

## City of New Orleans Saves More Than \$1.25 Million by Using BuySpeed™ eProcurement Solution in Katrina's Wake

Processing time cut by 80 percent, purchase orders increased five-fold through automation – even after staff cuts

**“BuySpeed™ was clearly the best solution we evaluated,”** said **Andrée Cohen, Purchasing Administrator for the City of New Orleans.** **“None of the other solutions came close to demonstrating the range of eProcurement functionality offered by Periscope, let alone web-based.”**

In 2006, the implementation of web-based BuySpeed™ reformed the City of New Orleans purchasing process. Prior to implementation, the City had a cumbersome and inefficient paper-based process. In the wake of Hurricane Katrina, rebuilding efforts greatly increased the need for the type of automation that BuySpeed™ could provide. BuySpeed™ has enabled the City of New Orleans to save more than \$1.25 million through purchasing process efficiencies. It integrates with the City's Microsoft Dynamics-GP general ledger system, and combines web requisitioning, electronic approvals, contract purchases and electronic purchase order delivery to reduce purchase cycle time citywide. BuySpeed™ also provides the City with self-service vendor registration and secure bid management that reduce costs and improve the efficiency of the competitive bidding process. Electronic receipt and invoice entry close the procurement loop by automating the entire “procure-to-payment” cycle. Through the use of BuySpeed™, the City has dropped per-bid processing costs from \$3,360 to \$1,126 and reduced per-purchase-order processing costs from \$80 to \$9. It cut requisition cycle time by 80 percent and increased the number of purchase orders processed five-fold while using fewer staff. The City experienced a four-to-one return on investment with BuySpeed™.

BuySpeed™ is a product of Periscope Holdings, Inc., of Austin, Texas.



New Orleans, the center of Louisiana's largest metropolitan area, was founded in 1718 and is one of the oldest and most vital port cities in the United States. For decades, the city's economy was fueled by a strong tourism industry. Prior to Hurricane Katrina it had an estimated population of 454,865 and was one of the top 10 most visited cities in the U.S. The City of New Orleans has a mayor-council form of government.

## Manual, paper-based process led to inefficient purchasing

In 1997 the City of New Orleans implemented a mainframe financial management system but elected not to implement any electronic purchasing functions. Instead, City staff manually processed and documented procurements. The lack of automation for purchasing processes created a range of problems for the City, including:

- **No automated vendor management** – The City had no automated process for registering and maintaining vendor information, which made it very difficult for departments to effectively source purchases. City staff received paper bid applications and manually input this information into the vendor database. The database contained duplicate vendor records and did not include City-required DBE Certification and other retrievable vendor information.
- **Time consuming formal bidding** – The purchasing staff spent a considerable amount of time documenting every step of the bidding process, including:
  - bid development and release
  - written vendor notifications
  - advertising
  - tabulation
  - document approval
  - document security and management
  - recommendation of award and contract
- **Inefficient requisitioning** – The City's Department of Purchasing was responsible for processing requisitions originating from departments citywide. Staff initiated these in the mainframe financial system but system limitations meant:
  - requisition status was not available during the approval process
  - staff had no ability to attach documents to the mainframe financial system
  - data could not be automatically transferred onto bid and purchase order (PO) documents
  - document tracking and reporting was not automated
  - links to awarded POs were not available
- **Inability to access purchasing information** – No centralized repository existed for those procurements in the process of negotiation or for those executed by the City. As a result, two different departments could have had completely separate bids or RFPs (requests for proposal) released for identical products or services with different vendors and contract terms. This increased costs for both goods purchased and contract management. Without a tightly integrated purchasing process, departments had insufficient information about purchases and document workflow. Consequently, the City had limited capabilities to know how and where its departments were actually spending funds.
- **High administrative costs** – Manual processes require very costly resources – people. In 2005, the City carried a staff of nine full-time buyers and three full-time administrators to support citywide purchasing. The City charter required purchasing staff to secure competitive pricing for all purchases. Louisiana State Public Bid Law requirements imposed varying rules based on the type of procurement and its total estimated price. On average, the staff-hours required to issue each purchase order cost the City \$80 and – in some cases – exceeded the cost of goods purchased.

## City's purchasing problems compounded by Hurricane Katrina

Hurricane Katrina struck New Orleans on August 29, 2005. More than 80 percent of the City of New Orleans remained under water for two weeks, and the City's infrastructure was decimated. The drinking water system was contaminated, gas lines were filled with salt water (corroding copper gas pipes), and power lines all across the community were down. Streets were un-navigable, except by boat, and hundreds of roads sustained severe damage because of their extensive exposure to salt water. Katrina damaged or destroyed more than 100,000 homes and left 50,000 vehicles submerged. The situation was exacerbated by Hurricane Rita re-flooding parts of the city when it made landfall on September 24, about three weeks following Katrina.

After Katrina's devastation, the New Orleans population was cut by more than half – to approximately 220,000 – and the City struggled to rebuild. Performance of many City services – including purchasing – became nearly impossible because of the loss of staff and resources such as computers, phones, and available office space. Of the 12 staff members working in the Department of Purchasing prior to the hurricane, only three returned during the days immediately following Katrina.

**More pressure than ever was put on the City's purchasing process after this natural disaster. Hundreds of construction and capital improvement projects needed funding and management by the City as part of its rebuilding effort. The engineering and logistical challenges to support this required a substantial level of management, control and the coordination of thousands of suppliers and contractors.**



The City needed to perform efficiently and respond rapidly to this crisis to bring order to the chaos left in the hurricane's wake and to handle the increased requisitions necessary to rebuild the community's severely damaged infrastructure. The additional demands placed on the City's purchasing system included the need to:

- **Manage increased spending** – Spending and procurement activity would continue to increase over the coming months and years as New Orleans' rebuilding effort progressed. This activity could not be managed using the existing infrastructure.
- **Rebuild the network of vendors that supply the city with goods and services** – Following Katrina, many of the contract vendors previously in place for the City had moved or were no longer in business. The City had to immediately re-engage the vendor community and establish a usable database of providers.
- **Increase productivity** – The pre-Katrina staff of 12 was challenged to perform purchasing activities under normal circumstances with the previous processes and infrastructure. With only seven Department of Purchasing staff working after Katrina, the City had to dramatically improve staff efficiency and productivity by automating their manual processes.

## BuySpeed™ purchasing automation software implemented

Prior to Katrina, the City had recognized the deficiencies in its manual purchasing process and issued an RFP for an electronic purchasing system. The City's primary objective was to acquire a web-based purchasing system that would allow it to automate the requisition, bid, purchase order and contracting process, manage the vendor database and integrate with their financial system.

Just months before Katrina, the City awarded a contract to Periscope Holdings, Inc. for their web-based, eProcurement software solution, BuySpeed™. Periscope is an Austin, Texas, company providing eProcurement software and services to government clients across North America.



"BuySpeed™ was clearly the best solution we evaluated," said Andrée Cohen, Purchasing Administrator for the City of New Orleans. "None of the other solutions came close to demonstrating the range of eProcurement functionality offered by Periscope, let alone web-based."

Under the contract, BuySpeed™ would be integrated with the City's Microsoft Dynamics GP general ledger system. Periscope would provide professional services for the software's implementation and consulting. BuySpeed™ was set to go live the first week in September 2005.

But just a few days before the new system's planned launch, Katrina hit New Orleans and chaos ensued. Periscope quickly responded to the City's call for help.

**"The Periscope team worked quickly to establish a field purchasing environment which provided access to the State of Florida Emergency supplier list," said Cohen. "They also helped us procure desperately needed items such as computers and clothing."**

Periscope worked closely with the City to not only provide temporary disaster support, but also to continue implementation of BuySpeed™. The urgency to get the new system up and running was made ever more pressing by the inadequacies of the Federal Emergency Management Agency (FEMA) purchasing procedures implemented as a stop-gap measure immediately following the disaster. FEMA's system gave the City little ability to track the history of purchases at a time when it was making an unprecedented number of them. The City was relying heavily on federal assistance and donations to fund recovery efforts. It knew it had to automate, control, and account for its spending or it would compromise its ability to continue to receive this funding.

**"We knew it was critical for the future of New Orleans that the city get their automated system in place quickly – despite the unimaginable challenges faced after Katrina," said Brian Utley, Periscope president and CEO. "It immediately became Periscope's priority project."**

The City launched BuySpeed™ in March 2006. The software not only provided the functionality to address the problems the City had faced with its manual purchasing system, it gave the City the ability to efficiently control and account for the increased purchasing necessary for the city's reconstruction.

"BuySpeed™ did not require special features or functions that were unique to the City of New Orleans," said Chris Kennedy, Periscope's Vice President of Professional Services. "New Orleans' needs were very similar to those of many large municipal governments. BuySpeed™ is designed to meet the challenges unique to governments and purchasing professionals."

Other large local governments, including Baltimore, MD, Tucson, AZ and Harris County, TX rely on web-based BuySpeed™ to manage their entire purchasing life cycle.

## Automation through BuySpeed™ solved City's problems, delivered huge savings

BuySpeed's™ web functionality addressed the multiple challenges the City of New Orleans had faced pre-Katrina under its manual system by providing:

- **Improved vendor management** – Self-service vendor registration and file maintenance now gives the City current and accurate vendor information. Emergency suppliers of goods and services can be identified by category and purchase order notifications are sent immediately via email.



- **Electronic requisition and approvals** – Department requisitions can be created electronically by staff and approved in minutes. Approval paths are managed dynamically depending on the requisition origin, dollar amount, commodity or account code.
- **Improved purchase orders and contracts management** – Staff can manage the encumbrance of funds, electronic notification of awards, control of spend against contracts, and reporting on contract history.
- **Electronic tracking of receipts and invoices** – Staff can enter receipts directly into BuySpeed™. Full or partial receipts are supported based on quantity or dollar amount. Invoice entry is also supported enabling an accurate match between the PO and the receipt.
- **Bid management becomes entirely automated. Taking advantage of up-to-date vendor data collected online, BuySpeed™ allows the City to manage the entire bid process from creation, sourcing, and distribution through tabulation and award. Encrypted online bid responses provide a highly secure, competitive process that enables the City to contract at the best available price.**

The City has reaped dramatic savings through the use of the BuySpeed™ purchasing automation system. Fewer staff now handle more purchases in less time, supporting New Orleans' massive reconstruction effort following Katrina.

- **New Orleans saved more than \$1.25 million overall** – If the City continued to use its manual purchasing system in 2007, the City's total purchasing costs would have been \$1,595,143. The City's total costs using BuySpeed™ to perform procurement activities in 2007 were \$336,000, including all staff salaries, training, and benefits.
- **Cost per bid cut by two thirds and number of bids processed almost doubled, even with reduced staff. In 2004, it cost the City an average of \$3,360 per bid to complete 120 bids. Through BuySpeed™ that cost was reduced to \$1,126 per bid for 207 bids processed in 2007.**
- **Cost per purchase order nine times less, even with reduced staff** – By using BuySpeed™ the City reduced the cost per PO from \$80 with 12 staff in 2004 to \$9 with 7 staff in 2007. Twelve staff processed and distributed 2,144 purchase orders in 2004 using the traditional manual processes. Seven staff processed 11,162 purchase orders completed electronically in 2007.
- **Four-to-one return on BuySpeed™ investment** – The City made an initial investment in BuySpeed™ of \$256,200 that included software and professional services for implementation and consulting. This investment, when compared to the actual cost savings gained, delivered a four-to-one return on their investment.
- **Rebuilt network of vendors** – Using the BuySpeed™ system, the City quickly collected much-needed information from local suppliers – information that was practically non-existent while the City used the FEMA stop-gap system after Katrina. Unlike other subscription online services, BuySpeed™ allowed the City to target local and regional vendors, as well as national vendors – without a fee – and collect specific information necessary to source their purchasing needs. Today, BuySpeed™ manages more than 6,600 vendors for the City and serves as the foundation for purchases of commodities and services supporting New Orleans' redevelopment.
- **Average cycle-time for requisition completions dropped from 4.5 days to 1 day** – That translates into an 80 percent reduction in processing time to complete the entire requisition to PO process.

## OFFICE SUPPLIES PURCHASE TIME CUT BY USING "PUNCH-OUT" WITH STAPLES

New Orleans maintains a citywide contract for office supplies with Staples. In March 2008, the City implemented an automated web order process that was fully integrated with BuySpeed™. Staples funded the integration development and provided comprehensive on-site training for City staff. Paul Bodley, the Central Region Director of Sales for Staples, played a significant role in implementing the punch-out solution for the City.

**"We combined our programs with the needs of the City to ensure the solution fit its needs," said Bodley. "Partnering with the City of New Orleans and Periscope on this punch-out gave us the best opportunity to meet the specific needs of our customer."**

A City employee can access the Staples online catalog directly from his or her BuySpeed™ eProcurement account, fill their shopping cart and return items to BuySpeed™ for approval. Once approvals are complete, the system sends an electronic purchase order to Staples for fulfillment. Online orders receive expedited delivery status from Staples, further reducing the overall time necessary to complete a purchase. Office supplies ordered each day are typically received the following day.

**"We've cut purchasing time for office supplies by at least 85 percent and made it easy to use for our departments," said Andrée Cohen, Purchasing Administrator for the City of New Orleans. "Once again, Periscope has enabled innovation in our purchasing like we've never seen before."**

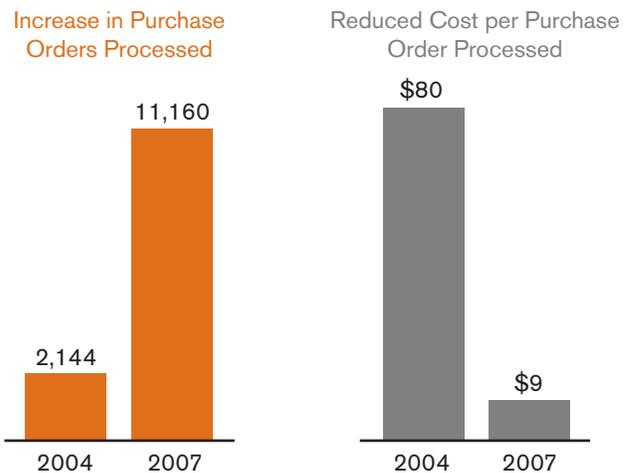
The results have been outstanding. During the initial few months of the project, the city processed almost 200 orders totaling over \$80,000 with Staples through the electronic punch-out process provided by BuySpeed™. Electronic ordering of supplies and PO delivery has been a huge win for both the City and Staples, and the City is considering bringing other vendors online with BuySpeed™'s punch-out capability.

Across the board, vendors serving the New Orleans community have enjoyed the benefits of procurement automation with BuySpeed™. Vendors receive e-mail notification of purchase orders and bids and can download purchase orders and bids directly from the purchasing site provided by the City (purchasing.cityinfo.com). Vendors can manage their own accounts and view change orders and vendor history.

## Conclusion

The productivity and efficiency of the City of New Orleans procurement process has been dramatically improved through process improvement and automation with BuySpeed™. Redevelopment efforts across the City have continued to increase over the past two years and BuySpeed™ eProcurement has not missed a beat – at the same time enjoying an impressive return on investment. With the elimination of manual processes through automation, the City can meet escalating procurement requirements with its web-based technology.

If the same staff and procedures from 2004 were required to complete the volume of procurement performed in 2007, the administrative costs alone would be significantly higher. Using the same model – and assuming that replacement staff could have been added and trained to complete the manual processes – purchasing costs would have exceeded \$1.59 million.



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