

City of Houston  
Enterprise Assessment  
Spend Analysis  
March 17, 2025



# Spend Analysis Workstream Overview

The spend analysis workstream conducted the activities listed below per the City's asks

## City asks

- ▶ Analyze historical spending data (including contract, non-contract, and P-Card purchases) to identify trends and areas for potential cost savings or optimization. (Analysis should include a classification of historical expenses into relevant categories and subcategories based on vendor, type of goods or services, department, etc.)
- ▶ Identify areas where costs can be reduced through negotiation, consolidation, alternative sourcing, or process optimization.
- ▶ Review procurement and P-Card practices and controls to identify risks and inefficiencies. Develop a prioritized list of recommendations to mitigate risk exposure.

## Our approach

### 1 Identify and Collect Data



- ▶ Collect spend data (determine data requirements, identify source systems, receive data and validate)
- ▶ Gather procurement and Purchase Card (P-Card) policy documentation
- ▶ Receive translation tables related to budget and accounting codes, etc.

### 2 Cleanse and Prepare Data



- ▶ Develop/define process for categorizing data
- ▶ Identify categories and subcategory structure as applicable
- ▶ Categorize data

### 3 Data Analysis



- ▶ Analyze core payment data (spend by vendor, department, category, fiscal year, etc.)
- ▶ Validate categorizations and update data accordingly
- ▶ Conduct review of procurement and P-Card programs








### 4 Opportunity Identification



- ▶ Provide high level reports to analyze and present spend findings
- ▶ Identify high-level areas of opportunity for strategic sourcing by Category
- ▶ Provide recommendations for improvement on procurement and P-Card programs

# Executive Summary | Spend Analysis


The spend analysis workstream's objectives were to: (i) Analyze historical spending data (including contract, non-contract, and P-Card purchases) to identify trends and areas for potential cost savings or optimization. (Analysis should include a classification of historical expenses into relevant categories and subcategories based on vendor, type of goods or services, department, etc.); (ii) Identify areas where costs can be reduced through negotiation, consolidation, alternative sourcing, or process optimization; and (iii) Develop a prioritized list of recommendations to mitigate risk exposure and achieve cost efficiencies. The following seven (7) themes consistently emerged across the categories.

<i>Observations:</i>	<i>Opportunities:</i>
 <p><b>1. Contracting efficiency:</b> The data indicates that many vendors across categories have numerous contracts (3 or more) likely impacting contract management efficiencies and non-standard terms and pricing</p>	<p><b>S1. Review duplicative contracts</b> with the same vendors for variations in contract terms and pricing and identify opportunities for economies of scale. Identify opportunities to develop <b>multi-award Enterprise-Wide Contracts</b></p>
 <p><b>2. Non-contract spend:</b> Some categories have greater opportunities for non-contract spend, meaning spend not tied to an outline agreement number; some of these vendors have existing contracts</p>	<p><b>S2. Review non-contract spend</b> to determine if demand can be leveraged by an existing contracting vehicle for economies of scale</p>
 <p><b>3. Supplier relationship management:</b> The data indicates that while the majority of spend is consolidated among each category (5-7% of vendors account for 80% of spend), there is a long tail of vendors for the remaining 20% of spend</p>	<p><b>S3. Review top vendors and vendor tail for opportunities</b> to better leverage more strategic suppliers. Explore developing strategic relationships with top suppliers that foster innovation, leverage price discounts, and establish a governance structure across all work.</p>
 <p><b>4. Emergency POs:</b> Emergency Orders (EOs) are a pain point identified by COH stakeholders; the data indicates that EO spend has remained consist FY22 and FY23 at 3% and up to 4% in FY24</p>	<p><b>S4. Conduct a detailed analysis on recurring themes for Emergency Orders</b> (vendors, items, services, etc.) and develop contracting vehicles with standard terms and pricing</p>
 <p><b>5. Department category strategy coordination:</b> The data indicates that within each category, the majority of spend (greater than 70%) is generally aggregated across 1-4 departments</p>	<p><b>S5. Incorporate principles of category management</b> amongst top departments, including preferred contracting vehicles and establishing short- and long-term category goals and strategies</p>
 <p><b>6. Year over year trending:</b> In FY24 spend increased by a total of \$1b; there is an increase in spend across all categories</p>	<p><b>S6. Complete additional analysis on historical data</b> given the spike in FY24 to understand repeating drivers and anticipate FY25 needs and strategies</p>
 <p><b>7. Data quality:</b> Data received lacked granularity in purchase card descriptions, impeding data categorization. Additionally, certain transactions were significantly high dollar and removed as anomalies per discussions with stakeholders</p>	<p><b>S7. Establish a data &amp; analytics team</b> to regularly synthesize a spend report, looking for and addressing anomalies, and sharing a consistent dashboard with relevant stakeholders</p>

# 4 Data Analysis: Category Overviews


~81% of spend is with the top 3 categories; similar themes exist across categories

All \$ are for FY24




**Facilities & Construction** | \$2,276M | 56.4%

- 80% of spend is with 74 out of 1,172 vendors (6%)
- 45 vendors have 3+ contracts
- 3 departments account for 91% of the spend
- Across all departments, 95% of spend is on-contract
- Spend increased by 87% between FY23 to FY24




**Information Technology** | \$165M | 4.1%

- 80% of spend is with 28 out of 614 vendors (5%)
- 8 vendors have 3+ contracts
- IT dept accounts for \$65M (39%) of the spend, with 98% on contract; 32% is with HPD and Public Work
- Across all departments, 88% of spend is on-contract
- Spend increased by 45% between FY23 to FY24




**Industrial Products & Services** | \$535M | 13.3%

- 80% of spend is with 38 out of 1,027 vendors (4%)
- 7 vendors have 3+ contracts
- Public Works accounts for 71% of the spend
- Across all departments, 84% of spend is on-contract
- Spend increased by 84% between FY23 to FY24




**Management & Operations** | \$136M | 3.4%

- 80% of spend is with 14 out of 522 vendors (2.6% of vendors)
- 7 vendors have 3+ contracts
- 2 departments account for 57% of the spend
- Across all departments, 93% of spend is on-contract
- Spend increased by 48% between FY23 and FY24




**Professional Services** | \$471M | 11.7%

- 80% of spend is with 120 out of 1,345 vendors (9%)
- 13 vendors have 3+ contracts
- 4 departments account for 57% of the spend
- Across all departments, 75% of spend is on-contract
- Spend increased by 47% between FY23 to FY24




**Lifestyle & Human Service** | \$91M | 2.3%

- 80% of spend is with 17 out of 678 vendors (3% of vendors)
- 12 vendors have 3+ contracts
- 5 departments account for 75% of the spend
- Across all departments, 91% of spend is on-contract
- Spend increased by 15% between FY23 and FY24



**Logistics, Auto. & Transport.** | \$323M | 8.0%

- 80% of spend is with 33 out of 860 vendors (4%)
- 9 vendors have 3+ contracts
- 4 departments account for 72% of the spend
- Across all departments, 50% of spend is on-contract
- Spend increased by 48% between FY23 to FY24



**Medical** | \$25M | 0.6%

- 80% of spend is with 24 out of 239 vendors (10% of vendors)
- 4 vendors have 3+ contracts
- 3 departments account for 91% of the spend
- Across all departments, 82% of spend is on-contract
- Spend increased by 32% between FY23 and FY24

\*Vendors with multiple contracts are limited to 3 and above; this assumes vendors with 2 contracts are due to recompetes and only one active contract exists.

# Category Summary: Facilities & Construction

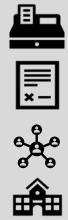
**\$4,460M**  
FY22-FY24 Spend

**52.4%**  
of Total Spend YoY

## PO Year over Year Spend

## P-Card FY24 Spend

Type	(\$) M	%
Contract	\$4,227	94.8%
Non-Contract	\$228	5.1%
P-Card	\$4	0.1%



FY22 Spend	\$968M
Vendors	725
Contracts	586
Depts	19
PO Count	4,967

FY23 Spend	\$1,215M
Vendors	805
Contracts	626
Depts	20
PO Count	6,422

FY24 Spend	\$2,272M
Vendors	837
Contracts	784
Depts	22
PO Count	6,376

FY24 Spend	\$4M
Vendors	311
Contracts	-
Depts	36
Transactions	12,034

### FY24 Sub-category Spend

Sub-category	(\$) M	% of Total Spend	Common goods/services purchased
Construction Services	\$1,442.5	63.3%	Water/sewer, road/highway, airport
Maintenance & Repair	\$371.5	16.3%	HVAC, airport/building maint., roadway maint.
Architectural & Engineering Svs	\$149.9	6.5%	Engineering services, testing, installation
Utility Services	\$124	5.4%	Electric utility, gas utility, water utility
Facility Services	\$98.7	4.3%	Trash disposal, landfill services, custodial services
Construction Management Services	\$57.6	2.5%	Site/Building construction/, public facility construction
Equipment & Supplies	\$29.6	1.1%	Tools, Containers, Cables and wires

### FY24 Top 10 Vendors by Spend\*

Parent Company	Transaction Amount	% of Total Transaction
United Airlines INC	\$150M	6.59%
Reliant Energy Retail Services LLC	\$99M	4.34%
MC2 Civil LLC	\$91M	4.01%
FlatIron Constructors INC	\$76M	3.32%
DL Glover	\$71M	3.14%
TDIndustries	\$69M	3.04%
LEM Construction Co INC	\$67M	2.96%
Harper Brothers Construction LLC	\$65M	2.85%
Grava LLC	\$48M	2.12%
Industrial TX Corp	\$47M	2.07%
<b>Total</b>	<b>\$2,276M</b>	<b>100.00%</b>






### FY24 Top 10 Departments by Spend\*

Department Name	Transaction Amount	% of Total Transaction	# of Buyers
Public Works	\$1,223M	53.73%	27
Aviation Services (HAS)	\$566M	24.88%	21
General Services (GSD)	\$273M	12.01%	14
Solid Waste Management	\$60M	2.64%	12
Housing (HCD)	\$58M	2.53%	9
Houston Police Department	\$31M	1.37%	12
Parks and Recreation	\$28M	1.23%	16
Health and Human Services	\$20M	0.88%	20
Department of Neighborhoods	\$3M	0.14%	8
Houston Fire Department	\$3M	0.14%	9
<b>Total</b>	<b>\$2,276M</b>	<b>100.00%</b>	<b>100</b>

\* Unknown = Purchase ID is blank in either the EKPO and EKKO creating the inability to pull in Vendor or Dept Name  
Blank = raw data provided contained blank (null) values

## Opportunity Identification: Facilities & Construction

The following themes emerged across the categories

Facilities & Construction		
	<b>Contract v. Non-contract with the same vendor</b>	<ul style="list-style-type: none"> <li>Review non-contract spend for future procurement strategies to leverage the full demand and obtain better pricing:                             <ul style="list-style-type: none"> <li>Architectural and Engineering Services</li> </ul> </li> <li>Review vendors with both contract and non-contract spend                             <ul style="list-style-type: none"> <li>Construction Services</li> </ul> </li> </ul>
	<b>Multiple contracts with the same vendor</b>	<ul style="list-style-type: none"> <li>Review multiple contracts with top vendors for potential renegotiation, leverage buying power and consolidation of requirements:                             <ul style="list-style-type: none"> <li>Construction Services and Maintenance and Repair</li> </ul> </li> </ul>
	<b>Spend is predominately with 1-3 departments</b>	<ul style="list-style-type: none"> <li>Public Works accounted for 54% (\$1,223M) of spend followed by Aviation Services for 25% (\$560M)</li> </ul>
	<b>Vendor base indicates opportunity for rationalization</b>	<ul style="list-style-type: none"> <li>80% of spend covers 74 out of 1,131 vendors (6.5%); consider developing strategic relationships with top vendors and rationalizing supply base to reduce vendor tail.</li> <li>There are 66 contracts with 34 different vendors totaling ~\$182M for Roadway Construction Services. 10 vendors account for ~80% of spend.</li> <li>10 vendors provide HVAC Maintenance, Repairs, and installing services for 7 departments (14 contracts).</li> </ul>
	<b>Increase in Emergency POs</b>	<ul style="list-style-type: none"> <li>In FY24, POs labeled as 'Emergency Orders' amount to ~\$90M, 99% off-contract and 82% are with Public Works.</li> <li>Review to see if contracts could be established to include these items.</li> </ul>

# Category Summary: Industrial Products & Services

**\$1,105M**

FY22-FY24 Spend

**12.9%**

of Total Spend YoY

Type	(\$) M	%
Contract	\$954	86.3%
Non-Contract	\$146	13.2%
P-Card	\$5	0.5%



FY22 Spend	\$280M
Vendors	534
Contracts	265
Depts	21
PO Count	3,073

## Year over Year Spend

FY23 Spend	\$290M
Vendors	560
Contracts	292
Depts	19
PO Count	3,061

FY24 Spend	\$530M
Vendors	528
Contracts	309
Depts	16
PO Count	2,893

## P-Card FY24 Spend

FY24 Spend	\$5M
Vendors	533
Contracts	-
Depts	34
Transactions	8,704

## FY24 Sub-category Spend

Sub-category	(\$) M	% of Total Spend	Common goods/services purchased
Industrial Services	\$238.8	44.6%	Dredging, Engineering
Water Systems Equipment and Service	\$144.6	27.0%	Pumps, Valves, Testing Kits
Industrial Equipment & Supplies	\$135.1	25.2%	Fuel, Chemicals, Hydrants
Wildlife and Environmental	\$6.9	1.3%	Vet Equipment, Fertilizer
Structures & Real Estate	\$4.5	0.8%	Generators, Plumbing

## FY24 Top 10 Vendors by Spend\*

Parent Company	Transaction Amount	% of Total Transaction
Coastal Water Authority	\$90M	16.73%
DRC Emergency Services LLC	\$54M	10.12%
Polydyne INC	\$43M	8.02%
Sunoco LP	\$30M	5.52%
Industrial TX Corp	\$19M	3.52%
DXI Industries INC	\$17M	3.25%
Altiva Chemicals LLC	\$12M	2.27%
Geo Specialty Chemicals iNC	\$12M	2.19%
Brenntag Southwest	\$11M	2.09%
MSC Industrial Supply	\$11M	1.96%
Maver's Office	\$3M	0.59%
<b>Total</b>	<b>\$535M</b>	<b>100.00%</b>




## FY24 Top 10 Departments by Spend\*

Department Name	Transaction Amount	% of Total Transaction	# of Buyers
Public Works	\$378M	70.59%	31
Fleet Management Department	\$46M	8.58%	10
Solid Waste Management	\$30M	5.68%	9
Houston Police Department	\$18M	3.42%	17
Aviation Services (HAS)	\$17M	3.13%	16
Health and Human Services	\$10M	1.83%	24
General Services (GSD)	\$7M	1.36%	10
Finance Dept (FIN)	\$6M	1.17%	5
Houston Fire Department	\$6M	1.17%	11
Mavor's Office	\$3M	0.59%	9
<b>Total</b>	<b>\$535M</b>	<b>100.00%</b>	<b>104</b>

\* Unknown = Purchase ID is blank in either the EKPO and EKKO creating the inability to pull in Vendor or Dept Name  
Blank = raw data provided contained blank (null) values

## Opportunity Identification: Industrial Products & Services

The following themes emerged across the categories

Industrial Products & Services		
	<b>Contract v. Non-contract with the same vendor</b>	<ul style="list-style-type: none"> <li>Review contract and non-contract spend with the same vendor to identify potential re-negotiation / future procurement strategies to leverage full demand and obtain better pricing:                             <ul style="list-style-type: none"> <li>Industrial Equipment and Supplies and Water Systems Equipment and Services</li> </ul> </li> <li>Several vendors have considerable annual spend but do not have existing contracts.                             <ul style="list-style-type: none"> <li>Industrial Equipment and Supplies</li> <li>Water Systems Equipment and Services</li> </ul> </li> </ul>
	<b>Multiple contracts with the same vendor</b>	<ul style="list-style-type: none"> <li>Review multiple contracts with top vendors for potential renegotiation, leverage buying power and consolidation of requirements:                             <ul style="list-style-type: none"> <li>Industrial Services and Industrial Equipment and Supplies</li> </ul> </li> <li>Explore top vendors in each subcategory to confirm vendors with multiple contracts are both active and consider overlapping requirements for future planning</li> </ul>
	<b>Spend is predominately with 1-3 departments</b>	<ul style="list-style-type: none"> <li>Public Works accounts for 70% of the entire category spend and 99% of the Water Systems Equipment and Services Subcategory</li> </ul>
	<b>Vendor base indicates opportunity for rationalization</b>	<ul style="list-style-type: none"> <li>Explore a Supplier Relationship Management program with several top vendors as they accounts for a significant portion of spend</li> </ul>
	<b>Increase in Emergency POs</b>	<ul style="list-style-type: none"> <li>In FY24, POs labeled as 'Emergency Orders' amount to ~\$47M, 99% off-contract and majority are with Public Works.</li> <li>Review top vendors for opportunities</li> </ul>



# Category Summary: Professional Services

**\$1,077M**

FY22-FY24 Spend

**12.6%**

of Total Spend YoY

### Year over Year Spend

### P-Card FY24 Spend

Type	(\$) M	%
Contract	\$849	79.0%
Non-Contract	\$224	20.8%
P-Card	\$2	0.2%



FY22 Spend	\$285M
Vendors	461
Contracts	261
Depts	28
PO Count	1,635

FY23 Spend	\$321M
Vendors	533
Contracts	271
Depts	28
PO Count	1,735

FY24 Spend	\$469M
Vendors	548
Contracts	316
Depts	28
PO Count	1,938

FY24 Spend	\$2M
Vendors	811
Contracts	-
Depts	41
Transactions	8,329

### FY24 Sub-category Spend

Sub-category	(\$) M	% of Total Spend	Common goods/services purchased
Legal Services	\$136.60	29%	Forensic services, attorney fees
Consulting Services	\$87.60	19%	IT, engineering, community and planning consulting services
Insurance Services	\$87.10	18%	P&C, life insurance, health insurance
Other	\$73.80	16%	Admin, events, inspection, monitoring
Comms & Media Related Services	\$30.30	6%	Telecom services, sign language, postage services
Accounting/Finance	\$27.50	6%	Payment card services, collections, finance management
HR Services	\$17.40	4%	Employment services, temp staffing
Contracted Services	\$8.50	2%	Contract sponsorships, labor, meals

### FY24 Top 10 Vendors by Spend\*

Parent Company	Transaction Amount	% of Total Transaction
Houston Forensi Science LGC INC	\$63M	13.46%
McGriff, Seibels & Williams INC	\$26M	5.61%
Cigna Health and Life Insurance	\$24M	5.19%
KS Plan Administrators LLC	\$24M	5.01%
PCard Merchant	\$20M	4.20%
Department of Information Resources	\$14M	2.97%
Hits Enterprise Contract	\$14M	2.90%
Aetna Life Insurance	\$12M	2.51%
HDR Engineering INC	\$11M	2.35%
Tetra Tech INC	\$9M	2.01%
<b>Total</b>	<b>\$470M</b>	<b>100.00%</b>

### FY24 Top 10 Departments by Spend\*

Department Name	Transaction Amount	% of Total Transaction	# of Buyers
Citywide General Government	\$73,235,986	15.55%	9
Unknown	\$71,827,204	15.25%	1
Human Resources	\$65,579,152	13.93%	10
Public Works	\$59,450,528	12.62%	15
Health and Human Services	\$44,081,095	9.36%	25
Houston Information Technology (HITS)	\$33,747,472	7.17%	11
Admin and Reg Affairs (ARA)	\$28,238,680	6.00%	9
Aviation Services (HAS)	\$15,406,045	3.27%	15
Finance Dept (FIN)	\$12,447,319	2.64%	9
General Services (GSD)	\$9,364,124	1.99%	5
<b>Total</b>	<b>\$470,936,826</b>	<b>100.00%</b>	<b>92</b>

\* Unknown = Purchase ID is blank in either the EKPO and EKKO creating the inability to pull in Vendor or Dept Name  
Blank = raw data provided contained blank (null) values

## Opportunity Identification: Professional Services

The following themes emerged across the categories

### Professional Services

	<p><b>Contract v. Non-contract with the same vendor</b></p>	<ul style="list-style-type: none"> <li>• <b>Legal Services:</b> There is \$125M of spend for forensic services; nearly 50% is non-contract spend with unknown vendors (most likely due to scrubbed data with PII) consider reviewing more detailed information to identify and execute potential opportunities.</li> <li>• <b>HR Services:</b> The bulk of spend for employment verification support services is not on contract although spend data shows several contracts across several departments.</li> </ul>
	<p><b>Multiple contracts with the same vendor</b></p>	<ul style="list-style-type: none"> <li>• Sub-categories with multiple contracts with large spend include: Legal Services, Insurance Services, Comms &amp; Media, and HR Services</li> </ul>
	<p><b>Spend is predominately with 1-3 departments</b></p>	<ul style="list-style-type: none"> <li>• Four departments account for 57% of the category spend; spend is more centralized for Insurance and HR Services</li> </ul>
	<p><b>Vendor base indicates opportunity for rationalization</b></p>	<ul style="list-style-type: none"> <li>• <b>Other:</b> This subcategory has the largest number of vendors (160) and likely has opportunities for rationalization</li> </ul>
	<p><b>Increase in Emergency POs</b></p>	<ul style="list-style-type: none"> <li>• In FY24, 'Emergency Orders' POs amount to \$13M, 91% off-contract and 90% is with Health and Human Services</li> <li>• Review top vendors for opportunities</li> </ul>

# Category Summary: Logistics, Automotive & Transportation

\$720M

FY22-FY24 Spend

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8.4%

of Total Spend YoY

Year over Year Spend

P-Card FY24 Spend

Type	(\$) M	%
Contract	\$405	56.2%
Non-Contract	\$313	43.4%
P-Card	\$3	0.4%

	FY22 Spend	\$179M	FY23 Spend	\$218M	FY24 Spend	\$320M	FY24 Spend	\$3M
Vendors	476		563		547		340	
Contracts	182		178		203		-	
Depts	17		19		21		30	
PO Count	8,460		10,380		10,266		14,462	

FY24 Sub-category Spend			
Sub-category	(\$) M	% of Total Spend	Common goods/services purchased
Maintenance & Equipment - Automotive	\$184.1	56.9%	Vehicles, automotive equipment
Maintenance & Equipment - Aviation	\$60.9	18.8%	Airport management, aircraft engine parts
Infrastructure Management	\$60.4	18.6%	Excavating machines, asphalt materials, vehicle storage
Maintenance & Equipment - Heavy Machinery	\$12.2	3.8%	Repairs for engines, motors, machinery
Maintenance & Equipment - Marine	\$2.5	0.8%	Boat hardware, vegetation removal equipment

FY24 Top 10 Vendors by Spend*		
Parent Company	Transaction Amount	% of Total Transaction
Metro Fire Apparatus Specialists	\$24M	7.28%
Frazer LTD	\$23M	7.17%
Universal Protection Service	\$21M	6.61%
Chastang Enterprises	\$20M	6.21%
Associated Supply Company INC	\$15M	4.65%
Isani Consultant LP	\$15M	4.59%
Rush Truck Center of Texas LP	\$14M	4.46%
Texas Materials Group	\$13M	4.14%
Hecate Energy LLC	\$11M	3.36%
Houston Freightliner INC	\$9M	2.88%
<b>Total</b>	<b>\$323M</b>	<b>100.00%</b>





  

FY24 Top 10 Departments by Spend*			
Department Name	Transaction Amount	% of Total Transaction	# of Buyers
Public Works	\$107M	32.94%	22
Houston Fire Department	\$47M	14.54%	10
Aviation Services (HAS)	\$44M	13.69%	18
Fleet Management Department	\$38M	11.74%	16
Houston Police Department	\$29M	8.83%	17
General Services (GSD)	\$20M	6.09%	9
Solid Waste Management	\$14M	4.19%	12
Unknown	\$7M	2.14%	1
Parks and Recreation	\$6M	1.77%	12
Health and Human Services	\$4M	1.14%	21
<b>Total</b>	<b>\$323M</b>	<b>100.00%</b>	<b>89</b>

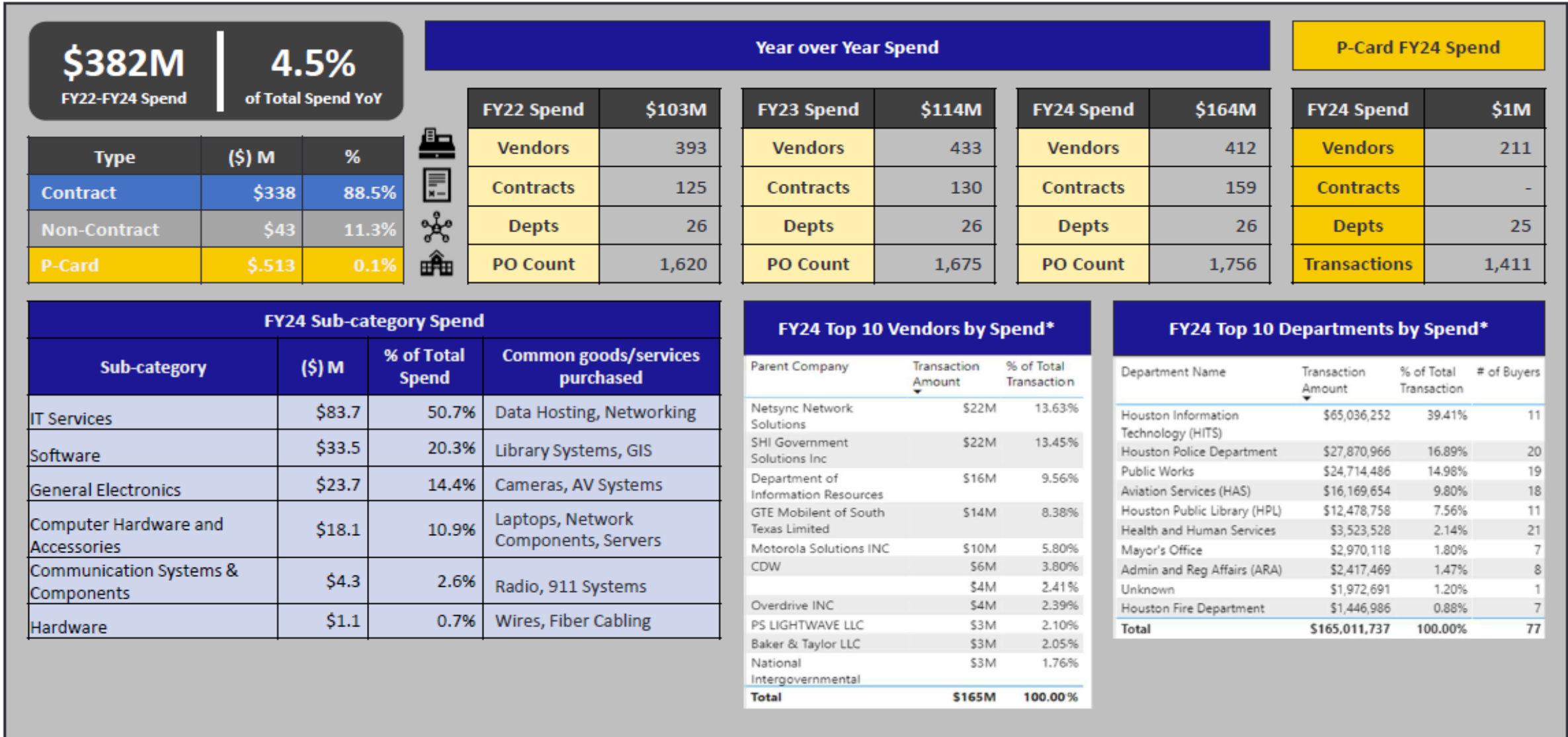
\* Unknown = Purchase ID is blank in either the EKPO and EKKO creating the inability to pull in Vendor or Dept Name  
 Blank = raw data provided contained blank (null) values

# Opportunity Identification: Logistics, Automotive & Transportation

The following themes emerged across the categories

Logistics, Automotive & Transportation		
	<p><b>Contract v. Non-contract with the same vendor</b></p>	<ul style="list-style-type: none"> <li>Review contract and non-contract spend with the same vendor to identify potential re-negotiation / future procurement strategies to leverage the full demand and obtain better pricing:                             <ul style="list-style-type: none"> <li>— Automotive</li> <li>— Infrastructure Management</li> </ul> </li> <li>Review non-contract spend for vendors with no existing contracts such as:                             <ul style="list-style-type: none"> <li>— Automotive</li> <li>— Infrastructure Management</li> </ul> </li> </ul>
	<p><b>Multiple contracts with the same vendor</b></p>	<ul style="list-style-type: none"> <li>Review multiple contracts with top vendors for potential renegotiation and requirement consolidation:                             <ul style="list-style-type: none"> <li>— Automotive</li> <li>— Aviation</li> </ul> </li> </ul>
	<p><b>Spend is predominately with 1-3 departments</b></p>	<ul style="list-style-type: none"> <li>Automotive: ~80% of spend is with four Departments, but the majority of the contracts are with Fleet Mgmt</li> <li>Aviation: 55% of spend is with Aviation Services, while Public Works and General Services account for an additional 30%</li> <li>Infrastructure Management: 80% of spend is with Public Works</li> </ul>
	<p><b>Vendor base indicates opportunity for rationalization</b></p>	<ul style="list-style-type: none"> <li>The top 33 vendors account for 80% of the total category spend. Consider establishing a supplier relationship management program with these vendors to instill innovation, maintain a program governance structure across all contracts, and make sure the right KPIs are in the contracts.                             <ul style="list-style-type: none"> <li>— Automotive: Total FY24 vendors (223 vendors), top 15 vendors make up 80% of spend</li> <li>— Infrastructure Management: Total FY24 vendors (304 vendors), top 13 vendors make up 80% of spend</li> </ul> </li> </ul>





# Category Summary: Information Technology



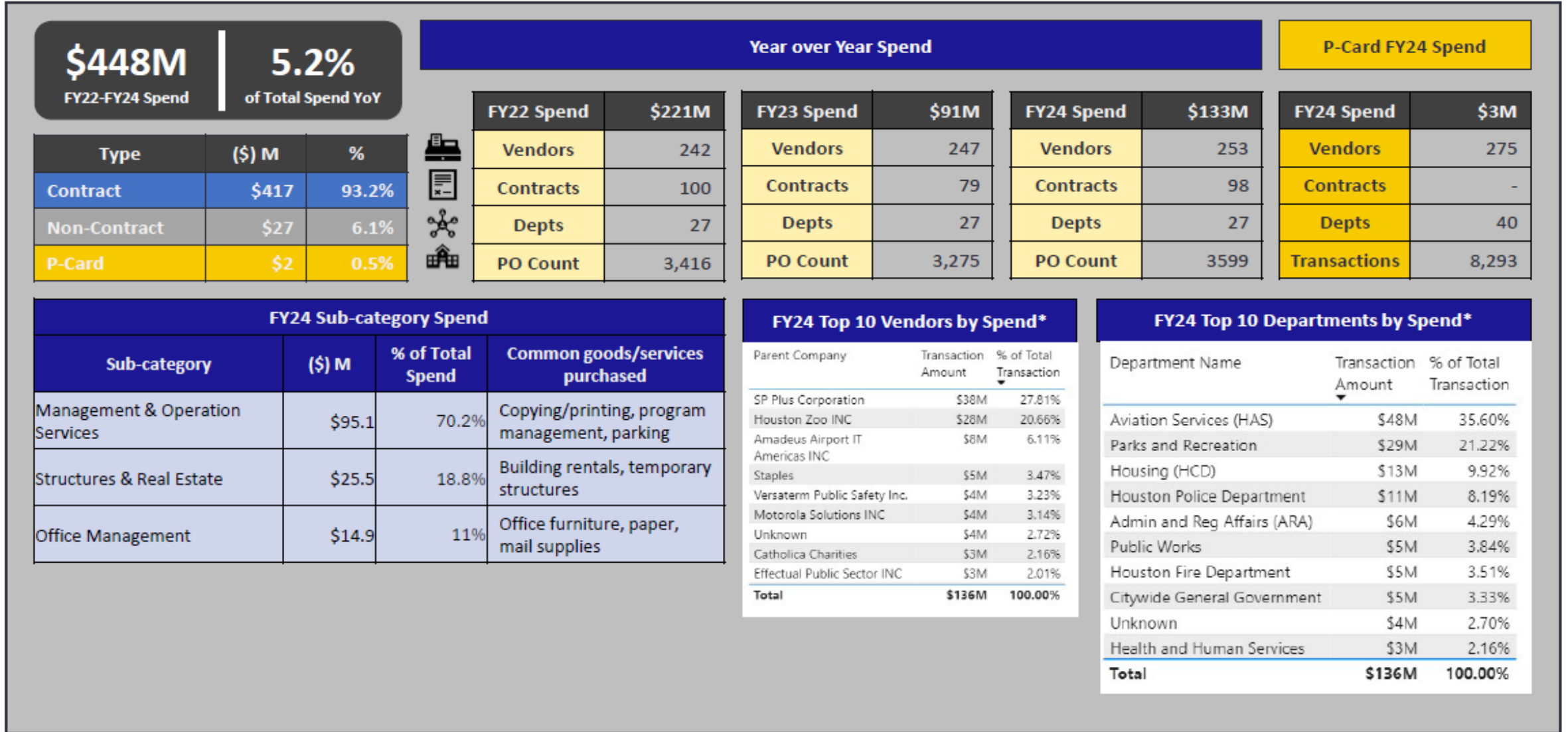
\* Unknown = Purchase ID is blank in either the EKPO and EKKO creating the inability to pull in Vendor or Dept Name  
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## Opportunity Identification: Information Technology

The following themes emerged across the categories

Information Technology (IT)		
	<b>Contract v. Non-contract with the same vendor</b>	<ul style="list-style-type: none"> <li>Review contract and non-contract spend with the same vendor to identify potential re-negotiation / future procurement strategies to leverage the full demand and obtain better pricing:                             <ul style="list-style-type: none"> <li>IT Services</li> <li>Several vendors have spend in multiple sub-categories</li> </ul> </li> </ul>
	<b>Multiple contracts with the same vendor</b>	<ul style="list-style-type: none"> <li>Review multiple contracts with top vendors for potential renegotiation and requirement consolidation                             <ul style="list-style-type: none"> <li>IT Services</li> <li>General Electronics</li> <li>Computer Hardware and Accessories</li> <li>Software</li> <li>Multi sub-category</li> </ul> </li> </ul>
	<b>Spend is predominately with 1-3 departments</b>	<ul style="list-style-type: none"> <li>80% of the spend is with four Departments (Information Technology 39%, Houston Police Department (17%), Public Works (15%) Aviation Services (10%))</li> </ul>
	<b>Vendor base indicates opportunity for rationalization</b>	<ul style="list-style-type: none"> <li>The top 4 vendors account for 45% of the total IT spend. Consider establishing a supplier relationship management program with these vendors to instill innovation, maintain a program governance structure across all contracts, and make sure the right KPIs are in the contracts.                             <ul style="list-style-type: none"> <li>IT Services and General Electronics</li> </ul> </li> <li>IT Services contains a larger vendor tail (207 vendors), top 15 vendors make up 80% of spend</li> </ul>


# Category Summary: Management & Operations



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## Opportunity Identification: Management & Operations

The following themes emerged across the categories

Management & Operations		
	<b>Contract v. Non-contract with the same vendor</b>	<ul style="list-style-type: none"> <li>Review contract and non-contract spend with the same vendor to identify potential re-negotiation / future procurement strategies to leverage the full demand and obtain better pricing:                             <ul style="list-style-type: none"> <li>Structures &amp; Real Estate</li> </ul> </li> </ul>
	<b>Multiple contracts with the same vendor</b>	<ul style="list-style-type: none"> <li>Review multiple contracts with top vendors for potential renegotiation and requirements consolidation:                             <ul style="list-style-type: none"> <li>Management &amp; Operation Services: Program and Project Development and Management Services</li> <li>Structures &amp; Real Estate: Office Space Rental or Lease</li> <li>Office Management</li> </ul> </li> </ul>
	<b>Spend is predominately with 1-3 departments</b>	<ul style="list-style-type: none"> <li>75% of the spend is with four Departments (Aviation Services 35%, Parks and Recreation (21%), Housing (10%), Houston Police Dept (8%))</li> </ul>
	<b>Vendor base indicates opportunity for rationalization</b>	<ul style="list-style-type: none"> <li>The top 2 vendors account for 48% of the total Category spend. Consider establishing a supplier relationship management program with these vendors                             <ul style="list-style-type: none"> <li>Office Management: Review vendor tail (437 vendors in FY24), top 9 vendors make up 80% of spend                                     <ul style="list-style-type: none"> <li>182 vendors are non-contract</li> </ul> </li> </ul> </li> </ul>



# Category Summary: Lifestyle and Human Services

\$243M

FY22-FY24 Spend

3.8%

of Total Spend YoY

**Year over Year Spend**

**P-Card FY24 Spend**

Type	(\$) M	%		FY22 Spend	\$75M	FY23 Spend	\$77M	FY24 Spend	\$88M	FY24 Spend	\$3M
Contract	\$218	89.8%		Vendors	232	Vendors	239	Vendors	319	Vendors	421
Non-Contract	\$22	9.1%		Contracts	116	Contracts	105	Contracts	148	Contracts	-
P-Card	\$3	1.1%		Depts	23	Depts	22	Depts	34	Depts	37
				PO Count	1,323	PO Count	1,242	PO Count	1414	Transactions	4,648

**FY24 Sub-category Spend**

Sub-category	(\$) M	% of Total Spend	Common goods/services purchased
Human Services	\$46.2	50.8%	Food/housing assistance, social and mental health services
Leisure & Recreation	\$44.2	48.6%	Clothing & Apparel, Art, Household Goods

**FY24 Top 10 Vendors by Spend\***

Parent Company	Transaction Amount	% of Total Transaction
Houston Arts Alliance	\$30M	33.21%
The Harris Center for Mental Health	\$13M	14.16%
Interfaith Ministries	\$5M	5.47%
Young Women Christian Association	\$4M	4.62%
BakerRipley	\$3M	3.42%
Galls	\$3M	2.98%
Coalition for the Homeless	\$2M	2.63%
The Salvation Army	\$2M	2.45%
Unknown	\$2M	1.84%
Servicewear Apparel	\$2M	1.74%
<b>Total</b>	<b>\$90M</b>	<b>100.00%</b>

**FY24 Top 10 Departments by Spend\***

Department Name	Transaction Amount	% of Total Transaction
Health and Human Services	\$17M	18.97%
Houston Police Department	\$15M	16.88%
Aviation Services (HAS)	\$14M	15.52%
Housing (HCD)	\$12M	12.79%
Purch Org - COH	\$9M	10.47%
Mayor's Office	\$9M	9.70%
Parks and Recreation	\$4M	4.19%
Public Works	\$3M	2.84%
Houston Fire Department	\$2M	2.23%
Unknown	\$2M	1.81%
<b>Total</b>	<b>\$90M</b>	<b>100.00%</b>

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## Opportunity Identification: Lifestyle and Human Services

The following themes emerged across the categories

Lifestyle and Human Services		
	Contract v. Non-contract with the same vendor	<ul style="list-style-type: none"> <li>Review contract and non-contract spend with the same vendor                             <ul style="list-style-type: none"> <li>— Leisure and Recreation</li> </ul> </li> </ul>
	Multiple contracts with the same vendor	<ul style="list-style-type: none"> <li>Review multiple contracts with top vendors for contracting efficiencies:                             <ul style="list-style-type: none"> <li>— Human Services</li> <li>— Leisure and Recreation</li> </ul> </li> </ul>
	Spend is predominately with 1-3 departments	<ul style="list-style-type: none"> <li>64% of the spend is across the top 4 departments out of 27. Limited opportunity given the nature of goods and services in this category.</li> </ul>
	Vendor base indicates opportunity for rationalization	<ul style="list-style-type: none"> <li>Limited opportunity given the nature of goods and services in this category.</li> </ul>

# Category Summary: Medical

## \$74M

FY22-FY24 Spend

## 0.9%

of Total Spend YoY

Type	(\$ M)	%
Contract	\$50	67.6%
Non-Contract	\$24	31.9%
P-Card	\$.6	0.8%

## Year over Year Spend

FY22 Spend		\$30M	FY23 Spend		\$19M	FY24 Spend		\$24M	FY24 Spend		\$1M
Vendors		146	Vendors		159	Vendors		140	Vendors		106
Contracts		78	Contracts		77	Contracts		80	Contracts		-
Depts		12	Depts		11	Depts		10	Depts		23
PO Count		1,006	PO Count		929	PO Count		942	Transactions		1,145

FY24 Sub-category Spend			
Sub-category	(\$ M)	% of Total Spend	Common goods/services purchased
Medical Services	\$11.7	46.8%	Equipment Repair, Disease Prevention Services
Medical Equipment & Supplies	\$9.4	37.6%	Diagnostic Equipment, Personal Protective Equipment
Pharmaceuticals	\$3.9	15.6%	OTC and prescription meds, vaccines






FY24 Top 10 Vendors by Spend*			
Parent Company	Transaction Amount	% of Total Transaction	
Life-Assist INC	\$3M	10.71%	
Bound Tree Medical LLC	\$2M	9.66%	
Howmedica Osteonics Corp	\$2M	6.50%	
Desiree Bittner LLC	\$2M	6.36%	
Bee Busy	\$1M	4.88%	
AWC INC	\$1M	4.51%	
Pacific Star Corporation	\$1M	3.98%	
	\$1M	3.70%	
Idexx Distribution INC	\$1M	2.78%	
Bee Busy Wellness Center	\$1M	2.77%	
Aids Foundation Houston INC	\$1M	2.57%	
<b>Total</b>	<b>\$25M</b>	<b>100.00%</b>	

FY24 Top 10 Departments by Spend*			
Department Name	Transaction Amount	% of Total Transaction	# of Buyers
Health and Human Services	\$11M	42.43%	23
Houston Fire Department	\$9M	37.09%	14
Public Works	\$3M	11.97%	12
Houston Police Department	\$1M	2.75%	9
Human Resources	\$0M	1.96%	4
General Services (GSD)	\$0M	1.69%	6
Aviation Services (HAS)	\$0M	0.85%	10
Admin and Reg Affairs (ARA)	\$0M	0.52%	5
Unknown	\$0M	0.31%	1
Purch Org - COH	\$0M	0.20%	2
Parks and Recreation	\$0M	0.14%	5
<b>Total</b>	<b>\$25M</b>	<b>100.00%</b>	<b>66</b>

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## Opportunity Identification: Medical

The following themes emerged across the categories

Medical		
	<b>Contract v. Non-contract with the same vendor</b>	<ul style="list-style-type: none"> <li>Review contract and non-contract spend with the same vendor to identify potential re-negotiation / future procurement strategies to leverage the full demand and obtain better pricing:                             <ul style="list-style-type: none"> <li>— Medical Services</li> <li>— Medical Equipment &amp; Supplies</li> </ul> </li> </ul>
	<b>Multiple contracts with the same vendor</b>	<ul style="list-style-type: none"> <li>Review multiple contracts with top vendors for potential renegotiation and requirements consolidation:                             <ul style="list-style-type: none"> <li>— Medical Services</li> <li>— Medical Equipment &amp; Supplies</li> </ul> </li> </ul>
	<b>Spend is predominately with 1-3 departments</b>	<ul style="list-style-type: none"> <li>79% of the spend is with two Departments: Health and Human Services accounts for 42% of the spend, followed by Houston Fire Department with 37%.</li> </ul>
	<b>Vendor base indicates opportunity for rationalization</b>	<ul style="list-style-type: none"> <li>80% of spend covers 26 vendors out of 237 vendors (11% of vendors).</li> </ul>
	<b>Increase in Emergency POs</b>	<ul style="list-style-type: none"> <li>In FY24, POs labeled as 'Emergency Orders' (Eos) total ~\$1.6M, 98% off-contract and 86% with Houston Fire Dept.</li> <li>Houston has contracts in place with vendors that have EO spend for similar categories and subcategories. There may be an opportunity to include EO type purchases in future contracts.</li> </ul>

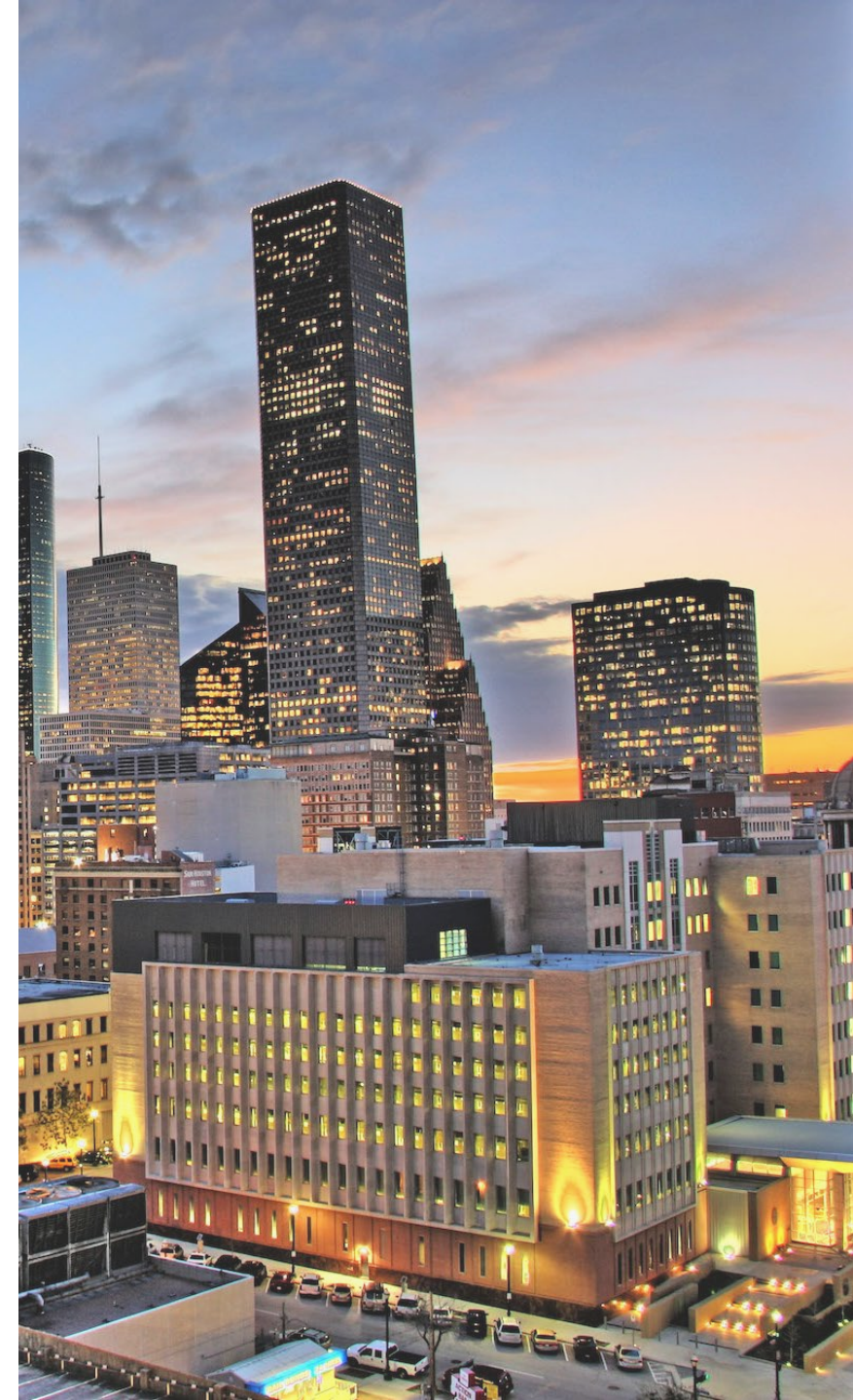
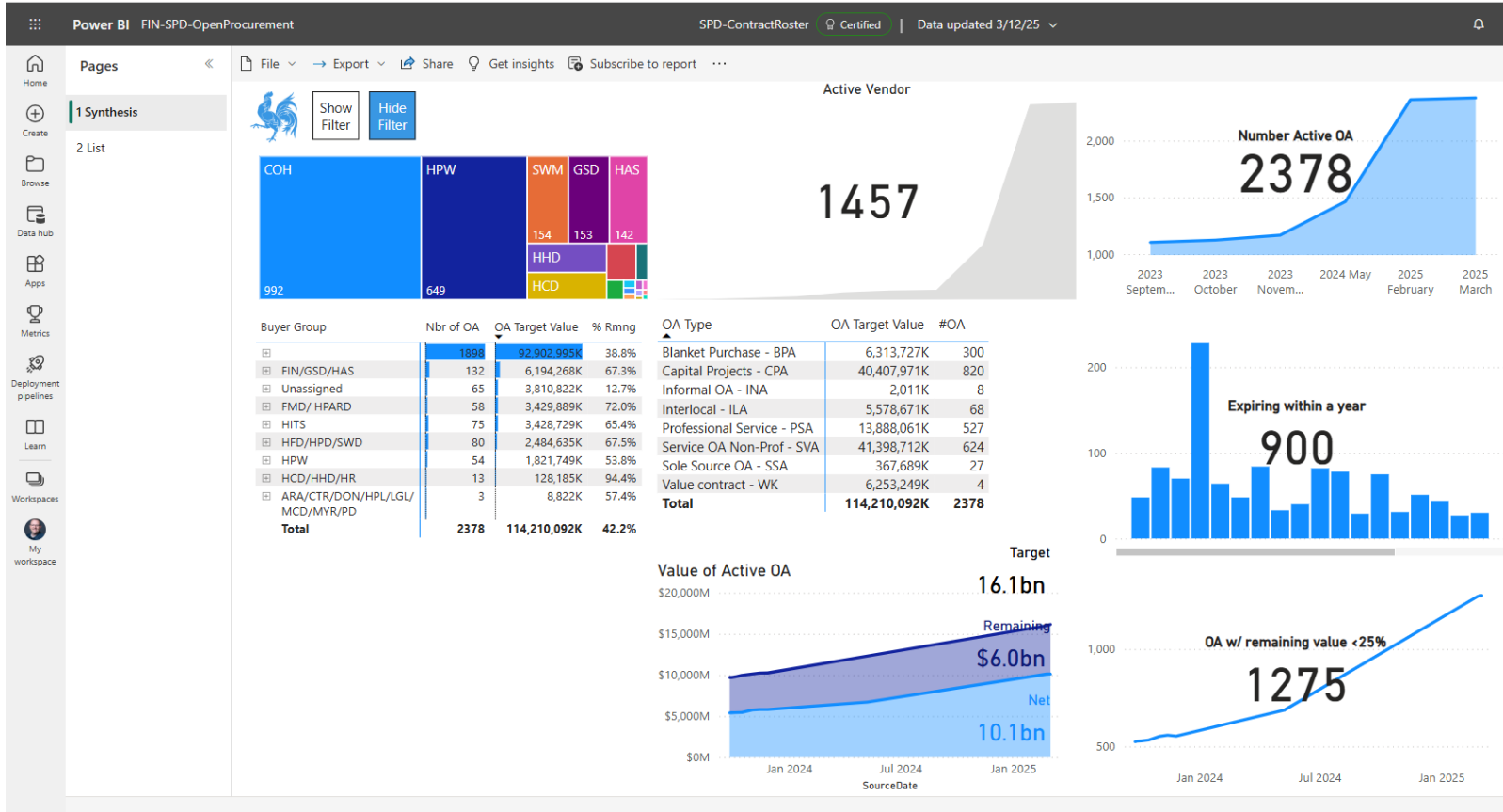
# Implementing Category Management Next Steps

## What has already been done:

- Consolidation of Informal Procurement to SPD
  - To be complete by April 1st
  - City-wide monitoring and review of all small purchase, non-contract spend with maximized efforts to move purchases to contract pricing
  - Increased compliance through standardization and consistency City-wide
  - Increased Transparency through posting small procurement solicitation on the City's eBid portal
- Proactive work with departments in key areas where EPO have been most prevalent
  - Preposition and on-call contracts
  - Better monitoring of contract expiration and spend (Contract Dashboard)
- Plan development of HPW construction procurement consolidation to SPD
  - To be complete by FY26
  - Increased compliance through standardization and consistency City-wide
  - Use of additional procurement methodologies to significantly decrease contract award time and maximize best value
- Revised P-Card Policy (A.P. 5-6) and Restructure of COH P-Card team to incorporate study recommendations and controls
- Reorganization of SPD to support Category Management by establishing dedicated “Category Managers” and a dedicated team under each manager for each Category
  - More robust Supplier Management Team
  - Creation of Data and Analytics Team



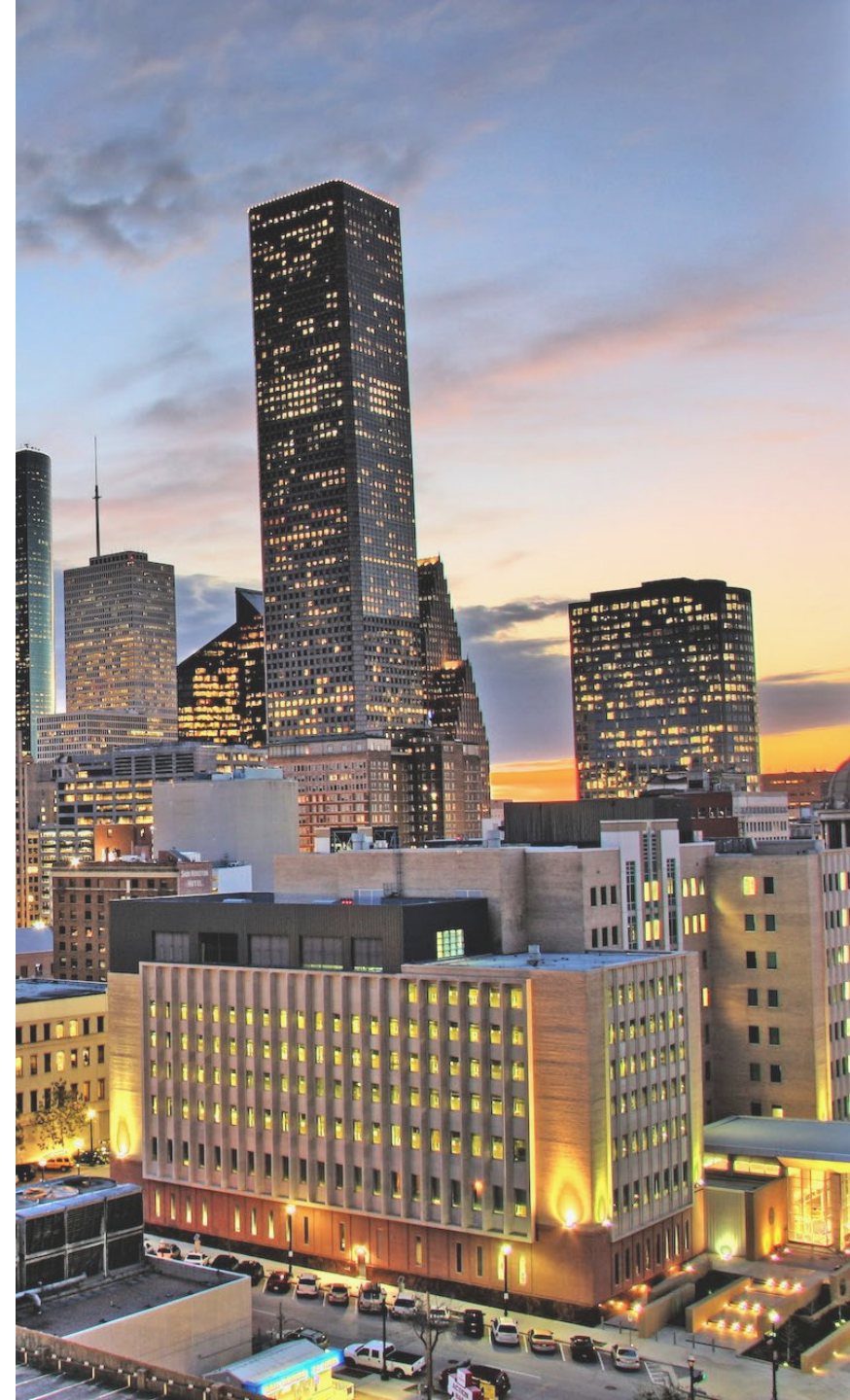
# Contract Monitoring Dashboard



# Implementing Category Management Next Steps

## Early Success:

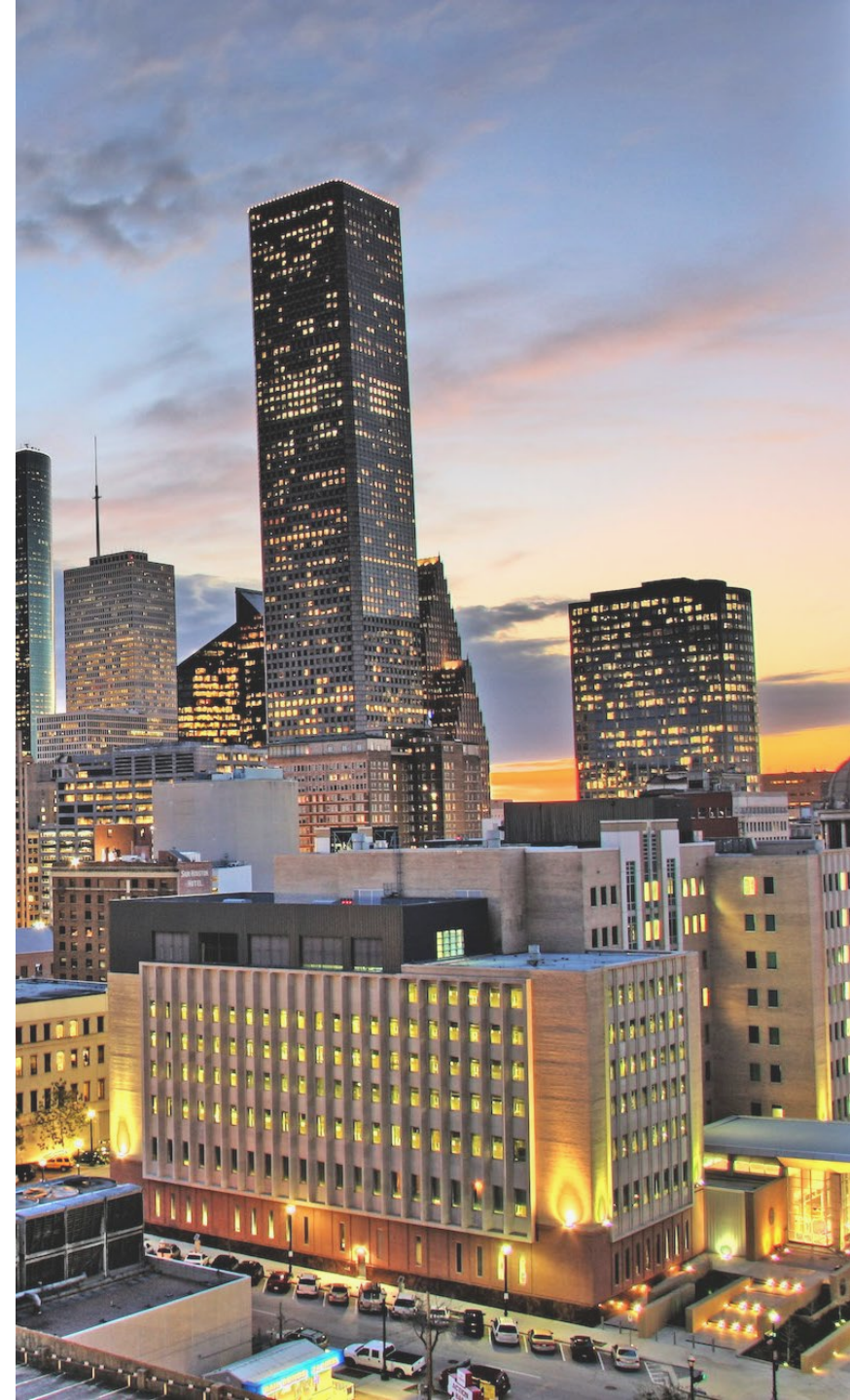
- Review of supply contracts
  - New revenue identified through contract rebates
    - \$350,000
- Informed Leveraging of Cooperative Contracting
  - \$200,000 in rebates
- Cooperative Contract Lead Agency Opportunities
  - Eight contracts currently out of bid, with two additional coming
  - Estimated revenue \$1 Million annually
- Leveraging of the new Amazon contract
  - Negotiated discounts and free shipping
  - No annual fee
  - Rebate layering
    - Amazon Rebate
    - Cooperative Contract Rebate
    - P-Card Rebate



# Implementing Category Management Next Steps

## Next Steps:

- Engaging EY to assist the SPD team with implementation of Category Management
  - Strategic Sourcing
  - Establish a Category Management Program
    - Develop the Governance Structure
    - Conduct Training
    - Category Strategy Execution
    - Procurement System Review
  - Procurement Performance Management & Metrics
  - Spend Analytics
  - Estimated date for Council Action March 2025
    - Amend Original Award for Continued Assessments
      - Controller's Office - \$98,000
      - Houston Public Works - \$290,000
    - Continued support, monitoring and implementation of Category Management - \$4 Million





# Timeline

Activities / Workstreams	Month												Work Products						
	1	2	3	4	5	6	7	8	9	10	11	12							
1. Strategic Sourcing	1a Review and confirm opportunities																	<ul style="list-style-type: none"> <li>Opportunity backlog list</li> <li>Implementation strategies</li> <li>Requirements documentation</li> <li>Communication messages</li> <li>(Note support would move to CM but could be ongoing as well)</li> </ul>	
	1b Develop implementation strategies																		
	1c Support aggregation of requirements (RFP packages)																		
	1d Support communication development of awarded strategies																		
2. Category Management	2a Develop training and train COH project leads on fundamentals of Category Management													<ul style="list-style-type: none"> <li>Category Charters</li> <li>Training guides (with processes and procedures)</li> <li>Category Strategic Plan</li> <li>Opportunity documentation (market research, document requirements, Request for Proposal Package, etc.)</li> <li>Communication messages</li> <li>Policies and procedures</li> </ul>					
	2b Develop project plan and develop charters, governance, policies and procedures																		
	2c Establish Pilot Category Management Committee																		
	2d Identify and implement category initiatives																		
	2e Identify and set up additional Category Committees																		
	2f Review and identify SAP Ariba, and Beacon Bid enhancements to enable Category Mgmt.																		
3. Procurement Performance Management & Metrics	3a Develop dashboards and track benefits realization												<ul style="list-style-type: none"> <li>Performance management / benefits dashboards</li> <li>Procurement performance management metrics</li> <li>Documented calculation methodology</li> <li>Baseline and targets</li> </ul>						
										3b Identify procurement metrics									
										3c Develop baselines									
										3d Set targets and goals									
										3e Implement and monitor									
4. Spend Analytics	4d Coordinate to bring spend in house to COH												<ul style="list-style-type: none"> <li>Refreshed spend analysis FY23-FY25</li> <li>Updated dashboards</li> <li>New opportunities identified to support Category Management and Strategic Sourcing</li> </ul>						
	4a Collect data and execute categorization logic																		
	4b Review and update category logic (as needed)																		
	4c Identify opportunities																		
	4d Create new visuals (as needed)																		

