center.
 - Multiple stores at Hillcrest and Greenwood.
- Incorporate LEAN methodologies.
- Explore further opportunities for direct deliveries, vendor manage inventories along with staff synergies.

