
MTA Procurement Excellence Update

Finance Committee Briefing

June 22nd, 2015



Agenda

1	Procurement Excellence Context
2	P2P Process Review
3	Procurement Consolidation



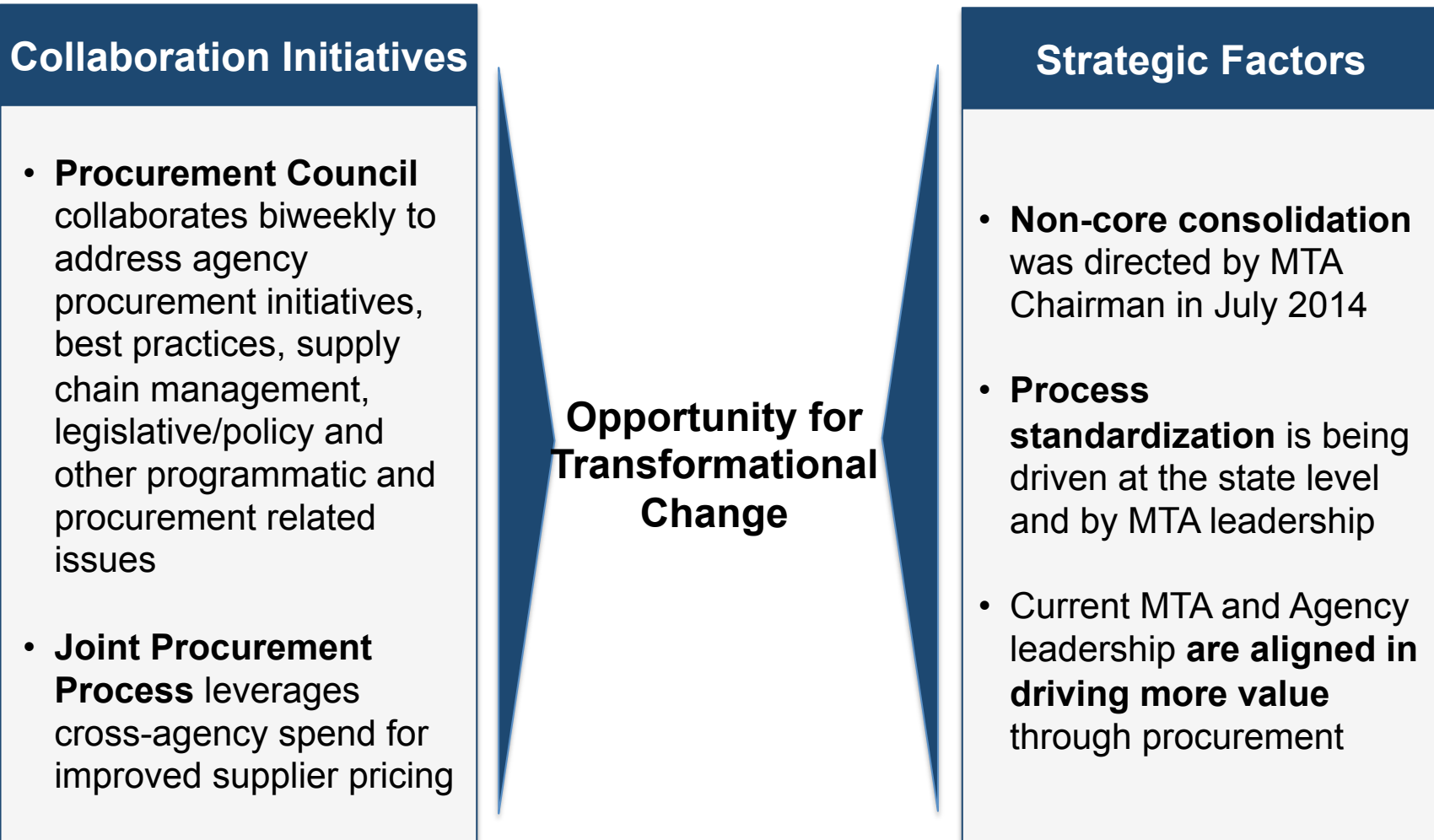
Procurement Consolidation Recap

- In July 2014, the MTA Chairman and CEO directed the agency procurement groups to collaborate in an effort to consolidate procurement of non-core categories in a centralized procurement group at the Business Service Center. *This is part of our critical ongoing cost reduction efforts.*
- Each operating agency will be responsible for procurement of core categories that most directly relate to its core business operations.
- HQ Procurement will be responsible for non-core categories which are not agency specific such as office supplies, non-revenue vehicles, personal computers, benefits, etc.
- Decisions and policy making for non-core categories will be managed at the centralized procurement group with ongoing input from the operation agencies.
- Go-live is set for January 1st, 2016 with phased transitions beginning in October 2015.



Key Strategic Factors Offer an Opportunity for Change

While cross-agency procurement initiatives have generated significant savings in recent years, we agree it is time to bring MTA procurement's function to the next level.



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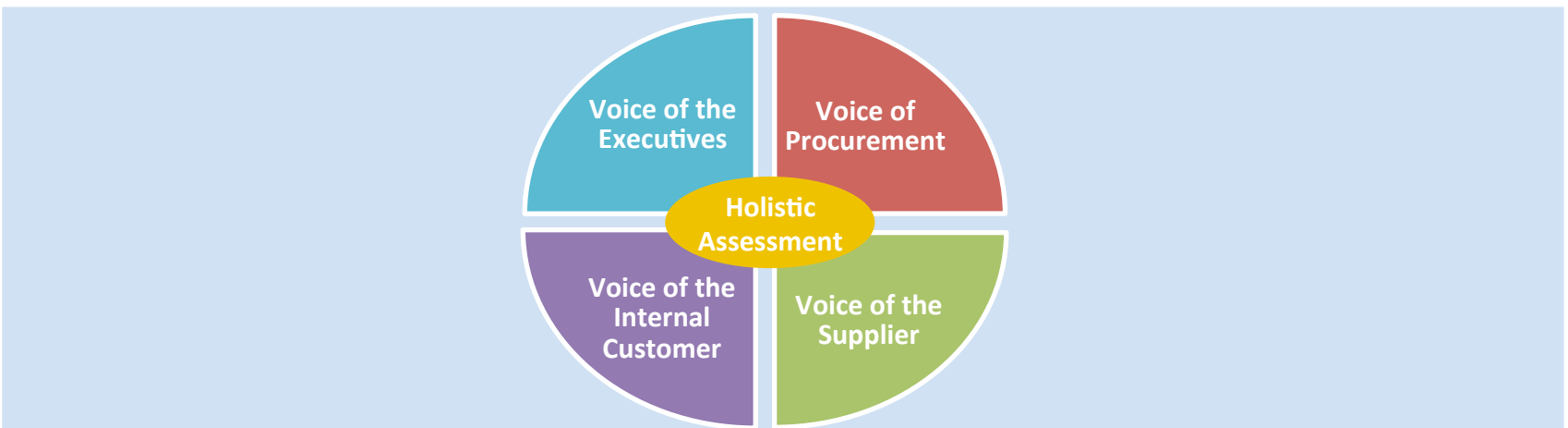
Project Objective

To assist the MTA with the assessment of the end-to-end procure-to-pay processes to:

- **Document current state processes**
- **Identify gaps** from leading practices and internal “pockets of excellence”
- **Define improvement opportunities and roadmap**
- **Provide recommendations for P2P technology** going forward



Who We Engaged



Management Interviews



56

Interviews were completed across Steering Committee, Governance Procurement Council, Core Team and Agency Liaison

Focus Groups



50

Focus Group sessions were conducted. Over

250 end users and procurement personnel participated in the all day workshops to capture pain points and the current state P2P process

PeopleSoft Walkthrough



15

PeopleSoft Walkthrough sessions were completed across agencies to understand current state functionality

Supplier Interview

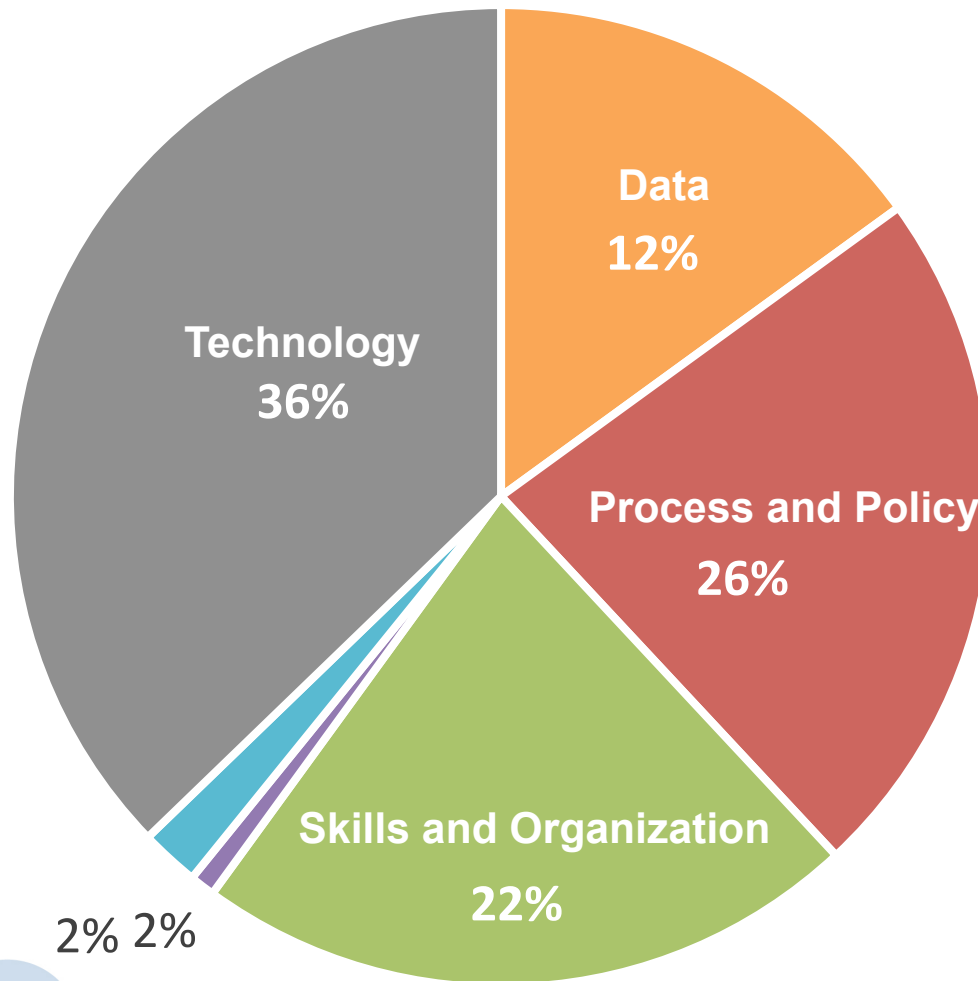


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Suppliers across different commodities were interviewed to capture supplier's point of view on MTA procurement

Key Issues

Categorization of 361 issues identified through the assessment revealed that while many issues are related to Technology, Data, Process and Policy and Skills and Organization were also key contributors to the overall P2P challenges



Dimension	Definition
Data	Quality of master data and controls utilized to drive P2P processes
Process and Policy	Activities related to requisitioning, sourcing, contracting, ordering, receiving, and paying for goods and services, as well as policies, procedures and controls in place to mitigate risks related to these activities.
Skills and Organization	Procurement competency improvement initiatives. Operating model/ organizational design, roles, and people that should be supporting the defined processes
Metrics and Measurement	Processes and targets to measure performance of operations, vendors and support groups to improve efficiency and effectiveness and influence compliance.
Governance	Mechanism for decision making within the procurement function across the MTA
Technology	Tools and applications that are used to enable, automate or optimize activities within each of the dimensions



■ Governance ■ Metrics and Measurement

Source: Issues captured during management interviews, focus groups and workshops; KPMG Analysis.

PeopleSoft Procurement Functionality Will Be Improved

Implementing additional functionality will help streamline the procurement process and improve spend control. Wave 1 will be part of the PS Upgrade, with Wave 2 evaluated for after go live.

Procurement Implementation	Wave 1	Wave 2	Key Benefits
ePro Improvements	✓		<ul style="list-style-type: none"> • “Win” for agency procurement • Streamline processes and reduce current pain points
Purchasing Improvements	✓		
Strategic Sourcing Module	✓		<ul style="list-style-type: none"> • “Big Win” for agency procurement • Listened to the voice of the customer (procurement) • Already own the licenses • Significant reduction in customizations
eSupplier Connection	✓		
“Marketplace” – Supplier Catalogs	✓		<ul style="list-style-type: none"> • Higher control and visibility to spend • User-friendly interface • Reduce procurement transactional work while increasing spend control
Requisition Tool		✓	<ul style="list-style-type: none"> • One stop shop for requesters • Higher control and visibility to spend • User-friendly interface
Supplier Contracts Module		✓	<ul style="list-style-type: none"> • Standardize contract process • Increase contract compliance • Increase speed

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Procurement Consolidation Objectives

- Analyze MTA **spend profile**, define **core/non-core categories**, and **uncover value opportunities**
- **Baseline** the current MTA HQ Procurement **competencies**, and help **design the future state procurement organization** with target competencies, to improve performance
- Develop and document a **Category Management Methodology** detailing new processes and templates tailored to the needs of the MTA HQ Procurement and codified in a playbook



Procurement Consolidation

Core & Non-Core Guiding Principles

Total spend from October 1, 2013 – September 30, 2014 is **\$7.76B**



Core
\$4.43B ¹

- 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
\$3.33B ^{1,2}

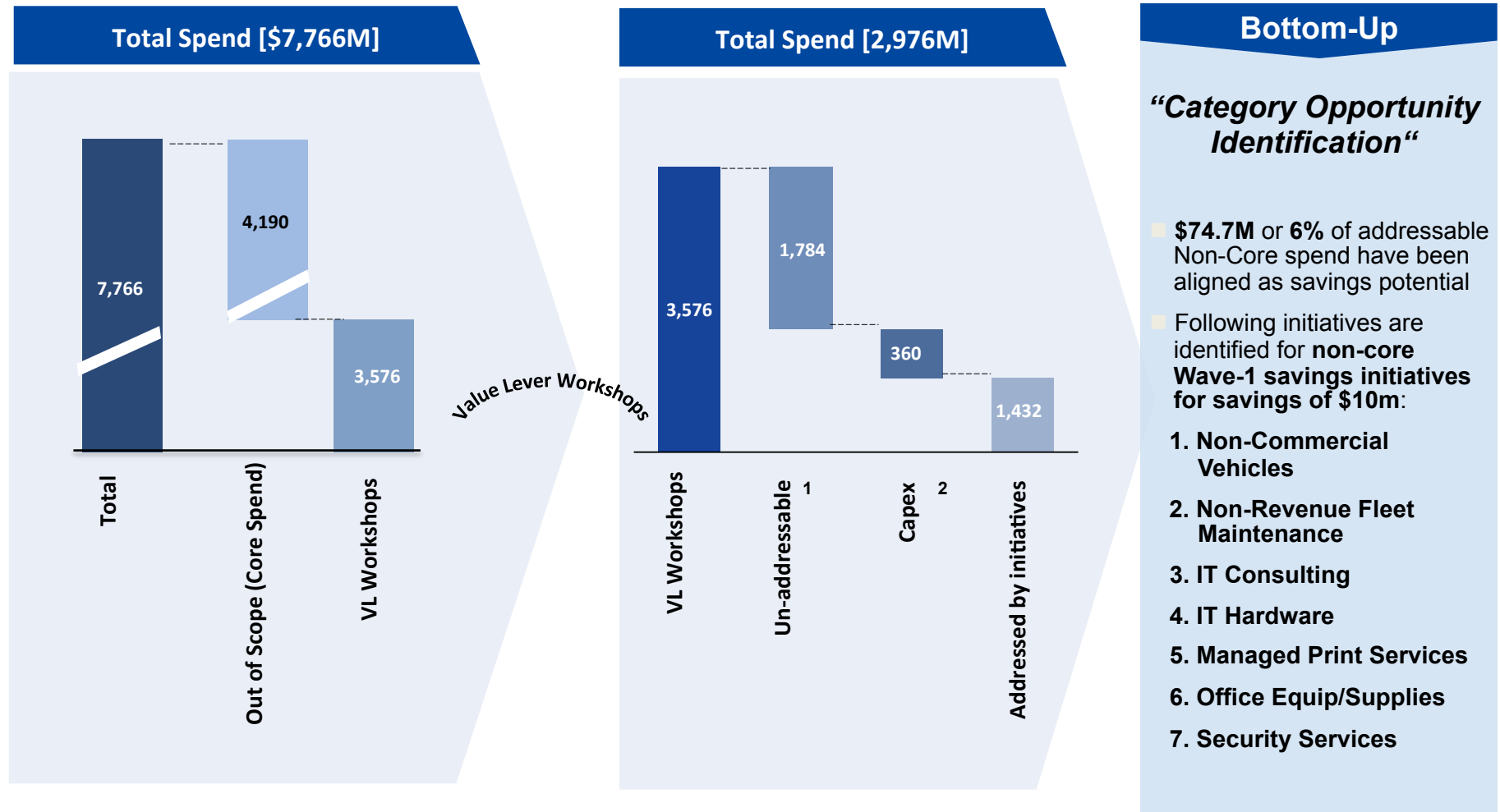
- Materials common across agencies and/or not directly affecting rolling stock
 - ☐ Healthcare
 - ☐ Utilities
 - ☐ IT & Telecom
 - ☐ MRO (Non-Technical)
 - ☐ Fuel (except Bus Fuel)



1. Actual spend from 10/1/13 -9/30/14
2. Includes \$600M claim benefits payments routed through treasury

Summary

\$3,576M were covered in the Value Lever Workshops leading to \$1,432M spend addressed in cost optimization initiatives.



1. Spend associated with preferred sources, suppliers with long-term contracts and recently sourced goods/services
2. Capex spend includes Engineering, Construction, Maintenance Services, Utilities etc. under MTAAG group

Next Steps: Spend Analysis, COI & Category Management

Near Term:

- Move forward with 7 non-core categories and strategically source to deliver savings of \$10.2 million
- Continue to identify non-core contracts in collaboration with operating agencies
- Extend non-core contracts in operating agencies where opportunities exist for all-agency sourcing activities
- Implement the new Procurement platform as part of 9.2 PeopleSoft Upgrade

