



**Massachusetts Bay
Transportation Authority**

GM remarks

FMCB

8/8/2016



MBTA conducting a portfolio wide vendor management and rapid vendor renegotiation process to identify and execute on savings

- **Initial efforts to identify and prioritize suppliers to conduct rapid renegotiations proved to be very challenging for the following reasons:**
 - Majority of MBTA spend done on cash vouchers instead of purchase orders
 - MBTA has never conducted an enterprise-wide spend analysis and lacks spend taxonomy
 - System data provided limited value due to lack of detail
 - No evidence of an overall spend management plan based on leading practices to address external spend
 - Limited contracts available to benchmark pricing

- **Other savings opportunities include:**
 - Early payment discounts
 - Supplier / Contract management
 - Use of Statewide contracts



Because of MBTA reliance on cash vouchers, hard to do accurate analysis

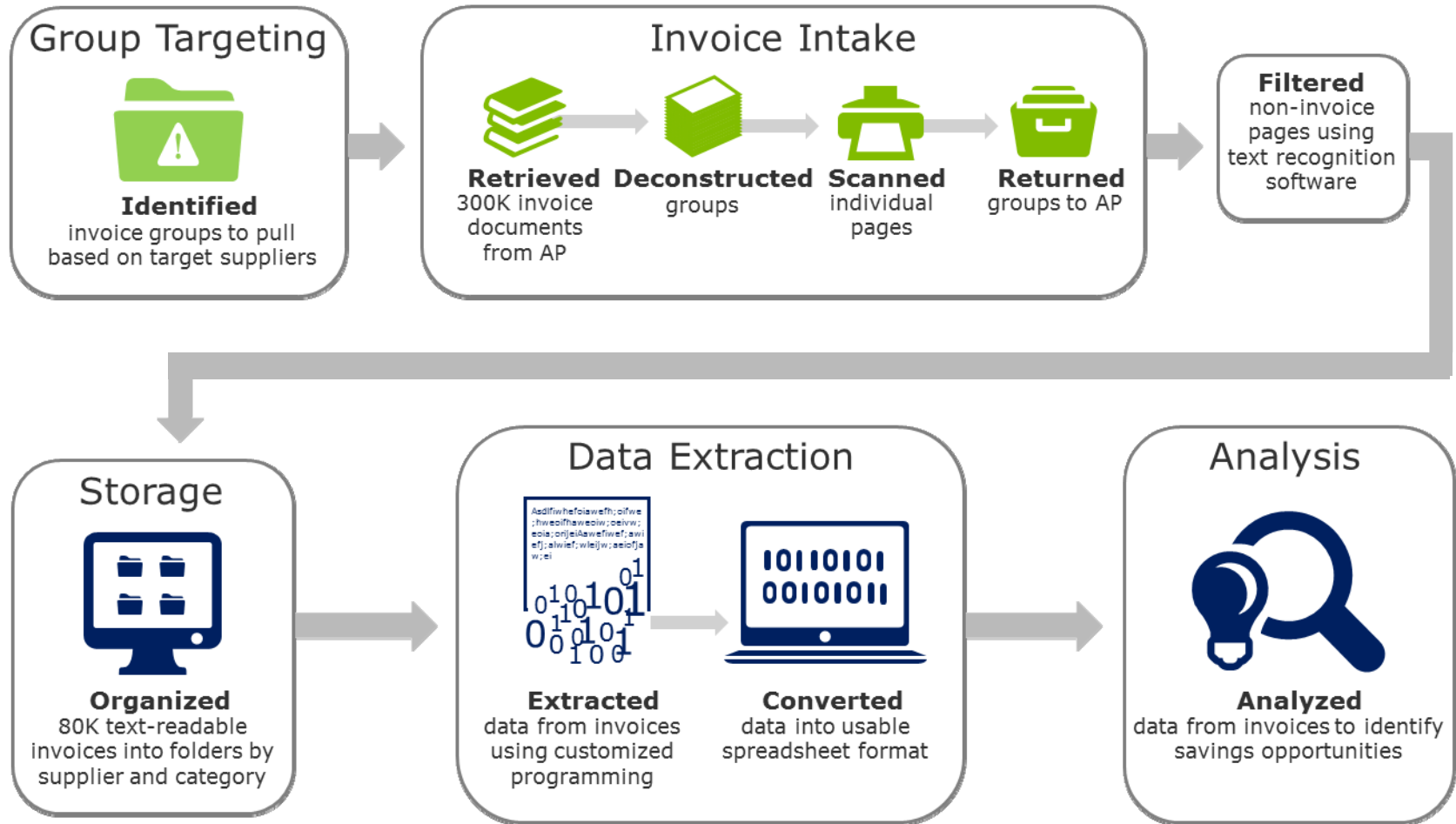
- Over 80% of procurement transactions are executed by cash vouchers outside of procurement without Purchase Orders.
- No line item information was available to understand the spend beyond the totals spent with each supplier.
- The below reports provided limited value to understand MBTA's spend

<p>Accounts Payable</p>	<table border="1"> <thead> <tr> <th colspan="5">Accounts Payable 3/29/2013 - 3/28/2016</th> </tr> <tr> <th>Reference</th> <th>Amount</th> <th>Date</th> <th>SetID</th> <th>Remit Vndr</th> </tr> </thead> <tbody> <tr> <td>011976</td> <td>\$ 17,000,000.00</td> <td>3/31/2013</td> <td></td> <td></td> </tr> <tr> <td>001130</td> <td>\$ 10,327.93</td> <td>3/31/2013</td> <td>MBTA1</td> <td>SOV27</td> </tr> <tr> <td>008557</td> <td>\$ 8,300.00</td> <td>4/1/2013</td> <td>SHARE</td> <td>50014</td> </tr> <tr> <td>004670</td> <td>\$ 28,106.08</td> <td>4/1/2013</td> <td>SHARE</td> <td>100076</td> </tr> </tbody> </table>	Accounts Payable 3/29/2013 - 3/28/2016					Reference	Amount	Date	SetID	Remit Vndr	011976	\$ 17,000,000.00	3/31/2013			001130	\$ 10,327.93	3/31/2013	MBTA1	SOV27	008557	\$ 8,300.00	4/1/2013	SHARE	50014	004670	\$ 28,106.08	4/1/2013	SHARE	100076	<ul style="list-style-type: none"> • Provided only the total amount of spend by supplier • No additional categorization data 												
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Due to the lack of useful spend data, the team had to manually scan hard copies of invoices in order to develop a database of MBTA's purchasing history

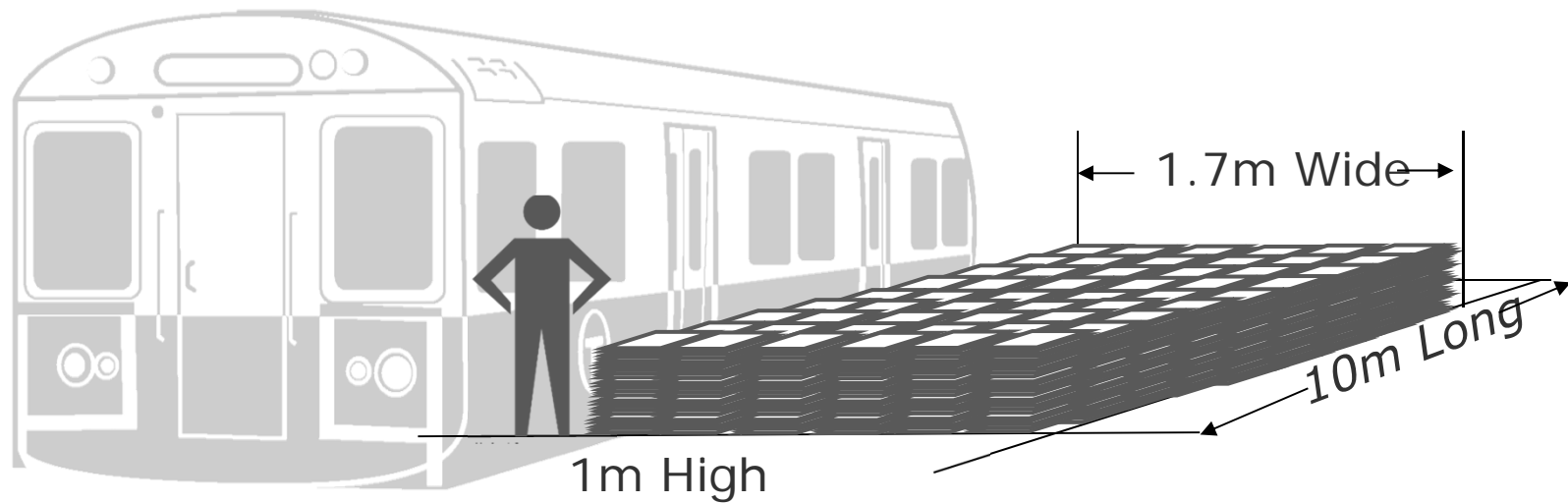


Paper-based process complicates spend analysis





The 300,000+ paper invoices, representing just 12 months of spending, would fill a Red Line Car to waist height





Next steps

- Continued rapid vendor renegotiation of existing contracts
- Negotiating and realizing early payment discounts
- Active supplier / contract management
- Shift from cash vouchers to purchase orders
- Adopting spend taxonomy to enhance analytical capabilities
- Shift to statewide contracts (OSD) for like-items and services



On 8/4, MBTA formally denied L589 grievance of new attendance policy, which has proven effective at decreasing absenteeism

MBTA management team successfully implemented new attendance policy in January 2016

1. New policy reflects industry standards and has proven effective at curbing absenteeism
2. Policy represents a legal, fair, and reasonable use of management rights
 - Concurrent usage of leave instrumental in driving down absenteeism
 - Enhanced “call-in” procedure leads to better, more reliable service
 - Active FMLA management including consistent medical validation and recertification
3. MBTA engaged L589 leadership throughout implementation and training
 - Compromised with L589 to amend “call-in” procedure from 2 hours to 1 hour
4. Last week, MBTA management formally denied L589 grievance on attendance policy
 - MBTA believes enforcement of attendance policy is a management right
 - Grievance will likely move to binding arbitration in coming weeks