

AlixPartners



MTA Transformation Plan

June 30, 2019

The MTA and AlixPartners have created this Transformation Plan to respond to NY State's mandate to produce a reorganization plan by June 30, 2019

- The New York State Legislature directed the MTA to develop a personnel and reorganization plan by June 30, 2019 (under Section 1279-e of the New York Public Authorities Law, the "Transformation Plan"). Section 1279-e also requires that the plan be approved by the board no later than July 30, 2019
- The MTA and AlixPartners have prepared this Transformation Plan which covers recommendations for MTA-wide reorganization activities, improvements to business processes, and other cost reduction opportunities
- AlixPartners conducted this assessment through a variety of methods (see page 36) across common support functions such as Budget & Accounting, Construction, Human Resources, Information Technology, Procurement, Legal, etc.
- To support the Transformation Plan findings and recommendations, AlixPartners interviewed more than 100 MTA employees representing all Agencies and functions, including leadership from all areas of the enterprise
- In addition, AlixPartners reviewed select opportunities that could be related to the consolidation effort in order to identify additional opportunities; these include operations and maintenance activities within the Agencies as well as select sourcing, process improvement or other opportunities
- This assessment of the MTA, conducted over the course of 12 weeks prior to the June 30 deadline, was focused and limited in scope, is not necessarily exhaustive and does not represent all of the cost savings opportunities within the MTA
- The MTA will require comprehensive and detailed opportunity assessment and implementation planning if it wants to activate this Transformation Plan and achieve the desired benefits
- To achieve the cost savings opportunities identified, based on the size and scope of the MTA, the Transformation Plan may require the MTA to seek third party implementation support such as initiative planning and design, project management, benefits tracking and other services

The MTA seeks to fundamentally change itself via a transformation, in as short a period of time as possible, to set the stage for near-term and on-going performance improvements

This Transformation Plan seeks to answer a set of critical questions:

- **Why:** The MTA seeks to significantly improve service levels across the network, which will require a sustainable improvement in business performance and cost reduction
- **What:** In order to accomplish this goal, the MTA and the Board must transform the ways it does business to become more efficient and effective; this transformation will be challenging to implement due to size and complexity of the MTA in conjunction with certain constraints (see page 27)
- **How:** This transformational effort relies on six significant changes including:
 1. Refocusing Agency responsibilities on safety, operations and maintenance; consider merger of all Bus operations and future review of separating Subway and Bus
 2. Centralization of Construction & Development function across Agencies and across the lifecycle of capital projects
 3. Creation of new central Engineering function to set standards ensuring quality and sustainability of infrastructure
 4. Creation of new central Customer Communication function to create clear, high quality, and consistent customer engagement across the MTA
 5. Establish uniform operating standards and design and optimize MTA-wide transit network across entire system and region, rather than agency-by-agency
 6. Centralization of all operating support functions, focusing Agencies on service delivery
- **Who:** The MTA and the Board will need to recruit a number of leaders in key functional areas to help execute this transformation, including a Managing Director/Chief Operating Officer, a Chief Engineering Officer, and a Chief Transformation Officer
- **When:** The majority of the transformation effort should be front-end loaded in the initial 6-9 months with some aspects completed over an additional 18-24 months

The MTA's transformation seeks to change the fundamental ways in which the Agencies do business in order to drive improved service levels for the customer, process efficiencies and cost reductions

The MTA is inefficient and complex, which creates an urgent need for a transformation of business processes that could be used as a platform to improve service

Observed Structure and Processes

- Partial consolidations have created additional layers of complexity in functions like Procurement
- Enterprise Resource System is used by all Agencies, but implementation, uses and processes vary widely
- Common functions like HR and Procurement are split between the MTA and Agencies, creating duplication and redundancy
- Policies limit the autonomy of Agencies often needed to maintain consistently high operational performance levels
- Most of the MTA's 74,000+ employees are working under collective bargaining agreements or Civil Service rules

Organizational and Process Complexity

- Effectiveness and efficiency may be reduced by:
 - Cumbersome processes due to legacy practices and lack of standardization across the different Agencies
 - Incomplete, incorrect or conflicting data and information drawn from disparate sources
 - Differing structures across the Agencies and too many organizational layers
 - Rigidity of civil service process limits ability to attract, retain, develop and manage talent in current job market
 - System-wide, the MTA is approximately engaged with 32 unions covering 82 locals or lodges across 70 contracts

The Impact

- Complexity and numerous management layers add delays to business processes across the enterprise
- Delays drive inefficiency and lead to unnecessary additional costs
- Ultimately the customer suffers from lower service levels

Source: MTA documents & interviews

Transformation is designed to deliver a renewed focus on service delivery for customers, improved business processes within the organization, and lower total cost

The Agencies Will Focus on Transport Service Execution

- Streamlined Agency structure will focus exclusively on operations and maintenance required to deliver service on a day-to-day basis
- Agency leadership is empowered to make decisions required to improve service levels and maintain state of good repair for their respective agency
- Agency connection with centralized support functions will be maintained through a business partner relationship structure

The MTA Will Focus on Improved Business Service Levels to Agencies

- Concentration of functional expertise in a shared services/center of excellence environment
- Simplification and standardization of processes, standards, specifications across Agencies
- Shift in certain business strategies to reflect more effective ways of operating (i.e. design-build)

Entire Organization Will Focus on Cost Reduction

- Elimination of redundancies, reduction of layers, and streamlining of processes
- Improved executional effectiveness through improved planning, coordination, and collaboration
- Recommendation could result in a potential reduction of roughly 1,900-2,700 positions
- Total potential annual savings opportunities is an estimated \$370-\$530M

The Transformation Plan relies on five foundational principles, intended to drive improved performance for the customer through business efficiencies

Centralize

- Consolidate back office and administrative functions into a shared services/center of excellence model
- Hire the experts that will provide high service levels to Agencies at lower total cost base
- Reduce redundancies and drive clearer lines of accountability

Simplify

- Reduce non-value added workload and processes that drive complexity and inefficiency
- Push certain activities to outsourced providers that can offer higher service levels at lower cost
- Eliminate or revise policies that only serve to drive additional complexity

Standardize

- Align processes across and within functions to build efficiencies
- Standardize specifications across similar operations and maintenance categories
- Build the required data and information that allows for one view of the truth across Agencies

Plan

- Build a robust operations planning process that drives interaction between Agencies and shared services
- Enable effective communication between the Agencies and their common functions counterparts
- Hold Agencies accountable to provide demand signals well in advance of predictable needs

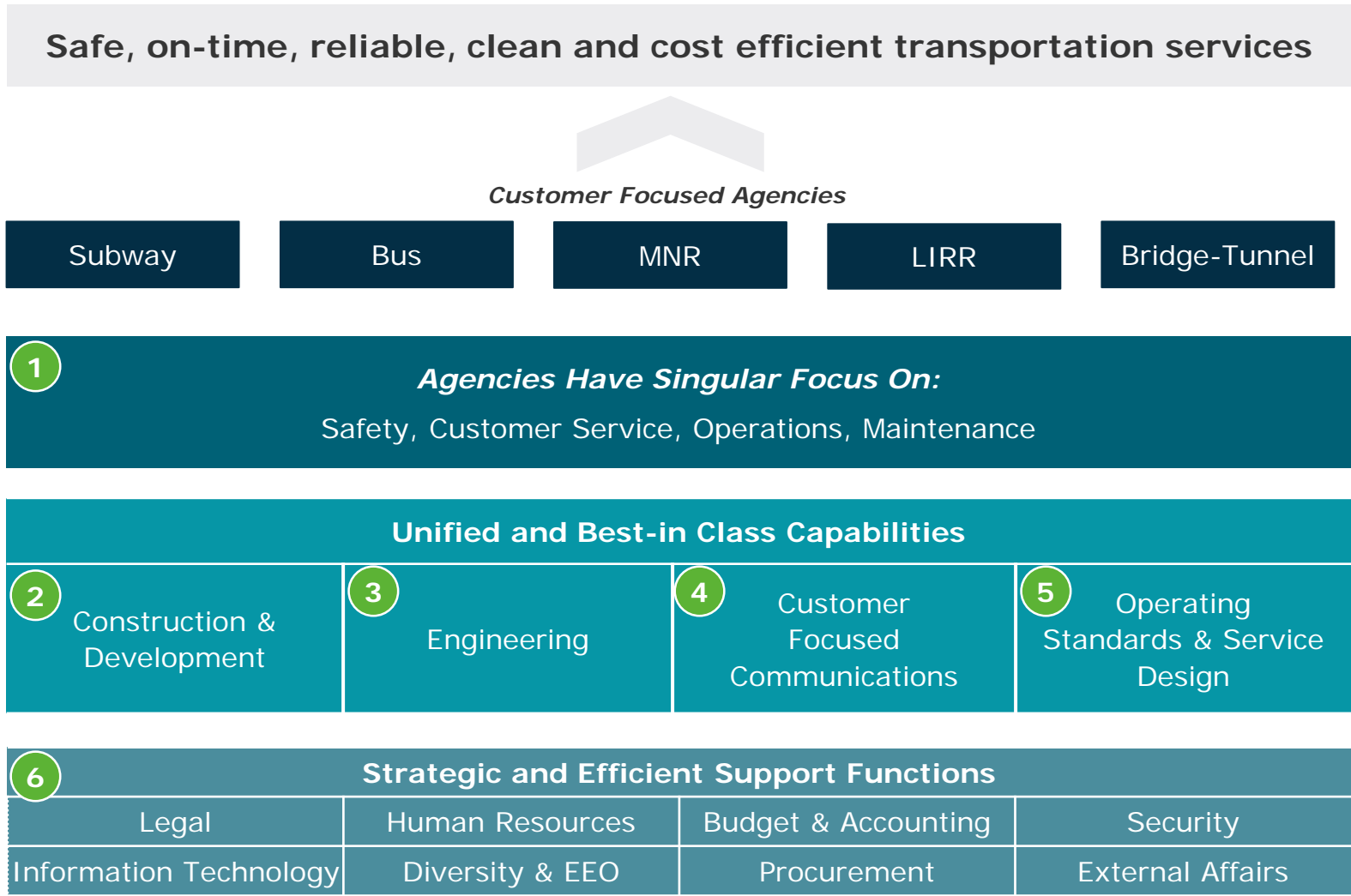
Empower

- Provide managers with autonomy and accountability to deliver service
- Enable leadership with a delegation of authority required to support operations
- Create a culture of ownership and performance improvement that permeates through the MTA

The Transformation Plan puts a renewed focus on service delivery for customers through a series of significant changes to the underlying business functions

The MTA transformation relies on 6 significant changes to the business

- 1 Refocusing Agency responsibilities on safety, operations and maintenance; including merger of all Bus operations and consideration of separation of Subway and Bus
- 2 Centralization of Construction & Development function across Agencies and across the lifecycle of capital projects
- 3 Creation of new central Engineering function to set standards ensuring quality and sustainability of infrastructure
- 4 Creation of new central Customer Communication function to create clear, high quality, and consistent customer engagement across the MTA
- 5 Establishment of uniform operating standards as well as the design and optimization of MTA-wide transit network across the entire system and region, rather than agency-by-agency
- 6 Centralization of all operating support functions, focusing Agencies on service delivery



In the new organization, Agencies will focus exclusively on day-to-day operations and maintenance, rather than distractions related to general support functions

Illustrative, Not Comprehensive

Current Agency-Level Responsibilities

Safety

Operations

Maintenance

Budget & Accounting

Construction & development

Engineering

External Communications

Human Resources & Training

Legal

Procurement



Future Agency-Level Responsibilities

Safety

Operations

Maintenance¹

Budget & Accounting

Construction & development

Engineering

External Communications

Human Resources & Training

Legal

Procurement

¹Agencies will retain construction and engineering resources required to conduct only routine maintenance activities

Customers will benefit from the singular focus of Agencies on safety, service delivery and asset maintenance

All support functions will be merged to drive higher service levels at lower costs

Consolidation of Support Functions

Common support functions and activities will be consolidated into the MTA organization and elevated to direct reporting line to the CEO

Illustrative, Not Comprehensive

Support Functions	FROM							TO
	HQ+ BSC	NYCT	MTA BUS	LIRR	MNR	TBTA	CC	MTA
Human Resources	●	●	●	●	●	●	●	●
Procurement	●	●	●	●	●	●	●	●
Legal	●	●	●	●	●	●	●	●
Budget & Accounting	●	●	●	●	●	●	●	●
Engineering	●	●	●	●	●	●	●	●
External Comms.	●	●	●	●	●	●	●	●

Benefits of Consolidation

- Service delivery focused on providing agreed upon higher service levels at lower costs due to
 - Elimination of redundancies and duplications
 - Increased scale supports specialization and increase in service levels
 - Rightsizing management structures allows for lower cost and could improve effectiveness
 - Standardization and simplification of processes across the MTA drives accountability and improves performance levels
 - Leveraging best practices and tools across the MTA network
- Will require change management to achieve a more agile culture
- Due to the future centralization of engineering, maintenance, operating standards, and common support functions at LIRR and MNR, the Transformation Plan does not include a recommendation to consolidate Railroad operations into one Agency

More than 40 functional groups within the existing MTA Agencies will be consolidated to 6 departments in the new MTA organization

The MTA may consider consolidation of all Bus operations and in the future, review elevating Bus to an independent operating Agency phased over the long-term

Background

- The MTA network includes three independent bus operations: NYCT Bus, MTA Bus, and MABSTOA
- As a combined entity, the Bus operations would be the second largest transit provider in the MTA network, both in terms of passengers and employees
- Collectively the Bus operations of the MTA are underperforming compared to peers, for example: MTA's bus maintenance costs per mile are higher than peers

Benefits of Consolidation & Further Review of Separation

- Provides increased management focus on efforts required to improve Bus performance
- Reduction in management layers and clearer reporting lines; both within Bus and between Agencies
- Encourages further specialization of skills on Bus and Subway respectively
- Synergies between Bus and Subway will be limited after support functions are centralized

Merger & Integration

- Integrating the existing Bus operations into one may take extra time and effort to orchestrate effectively:
 - Close coordination with Subway is required to manage significant near-term infrastructure developments
 - Internal consolidation of the Bus operations may be required prior to considering separation as a standalone entity

All Capital-related functions across the MTA will be merged into a new central group responsible for planning, development, and delivery of Capital Program

Current Approach of Capital Function

- Slow, bureaucratic, and costly
- Diffused responsibility for capital projects

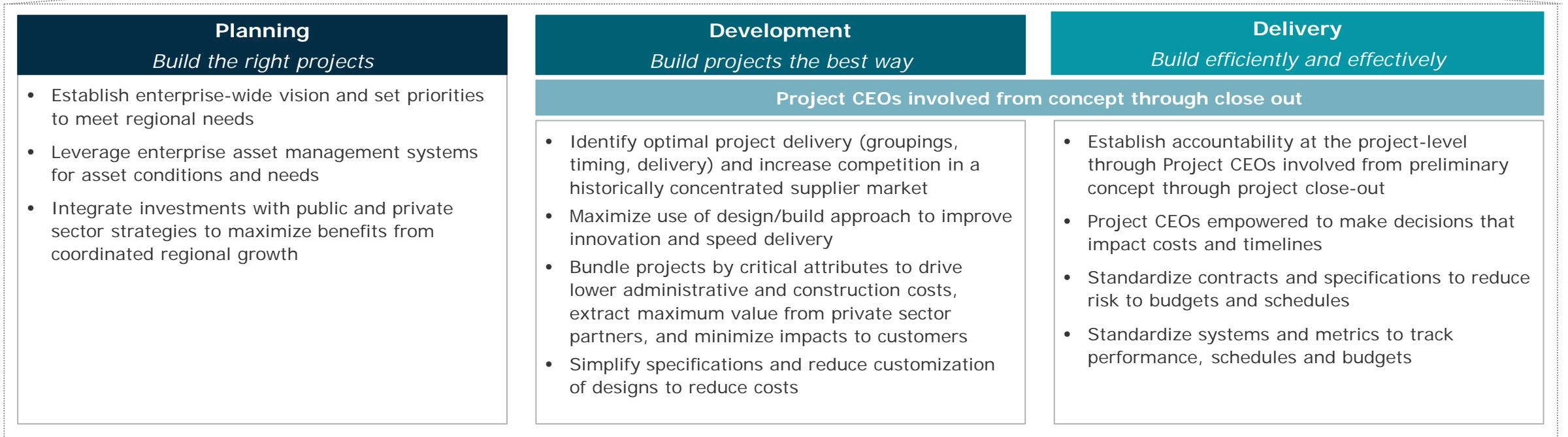


New Approach of Capital Function

- Faster, reliable, and cost effective
- Central point of accountability



Deliver the capital projects focused on improving customer service and experience faster and at lower costs



This element of the Transformation Plan builds on best practices observed in the MTA's ongoing Cost Containment program

A new central Engineering group will establish clear engineering and maintenance standards to be executed consistently across the MTA Agencies

Current State: Engineering Decentralized At Agencies
 Inconsistency and duplication of processes and standards

Key Engineering Functions	NYCT	MTABC	LIRR	MNR	TBTA
Rolling Stock Maintenance Standards	●	●	●	●	
Capital Maintenance Standards	●	●	●	●	●
Equipment Specifications	●	●	●	●	
"Make vs. Buy" Strategies	●	●	●	●	●
Engineering Data Management	●	●	●	●	●



- Unnecessary duplication of management across Agencies
- Inconsistent designs and maintenance policies and duplicate rules and measures – for same or similar equipment
- Complexity causes higher cost and lower buying power with vendors
- Differing data management systems to document performance

Future State: Central Engineering Group
 Designed to provide consistent standards and specifications

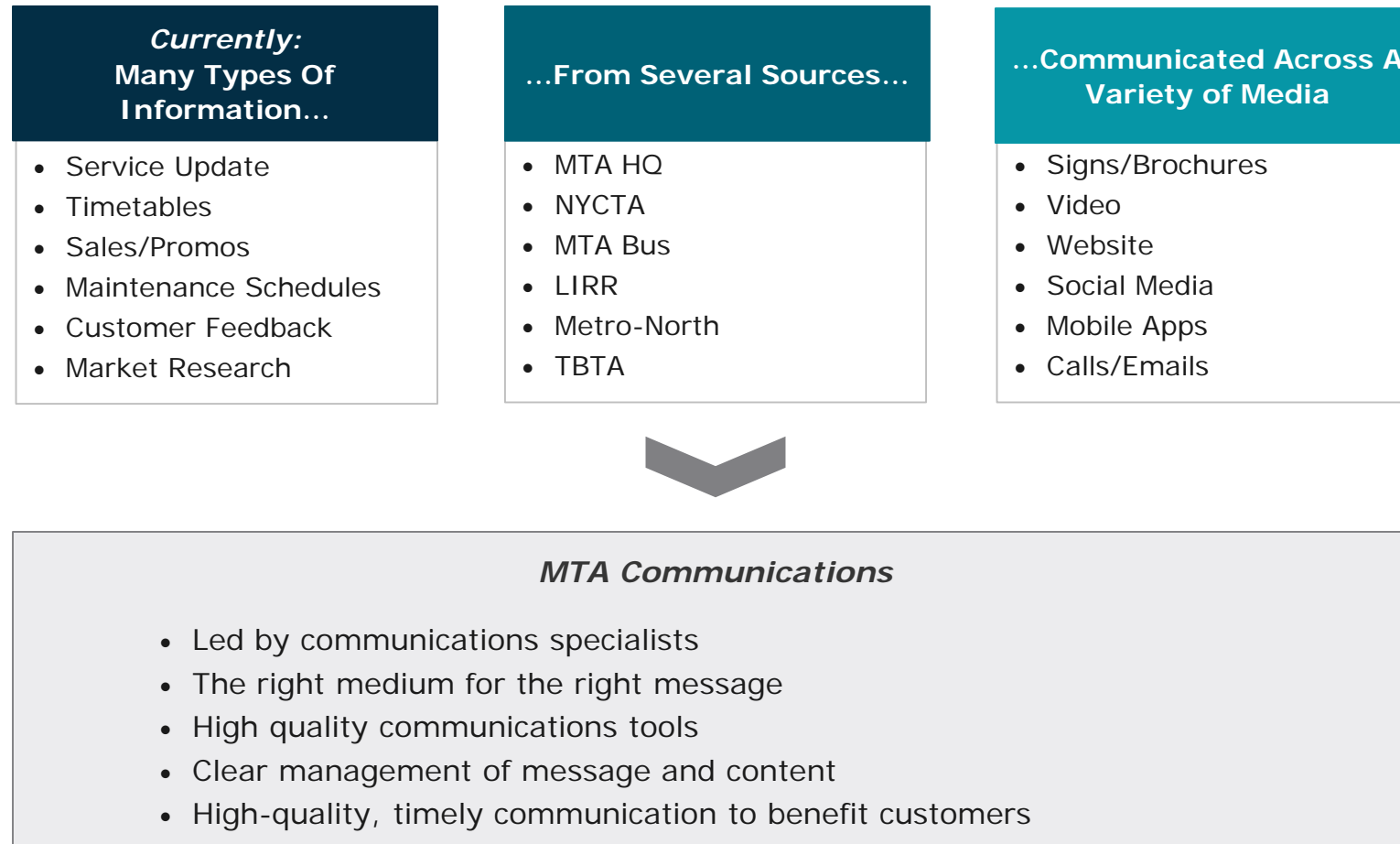
Central Engineering Role	Agency Role
<ul style="list-style-type: none"> • Establish and manage uniform: <ul style="list-style-type: none"> - Engineering policies - Procedures - Designs - Specifications - Inspection Processes 	<ul style="list-style-type: none"> • Day-to-day maintenance of rolling stock and infrastructure • Efficiency and quality in field operations • Routine inspections



- Consistent management and maintenance of each asset class
- Streamlined organization with clearer accountability
- Consistent technical specs, improving the MTA's buying power and lowering acquisition and maintenance costs
- Single engineering point of contact for regulators (FRA, FTA, etc.)

The MTA transformation will elevate Customer Communications to create clear, high quality, and consistent customer engagement

Customer Communications



The MTA transformation requires the centralization of Operating Standards and Service Design to eliminate silos and enable multimodal network design and optimization

Operating Standards and Service Design

Each MTA Agency has its own internal operations standards and service design capabilities, which would be better managed under one integrated function serving all Agencies

	Rules	Standards	Training	Service design	Tools
NYCT	●	●	●	●	●
MTABC	●	●	●	●	●
LIRR	●	●	●	●	●
MNR	●	●	●	●	●
TBTA	●	●	●		●
CC	●	●	●		●



MTA Operating Standards and Service Design

- Team oversees rules and standards for all operating Agencies
- Consistent operating/maintenance/customer service standards
- Tools and processes to optimize the operation
- Writes the “playbooks”, Agencies execute to them

Procurement processes will be aligned across Agencies and categories to drive improved purchasing leverage, uniform contract and vendor management capabilities

Current State Example: Core Rolling Stock Parts

Future State Example: Core Rolling Stock Parts



Current State:

- Existing Procurement structures across Agencies are designed to support 'cradle to grave' approach/strategies
- Current siloed approach hinders the MTA from realizing its full potential benefits and creates duplication

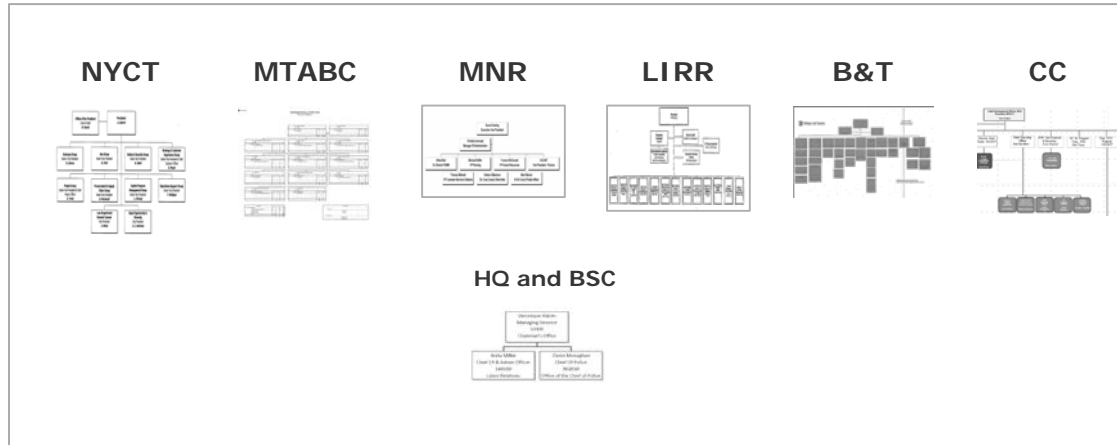
Future State:

- Proposed category management approach across Agencies will allow specialists in specific categories to obtain the best value for the MTA from each purchase based on their expertise and experience
- Aggregation across Agencies will allow the MTA to realize scale benefits and eliminate duplication

Human Resources will be focused on attracting, developing and retaining the talent required to improve the MTA's business performance and service delivery

Current State

Seven disparate HR organizations



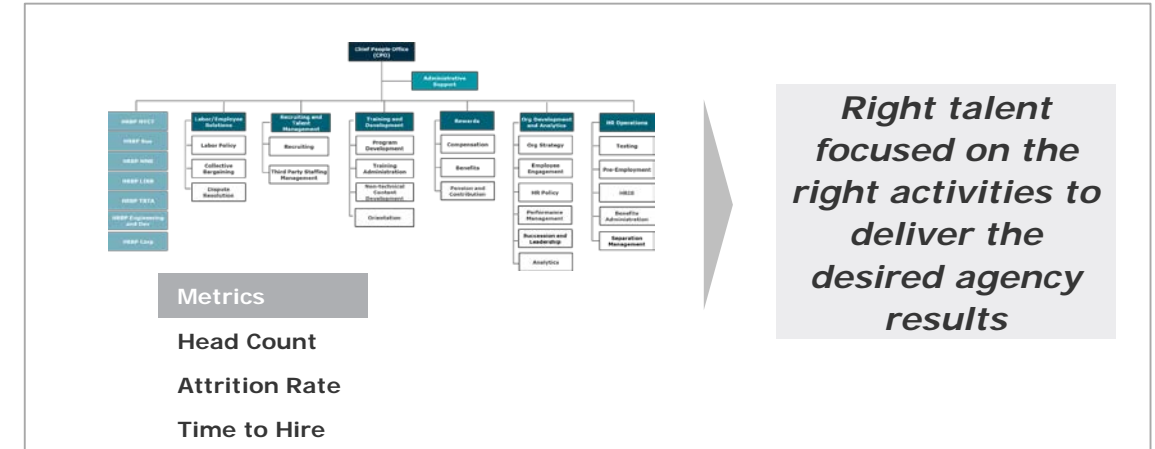
Current HR organizations have bespoke structures, processes, and systems

Current State:

- Inconsistent approaches to salary levels and compensation
- No clearly articulated talent strategy
- No agreed upon service levels with shared services
- Duplication due to misalignment in system functionality and processes
- Inefficiencies due to multiple hand-offs between Agencies and HQ/BSC
- Limited analytics to support decision making
- Lack of data consistency and integrity

Future State

One HR organization



Proposed structure is designed to provide a consistent and more efficient approach to talent management across the organization

Future State:

- Set consistent, Agency-wide approach to compensation
- Commitment to retaining and developing talent
- Service delivery to the Agencies based on service levels
- Standardization and simplification of processes
- Deliver full accountability by bringing all HR activity into one org.
- Metrics to measure performance
- Focus on data integrity and quality to support the organization

A Business Partner approach will be leveraged to maintain connectivity between centralized functions and Agency customers

Business Partner Role

- Provides the connection that keeps Agencies engaged with shared functions
- Partners with Agency and functional leadership to manage priorities and service levels
- Raises issues to Agency or functional leadership on emerging needs and challenges that must be addressed

Strategic Engagement

- Align business and functional goals to support the Agency/function objectives and operations:
 - Deep understanding of the function/Agency that can be translated to functional (HR/Finance/IT/Procurement) concepts and actions
 - Ability to influence – involved in key strategic and operational decisions
 - Manage service level agreements against set expectations, functional capabilities and Agency requirements

Rationale

- The role of the Business Partner is critical to drive the strategic and emerging needs of the agency in an effective and timely fashion by the central functional organization.
- Today, Agencies have their own support functions to meet their bespoke needs at significant costs
- With consolidated functions, Agencies will be provided standardized and efficient services at lower costs
- Successful implementation will depend on effective management of service levels and service delivery; historical performance of shared services will create a challenge the MTA needs to overcome

The MTA will require a Chief Transformation Officer to drive and implement the transition from current to future state, over a two year period

Chief Transformation Officer Role

- Responsible for leading the execution of on-going and new initiatives to drive improved safety, customer service and operational efficiency across the \$18B MTA organization
- Initiatives will include substantial reorganization, development of strong center-led business functions, streamlining business processes, establishment of controls and other efforts to drive improvement
- Comprehensive and detailed opportunity assessment and implementation planning required to activate this Transformation Plan and achieve the desired benefits

Key Responsibilities

- Lead a team focused exclusively on delivering the transformation
- Launch a Quality Assurance workstream focused on building and embedding cross-functional capabilities that helps ensure the MTA achieves intended results from vendors and suppliers across categories
- Execute current and new initiatives related to driving effective integration of the Agencies and functions
- Drive a continuous improvement culture that supports future initiatives on a consistent basis
- Generate multi-year value creation strategies and a structure to support them

Reporting Relationship

- Reports to the MTA Board as mandated by New York State legislation
- Works closely with other MTA senior leadership team members to drive achievement of goals

The transformation requires a Managing Director/Chief Operating Officer within the centralized organization to enable consolidation and standardization across Agencies

Managing Director /Chief Operating Officer Role

- Lead a team of operating Agency leaders of subway, commuter rail, bus, and bridge/tunnel transportation systems to deliver safe, reliable, and cost-effective transportation services
- Shape a centralized Operations capability that takes a regional, multimodal view of service design and delivery within the MTA
- Create a culture of accountability that permeates through all levels of the MTA and across Agencies

Key Responsibilities

- Lead a team of senior operating executives to deliver safe, high quality transportation services
- Establish clear operating goals and metrics across every operating unit and hold executives accountable for delivery of those goals
- Focus alignment across Agencies to maximize customer service and experience
- Drive operating capabilities and manage control of Agency costs

Reporting Relationship

- Reports directly to the Chairman & CEO, and potentially the Board if that organizational configuration is preferred
- Works closely with other MTA senior leadership team members to drive achievement of goals

The MTA should ensure diversity remains a central priority across the agency, and ensure that the agency continues to lead in diversity goals

Chief Diversity Officer

- The Chief Diversity Officer should continue reporting directly to the Chairman & CEO
- Helps to ensure workforce diversity and inclusion initiatives are maintained and expanded, in partnership with HR
- Responsible for standardized, centralized MTA-wide EEO analysis, and other mandated federal reporting requirements
- Responsible for ensuring the MTA continues to lead the region and nation in MWBE programs

Benefits

- Maintain diversity as a continued MTA priority and presents opportunities to scale up efforts
- Help to ensure the region can continue to access and benefit from economic development opportunities, via MTA MWBE Programs
- Actively creates and expands opportunities for new talent while developing a more inclusive environment for existing employees

Implementation

- Help ensure parallel centralizations of Procurement and Capital-related functions include an enhanced focus on MWBE and small business development objectives
- Maintain clear reporting of results to encourage transparency across agencies in achieving these objectives
- Prioritize workforce diversity and inclusion efforts for employees and creates a prioritized plan to extend the reach of these initiatives

The MTA should add a leadership role and resources dedicated to prioritize and strengthen accessibility of the network

MTA Accessibility Officer

- The MTA Accessibility Officer will report directly to the CEO to raise the strategic profile of these initiatives
- Responsible for ensuring that accessibility is considered and advanced across the MTA network
- Actively engage the community in critical decisions, progress reporting and feedback

Benefits

- Help ensure the network is accessible to all as a conduit to employment, opportunity, culture, and community
- Extend on-going programs to all Agencies, creating a more user-friendly regional network
- Increase ridership across the MTA network and reduce reliance on alternative means of transit

Implementation

- Create a prioritized plan to address accessibility deficiencies across the network
- Increase coverage of accessible stations, including introduction of elevators and other accessibility features
- Expand training specifically to station agents, paratransit and bus operators, and others
- Improve communication and introduce new tools designed to help customers access the network

Steps towards implementation planning and in support of the next phase can be taken immediately

- Define and formalize specific project milestones and goals by function, agency, and key leadership role across the MTA
- Establishment of Construction & Development function to support shift to alternative delivery methods including design-build
- Realignment of Procurement resources across Agencies into category management strategy
- Consolidation of Legal functions across Agencies
- Reduction of target office space leases with near term expiration dates
- Rationalization of specific technology investments

Disclaimer – Important Information Regarding This Transformation Plan

This Transformation Plan (“Transformation Plan”) was prepared by the Metropolitan Transportation Authority (New York) (the “MTA”) and AlixPartners, LLP (“AlixPartners”) pursuant to Section 1279-e of the Public Authorities Law exclusively for the sole benefit use of the Board of the MTA (the “Board”).

THIS TRANSFORMATION PLAN IS NOT INTENDED TO BE RELIED UPON BY ANYONE OTHER THAN THE MTA, OR INDUCE ANY ACTION OR FORBEARANCE BY ANYONE OTHER THAN THE MTA. Accordingly, no liability or responsibility is accepted by AlixPartners or its employees, affiliates, or partners for any loss whatsoever arising from or in connection with any third party use of this Transformation Plan, including any person or entity other than the MTA.

The Transformation Plan reflects conditions and the views of the MTA and AlixPartners as of this date, all of which are subject to change. AlixPartners undertakes no obligation to update or provide any revisions to this Transformation Plan to reflect events, circumstances, or changes that occur after the date hereof.

This Transformation Plan is incomplete without reference to, and should be viewed solely in conjunction with, any oral briefing provided by the MTA or AlixPartners and their agents which forms part of the Transformation Plan.

In preparing this Transformation Plan, the MTA and AlixPartners have relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources, from the Agencies, from the MTA, or which was otherwise provided to us. AlixPartners further relied on the assurance of management and staff of the MTA that they were unaware of any facts that would make the information provided incomplete or misleading. AlixPartners is not responsible for any misrepresentations made to AlixPartners during this review. AlixPartners has not subjected the financial information provided to it and contained herein to an examination in accordance with generally accepted auditing or attestation standards. Accordingly, AlixPartners cannot and does not express an opinion on the financial information and does not assume any responsibility for the accuracy or correctness of the projected financial or other data, information and assessments upon which the enclosed document is presented.

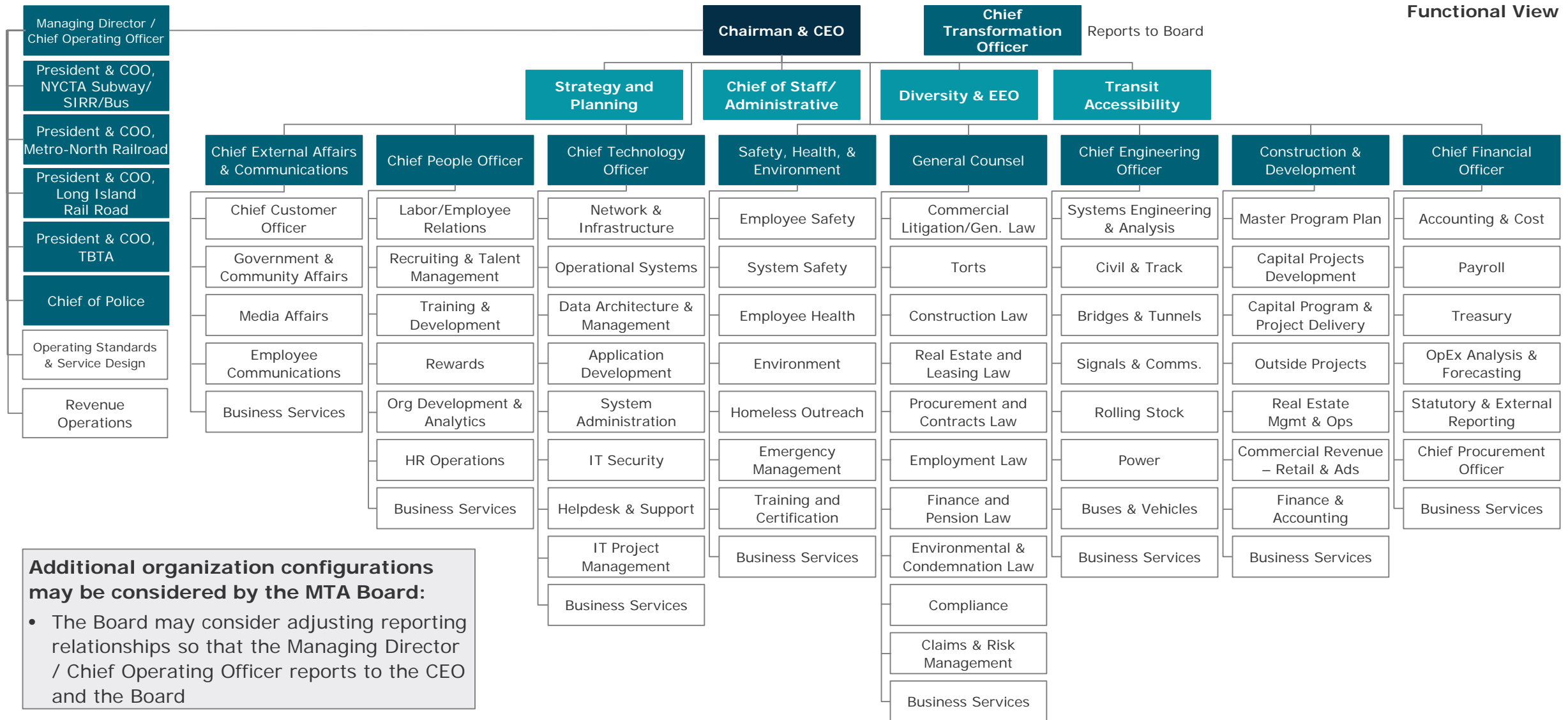
This Transformation Plan may be based, in whole or in part, on projections or forecasts of future events. A forecast, by its nature, is speculative and includes estimates and assumptions which may prove to be wrong. Actual results may, and frequently do, differ from those projected or forecast. Those differences may be material. Items which could impact actual results include, but are not limited to, unforeseen micro or macro economic developments, business or industry events, personnel changes, casualty losses, or the inability of the MTA to implement plans or programs.

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Organization Charts

In the new organization, the MTA CEO has 13 direct reports, representing all major functions, and a support staff

Functional View



Additional organization configurations may be considered by the MTA Board:

- The Board may consider adjusting reporting relationships so that the Managing Director / Chief Operating Officer reports to the CEO and the Board

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Key Constraints

Full implementation of the Transformation Plan will require the MTA to overcome or manage a number of structural challenges

Constraint	Description
Pension Portability	<ul style="list-style-type: none"> Pension programs historically offered by the MTA Agencies have been a significant benefit to employees and an important tool in attracting and retaining the required workforce Movement of employees across Agencies (called “yogis”) have resulted in co-mingling of employees from different agencies with different pension programs linked to different work rules
Legacy Agreements	<ul style="list-style-type: none"> Over the course of time the MTA and other government agencies have created a series of agreements that allow the agencies to conduct business – jointly or separately – in the same places Several proposals contained in this Transformation Plan will require the MTA to engage with other agencies operating in the region in order to update or change terms Metro-North operates within the State of Connecticut pursuant to a service agreement with the Connecticut Department of Transportation
Civil Service	<ul style="list-style-type: none"> Portions of the MTA’s agency network (NYCT and TBTA) are participants in the New York City Civil Service System; within those agencies the vast majority of employees have Civil Service status: The City-wide Civil Service system requires participating agencies to follow a specific staffing system that is often inflexible and complex in nature Many of the initiatives included in this Transformation Plan would require the MTA to work through Civil Service constraints to align the correct resources against the capabilities and roles required for success in the future
Collective Bargaining Agreements & Work Rules	<ul style="list-style-type: none"> System-wide, the MTA is engaged with approximately 32 unions covering 82 locals or lodges across 70 contracts Representation is most prevalent in frontline operations and maintenance functions, however other functions included in the consolidation proposal are also represented The MTA will need to negotiate changes required to support the Transformation Plan
Pay Scale Limitations	<ul style="list-style-type: none"> Compensation ceiling in place has cascading effect on the compensation of other positions Internal compensation policy limits increases to about 20% Rewards for performance are limited by salary bands The MTA’s pay scale is often uncompetitive compared to the private industry

Civil Service reform may be needed to support the implementation of the Transformation Plan

Civil Service

Current Scope	<ul style="list-style-type: none"> • New York City Transit (approximately 83% of employees) • The Triborough Bridge & Tunnel Authority (approximately 98% of employees)
Summary of Issue	<ul style="list-style-type: none"> • The City-wide Civil Service system requires participating agencies to follow a specific staffing system that is often inflexible and complex in nature • Application processes revolves around testing that is offered at certain times of the year, and requires a level of planning and awareness to participate • The NYCT and TBTA are part of a larger, City-wide Civil Service system where workforce and opportunities are shared and managed against a seniority ranking by position title
Challenges Posed to the MTA	<ul style="list-style-type: none"> • The MTA has experienced challenges in attracting, retaining and developing talent in the existing Civil Service system, including: <ul style="list-style-type: none"> – Hiring process is lengthened by testing requirements and cycles, which causes challenges in recruiting talent in a competitive job market – Limited flexibility in choosing the right resource to do any specific job both internal and new hires; reduces opportunity to make changes ranging from cross-training to reorganization – Rewards for good performance can be limited by salary bands, sometimes leading to promotions to ensure retention – Seniority-based system creates additional complexity when right-sizing the organization – junior employees are pushed out first and into a City-wide Civil Service talent pool which often has subsequent effects at other agencies

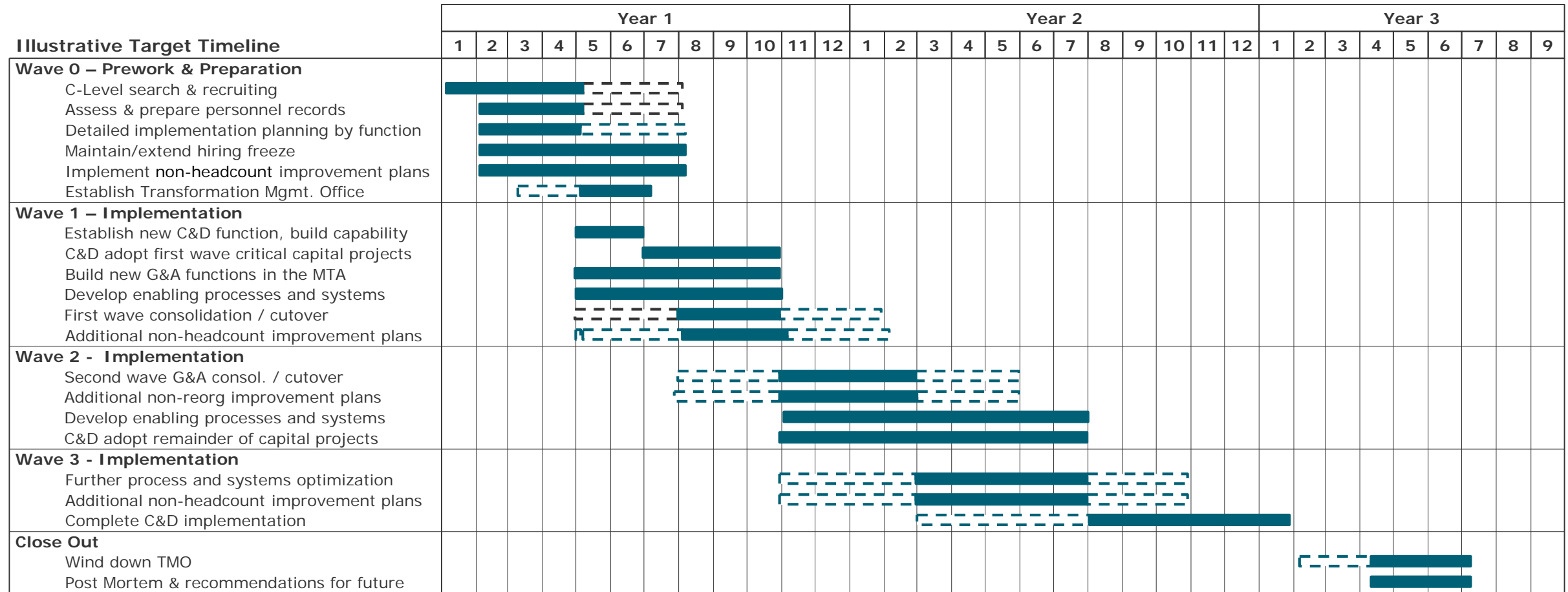
The proposed Transformation Plan relies on a selection of optimization approaches that are recognized as best practice in large-scale transformations

Approach	Description
Lift and shift to one MTA	Group existing, similar functions from Agencies into one centralized group
Matrix reporting structure	Change reporting structures to align like functions centrally but maintain connection to the Agencies
Center of excellence within the MTA	Create new centralized function that replaces agency-based activities with collection of experts working within improved structure, process, governance, etc.
Outsource to 3rd party	Engage a 3 rd party to manage certain functional activities in part or in whole
Reduce or end work type	Change policies, processes, procedures, etc. in order to reduce/eliminate certain types of work
Change working conditions	Material adjustments to the context in which work is conducted including the supporting resources or infrastructure

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Timeline

The Transformation can take approximately two years to complete, provided the structural constraints, risk factors and success factors are properly addressed



The MTA will benefit from planning and preparation in advance of the start of implementation



Next Steps & Post-Implementation

Following are some of the team's recommended immediate next steps

- Socialize and explain the design as currently proposed
- Meet with stakeholders and collect additional input
- Clarify specifics of the proposed design as needed
- Refine details of the design
- Incorporate findings from Waste, Fraud, and Abuse, Cash Flow Analysis and Capital Program Review work streams
- Define timelines, goals and performance metrics

Once the Transformation Plan has been implemented, the MTA's improvement opportunities will have just begun

- The Transformation Plan is a critical part of the stabilization and sets the stage for incremental improvements
- Streamlining the organization will yield numerous benefits – financially and operationally – but will also enable further opportunities
- Given the magnitude of this transformation, it would be reasonable to allow the organization to 'catch its breath' before undertaking significant follow-up undertakings
- Instilling an MTA culture of proactivity is the foundation of further improvements
- The institutionalization of a central Transformation Management Office (TMO) facilitates a means to: identify, prioritize, charter, resource, communicate, and track the highest impact projects going forward
- The list of prospective post-transformation projects is voluminous and goes well beyond the scope of this document

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Methodology

The proposed approach utilizes a balance of operational, organizational, and financial metrics to identify potential improvement opportunities

Method	Approach	Applications	Resources & Tools
Organization Structure Analysis	<ul style="list-style-type: none"> Collected ~74K employee records at badge level, with available reporting relationships Created reporting relationships based on org charts, discussion and validation with Agencies for non-frontline employees ~11K Mapped employees into functional families to identify duplication and other opportunities 	<ul style="list-style-type: none"> Spans and layers analysis Duplication/redundancy identification 	<ul style="list-style-type: none"> MTA employee census AlixPartners Radial Organization Analyzer AlixPartners reference metrics
Financial/ Functional Efficiency	<ul style="list-style-type: none"> Collected MTA financial and operational records – summary and transaction Like-for-like performance comparisons across key functions and spend areas used to identify opportunity; against internal and external peers 	<ul style="list-style-type: none"> Organization sizing Opportunity identification Expense reduction opportunities 	<ul style="list-style-type: none"> Peer data published by FTA and other resources AlixPartners reference metrics 3rd party benchmarks & KPIs
Insource / Outsource Analysis	<ul style="list-style-type: none"> Identified non-core work and functions that could be executed reliably by a 3rd party Compared current and future total costs to define specific opportunities 	<ul style="list-style-type: none"> Complexity reduction Workload and related headcount reduction Cost arbitrage opportunities 	<ul style="list-style-type: none"> MTA financial and operational records AlixPartners reference metrics
Activity-based modelling	<ul style="list-style-type: none"> Defined the resourcing needs of specific activities or projects at an FTE/role level or similar granularity Defined sensitivities that drive variation in results; study the likely outcome and impact on performance 	<ul style="list-style-type: none"> Organization sizing Asset rationalization Complexity reduction 	<ul style="list-style-type: none"> MTA historical performance records Performance parameters
Internal best practice	<ul style="list-style-type: none"> Evaluated maturity level of business model across Agencies Selected internal best practice and justify to a broader application 	<ul style="list-style-type: none"> Staffing structure validation Staffing consolidation / scale up 	<ul style="list-style-type: none"> Proven design build based staffing at smaller agencies
Qualitative Analysis	<ul style="list-style-type: none"> Interviewed more than 100 MTA employees representing all Agencies and functions; ranging levels of responsibility from CEO to manager Collected views on critical needs and requirements for the MTA transformation 	<ul style="list-style-type: none"> Opportunity & challenge identification Perspective on likely outcomes 	<ul style="list-style-type: none"> MTA employees and stakeholders

Several risk factors need to be understood when reviewing the analysis put forth in this Transformation Plan

Risk Factor	Description
Data quality & integrity	<ul style="list-style-type: none"> • Data provided by the MTA and the Agencies varied widely in accuracy and completeness • In certain instances critical data was not available and needed to be constructed or recreated, such as reporting relationships for majority of the MTA employee records
Benefits calculations	<ul style="list-style-type: none"> • Financial projections included in this presentation are provided in ranges for discussion purposes • Estimated savings projected in this Transformation Plan are provided at annual run-rate bases, except where otherwise noted
Key assumptions	<ul style="list-style-type: none"> • For the purposes of estimating benefits and costs to achieve them, several assumptions provided/validated by the MTA leadership team were relied upon • These include but are not limited to: severance calculations, burden rates, overhead cost per FTE, standard office space considerations
Timing	<ul style="list-style-type: none"> • This assessment was performed from April to June 2019, using information and records that were available during this time • The specific details of opportunities highlighted in this report will change over time as baseline performance, organizational size and other parameters change