

**Metro**Los Angeles County
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Los Angeles, CA 90012-2952213.922.2000 Tel
metro.net**EXECUTIVE MANAGEMENT COMMITTEE
APRIL 17, 2014****SUBJECT: BINDING ARBITRATION - TRANSITION OF TAP SERVICE CENTER
FUNCTIONS FROM XEROX TO METRO****ACTION: APPROVE PHASE 3A ADDITION OF 6 FTES TO ADOPTED FY14
BUDGET TO COMPLY WITH BINDING ARBITRATION AGREEMENT****RECOMMENDATION**

Authorize the Chief Executive Officer to amend the FY14 budget to add 6 Full-time Employees (FTEs) in order to bring Phase 3A TAP Service Center functions from Xerox State and Local Solutions (formerly Affiliated Computer Services [ACS]) in-house to Metro to comply with the binding Arbitration agreement.

ISSUE

The Transportation Communications Union (TCU) filed a Grievance against Metro on the basis that certain TAP Service Center work performed by Metro's contractor Xerox belonged contractually to the TCU. In February 2013, an arbitrator ruled in favor of the TCU and ordered Metro to transition work from Xerox to Metro to meet the terms of the arbitration. Plans began to identify work that needed to be brought in-house. Phase 1, approved by the Board in July 2013, included the Regional TAP Call Center and Reduced Fare Processing areas of the TAP Service Center. The Board approved Phase 2 in November 2013. This Phase included Stockroom Inventory Oversight, A-TAP/B-TAP (Employer Annual Pass Programs) and Regional Financial/Accounting & Management. Metro must now bring Phase 3A Transition areas in-house, including System Programming Support, Budgeting/Accounting Support and Regional Transition Programs Oversight. TAP will return to the Board after transition is underway with Transition Phase 3B to notify the Board of any remaining work that needs to be brought in-house.

DISCUSSION**Phases 1 and 2 Transition Progress**

Progress in Transition Phases 1 and 2 to date has advanced at a steady pace. Office space was identified, work stations were built, furniture and office equipment were ordered, licenses for software and programs were procured, technology and databases were secured, new job descriptions were created, training programs were compiled,

positions are being filled and classes have been launched. Employees have begun to phase in the work that was formerly done by Xerox. Transportation Communications Union (TCU) management is working with Metro staff to successfully implement transition work that impacts at least 11 different departments.

Now that these various functions (Phase 1 and 2) are being implemented, further progress toward full transition requires that additional work be brought in-house. Phase 3A addresses current functions that have been identified for transition and Phase 3B will provide an update once transition is underway to identify any remaining work that may be required. An independent contractor, Lumenor Consulting Services has assessed these areas and has made recommendations for 6 additional staff.

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 Xerox work to Metro. The business process reviews were based on a combination of document reviews and interviews with Xerox, Metro and TAP staff. The staffing analysis was based on documentation and analysis of tasks, work volumes and service levels. Lumenor calculated the annual hourly workload to be performed. The total hourly workload was determined from the sum of average times taken to complete all tasks required by the position. The number of FTEs needed to transition work to Metro/TCU was calculated by dividing the total workload by the average number of annual hours a TCU employee spends at work. Management FTEs were determined by a review of workload and interviews with Xerox, Metro and TAP Program management.

Database Management and Enterprise Content Management System

Two professionals are required to redesign Xerox's current custom system that holds all TAP customer information. This system integrates with Nextfare, the database that houses all TAP card information and Hummingbird, the database used for TAP reporting. The two professionals will build and maintain the complex TAP Content Management System that integrates data for numerous customer and internal processes, including web orders, call center orders, employer annual pass orders, card initialization, reduced fare personalization and distribution to customers and vendors. These professionals will be non-contract positions at salary grade H1K with an average annual base salary of \$82,000/year each (\$122,672/year each with benefits). See Figure 1 below.

TAP and Finance

An identified need crucial to efficient operations is a finance unit. Based on analysis of the finance team that currently operates at Xerox, Lumenor recommends adding three professionals for regional oversight. These professionals will handle financial management, clearing and adjustments, including monthly reconciliation for 11 regional agencies. By the end of 2015, the number that comprises Regional TAP is expected to grow to 25 agencies. The professionals will be in non-contract positions with a pay grade of H1K at an average annual base salary of \$82,000/year (\$122,672/year with benefits). See Figure 1 below.

Regional Transitioned Programs Oversight

Programs oversight is another need identified for success of transition and ongoing operations. One TAP professional is needed to oversee integrated operations among the many new areas that have been made functional during the transition. This professional will oversee TAP systems integrity between multiple departments, including Customer Communications, Customer Relations, Reduced Fare Processing, Metro Commute Services, Information Technology Services, Human Resources, Labor Relations, TAP Program Office, Local Programming, Finance/Accounting and Building Services to identify and resolve issues in new units that have been formed, facilitate process streamlining between departments and seek solutions for any evolving problems. This position will be an H1K with expected average annual base salary of \$82,000/year (\$122,672/year with benefits). See Figure 1 below.

Remaining Areas to be Contracted Out

Phase 3A also includes provisions for TAP Service Center functions that are not practical to take in-house due to technical limitations and the large scale of operations that are required. Staff is proceeding with a Request for Proposals (RFP) for third party vendor services, including device installation & maintenance and training of vendors for the Compact Point of Sale (CPOS) devices that load Regional TAP fare products. It is not practical to take these services in-house because of the highly technical and specialized nature of the work. Technicians are dispatched to set up the hard wiring, connection processes and testing for the CPOS devices and to maintain a working inventory. These tasks are highly specialized and lengthy technical training would be required in order for any Metro staff to perform the work. TAP will return to the Board with a proposed cost for this contract once it is obtained.

In addition, staff is preparing an RFP for the Personalization and Initialization of TAP cards for the Regional program. This process is too large and cost prohibitive to take in house at this time, as millions of cards are required to be produced by high-speed equipment that Metro does not possess nor have space to house. TAP will return to the Board with a proposed cost for this contract and for the Third Party Vendor Services contract once pricing is obtained.

Phase 3A's plans also include a 12-month extension of the Xerox Contract with a greatly reduced scope of services to cover only the continuation (and eventual phase-out) of Server/System Hosting and Xerox's Content Management System that must be redesigned for Metro. TAP will return to the Board for approval of funding this contract extension once pricing is obtained.

Figure 1: Transition Costs

1	Phase 1 (In Progress) 38 FTEs FTEs: Call Center and Reduced Fare Application Processing			\$3,191,317	
2	Phase 2 (in Progress) 18 FTEs FTEs: Stockroom, Employer Annual Pass Programs, Regional Accounting Team			\$1,830,069	
3	Phase 3A FTEs: TAP Systems, Finance, Regional Transitioned Programs Oversight	FTEs	Avg. Wage/year ^A	Avg. Wage/Year With Benefits ^A	Total Cost/Year
4	TAP Systems Professionals	2	\$82,000	\$122,672	\$245,344
5	Finance Professionals	3	\$82,000	\$122,672	\$368,016
6	TAP Program Oversight Professional	1	\$82,000	\$122,672	\$122,672
7	Phase 3A TOTAL FTEs	6			\$736,032
8	Estimate for Future Contracted Services (Card Initialization & Personalization, Third Party Vendor Network Services)			\$2,350,000	
9	Xerox Contract Amount (Expiring June 2014)			\$8,134,474	
10	Future Recurring TAP Annual Costs (FTEs + Estimated Future Contracted Services)			\$8,107,418	
11	Annual Cost Savings After Transition			\$27,056	

^A Wages based on Metro Human Resources records.

12	One-Time Transition Costs			
13	Phase 1: Hardware, software, technology, furniture, office build-out and equipment)			\$1,000,000
14	Phase 2: Additional hardware, software, technology, furniture, office build-out and equipment			\$600,000
15	Phase 3: Xerox Contract Modification for phase-out of Server/System Hosting & Database Support			TBD
16	Total One-Time Costs (Phase 1, 2 & 3)			TBD

DETERMINATION OF SAFETY IMPACT

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

FINANCIAL IMPACT

Impact to Budget: Cost Neutral

Because of cost savings on future contracted regional customer services, transition of the TAP Service Center to Metro is expected to be cost neutral. Expectations are that service and the customer experience will improve.

Amended Earlier Staffing Cost

The estimated salary reported for TAP Customer Service Agents (CSAs) and Information Agents (CIAs) that was reported in the March 2013 Phase 1 Board Report needed to be revised, as a result of an evaluation by Human Resources that found TAP-designated CSAs and CIAs must have a higher level of knowledge and training than existing Metro CSAs and CIAs. In order to successfully recruit existing TCU members into those positions, the pay scale was increased an average of \$2/hour for the 32 TCU TAP FTEs and an average of \$4/hour for the four TAP leads in Phase 1 only. The two Manager

salaries in Phase 1 were not affected. The difference in Phase 1 total salaries was \$286,229. The revised cost is reflected in the Phase 1 Total in Figure 2, above.

Funding for FTEs comes from fare revenue and Prop C 40% to the following cost centers:

Local Programming

TAP

Communications (Pay adjustment for Phase 1)

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 that belonged to the TCU.

NEXT STEPS

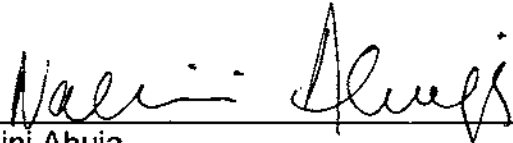
With Board approval of the additional 6 FTE's, staff will move forward in the recruitment and training processes for Phase 3A. Transition of equipment, technology and workstations will occur over the next few months. Lumenor is completing two Requests for Proposals for Third Party Vendor Services and TAP Card Initialization & Personalization. A Scope of Work is being prepared for an extension of the Xerox contract to cover Server/System Hosting and Database Support while Metro converts proprietary software and the Content Management System customized by Xerox. Staff will continue to work with TCU management and County Counsel to comply with the arbitration ruling and will return to the Board for the Phase 3B report and an update when transition is well underway.

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