

Date: August 20, 2007

Committee Meeting Date: N/A

Board Meeting Date: August 30, 2007

BOARD MEMORANDUM

ACTION X DISCUSSION INFO

TO: Santa Clara Valley Transportation Authority
Board of Directors

FROM: Michael T. Burns
General Manager

SUBJECT: Governance and Organizational Transformation Support

Policy-Related Action: No

Government Code Section 84308 Applies: Yes

RECOMMENDATION:

Authorize the General Manager to negotiate and execute a contract amendment with Karen Antion Consulting, LLC (KAC), increasing the contract value by \$350,000 to provide professional services in support of the implementation of recommendations contained in the Organizational and Financial Assessment of the Santa Clara Valley Transportation Authority, for a total contract value of \$500,000, and extending the term of the contract through June 30, 2008.

BACKGROUND:

In August 2006, the Board of Directors approved a contract with the Hay Group to conduct an Organizational and Financial Assessment of VTA. The assessment included a review of the structure and performance of the entire organization, a specific review of each business division, an assessment of VTA's financial performance, and detailed analyses of specific program areas.

The Hay Group findings and recommendations fall into three primary areas: Governance, Organizational Structure, and Financial Management. The Executive Report consolidates the major recommendations into nine categories, each of which includes additional components. The report includes a list of recommendations from the consultants' divisional and programmatic reviews as well.

On April 5, 2007, the VTA Board approved a contract with KAC to provide professional services in support of the implementation of recommendations contained in the Organizational and Financial Assessment. The Board authorized initial funding of \$150,000 and requested that a more detailed scope of work for the entire effort be presented to the Board in June. The item was deferred to August at the General Manager's request.

DISCUSSION:

Under the initial task order, KAC, working in collaboration with the General Manager and the VTA staff as a member of an integrated transformation team, has initiated all of the tasks listed in the Phase 1 work plan and has completed a number of transformation plan elements, as highlighted below:

- Developed a transformation organization structure for VTA, which realigns the functional areas reporting to the General Manager, as announced on June 1, 2007.
 - Defined the roles and responsibilities for all positions reporting directly to the General Manager, to provide a clear delineation of responsibilities and appropriate separation of duties.
- Developed a detailed organization structure for VTA that defines the specific departments reporting to the division chiefs, as announced by the General Manager on July 6, 2007.
 - Worked with division chiefs to design and document the detailed transformation organization structure down to the staff level.
 - Collaborated with division chiefs to define and document roles and responsibilities for all managers.
 - Worked with division chiefs to review and revise goals and objectives to support the transformation structure.
 - Working with division chiefs to optimize staff resources required to support the transformation structure.
 - Advanced the recruitment of key leadership positions. Worked with the Chief Administrative Officer to:
 - Select the firm to recruit the permanent CFO; the recruiting process is underway.
 - Initiate the recruitment of the Chief of External Affairs.
 - Interviewed Chief Information Officer (CIO) candidates.
- Directed the development of a communication strategy and plan to improve communications with VTA stakeholders and employees.
- Reviewed and revised plans to upgrade the SAP system that runs VTA's business applications.
- Working with the Board Chair and the General Manager to establish an Audit Committee of the Board:
 - Developed a draft Audit Committee Charter for consideration by the Audit Committee.
- Initiated planning and development work for discussion of VTA's Vision and Mission with the Board.

The proposed work plan for Phase 2 would continue consulting support to assist the General Manager and the VTA transformation team with the implementation of specific recommendations from the Organizational and Financial Assessment. Key activities in the work plan include:

- Complete implementation of the transformation organization structure:
 - Develop policies and procedures that put appropriate controls in place, define staff responsibilities and duties, and create processing efficiencies.
 - Realign budgets and optimize staff resources.
 - Develop and implement VTA staff development and training programs to build VTA's capacity for the future.
- Solicit and recommend a contractor to assist with the real estate portfolio management and the joint development program.
- Execute Communications Plan activities.
- Review and evaluate the governance structure:
 - Term of office for directors.
 - Procedures for selection of directors by city groups.
- Formalize good governance practices:
 - Develop and offer an orientation program for new board members.
 - Develop and offer board governance sessions.
 - Develop board self-assessment program.
 - Create new template for board package to improve quality of information transmitted to board in support of decision-making.
 - Create annual work program for the board and its committees.
- Reduce the number of Advisory Committees.

On May 23, 2007, the Administration and Finance Committee reviewed KAC's work plan for providing support to the General Manager and VTA staff for the implementation of the governance and organizational recommendations. The detailed Phase 2 Work Plan (attached) enumerates the activities to be conducted in each area, lead responsibility, anticipated VTA Board and staff participation, schedule, level-of-effort, and budget. The Administration and Finance Committee reviewed the work plan, discussed priorities, and recommended that the VTA Board consider approval of the contract amendment.

ALTERNATIVES:

The Board could choose not to approve the recommended amendment to the contract for these services. VTA requires these contract resources to implement the recommendations in the Organizational and Financial Assessment.

FISCAL IMPACT:

Funds for these services are included in the adopted FY 2008 VTA operating budget.

Attachment A
List of Recommended Prime and Subconsultants
Governance and Organizational Transformation Support

	Consultant Firm	Contact Person	Location
Prime:	Karen Antion Consulting, LLC	Karen Antion	Stamford, CT
Sub-Consultants:	PRx Communication Strategists	Brenna Bolger	San Jose, CA
	Markkula Center for Applied Ethics Santa Clara University	Judy Nadler	Santa Clara, CA
	Clearview Strategies	Laurie Andrew	Pittsburgh, PA
	Hay Group	Steve Nissenfeld	New York, NY

Attachment B
KAC Phase 2 Work Plan

VTA Transformation Program
Phase 2

	KAC Team				VTA			Project Month								
	Team Lead	Level of Effort	Estimated Hours	Estimated Cost	Budget	Staff	Board	Sep 2007	Oct 2007	Nov 2007	Dec 2007	Jan 2008	Feb 2008	Mar 2008	Apr 2008	
I. Project Management																
1. Manage the Project Work Plan and Scorecard	K. Antion	Lead	152	\$36,140		A. Carey										
a. Actively Manage the Project Work Plan and Scorecard, including all Transformation Program tasks, resources, schedule, progress reporting and issue resolution.																
2. Execute Communications Strategy and Plan	B. Bolger	Lead	183	\$39,120	Yes	B. Alanez										
II. Review and Evaluate Governance Structure	K. Antion	Lead	80	\$20,000		General Manager	VTA Board									
a. Term of Office for Directors																
b. Procedures for selection of Directors by city groupings																
III. Formalize Good Governance Practices																
1. Develop Board Orientation Programs for New Board Members	J. Nadler	Lead			Yes	Board Secretary	Board Chair									
a. New Board Members																
b. New Board Chair																
c. New Board Committee Chairs																
2. Offer Board Governance Sessions for New Board Members	J. Nadler	Lead	232	\$52,240	Yes											
a. Plan, Develop and Conduct Board Information Sessions for new Board Members:						General Manager	A&F Committee									
i. Ethics and Leadership Camp						VTA Executive Staff	VTA Board									
ii. Sarbanes-Oxley						VTA Executive Staff	VTA Board									
iii. Framework for Ethical Decision Making						VTA Executive Staff	VTA Board									
3. Develop and Implement Board Self Assessment Program	K. Antion	Lead	64	\$16,000		General Manager	VTA Board									
a. Develop a Board Self Assessment Program.																
b. Present the recommended Program to the Administration and Finance Committee																
c. Work with the General Manager and Board Chair to implement the first annual assessment.																
4. Improve the Quality of Information that the Board Receives	K. Antion	Lead	40	\$10,000		Board Secretary	A&F Committee									
a. Work with the Board Secretary to develop a new template for the Board package that is responsive to the Board's needs.																
5. Develop an Annual Work Program for the Board and its Committees	K. Antion	Lead	40	\$10,000		General Manager and Executive Staff	Board Chair, Board Committee Chairs, Board Advisory Committee Chairs									
a. Work with the General Manager to develop the Annual Work Program for the Board and its Committees. Present the recommended Work Program to the Board Chair																
i. Work with the appropriate Executive Staff to develop an Annual Work Program for each Standing Committee of the Board																
ii. Work with the appropriate Executive Staff to develop an Annual Work Program for each Advisory Committee of the Board																
6. Reduce the Number of Advisory Committees	K. Antion	Lead			Yes	J. Lawson										
a. Work with the Policy Advisory Committee & the Technical Advisory Committee to consolidate the responsibilities, goals and objectives of the two committees.							Political & Technical Advisory Committees									
b. Recommend to the Administration and Finance Committee a new mission, goals, objectives and work program for a new Policy Advisory Committee that consolidates the responsibilities of the Technical Advisory Committee into the Policy Advisory Committee.							Administration & Finance Advisory Committee									

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IV. Implement Organizational Recommendations															
1. Complete the Implementation of the Transformational Organization Structure			396	\$81,120	Yes										
a. Engineering and Construction Division	K. Antion	Lead				J. Collins									
i. Consolidate all Engineering and Construction functions (except SVRT) into a new Engineering and Construction Division															
ii. Move Construction's contract accounting and payment processing functions into Fiscal Resources															
b. SVRT Project Office	K. Antion					C. Gonot									
i. Work with the Chief SVRT Program Officer to create the SVRT Program Office reporting directly to the GM.															
c. Development & Congestion Management Division	J. Nadler					J. Ristow									
i. Delineate CMA functions and consolidate into a single, identifiable department															
ii. Recruit a Deputy Director of Planning															
iii. Move Real Estate functions to Fiscal Resources															
iv. Merge Policy & Community Relations functions to Government Affairs															
d. Administrative Services Division						B. Lopez									
i. Transfer IT Department to the Administrative Services Division															
e. Operations Division						D. Smith									
f. Fiscal Resources Division						J. Mikolajczyk									
g. Develop and recommend norms for the conduct of business	J. Nadler	Lead				General Manger									
h. Evaluate staffing levels and operating budget requirements for departments	K. Antion	Lead				Executive and Senior Managers									
i. Select and appoint the new management team						General Manger									
j. Implement transitional organization structure						General Manger									
2. Real Estate Portfolio Management	L. Colosi	Lead	88	\$15,800	Yes	J. Mikolajczyk									
a. Request For Proposal															
i. Develop a Scope of Work and RFP to procure services to strategically manage the acquisition and disposition of VTA real estate															
ii. Develop the evaluation criteria for the RFP															
iii. Develop contract terms and conditions for the RFP															
b. Consultant Proposals															
i. Solicit and evaluate consultant proposals															
ii. Assist with negotiation of contract price, terms and conditions															
3. Implement VTA Staff Development Programs	K. Antion	Lead			Yes	B. Lopez									
a. Create and implement an Organizational Development Plan, making training a priority															
b. Establish and implement a Performance Management System															
c. Revise and Implement the Executive Management Succession Planning Program															
d. Institute workforce planning processes that reflect current and projected workforce needs at all levels of the organization															

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4. Implement Division and Program Specific Recommendations																
a. Information Technology	K. Antion	Lead			Yes	D. Beley										
Upgrade the SAP System																
Request For Proposal																
i. Develop an RFP for consultant services to upgrade the SAP System																
ii. Develop the evaluation criteria for the RFP																
iii. Develop contract terms and conditions for the RFP																
Consultant Proposals																
i. Solicit and evaluate consultant proposals																
ii. Negotiate price and contract terms and conditions																
For IT governance, assign separate TSC and TWG leadership																
Evaluate resource allocation and align existing resources with ongoing projects. Acquire additional resources where necessary																
Prioritize internal IT projects and ensure that they are aligned with major capital projects																
Design incentives to retain and recruit SAP professionals																
Hire and/or train staff with experience in the Agency's key operational applications, such as Trapeze, SCADA																
Update the IT Strategic Plan																
b. Administrative Services Division																
Develop a Labor Negotiation Strategy in Preparation for Labor Negotiations	L. Andrews	Lead	56	\$9,660	Yes	B. Lopez										
ATU Attendance Program																
i. Work Rules																
ii. Wages																
iii. Benefits																
Revise Administrative Services policies and procedures to include new functional responsibilities																
Review Workers' Compensation focusing on loss control initiatives, vendor use, selection and management																
c. Operations Division	L. Andrews	Lead	80	\$13,800	Yes	D. Smith										
Consolidate Q/A and warranty functions in the Maintenance Engineering group																
Consolidate operations planning functions under one department																
Review the role and functionality of the Operations Manager position																
Evaluate operating smaller trains and/or increasing the number of single cars operating during off peak periods																
Integrate Operations staff more fully into the COA																
Paratransit																
Develop a general plan for improving the information flow and working relationship between VTA and OUTREACH																
Audit financial records and databases to ensure that resources are being used efficiently, as allowed by the Agreement between VTA and OUTREACH																
Work with OUTREACH to ensure OUTREACH's current reporting & invoicing processes are providing VTA with the information it needs when it needs it																
Revisit the Paratransit Business Practice Improvement Plan to identify opportunities for further expense reductions																

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Security																
Fill the Chief of Protective Services position																
Move responsibility for grant application & grant management out of protective services department																
Renegotiate security contracts with Santa Clara County Sheriff's and Securitas																
Analyze protective services staffing and deployment																
Service Planning																
Consolidate the service planning functions under one department																
Produce regular updates regarding the Service Management Plan as an element of the quarterly Transit Operations Performance Reports																
Set productivity standards for light rail service and include these performance measures, by line, in the quarterly reports																
Contracted Services																
Perform a comprehensive review of all contracted services and assess the impact of these agreements on internal staff, funding and daily operations																
Review negotiating procedures and set goals/standards for similar contracts																
Ensure that appropriate contractual obligations for data collection, reporting, meeting attendance are in place and being monitored and fulfilled																
d. Engineering and Construction Division	K. Antion	Lead	56	\$14,000	Yes	J. Collins										
Develop, document and implement a Project Delivery Model that requires collaboration between all divisions																
Update the Construction Division Administration Manual to include current organization structure, roles, responsibilities, policies and procedures																
e. Procurement																
Review and revise contract evaluation process and procedures																
Implement vendor scorecards to help staff monitor suppliers and communicate issues to suppliers																
V. Develop Strategy with the General Manager on Transformation Program Initiatives	K. Antion	Lead	128	\$32,000		General Manager										
Phase 2 Totals			1,595	\$349,880												