

MEMO

DATE: October 26, 2021

TO: Algonquin College Leadership Team
Cost Centre Managers
Business Administrators and Budget Officers

FROM: Gordon Warner, Associate Director, Strategic Procurement

SUBJECT: Global Supply-chain Challenges

The entire global supply chain continues to experience immense pressure because of stresses caused by COVID-19 and related transportation issues. Consumers and businesses alike are finding it more difficult to get the products they want as quickly as they did in the past. The most trying part about dealing with a global economic situation like this is that almost every type of product in every type of market is feeling the effect of product shortages and delays.

Some of the causes of the current supply chain delay:

1. Factory shutdowns followed by high demand,
2. Lack of workforce and skilled labor,
3. Limited raw materials causing manufacturing delays, and
4. Transportation costs and distribution challenges (port backlogs, crude oil price increases, shipping delays).

Due to these unprecedented market conditions, we feel it is necessary to provide this update about the current state of the global supply chain and the potential impacts to our operations. We are sharing these updates with you in the hopes that they will assist you in making important decisions. We recommend you review any pending procurement requests or projects and prioritize critical needs with an added buffer for extended lead times to secure products and services prior to fiscal year end.

As the risk increases that products and services may not be received prior to the College's March 31st fiscal year-end, we wanted to remind you of potential financial impacts if goods or services are not received by March 31st:

- a) Goods or services that are being paid for out of 2021-22 College budgeted funds (either operational or capital) must be received by March 31st to be expensed in the current year. Any goods or services that are not received by that date will be paid for out of 2022-23 College budgeted funds when received. This will therefore reduce your available budget for 2022-23 activities.

- b) Goods or services that are being paid for out of 2021-22 grant funds must be received by the funding agreement project end date to be claimed against the grant funds. Any goods or services that are not received by the project end date (and, if the agreement so stipulates, also paid for by that date), will not be eligible to be claimed against grant funding and will therefore be charged to your 2022-23 operational budget, thus reducing your available budget for 2022-23 activities.

At this time, we have not heard of any plans for the Province to extend grant project end dates or loosen the requirement for goods/services to be received by the project end date, because of the supply chain issues. If you anticipate delays beyond your project end date, communication should be made to the grant provider to start to discuss options.

Goods or services will not be recorded in the 2021-22 fiscal year general ledger if they are not received by March 31, 2022. If grant providers explicitly permit grant funds to be allocated to goods or services purchased but not received by that date, the amount of the purchased items may be claimed on the grant report as an expenditure but will not be recorded in the College's general ledger until receipt.

While Procurement does work closely with our vendor-partners to optimize our purchases, negotiate pricing, and manage logistics to the best of our ability, changes and increases are happening so rapidly, and without notice that we are unable to control these issues to the extent that we have in the past.

We appreciate your patience and collaboration as we work through these challenges together.

If you have questions, please do not hesitate to send an email to purchasing@algonquincollege.com.