



Finance Department

Presentation to the City of Houston Budget and Fiscal Affairs Committee

Procure-to-Pay Improvement Project Briefing

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Kelly Dowe, Finance Director
Bruce Haupt, Deputy Assistant Director



Procure-to-Pay Improvement Objectives

1. Assess purchasing policies, people, and processes
2. Conduct rigorous spend analysis to define nature and size of value savings opportunities, and prioritize efforts
3. Assess and redesign the procure-to-payment supporting infrastructure and related processes
4. Develop long-term vision and foundational infrastructure
5. Launch initiatives to generate cost savings and short term wins that will fund the full cost of the project
6. Sought incentive based proposals with payment contingent on captured savings

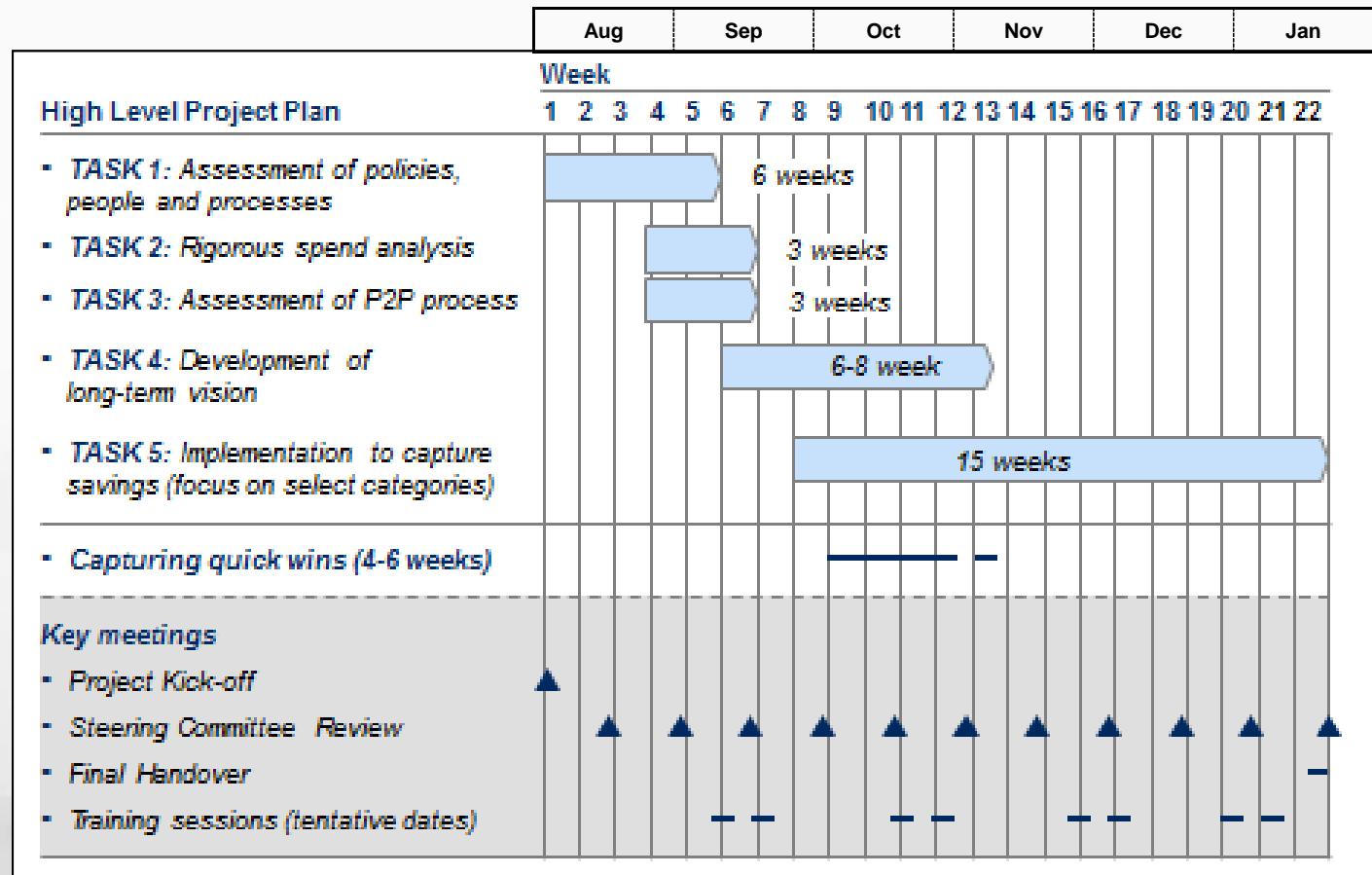


Highest Ranked Respondent's Proposal

- Firm's proposal addresses all objectives set forth in Request for Qualifications (RFQ)
 1. Assess purchasing policies, people, and processes
 2. Conduct rigorous spend analysis to define nature and size of value savings opportunities, and prioritize efforts
 3. Assess and redesign the procure-to-payment supporting infrastructure and related processes
 4. Develop long-term vision and foundational infrastructure
 5. Launch initiatives to generate cost savings and short term wins that will fund the full cost of the project
- Firm's proposal also includes procurement training and capability building sessions for staff
- Firm's MWBE sub-contractor will target evaluation and implementation of procurement IT systems improvements
- Firm has agreed to payment structure with professional fees invoiced only on documented savings captured by the City
 - Firm paid a percentage of savings realized by the City
 - Percentage is tiered with highest percentage paid on earliest savings
 - Percentage of payment declines with increased savings, and is capped
 - There are no time & materials fees or other expenses to the City



High Level Project Plan - Tentative





General Framework for Procurement Improvement

Supplier Management

- Systematic review of supplier base: alternative suppliers/supplier consolidation
- Best practice negotiations: multi-round, e-auctions
- Vendor management program with scorecards and performance evaluations

Demand Management

- Proactive planning by purchasing departments: needed volumes and quantities
- Policies and processes to reduce decentralized purchasing where beneficial

Contract Renegotiation & Bundling

- Competitive benchmarking and clean-sheet price analysis
- Coordinated purchases across departments and functions
- Citywide contracts and master agreements to capture scale advantages

Process Optimization

- Optimization (internal/external) of operational interfaces, optimized decision making
- Commercial and administrative optimization on purchasing process
- Supply chain optimization (strategic partnerships), including quality improvement

Standardization and Redesign

- Optimization of specifications to meet customer requirements
- Standardization across products / projects
- Design to minimize cost without compromising key customer requirements

Right-Sourcing

- Assessment of "Make-or-Buy" opportunities
- Source based on efficiencies *and* organizational effectiveness (e.g. the City needs fuel sites during disasters when commercial fueling stations would be closed)



P2P Project Next Steps

- P2P contract negotiation concludes by 8/5/2013
- P2P contract to City Council on 8/14/2013
- P2P project projected to kick-off on 8/19/2013
- Update City Council Budget & Fiscal Affairs (BFA) Committee in October with initial assessment,
- Update BFA every month thereafter to track status of recommendations and procurement savings



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Questions?