

**Metro**Los Angeles County
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metro.net**EXECUTIVE MANAGEMENT COMMITTEE
NOVEMBER 21, 2013****SUBJECT: PHASE 2: TRANSITION OF TAP SERVICE CENTER FUNCTIONS FROM XEROX TO METRO IN-HOUSE****ACTION: APPROVE THE PHASE 2 ADDITION OF 18 FTES AND \$600,000 TO ADOPTED FY14 BUDGET TO COMPLY WITH BINDING ARBITRATION AGREEMENT****RECOMMENDATION**

Authorize the Chief Executive Officer to amend the FY14 budget to add 18 Full Time Employees (FTEs) and \$600,000 in order to execute Phase 2 of transitioning the TAP Service Center functions from Xerox State and Local Solutions (formerly Affiliated Computer Services [ACS]) in-house to Metro.

ISSUE

The Transportation Communications Union (TCU) filed a Grievance against Metro on the basis that certain TAP Service Center work done by Metro's contractor Xerox belonged contractually to the TCU. An arbitrator ruled in favor of the TCU and ordered Metro to begin transitioning work from Xerox to Metro to meet the terms of the arbitration.

The Board already approved Phase 1 of the transition in July 2013, which brought two TAP Service Center areas in-house that are contracted by Metro with Xerox. These two areas include the Call Center and Reduced Fare Processing work, where Metro staff from the TCU will assume responsibilities performed by contracted Xerox staff.

After further analysis, Phase 2 Transition areas have been identified and 18 additional full-time employees (FTEs) and \$600,000 additional start-up budget authorization by the Board is requested to fulfill the next phase of the binding arbitration agreement.

Cost Neutral

At a minimum, this transition will be cost-neutral and may actually result in savings after the first year, but with substantial performance improvements that ultimately result in enhanced customer service. Reduced call wait times, faster refund processing, faster

response times and in-house oversight capabilities will combine for an improved customer experience.

DISCUSSION

Current and Additional Areas Identified for Transition

In post-arbitration discussions to date, TCU management and Metro staff have worked together to bring Phase 1 functions (TAP Call Center and Reduced Fare Processing) in-house to Metro. Now that preparations are nearing completion for Phase 1, arbitration requires that remaining work belonging to TCU also be brought in-house. An independent contractor, Lumenor Consulting Services has assessed the final areas and based on analyses of types of work performed, the remaining areas (Phase 2) to be brought in-house include vendor card distribution and fulfillment of bulk-purchased Metro product through the Metro Stockroom and Metro Mail, and TAP A/B (Corporate Programs) order processing. Stockroom functions would include third party vendor and Customer Center card ordering and delivery or mailing, and fulfillment of bulk, pre-loaded Metro product purchases for both recurring and special requests. TAP A/B includes receiving and ordering new and replacement cards for these employer programs.

A separate TAP Regional Management unit will also be brought in-house from Xerox that will consist of non-contract professionals who will be responsible for financial activities including vendor sales analysis, vendor and customer adjustments, escalated complaint investigation, special programs support including college pass programs (I-TAP), and additional back office support and functions for TAP A/B program.

Additional Areas Impacted

In the area of Information Technology Services (ITS), the networking, telecommunications and especially the security infrastructure are heavily impacted. Expansion of the call center and reduced fare environments, and voice and data processing functions impact networking and telecommunications infrastructure. The TAP program requires PCI (Payment Card Industry) compliance for the credit/debit card processing that is part of the TAP system. This requires Metro to build a PCI-secure environment that currently does not exist, which heavily impacts the security infrastructure. ITS Security does not have adequate staff to absorb the design and maintenance support for these additional functions; consequently staff requests two FTE positions be added to the ITS department to support these new responsibilities.

Another area that will continue to support regional TAP operation activities is Finance. In this area, there are currently four clerical positions that will continue to support TAP once the work is brought in-house.

Methodology

Lumenor Consulting Group, an expert transit systems and transition-consulting firm, was contracted to assist in the transition planning and implementation. Lumenor performed a business analysis and identified staffing levels, technology and space requirements needed to convert the Xerox work to Metro. The business process reviews were based on a combination of document reviews and interviews with Xerox, Metro and TAP staff.

Staffing Analysis

The staffing analysis for the final areas is based on the number of employees performing these remaining activities at Xerox today, but in addition, recognizes that efficiencies can be achieved by merging certain activities into existing Metro Departments, including Finance and TAP Operations/Local Programming.

Stockroom

The work to be transitioned to the Metro Stockroom is currently performed by approximately 2.5 Xerox employees combined with support of a Xerox subcontractor. With the transition to Metro, 4 employees will be needed based on anticipated card volumes. The average cost including benefits for this Metro/TCU TAP Customer Service Agent is \$24.14/hour (\$81,251/year with benefits) (see Figure 1).

A-TAP/B-TAP Program Fulfillment Group

The current work at Xerox is performed by 3 dedicated employees plus additional staff as needed during peak time periods. Based on workload, 5 new Metro/TCU Program Agents will be needed for this function. The average cost is comparable to an existing TAP Customer Service Agent at \$24.14/hour (\$81,251/year with benefits). It is also recommended that one of the overall FTEs be designated as a "Lead," with some minimal oversight duties. The hourly base wage of \$26.14/hour (\$87,982/year with benefits) is the average wage for a Lead (see Figure 1). One manager will be needed to oversee this group totaling 5 FTEs. The average salary for the new TAP A/B Program Manager should be comparable to the current TAP Communications Manager at \$80,000 annually (\$119,680/year with benefits) (see Figure 1).

Financial/Clearing/Settlement

The current work at Xerox for the above tasks is done by 14 upper-level professionals. It is estimated that 6 FTEs will be needed for this Xerox work since efficiencies are anticipated as these functions are absorbed into TAP and Local Programming. The average cost for these positions is \$80,000 annually, (\$119,680 with benefits) (see Figure 1).

ITS Infrastructure and Information Security

The current work at Xerox for information technology is supported by four IT staff. For PCI compliance reasons, a new network separate from the main Metro network is being designed to separate the TAP and non-TAP work areas. This is a new area that requires specialized support and cannot be absorbed by existing Metro staff due to current resource constraints. It is estimated that 2 FTEs are required to support this new area. The combined average cost including benefits for these two Metro professionals is \$170,000, (\$255,000 with benefits) (see Figure 1).

Figure 1:

Phase 1 (COMPLETED) FTEs: Call Center and Reduced Fare Applications				\$2,905,088
Phase 2 FTEs: STOCKROOM, A&B TAP, Regional TAP Mgmt.	# of FTEs	Avg. Wage	Avg. Wage/ Year With Benefits	Total Cost/Year
TAP Customer Service Agents	4	\$24.14/hour ^A	\$81,251	\$325,003
TAP A& B Program Agents	4	\$24.14/hour ^A	81,251	325,003
TAP A& B Program Lead	1	\$26.14/hour ^A	87,982	87,982
TAP A& B Program Manager	1	\$80,000/year ^A	119,680	119,680
TAP Financial/Clearing/Settlement	6	\$80,000/year ^A	119,680	718,080
ITS Supervising Engineer	1	\$90,000/year ^A	134,640	134,640
ITS Information Security Engineer	1	\$80,000/year ^A	119,680	119,680
Phase 2 FTEs Total	18			\$1,830,069
Phase 3 (UNDER EVALUATION) - Website Services Transition and New Software				TBD
Estimate for Future Contracted Services Less Services Brought In-House (Card Initialization & Personalization, Vendor Network Support, Server/System Hosting)				\$2,350,000
Recurring Annual Costs (FTEs+Future Contracted Services)				\$7,085,147
Xerox Contract Amount (with current updated change notices)				\$8,084,474
Annual Costs Savings After First Year of Transition				\$999,327

^A Wages based on Metro Human Resources records.

Phase 1: One-Time Transition Costs (COMPLETED)	\$1,000,000
Phase 2 (hardware, software, licenses, technology, furniture, office reconfiguration, etc.)	
General Services	\$100,000
IT Services	\$500,000
Phase 2: One-Time Transition Costs	\$600,000
Total One-Time Costs (Phase 1 & 2)	\$1,600,000

The approximate \$1.0 million in projected annual costs savings does not include ongoing costs for website operation and administration nor software maintenance once these systems are acquired.

DETERMINATION OF SAFETY IMPACT

Approval of this item will not impact the safety of Metro's customers or employees.

FINANCIAL IMPACT

The cost for the Phase 2 additional FTEs is estimated to be \$1,830,069 and the one-time infrastructure cost is \$600,000. The source of funds will be a combination of Prop C 40

and operating revenues. Future-year costs for these additional FTEs will be budgeted by the respective cost center managers in future years.

During this transition period, both the Xerox contract will remain in effect, and the costs of the additional FTEs will need to be expended. After the transition is complete and the Xerox contract has concluded, staff anticipates cost savings on future contracted regional customer services.

Impact to Budget

Funding for the 18 FTEs shall be added to the FY14 budget, under Project 300016, for the following departments:

- Communications
- TAP/Local Programming
- Systems Architecture & Technical Integration
- ITS Admin (Information Security)

The one-time Phase 2 infrastructure costs of \$600,000, under Project 300016, for the following departments:

One-time Infrastructure funding:

Building Services	\$100,000
Information Technology Services	\$500,000

ALTERNATIVES CONSIDERED

The Board was informed in closed session in February 2013 that Metro was ordered to transition TAP Service Center work to Metro as a result of a legally binding arbitration decision. Therefore, transition is mandatory and no alternative was considered in transitioning the work.

NEXT STEPS

With Board approval of the additional 18 FTE's, staff will move forward in the recruitment and training processes. Transition of equipment, technology and workstations will occur over the next few months. Staff has requested Lumenor to complete Requests for Proposals for 4 Xerox Functions that will be sent out for bid. These functions include Card Initialization and Personalization; third party vendor CPOS installation and support; Server/System Hosting; and Web support. Staff will continue to work with TCU management and County Counsel to comply with the arbitration ruling and will return to the Board to report with an update on Phase 3: Website and web software transition.

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