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REVISED
EXECUTIVE MANAGEMENT COMMITTEE
NOVEMBER 6, 2014

SUBJECT: STAFFING AND TRAINING REQUEST FOR THE VENDOR/CONTRACT MANAGEMENT DEPARTMENT

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

- A. Authorize the Chief Executive Officer to amend the FY15 budget to add 15 non-contract full-time equivalent (FTE) positions to eliminate consultants; convert four non-contract temporary/as-needed positions to full time; and add six contract FTE positions to reduce overtime costs;
- B. Amend the FY15 budget by \$350,000 to support additional training for cost/price analysis and negotiations, and consultant support to complete the Six Sigma streamlining process review; and
- C. Receive and File the status update of the FY15 Vendor/Contract Management Action Plan.

ISSUE

The successful delivery of the voter approved Measure R program is highly dependent on a strong Vendor/Contract Management (V/CM) team that utilizes industry-best practices to fulfill Metro's Mission as the agency responsible for the continuous improvement of an efficient and effective transportation system for Los Angeles County.

In December 2013, CEO Art Leahy requested a peer review of the V/CM business unit be conducted by an APTA panel of highly experienced and respected transit procurement professionals from around the country. The review suggests that a number of issues, including an appropriate staffing plan, streamlining of processes, staff training, and improved communication must be addressed over the next few months to strengthen the capabilities of this business unit. Not adequately responding to the issues identified in the APTA Peer Review Report could put Metro's ability to meet its basic transportation responsibilities at risk.

At its July 2014 Executive Management Committee meeting, staff presented the results of the APTA Peer Review and the FY15 V/CM Action Plan. The staffing and training

request is recommended to accelerate delivery of agency operations, programs, and Measure R capital projects, improve oversight of contract compliance, streamline processes and reduce costs.

DISCUSSION

Over the next 30 years, the recently reorganized Vendor/Contract Management business unit will be responsible for executing, administering, and managing over \$30 billion in contracts for major construction, highway, and planning projects, including public-private partnerships and acquisition services for Transit Bus and Rail Operations.

The procurement function and contract management is an important factor for Metro’s bottom line. When managed successfully, it can lower costs, improve safety, increase quality and efficiency, and enhance our system’s overall reputation – among our customers, elected officials, and the public.

The APTA Peer Review Report recommends that Executive Management review the staffing levels, skill assignments, and priorities within the V/CM unit. The initiation of the Measure R Megaprojects has consumed substantial staff resources with Metro’s most experienced procurement staff being assigned to these projects. The loss of 23 FTE positions as part of the reduction in workforce that occurred in FY10 is also a contributing factor to the challenges V/CM is facing in meeting the core transportation responsibilities for Metro. For example, in FY10, the V/CM Department had 66 Contract Administrators. Today that number of FTE’s has been reduced by 11, despite the fact that the number and value of active contracts has increased substantially to support the accelerated delivery of the Measure R program.

The table below illustrates the increase in workload over the last five years.

	FY10	FY14	% Growth in 5 Years
PO Type	# of PO’s	# of PO’s	# of PO’s
TOTALS	20,601	25,407	23%

For FY15 V/CM is responsible for \$1.9 billion in non-construction, \$1.0 billion in rail/bus vehicles, and \$2.6 billion in construction related active contracts.

Proposed V/CM Staffing

Project Management is not Contract Management. Successfully managing a contract extends well beyond the bid and award and often outlasts the performance of the contract. There is a natural tendency during the procurement process to allocate more time to awarding the contract than to managing it. The Project Manager is focused on the end game – outcomes, results, and deliverables. The “management and maintenance” of the contract is the responsibility of the Contract Administrator/Buyer.

Contract Administrators carryout a rigorous process to award a contract. The procurements can involve multiple steps and intricate process in order to plan the life of

an acquisition, create and distribute the solicitation, evaluate all proposals and negotiate the contract terms and price, and finally award the contract. What is not as well understood is the ongoing work that follows the award of a contract. This work includes ensuring compliance with contract terms and conditions, practicing effective communication and control, negotiating and managing contract change orders and modifications which could be as time consuming as awarding the original contract, adhering to production, quality assurance, packaging and delivery requirements, resolving claims and disputes, ensuring proper invoicing resulting in timely payment and ultimately resolving all matters related to contract closeout.

Without proper management throughout the lifecycle of a contract, a transit agency can expect to incur extensive staff and audit expenses to address and document contract modifications, change orders, performance issues, and unanticipated costs. This can be an expensive and lengthy lesson, especially when it occurs at the end of the contract cycle. So, the V/CM Department needs to re-focus our efforts on post-award management.

A. Eliminate Consultants and Convert Temporary Employees

The APTA Peer Review recommends and the FY15 V/CM Action Plan supports the elimination of consultants to support core functions such as contract administration, contract compliance, and claims assistance. Currently, there are 15 active consultant positions supporting the V/CM Department (9 non-construction, 5 construction, and 1 supply chain position) at an annual fee of more than \$1.5 million. Staff recommends converting these positions to FTE's consistent with the findings of the APTA Peer Review and consistent with the fact that the V/CM Department, until now, has never adequately addressed required staffing levels to support the Measure R Program. The work provided by consultants should be transitioned to full-time employees to maintain continuity and to prevent the risk of disruption for our customers.

Further, four temporary/as-needed positions, supporting DEOD and Material Planning, are recommended for conversion to FTEs. An analysis concludes that these positions have been used to chronically support ongoing operations over the last six years rather than for a short term, unplanned purpose. The as-needed positions perform duties such as labor compliance and SBE/DBE certifications. To improve productivity, efficiency, and be consistent with the APTA Peer Review findings, staff recommends conversion of these positions from temporary/as needed positions to FTEs.

The savings from the elimination of the consultant positions will fund the new FTE's. The financial impact section of this report provides more detail.

Attachment A details the proposed positions, job descriptions and when these positions are needed.

B. Reduce Overtime Costs and Increase Productivity

Overtime is required to provide 24/7 counter service support for operations at 11 Bus and 5 Rail Maintenance Facilities. While overtime hours are necessary to manage unplanned activities, an analysis of the overtime expended in the V/CM Supply Chain Unit reveals a chronic use of overtime for day-to-day activities. Six stock clerk contract positions are requested to create a relief day shift position to provide additional service to Bus Operations as well as reduce overtime. Divisions 7, 8, 9, 10, 15, and 18 have been identified as having the greatest need for assistance. These Divisions, on average, have an on hand inventory value of \$752,995, and issue materials and supplies in the amount of \$5.6 million annually per division. These transactions help to support and maintain a fleet size average of 232 coaches per division. The additional stock clerks would aid the storekeepers in the day-to-day activities of servicing Operations, allowing the storekeeper to concentrate on the administrative duties of managing a storeroom as well as working with Material Planning in optimizing the inventory. Furthermore, these clerks would be used to offset overtime at these locations.

In FY14, the average number of TCU protected stock clerk positions off per day was 18. Approval of these additional stock clerks would eliminate the overtime cost associated with this issue. The overtime expended in FY14 was \$1.2 million dollars. The annual expense for six new stock clerk contract positions is \$615,912. This includes salaries, fringe benefits, workers' comp, and allocated overhead. As illustrated in the table below, the savings from the reduction in overtime expenses will fund the six new stock clerk positions.

Figure 1: Historical Overtime Expenses

FY12 Actual	FY13 Actual	FY14 Actual	3 Year Actual Total	FY15 Budget
\$1,360,483	\$1,014,450	\$1,227,545	\$3,642,078	\$1,255,820

Figure 2: Six New Stock Clerk FTE Positions

Base Salary (\$51,688 x 6)	Fringe (\$50,984 x 6)	Total Annual Cost	3 Year Total	Annual Savings	Savings over 3 Years
\$310,128	\$305,904	\$615,912	\$1,847,736	\$639,908	\$1,919,724

Renewed Focus on Training to Increase Efficiency and Lower Costs

Managing the bidding and proposal process, contract preparation and execution, commercial risks of the transaction, and compliance with applicable laws and regulations requires that Metro have highly-qualified contract administrators and buyers. The APTA Peer Review and subsequent FY15 V/CM Action Plan supports the need for ongoing training and certifications for these individuals in such areas as acquisition and supply chain management, procurement and contract management, with a specific focus on cost/price analysis and contract negotiations. This is an investment in the agency's business expertise that will help ensure the procurement process benefits from current best practices, new sourcing opportunities, envision future needs, and assess and respond to changing market conditions. Well trained staff will also help Metro meet its commitment to taxpayers to deliver the Measure R Program in a timely and most efficient means possible.

Status Update on the FY15 V/CM Action Plan

Since the receipt of the preliminary findings of the APTA Peer Review in February 2014, staff has actively engaged in identifying and implementing improvements that are summarized as the FY15 V/CM Action Plan (see Attachment B). To date, eight of the 24 action items (33%) have been completed. Approval of the staff recommendations will address Action Items #3 and #8.

DETERMINATION OF SAFETY IMPACT

The transition of consultant support to Metro will have a neutral impact on safety.

FINANCIAL IMPACT

The funding for the six contract FTEs is available in the current budget through Cost Center 6350, Project #306002 and 300040 and produces an annual savings of \$639,908. Further, the current budget for the 15 consultant positions is \$1.5 million. The estimated cost of the 15 non-contract FTEs is \$3.0 million. Any cost savings from the focus on cost/price analysis and negotiations as well as actual cost savings realized from the reduction of overtime will cover the remaining costs of \$860,092, resulting in a cost-neutral impact in the next three years. To minimize the impact to the current year budget, the transition from Consultants and As-Needed to FTEs will be made over the next nine months.

IMPACT TO BUDGET

The source of funds are a combination of bus and rail operating funds to support bus and rail operations and capital funds to support capital projects.

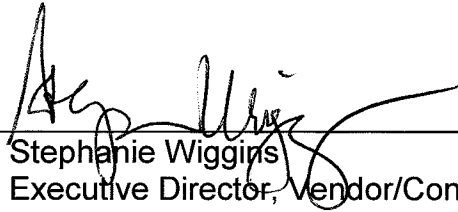
ALTERNATIVES CONSIDERED

The Board may decide not to authorize the transition to FTE's for the V/CM Department. This is not recommended since the impact of not staffing at appropriate levels include: the loss of procurement and agency knowledge and experience, heavy reliance on consultants, an inability to cross train in the most efficient manner, and an inability to provide ongoing, effective, and consistent services to the projects.

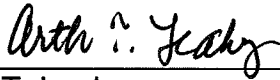
ATTACHMENTS

- A. List of Additional Staff for FY15 – Elimination of consultants and conversion of Temporary Employees
- B. V/CM FY15 Action Plan

Prepared by: Stephanie Wiggins, Executive Director, V/CM 213-922-1023



Stephanie Wiggins
Executive Director, Vendor/Contract Management



Arthur T. Leahy
Chief Executive Officer

ATTACHMENT A

# of Positions	Type	V/CM Dept	Position Title	Job Description (currently performed by consultant)	Required By
Construction/Capital Projects Support					
3	NC	Procurement	Contract Administrator	This position provides day-to-day support in acquisition planning, solicitation, contract negotiation, and monitors contract performance (contract administration) for the Capital Improvement Program, Crenshaw/LAX, and Environmental Support for Construction	March 2015
2	NC	Procurement	Claims Avoidance Specialist	This position assists in the management of construction project disputes. Participates in preparing claims for Metro and participates in settlement negotiations. Performs cost and schedule analysis demonstrating delay, disruption, acceleration, as well as performing damage and loss of productivity calculations, as-built schedule reconstruction, and issue and entitlement identification and analysis.	May 2015
Operations					
1	NC	Procurement	Material Planner	This position manages the receipt, storage, and distribution of non-inventory rail construction material.	March 2015
5	NC	Procurement	Contract Administrator	This position provides day to day contract administration in support of non-revenue fleet vehicle requirements for bus and rail operations; bus and rail fleet engineering services, non-inventory requisition backlog; rail repair/overhaul/mod program; general services; IT; TAP; risk management; finance department; communications; MASD; and facilities maintenance.	March 2015
Planning & Other Programs					
2	NC	Procurement	Contract Administrator	This position provides day to day contract administration in support of Highway Program, Countywide Planning, & Freeway Service Patrol.	March 2015
Administration					
2	NC	Policy Office	Contract Administrator	This position provides contract compliance support, monitors training requirements, identifies process improvements, and budget support	March 2015

ACTION PLAN

OBJECTIVE #1: Change Metro staff perceptions of the role & capabilities of the agency's procurement function.

✓ 1. Reorganize V/CM Business Unit to Report Directly to CEO
Reinforces the message to all Metro staff that the CEO regards the procurement function as critical to the successful delivery of Metro projects and services.

COMPLETED: FEBRUARY 2014

✓ 2. Implement a Continuing Education & Mentoring Program
A program to ensure that there is a formal method for the transfer of knowledge & skills from the senior V/CM staff to the newly hired V/CM staff.

COMPLETED: JUNE 2014

\$ In Progress 3. Review Staffing, Skill Sets, & Assignments of V/CM Dept
An analysis of resourcing requirements to meet the demands of the Agency will be completed. A recommended staffing plan will be prepared as part of this analysis.

TIMELINE: SHORT TERM

\$ In Progress 4. Consider Augmenting Legal Resources Dedicated to V/CM
Evaluate the resources required to support all phases of the procurement process. Then determine if addtl support can be provided by County Counsel or private counsel.

TIMELINE: SHORT TERM

In Progress 5. Add Acquisition Process as a Performance Objective for Execs
The goal is to stress the importance of accountability for all depts engaged in the acquisition process. Regular reporting on this occurs at the weekly CEO meeting.

TIMELINE: MID TERM

Not Yet Started 6. Develop & Implement a Succession Plan for V/CM
With particular emphasis on the Material Management Staff, a succession plan will be developed and implemented to promote transfer of knowledge.

TIMELINE: MID TERM


Not Yet Started 7. Update the Procurement Manual 
Conduct a review and inventory of internal resources, materials, and collateral to support updating the Procurement Manual.

TIMELINE: LONG TERM

\$ Not Yet Started 8. Provide Ongoing Functional & Technical Training for All Staff
V/CM to conduct regular training classes for V/CM staff as well as mandatory classes specifically targeted for every employee at Metro involved in the acquisition process.





TIMELINE: LONG TERM


Legend SHORT TERM = 90 DAYS, MID TERM = 6 MONTHS, LONG TERM = 1 YEAR

\$ = FY15 Budget Impact;  = Technology Based Improvement

VENDOR/CONTRACT MANAGEMENT (V/CM) ACTION PLAN

OBJECTIVE #2: Communicate, Communicate, Communicate. Improve the understanding of the procurement function throughout the agency.

- ✓ 9. Establish an Internal Board of Customers
 Improve communication with internal clients and address client issues in a timely manner.
COMPLETED: MARCH 2014
- ✓ 10. Implement Automatic Notification of Contract Expiration 
 Improve internal client satisfaction by providing advanced notification of pending expiration of contract terms. Reduce last minute requests to extend contracts.
COMPLETED: MARCH 2014
- \$ ✓ 11. Review Implementation & Communication Plan for CIMS
 The Plans now provide more detail regarding the inclusion of all staff involved in the acquisition process. CIMS presentations have been held w/ internal stakeholders.
COMPLETED: JUNE 2014
- In Progress 12. Develop a User Manual for Clients 
 Improve client satisfaction & reduce process cycle time by providing clear information on the role & responsibilities of internal clients in the acquisition process.
TIMELINE: SHORT TERM
- In Progress 13. Develop & Implement an Annual Procurement Plan 
 Project delivery schedules will be included w/annual budget submittal so that V/CM can determine the level of resources to procure goods & services in a timely manner.
TIMELINE: MID TERM
- In Progress 14. Develop & Implement a Vendor Performance Scorecard 
 Improves communication of performance to Project Mgrs & Vendors. Scorecard will emphasize DBE/SBE/DVBE participation & prompt payment activity.
TIMELINE: MID TERM
- In Progress 15. Include Procurement at the Initiation of Project Planning
 Project timelines will be developed with consideration for the time necessary for V/CM to conduct all its required steps. Completion is tied to the Six Sigma Review.
TIMELINE: LONG TERM
- Not Yet Started 16. Review Key Performance Indicators for V/CM
 Provides internal & external stakeholders an opportunity to comment on draft procurement procedures before they are finalized.
TIMELINE: LONG TERM

Legend SHORT TERM = 90 DAYS, MID TERM = 6 MONTHS, LONG TERM = 1 YEAR
 \$ = FY15 Budget Impact;  = Technology Based Improvement

VENDOR/CONTRACT MANAGEMENT (V/CM) ACTION PLAN

OBJECTIVE #3: Streamline procurement policies and procedures to make it more effective and easier for everyone to understand.



17. Implement a Request for Comments Process

Provides internal & external stakeholders an opportunity to comment on draft procurement procedures before they are finalized.

COMPLETED: MAY 2014



18. Implement On-Line Database of SBE/DBE Certified Firms 

Provides internal & external stakeholders web access to Metro certified SBE/DBE firms 24 hrs/day. The database contains more than 4,000 firms & is updated daily.

COMPLETED: JUNE 2014

In Progress

19. Construction Change Order (CCO) Streamlining Initiative
CCOs processed within 60 days of receipt of a fully defined scope of work from the Contractor – an improvement over the current cycle time of 3-9 months.

TIMELINE: SHORT TERM:

In Progress

20. Unsolicited Proposal Policy for Public-Private-Partnerships
Provides clarity to internal & external stakeholders of the process, promotes receipt of innovative ideas to serve Metro, & does not unduly limit fair & open competition.

TIMELINE: SHORT TERM



21. Implement Automated Contract Mgmt System- CIMS 

Automate contract solicitation, post award, and close out process to reduce process cycle time, ensure consistent application of rules & regulations, & track procurements.

COMPLETED: SEPTEMBER 2014

In Progress

22. Provide Full Suite of Boiler Plate Templates w/User Input 

Ensures consistency of application of rules and regulations in an efficient manner through CIMS.

TIMELINE: MID TERM

In Progress

23. Implement Vendor Portal – One Stop Service 

Provide automated access to solicitations, pre-qualification, & small business enterprise certification applications. Post self-service training videos.

TIMELINE: MID TERM



In Progress


24. Six Sigma Process Improvement Review

Internal & external stakeholders review processes from start to finish & recommend changes that reduce cycle time, reduce costs, & improve customer satisfaction.

TIMELINE: LONG TERM

Legend

SHORT TERM = 90 DAYS, MID TERM = 6 MONTHS, LONG TERM = 1 YEAR

\$ = FY15 Budget Impact;  = Technology Based Improvement

REPORT
OF THE
AMERICAN PUBLIC TRANSPORTATION ASSOCIATION
PEER REVIEW PANEL
FOR
Los Angeles County Metropolitan Transportation
Authority
Los Angeles, CA

March 2014



**A Service of the Safety Management (Peer Review) Program of the
American Public Transportation Association**

REPORT
OF THE
AMERICAN PUBLIC TRANSPORTATION ASSOCIATION
PEER REVIEW PANEL
ON
Vendor/ Contract Management
PROVIDED FOR
LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY

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Published by the
American Public Transportation Association
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I. INTRODUCTION

In December 2013, Mr. Arthur Leahy, Chief Executive Officer, Los Angeles County Metropolitan Transportation Authority (LACMTA) contacted the American Public Transportation Association (APTA) to request a peer review of the agency's Vendor and Contract Management functions.

Through discussions between APTA and LACMTA, it was determined the review would be conducted February 10 – 13, 2014.

A panel of industry peers was assembled that provided expertise in procurement, contracts, supply chain management and vendor relationships. The peer review panel consisted of the following individuals.

ROBERT BERGEN
Executive Vice President
MTA- New York City Transit
New York, NY

ADAM NICHOLAS
Assistant Vice President
Dallas Area Rapid Transit
Dallas, TX

HEATHER OBORA
Chief Procurement Officer
Washington Metropolitan Area
Transportation Authority
Washington, DC

MICHAEL SANDERS
Transit Administrator
Connecticut Department of
Transportation
Newington, CT

RICHARD WIECZOREK
Department Manager, Procurement
Bay Area Rapid Transit

FRANCES HOOPER
APTA
Facilitator to the Peer Review Panel
Washington, DC

The panel convened in Los Angeles on February 10, 2014. Panel coordination and logistical support was provided by APTA Staff Advisor Fran Hooper. Ms. Hooper also coordinated panel member input in the drafting of this peer review report. Ted Montoya and David Vila provided agency liaison support for LACMTA.

The panel began its peer review at LACMTA on Stephanie Wiggins's first day as the agency's new Executive Director of Vendor/Contact Management. Ms. Wiggins participated in the entire peer review process.

Methodology

The APTA Peer Review process is well established as a valuable resource to the public transit industry. Highly experienced and respected transit and subject matter professionals provide their time and support to address the scope required. The panel conducted this peer review through documentation review, and briefings and interviews with LACMTA staff.

Scope of Report

The findings and recommendations provided through this peer review are offered as an industry resource to assist the LACMTA in optimizing its procurement, contracts and supply chain management organization including its procedures, practices and systems, and its staffing strategy to meet the agency's operating and capital program requirements. The review included consideration of the significant growth that will occur in the agency's programs and services in the future.

In order to provide the fullest exposure possible for the review team, meetings and interviews were conducted with agency staff. In its review the panel focused particular attention to the following items:

- Organization design, structure and functions
- Staff leadership, capabilities and resource requirements
- CIS/IOS transition
- Procurement policies, strategies, and operating model effectiveness
- Supply chain service delivery
- Relationships with internal stakeholders

II. OBSERVATIONS AND RECOMMENDATIONS

OPENING COMMENTS

The review team recognizes Metro's mission as the agency responsible for the continuous improvement of an efficient and effective transportation system for Los Angeles County. In discussions with LACMTA staff it was unmistakable that the agency's mission has seen major growth recently with the approval of Measure R and if the additional local funding initiative currently being discussed is approved, that will enlarge the agency's mission even more. This level of growth, which few transit agencies have experienced in such a short period of time, provides both significant opportunities for the agency as well as potential challenges that need to be considered.

Procurement (acquisition) and materials management are essential functions in a public transit agency, and the proper and timely procurement of goods and services is vital to meeting the agency's core function of moving people safely, as well as supporting its capital development program. Proper procurement practices ensure fair and open competition and protect the agency from public criticism and litigation. An effective and efficient procurement organization is central to LACMTA's ability to keep its current services running smoothly and to support the required level of fleet availability, issues which are critical in maintaining the agency's public support. As one panel member put it, "a week without full service on the Red Line would create major damage to the agency's image". Such an event would not bode well for public support for additional local funding for public transportation in Los Angeles County. The Board of Directors' concern about how the agency appears to the public, which the staff mentioned, underscores the importance of the proper and timely procurement of goods and services by the agency.

The panel observed that there is a significant lack of respect for and understanding of the procurement function throughout the agency. In its discussions with procurement staff at all levels, the panel repeatedly heard that staff in other departments submit incomplete procurement packages and frequently managers do not review procurement packages before they are submitted. They fail to develop adequate and full statements of work, technical specifications, independent cost estimates and other documents that are necessary for the procurement staff to support their client's needs. This adds time to the procurement process as documents get passed back and forth for edits or completion of required documentation, and increases the level of frustration on both ends of the exchange. Another example that the panel heard regarding the lack of understanding is that project managers do not regularly or thoroughly respond to vendor evaluation forms, a survey that permits procurement staff to obtain data about vendor performance. This limits the ability of procurement staff to insure that agency suppliers provide expected quality of goods and services.

It was also clear that full understanding or appreciation of why those procurement documents are needed and the time required for procurement staff to do their job is not recognized by other agency staff. LACMTA procurement personnel want to support their clients but they indicated that many departments fail to include procurement staff in planning those