MTA Procurement Transformation Update

Presentation to Finance Committee

June, 2016

Agenda

MTA Procurement Transformation

Under current MTA Executive Leadership unprecedented change is underway for the MTA Procurement Teams across the agencies. Key strategic initiatives offer the most significant opportunity for change in decades:

$29.5 billion MTA 2015 – 2019 Capital Program

- Agency Procurement Teams are focused on meeting the needs of the Capital Program

PeopleSoft 9.2 Upgrade

- Overall PeopleSoft Upgrade combined with an implementation of new Procure-2-Pay (P2P) modules

Procurement Non-Core Consolidation

- A consolidated group will foster standardized tools and processes and drive efficiencies

Introduction of New Methodologies

- Implementation of Category Management, Strategic Sourcing and other strategies will optimize non-core procurements

2016 Priorities – In Progress

2016 priorities address current technology needs and are building the organizational foundation while generating savings and efficiencies.

P2P Implementation (PeopleSoft 9.2 Upgrade)	**Address current procurement technology needs:** ▪ Design and implement a procurement technology platform ▪ Streamline and automate processes ▪ Establish a core model design for procurement processes across agencies
Non-Core Consolidation	**Build the organizational foundation:** ▪ Begin centralization of non-core procurement to the BSC ▪ Support the newly formed IT Organization assuming 30% increase in requisition processing ▪ Fill 15 MTA Procurement vacancies
Category Management	**Generate savings:** ▪ Generate savings to gain momentum and fund transformation initiatives ▪ Initial savings target $12m ▪ *$18m savings reached for FY2016* ▪ *$37m projected annualized savings for FY2017 - 2020*

P2P Implementation (PeopleSoft 9.2 Upgrade)

Overall PeopleSoft 9.2 Upgrade goal is to implement a high-quality, well-tested PeopleSoft ERP system across MTA.

Additional Procurement Modules and Functionality Being Implemented

Procurement Modules	Key Benefits
Strategic Sourcing Module	• Online solicitation and collaboration with suppliers and internal partners • Standardization of processes across agencies
eSupplier Connection	• Self service strategy for supplier base • More reliable and up to date supplier information (increased competition and inclusiveness)
"Marketplace" – Supplier Catalogs	• Higher control and visibility to spend • User-friendly interface • Reduce transactional procurement activities

- Design and deploy improved, standardized core procurement processes

- Implement new Strategic Sourcing and eSupplier modules along with improvements to the ePro and Purchasing modules

- Introduce a user friendly self service MTA Marketplace for transactional procurements

- Implementing additional functionality will help streamline the procurement process and improve spend control

Procurement Non-Core Consolidation Principles

The new organization will procure all "non-core" products and services for all agencies utilizing Category Management, Spend Analytics and Strategic Sourcing.

Core

Materials which directly affect Rolling Stock, MoE, MoW
- Bus and trains parts/subparts, tracks, signaling IT, engineering services
- Technical MRO items not readily available in the marketplace or require significant planning, technical, or engineering expertise to source
- Construction (Station, Depot etc.)
- Bus Fuel

Non-Core

Materials common across agencies and/or not directly affecting rolling stock
- Healthcare
- Utilities
- IT & Telecom
- MRO (Non-Technical)
- Fuel (except Bus Fuel)

Procurement Non-Core Consolidation

Accomplishments to date:

- New Organization has been designed to support the new methodologies that would be employed for procurements

- Agreement from the agencies as to the estimated number of contributed positions

- Identified the population of non-core contracts

- Positions have been Hay evaluated

- TCU negotiations are on-going

What is Category Management?

Category Management is a process based approach that organizes company spend and procurement staff into strategic categories to be managed as a unit rather than individually.
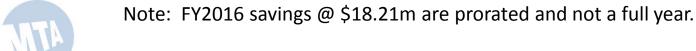
Steps in the process include:
1. Organize all spend into categories
2. Prioritize the categories
3. Monitor the prices and trends for each category
4. Gather user requirements across the organization
5. Define the procurement strategy (RFP, Bid, etc.)
6. Execute that procurement strategy
7. Support, measure and monitor the procurement strategy

Category Management– Savings Scorecard

Saving Categories	Annualized Savings ($M)		Expected Savings ($M)		
	Initial Target	Projected	FY15	FY16	Complete
Office Supplies	$0.5	$0.8	-	$0.20	✓
IT – Managed Print	$0.3	$2.0	-	$0.50	✓
IT - Hardware	$1.5	$7.5	$0.44	$4.57	✓
IT - Consulting	$1.9	$15.7	-	$7.85	✓
Guardian/ABM	-	$0.5	$0.21	$0.29	✓
WiFi/Wireless	-	$4.2	$0.20	$4.20	✓
Fleet - Vehicles	$1.9	$0.9	-	$0.45	In Progress
Fleet - Maintenance	$2.1	$0.3	-	$0.05	In Progress
Facilities - Security	$2.0	$2.0	-	$1.00	In Progress
Fuel	$1.6	$3.0	-	-	In Progress
Total Savings	$11.8	**$36.9**	$0.85	**$18.21**	

MTA Procurement has partnered with KPMG in Category Management on 10 initiatives delivering $18m savings in FY2016 and projected $37m annualized for FY2017-FY2020. In additional to significant savings, a critical deliverable has been knowledge transfer to the existing MTA Procurement staff.

Note: FY2016 savings @ $18.21m are prorated and not a full year.

Challenges: Capacity and Bandwidth For Change

- Tasked with responsibility to execute procurements for the largest Capital Program in MTA History at $29.5B

- Engagement in a once every 10 years PeopleSoft Upgrade

- Support of Non-Core Procurement Consolidation (never previously executed at the MTA)

MTA Procurement Teams are in the midst of changes and initiatives which are normally planned as stand alone projects.

Challenges: Non-Core Contract Management

As the agency Procurement teams prepare for procurement consolidation, contract management, in particular, extension requirements is a critical focus. Board approval will be sought by agency Procurement Teams in support of Non-Core Procurement Consolidation. Requested extensions will allow the centralized procurement team to prepare:

- Category management based analyses
- All MTA RFP/Solicitations
- Possible transition to new suppliers.

Staff Summaries requesting extensions will reflect Non-Core Procurement Consolidation where applicable.

Next Steps

- Successfully deliver procurements for the 2015 – 2019 Capital Program
- Support PeopleSoft 9.2 Upgrade
- Seek board approval for the extension of non-core contracts in operating agencies where required
- Identify opportunities for non-core all MTA sourcing activities
- Solidify organizational ramp up plan for centralized team
  - Continue Labor negotiations
  - Execute communications plan
  - Conduct recruitment activities to fill the new organization – Q3 2016
  - Transition staff to centralized team in phases – Q4 2016
  - Formal Go live Q1 2017