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/Join 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/Join Procurement initiatives have generated significant savings it is time to bring this strategy to the next level.
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

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**Total 2013 Addressable Spend $2.05B**

- **Core**
  - $950M

- **Grey**
  - $145M

- **Non-Core**
  - $948M

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**Payments made to entities** classified as vendors, consultants, or utilities in PeopleSoft

- **Spend that is for goods and services which are agency-specific, operationally focused, and require more specialized technical knowledge.** Examples include: rolling stock, specialty vehicles, and safety-related expenses.

- **Due to the account names used as the basis for this analysis, some spend is hard to categorize.** The contents of these accounts could fall into either the Core or Non-Core categories. A thorough spend analysis can address this.

- **Spend that is for goods and services which are used across agencies and/or are minimally related directly to operations, if at all.** Examples include: office supplies, personal computers, non-revenue vehicles, etc.

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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

June 2014
- Initial Assessment of MTA HQ procurement
- Perform A/P based spend analysis
- Initial identification of non-core/core categories

Today
- Develop procurement consolidation plan
- Perform 3rd party based spend analysis
- Refine core vs. non-core categories
- Develop phased spend category consolidation roadmap

Year 1
- Execute consolidation of first group of identified spend categories
- Identify next group of spend categories to be consolidated
- Execute recommendations of P2P process review

18 Months
- Implement spend data management program
- Deliver savings for first group of consolidated spend categories
- Execute recommendations of P2P process review

Year 2
- Finalize reorganization of MTA HQ procurement
- Start executing Phase 2 to achieve additional savings
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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