

Best Practices in State and Local Government Contract Management

The Los Angeles County Metropolitan Transportation Authority (LA Metro) has become a proven leader in contract administration.

BY ROBERT F. NEW JR., DAVID VILA, JEANNE KINSEL, AND JOHN PETERSON

2,574 Rush-Hour Buses

Cultural Diversity Training

Greater Los Angeles Vendor Fair (GLAVF)

62 Metro Rail Stations

Peer Reviews

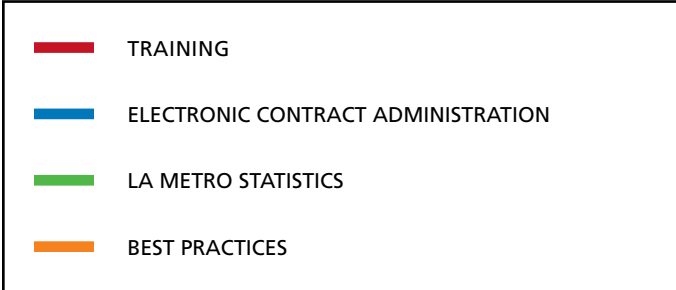
TransportMAX

Public-Private Partnerships

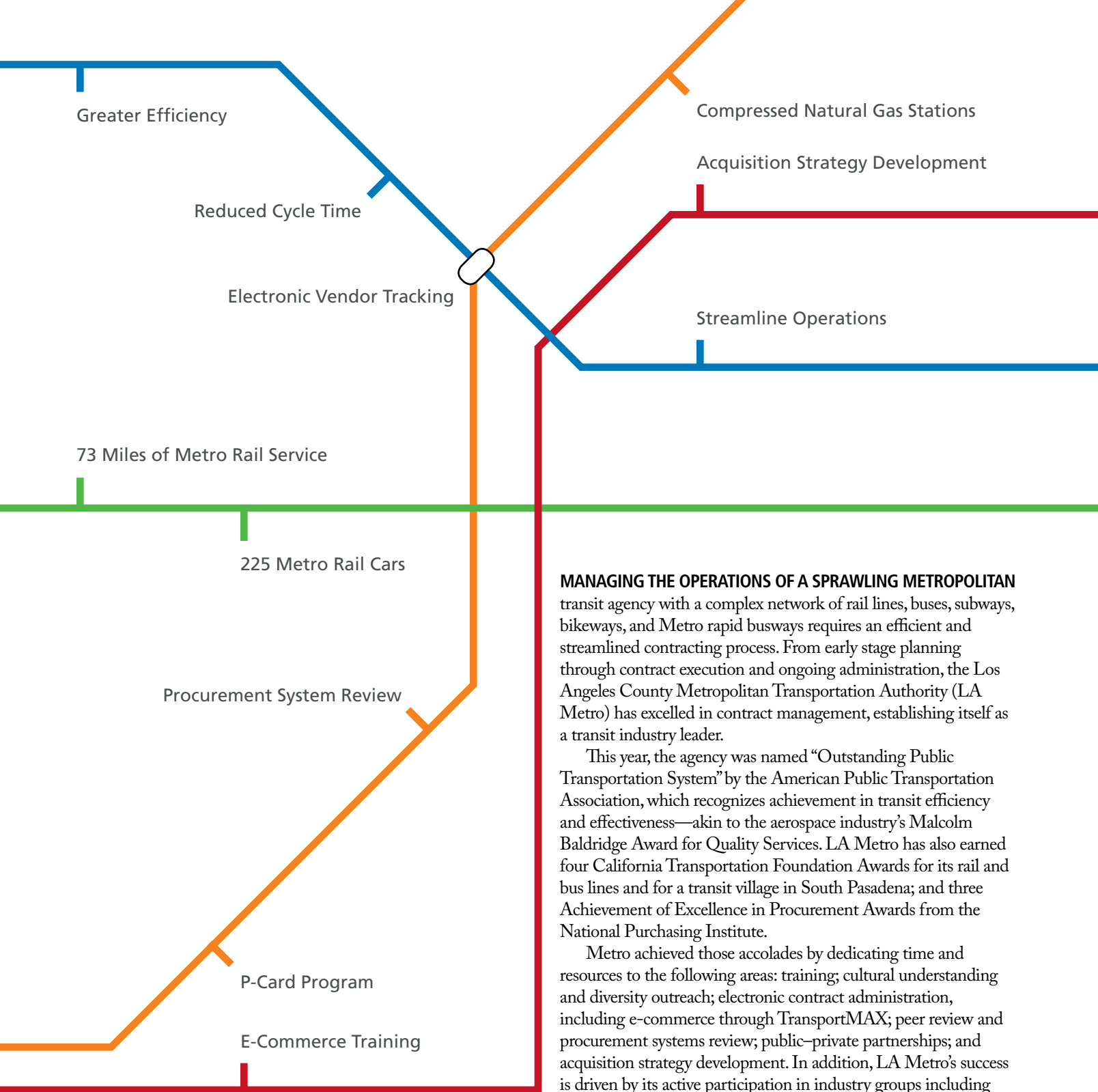
Over 9,400 Employees

Commercial Contract Basics

Minority Outreach Program



1,433 Square Mile Service Area



MANAGING THE OPERATIONS OF A SPRAWLING METROPOLITAN

transit agency with a complex network of rail lines, buses, subways, bikeways, and Metro rapid busways requires an efficient and streamlined contracting process. From early stage planning through contract execution and ongoing administration, the Los Angeles County Metropolitan Transportation Authority (LA Metro) has excelled in contract management, establishing itself as a transit industry leader.

This year, the agency was named “Outstanding Public Transportation System” by the American Public Transportation Association, which recognizes achievement in transit efficiency and effectiveness—akin to the aerospace industry’s Malcolm Baldrige Award for Quality Services. LA Metro has also earned four California Transportation Foundation Awards for its rail and bus lines and for a transit village in South Pasadena; and three Achievement of Excellence in Procurement Awards from the National Purchasing Institute.

Metro achieved those accolades by dedicating time and resources to the following areas: training; cultural understanding and diversity outreach; electronic contract administration, including e-commerce through TransportMAX; peer review and procurement systems review; public-private partnerships; and acquisition strategy development. In addition, LA Metro’s success is driven by its active participation in industry groups including the American Public Transportation Association, California Transit Association, National Contract Management Association, and others.

With an annual operating budget of \$3 billion, LA Metro maintains and serves as transportation planner and coordinator, designer, builder, and operator for one of the nation’s largest, most populous counties. One-third of California residents (more than 9 million people) live, work, and play within LA Metro’s 1,433-square-mile service area. Metro’s multimodal approach uses a variety of transportation alternatives to meet the needs of this highly diverse population.

About the Authors

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Meeting Los Angeles County's Transit Needs

In addition to operating over 2,574 rush-hour buses on an average weekday, LA Metro also designed, built, and operates 73 miles of metro rail service. The metro rail system includes 225 rail cars serving four operating lines and 62 rail stations across the sprawling county, connecting Long Beach to downtown Los Angeles, Pasadena, and Hollywood; Universal City to the San Fernando Valley; and Norwalk to El Segundo, Redondo Beach, and all points in between.

LA Metro is an agency that also plans, funds, or constructs a wide range of transportation facilities throughout Los Angeles County, and a wide array of projects, including bikeways and pedestrian facilities, local roads and highway improvements, goods movement, Metrolink, and the popular freeway service patrol and call boxes. The agency also handles planning for the region, including all freeways and HOV lanes, equipment, and services.

LA Metro employs more than 9,400 people in a range of technical specialties and services from bus and rail operators, mechanics, and material handling professionals to construction engineers and safety inspectors, in addition to transportation planning professionals and customer service agents. Metro's purchasing and contracting departments must comply with a myriad of local, state, and federal laws and guidelines, and effectively respond to the agency's operational needs. The contracting departments are dedicated to ensuring full and open competition.

The procurement department is responsible for obtaining equipment, supplies, and services, including facilities, construction, rolling stock (buses, rail cars, and nonrevenue vehicles), rail construction and rail-related contracts, professional services, supply-chain management, purchasing, vendor services, and inventory management staff and support services. The purchasing division acquires inventory products, manages more than \$85 million in bus and rail inventory, and coordinates material flow from receipt and storage to final customer destination.

Training Linked to Outcomes

In an effort to bring some uniformity to the contract administration process and to clarify procurement rules, LA Metro has allocated considerable resources to staff training. Despite budgetary constraints, and a reduction in the agency's training budget in recent years, LA Metro has remained committed to delivering targeted training to project managers and procurement professionals. Training and certifications provide a shared vocabulary and common understanding of key processes and relationships, allowing procurement officers and purchasing agents to speak the same language across the agency.

To that end, LA Metro has begun to establish itself as a center of excellence for local and regional procurement and contracts training. The agency's Procurement and Material Management Training Council has built a training program to share its expertise with local government agencies. LA Metro has led training sessions for the city of Los Angeles, Los Angeles County, the Los Angeles Unified School district, and other agencies. Courses have

been conducted to provide training in writing statements of work, contract changes and equitable adjustments, contract formation for competitive best value negotiations, and task order contracting.

Speakers have been nationally and internationally recognized experts in their fields, including Ralph Nash, Vern Edwards, Michael Sullivan, and Nick Reynolds. Attendance has more than doubled to 70 participants and is expected to continue to grow. In the coming year, LA Metro plans to add courses on the basics of commercial contracts, managing major subcontracts, and a manager's guide to earned value management systems. Additional participants will include the Jet Propulsion Laboratory, APICS Corporation, ITT Corporation, Curtis Wright Corporation, The Goodrich Corporation, the Cities of San Fernando and Santa Clarita California, the Long Beach Unified School District, Los Angeles County Family and Children Services Center, and the Montebello School District.

LA Metro's employees come from various contracting backgrounds, including local and state governments, private enterprises, and federal agencies, such as the Department of Defense. The LA Metro contracting staff works with the National Contract Management Association (NCMA) for a portion of its integration and training efforts. As a result, NCMA established the new LA Gateway Chapter in 2004, becoming the first strictly public contracting chapter. The chapter won the 2004–2005 Graalman Award for Quality in its first year in operation. For LA Metro, NCMA membership and participation has proved to be a tremendous resource in achieving the training objective of "one way of doing business."

Training has also helped LA Metro overcome the challenges of a "silo effect" among its strategic business units. The transit agency's current structure resulted from a series of state-mandated mergers in the early 1990s that combined several transit agencies into the single LA County agency in an effort to minimize waste and duplicative efforts, while increasing efficiency and economies of scale. The resulting management silos have been partially mitigated by reliance upon intra-business unit product teams and structured communication between the business units.

Another reason LA Metro has remained steadfast in its commitment to training is because procurement authority is delegated to a specialized corps of individuals who are authorized to commit the agency to purchases. Because of this accountability through the agency's innovative purchase card, or P-Card program, LA Metro requires rigorous training for its procurement officers. The P-Card Visa program was introduced in 1999 to streamline the purchasing process by expediting transactions and reducing administrative costs while providing built-in limits for managers. In fiscal year 2006, the program exceeded \$7 million in sales with more than 24,000 transactions. With such a vast number of transactions per authorized P-Card holder, it is imperative that those employees understand the

agency's complex procurement rules, and comply with state and federal regulations for managing public money and promoting operating efficiencies across the organizational spectrum. Managers do a very rigorous job of training and retraining those procurement officers on a continuous basis to stay current.

Professional development is another key motivator for training programs, as it allows for a significant expansion of career opportunities, both internally and externally. Successful training programs also afford employees an opportunity to take a step back from day-to-day operations and get a big picture perspective on the agency's function.

Commitment to Cultural Diversity and Minority Outreach

Our commitment to cultural diversity and minority outreach are hallmarks of LA Metro's successful contracting division. To foster equal opportunity outreach, the agency holds an annual vendor fair, in partnership with several other Los Angeles County public agencies, that attracts thousands of companies and contractors who want to do business with the event sponsors.

Thirteen years strong, the Greater Los Angeles Vendor Fair (GLAVF) has earned its stellar reputation by creating the ideal opportunity for contracting officers and businesses to meet face-to-face in one location. With its success solely predicated on the value of its information to its participants, the GLAVF has become the largest local agency business opportunity outreach event in California, and attracts an average of 2,000 attendees each year. The fair started as a networking luncheon hosted by LA Metro. The overwhelming success of the luncheon led to our collaboration with the City of Los Angeles, the County of Los Angeles, Los Angeles Unified School District, and the Metropolitan Water District. The five entities that collectively bring billion-dollar contracting and procurement opportunities have become the GLAVF's host agencies.

The 2006 fair, titled "Business Opportunities Lead to Great Enterprises," focuses on the host agencies' shared mission to make significant contributions to the Southern California economy. Promoting partnerships, generating contracting opportunities with both private and public sectors, and offering business solutions are just a few examples of the hosting agencies' commitment to growth.

Benefits of Electronic Contract Administration

LA Metro's procurement staff has achieved great efficiency and significantly reduced its cycle time by

utilizing electronic contracting processes. Electronic vendor tracking systems have also improved purchasing operations by streamlining the process of identifying, categorizing, acquiring, and monitoring procurements from inception to final completion and closeout.

Procurement professionals have created electronic templates for key contract clauses that allow them to link clauses electronically and plug them into any number of contract documents. By automating the process of building contracts, these "contract wizards" drastically reduce the time contract managers must spend drafting contract documents. An estimated 300 contract clause templates have been created and saved on LA Metro's homegrown electronic contracting system. These templates are well organized and easily accessible to all contract administrators.

The electronic wizards prompt contract administrators with questions about a given services or materials contract, and by filling in the answers and using some boilerplate clauses, the contract can be drafted very quickly. Customization can be done by individual contract administrators as needed. Going forward, the agency is planning to expand its electronic contracting capabilities by integrating a commercially available software product for post-award contract administration.

To complement this e-procurement system, LA Metro utilizes TransportMAX, a growing transit industry e-commerce marketplace. TransportMAX acts as a portal that links buyers with vendors in an efficient and secure manner, and serves as an information resource for market intelligence, industry trends, and best practices. By allowing buyers to post requests for quotes (RFQs) and vendors to submit quotes, this integrated online procurement tool further reduces cycle time and increases efficiency.

Using these methods, LA Metro realized a total procurement cost savings for goods, services, and construction of \$10.6 million in FY 2006, and kept its average cycle time for inventory and small purchases to eight days, with its overall non-inventory cycle time at 21 days. For LA Metro, TransportMAX lowers the total cost of procurement and reduces input error. The system opens the door to increased procurement opportunities for member suppliers and increases competition.

Quality Control Through Peer Reviews

Since LA Metro receives large sums of state and federal funding, it is subject to constant scrutiny and regular audits by regulatory bodies to ensure public money is being properly spent. To ensure procurements are done correctly the first time, to prepare for audits

and to confirm regulatory compliance, LA Metro has developed a unique peer review system. First, the agency established “readiness reviews.” Modeled after DOD’s acquisition strategy review, this panel consists of the contracting officer, procurement manager, and project manager. These members review and validate a project based upon the following criteria: need, history, funding, small business goal, incumbent past performance, previous lessons learned, suggested procurement method, and contracting approach. The panel then agrees on the estimated schedule to award. Once consensus on these items is reached, the requirement is authorized for public solicitation.

Next, LA Metro adopted a second peer review process that requires senior managers to review all contract and solicitation files to monitor quality control, and catch and remedy any errors or sloppy record-keeping very early in the process. For example, in the capital projects department, managers and senior contract administrators spend time pulling staff files, contracts, and solicitation packages for review, thereby simulating a procurement system review.

This proactive review process increases the probability that a contract action will be successful and that errors are minimized and high quality is maintained. It enables managers to prepare for the scrutiny of federal regulators, so they are always prepared and ready for audits. Key components of the review process include a document inventory, to make sure all supporting materials and documentation are on file, and a standards check to make sure the contract is meeting all agency guidelines.

Strategic Sourcing and Public-Private Partnerships

Another best practice LA Metro has developed is building public-private partnerships and focusing on strategic sourcing. These partnerships and agreements have leveraged the agency’s buying power while decentralizing the ordering processes for ease of day-to-day procurement. Such strategic sourcing arrangements are in place for all the agency’s core materials, supplies, and maintenance equipment.

For example, the agency’s clean fuel partnership has been very efficient. The arrangement has allowed LA Metro to increase fueling efficiencies by expanding and upgrading its

fueling facilities. In an effort to curb pollution, LA Metro’s revenue vehicles run on a clean burning fuel, compressed natural gas (CNG). The CNG fueling facilities were a major capital investment, so LA Metro partnered with outside companies to finance, design, build, and maintain its fueling facilities.

Conclusion

LA Metro’s success in contract management would not be possible without the dedication of its seasoned staff and significant investment in its workforce. The procurement and contracting departments are staffed by experts in their fields, employees with a minimum of 15 years of experience. Some senior employees have more than 30 years of experience, providing a wealth of invaluable institutional knowledge. Feedback from clients consistently ranks staff excellence as one of the hallmarks of doing business with LA Metro. Throughout the organization, managers ranging from department heads and directors to executive officers and the CEO, all place tremendous value on people. To continue its stellar record of performance in contract administration, LA Metro will remain committed to staff development, fair compensation, and employee retention. **CM**