

# MTA Procurement Update

Presentation to the MTA Finance Committee  
September 22<sup>nd</sup>, 2014



# Agenda

- Current MTA Procurement
- Procurement Consolidation Initiative
- MTA 2013 Procurement Spend
- Savings Projections
- Timeline
- Critical Success Factors



# Current MTA Procurement

- Each of the MTA Agencies are supported by separate procurement groups that are responsible for strategically sourcing all material and service requirements to ensure that the specific critical needs of the Agency are satisfied
- While each procurement group operates somewhat independently, regularly scheduled “Procurement Council” meetings are attended by each of the Agencies’ Procurement Directors where agency procurement initiatives, best practices, supply chain management, legislative/policy and other programmatic and procurement related issues are addressed
- Over the past 18 years various forms of All-Agency/Joint Procurement initiatives have been employed with an eye towards leveraging economies of scale and savings across all the MTA agencies
- While many of these All-Agency/Joint Procurement initiatives have generated significant savings it is time to bring this strategy to the next level



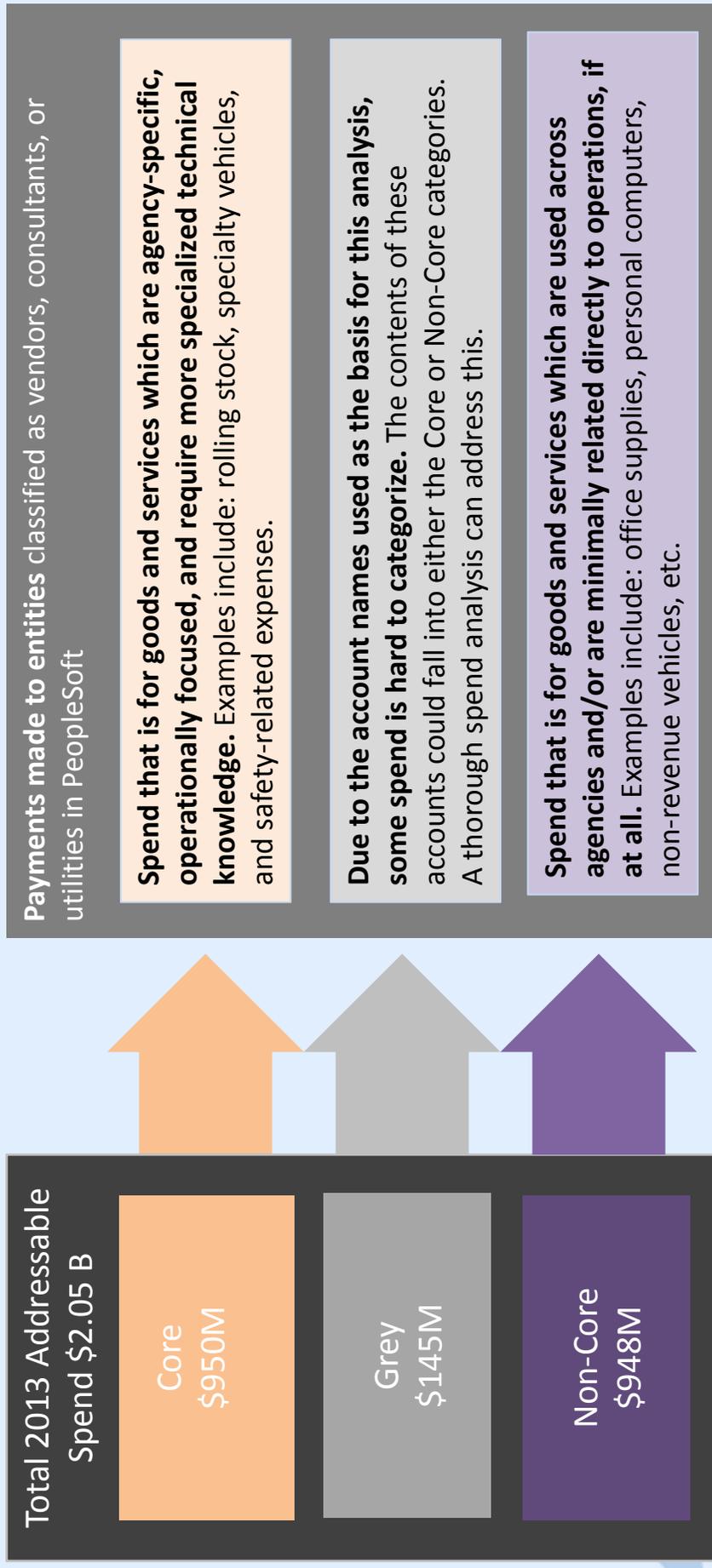
# Procurement Consolidation Initiative

- 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.



# Snapshot of MTA 2013 Procurement Spend

- The MTA paid \$6.49B to vendors, consultants, and utilities in 2013, \$2.05B of which is considered “addressable spend,” and is exclusive of:
  - \$2.6B paid by MTA Capital Construction
  - \$1.8B for expenditures such as debt and bond issuance costs, workers compensation, and public liability related payments



Source: 2013 accounts payable data provided by the BSC through PeopleSoft

# Savings Projections

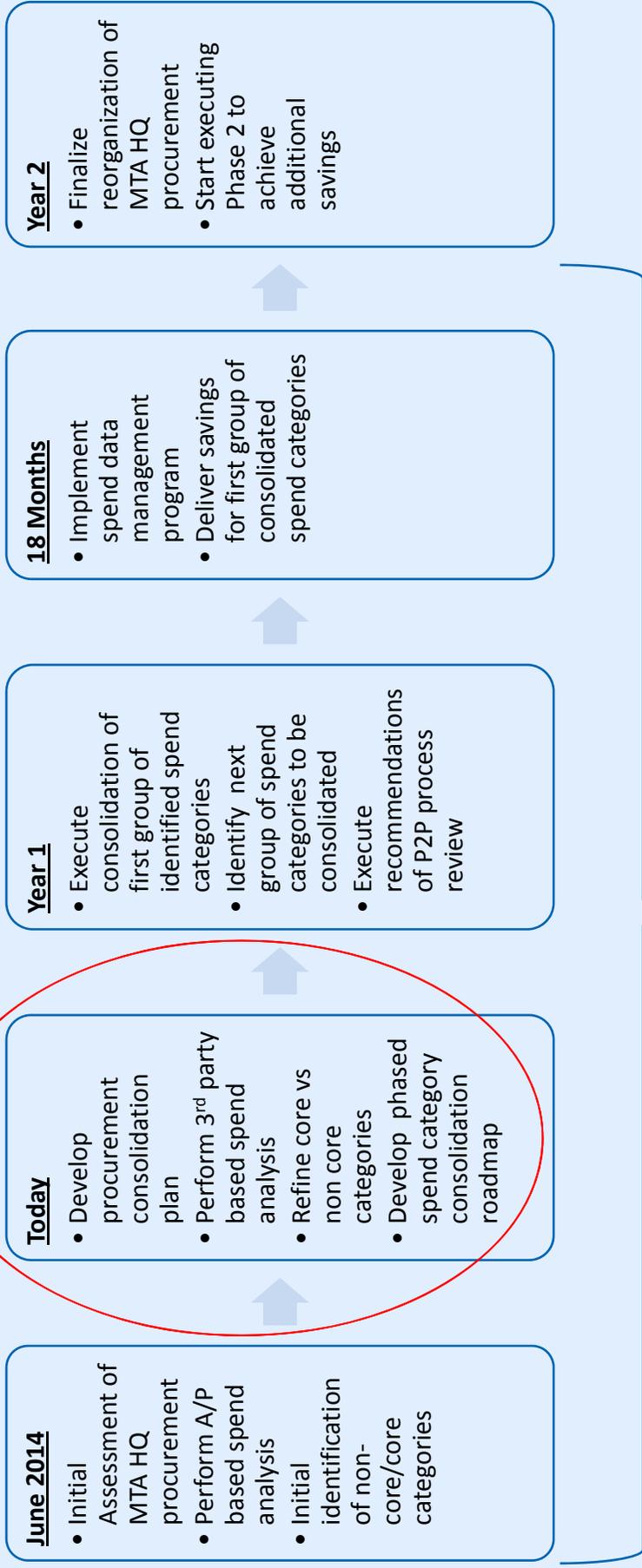
- An internal preliminary savings analysis was conducted based on accounts payable data downloaded from PeopleSoft in order to identify:
  - Addressable spend , i.e., spend that is likely to go through the procurement process
  - Spend for “non-core,” non-specialized goods and services used by multiple agencies
- Based on this initial analysis, over the MTA’s 4-year Financial Plan, there is a potential savings of \$80 million
  - Of the \$948M related to payments for “non-core goods,” there is a potential to realize \$19.8 million in Phase 1 recurring annual savings **through the implementation of a center led procurement function**
- In order to identify and realize these savings, we require readily available procurement based spend data which will allow us to baseline, monitor, and track spending and compliance.

## *Next Steps Are Underway To Help Reach These Savings Goals*

- The procurement groups are currently collaborating to further refine core and non-core categories and to develop a phased consolidation approach
- A 3rd party spend analysis utilizing procurement based logic will be performed



# Estimated Timeline of Phase 1 Procurement Consolidation



Phase 1



# Summary

- **Critical Success Factors**
  - Early successes; demonstrated savings
  - Meeting the needs of the agencies
  - Clear communications while listening to agency feedback
- **Top Risks**
  - Change overload
  - Inability to measure our progress
- **Role of MTA's Leadership**
  - Executive advocacy; being proactive in communicating support and commitment
  - Allocating necessary personnel
  - Encouraging an all agency focus

