



Board Report

File #: 2024-1059, File Type: Contract

Agenda Number: 15.

EXECUTIVE MANAGEMENT COMMITTEE NOVEMBER 21, 2024

SUBJECT: RECRUITMENT STRATEGIC ASPIRATION SERVICES

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer (CEO) to:

- A. EXECUTE Modification No. 1 to Contract No. PS108564000 with McKinsey & Company, Inc. (McKinsey) to provide consultant support services for hiring process improvements, continued job classification analysis, and execution of strategies to reduce vacancy rates and retain talent, in an amount Not-to-Exceed (NTE) \$3,477,500, increasing the contract value from \$497,500 to \$3,975,000 and extend the period of performance from June 30, 2025 to December 31, 2025 and;
- B. AMEND the FY25 budget in the amount of \$3,477,500 to fund the contract modification.

ISSUE

Given the unprecedented number of new rail openings and initiatives through 2027, staff anticipates more than 1,000+ recruitments will need to take place to support the A Line to Pomona, D Line Extensions, the Transit Ambassador transition, and the implementation of the Transit Community Public Safety Department, as well as managing for normal attrition. Contract No. PS108564000 was awarded in July 2024 to McKinsey, a strategy and global management consulting firm, focused on advancing the pursuit of sustainability, inclusion, and growth. The contract includes consultant support for the evaluation of Metro's hiring department structure and job classifications, assessment of hiring processes, and review of collective efforts aimed at retaining employees, and reducing vacancy rates while remaining compliant with legal requirements. Preliminary talent diagnostics (Attachment A) identified opportunities to improve hiring speed and volume, decrease time-to-hire, and reduce vacancies. As a result, staff has determined that immediate support is needed to implement these opportunities.

BACKGROUND

Currently, Metro has over 740 vacancies. On average, Metro hires 168 employees each month, of which 100 are high volume recruitment efforts for bus operators to maintain required service levels. High volume recruitment efforts are not reflected in the vacancies as recruitment for bus operators is

a continuous effort. Depending on the complexity of the recruitment, the process for filling vacancies ranges between 12-31 weeks per hire. This time-to-hire duration is more than double the benchmark for public sector organizations.

McKinsey evaluated Metro's hiring process across all phases, reviewed current job classifications, and provided recommendations to improve and reduce vacancy rates for mission-critical, hard-to-fill and high-volume positions. Additionally, one of Metro's strategic aspirations is to reimagine its approach to attract talent and retain the best employee base. This strategic aspiration is centered on improving the effectiveness of the Metro Chief People Office, which provides support throughout the agency.

Preliminary talent diagnostics were provided to Metro for review and consideration. As a result of the preliminary talent diagnostics, it became evident that Metro is at a critical moment for its talent needs. Specifically, over the next three years, Metro will have to grow its ability to attract and retain qualified employees to support existing operations coupled with the imminent opening of several expansion projects and hosting major world events such as the 2026 FIFA World Cup and 2027 Superbowl. Additionally, Metro acknowledges that talent needs must be addressed with the following principals: process innovation, streamlining of resource planning, stakeholder engagement and buy-in, and prioritization of critical roles, resources and timelines.

DISCUSSION

According to McKinsey's preliminary findings, Metro's vacancy rate, time-to-hire, and promotion processes are outside of recommended best practices. While Metro is leveraging technology to improve its processes such as the implementation of cloud-based software for human capital management, there are several strategic recruiting opportunities that remain unmet, including:

1. Decreasing the average time-to-hire
2. Decreasing the overall non-contract vacancy rate
3. Accelerating timeline for promotions

This request for a contract modification will allow McKinsey to advance this critical work into an implementation phase. Metro staff will receive support to optimize processes, innovate, track, and organize its recruitment services. Additionally, this will positively impact Metro's workforce morale and position the agency to gain a competitive advantage by proactive and strategic recruitment and retention efforts. Through this contract modification, staff, with McKinsey's support, will:

1. Establish an internal tactical team whose primary responsibility will be to implement a sustainable approach to address and mitigate the backlog of vacancies, significantly shortening the time to hire by more than 50%, and lowering the vacancy rate to under 10% within the next two years;
2. Develop and implement a robust, dynamic planning tool to track, budget and forecast for attrition and vacancies, inclusive of hard-to-fill and high-turnover positions, layered with major project milestones, openings of rail lines, and new services and/or initiatives such as the Transit Community Public Safety Department and the Transit Ambassador transition; and
3. Develop a promotion process that accelerates the administration of internal promotions up to

4x's faster.

DETERMINATION OF SAFETY IMPACT

Approval of this contract modification will allow Metro to implement recommendations to support the effective recruitment and retention of mission-critical positions. This proactive approach ensures safety of our employees, Metro customers, and the public at large.

FINANCIAL IMPACT

Upon Board approval, this action will amend the FY25 budget for \$3,477,500 under cost center 2314 Strategic Hiring, project 100002, task 01.01, General Overhead to fund the contract modification.

The cost center manager and the Chief People Officer will be accountable for budgeting the cost in FY25.

Impact to Budget

The source of funding will be administrative funds, that are not eligible for bus/rail operating expenses.

EQUITY PLATFORM

The services provided by the contractor will ensure Metro continues the equitable evaluation of hiring processes across all phases, includes continuous review of current job classifications for recruitment and retention purposes, and provides sustainable improvement recommendations to reduce vacancy rates across the agency. Additionally, this will ensure that Metro hires employees in a timely, proactive and strategic approach while maintaining all regulatory, safety, and Equal Employment Opportunity requirements, and delivering world-class transit service throughout Los Angeles County.

The Diversity & Economic Opportunity Department did not establish a Small Business Enterprise (SBE) or Disabled Veteran Business Enterprise (DVBE) goal on the original contract and McKinsey & Company, Inc. did not make an SBE/DVBE commitment. However, for this modification, McKinsey & Company, Inc. made a 5.25% DVBE commitment.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This Board action supports Strategic Goal 5: Provide responsive, accountable, and trustworthy governance within the Metro organization. This contract modification will ensure that Metro receives accelerated recruitment strategic aspiration support services in advance of new initiatives, regional events and expansion efforts impacting Metro's workforce.

ALTERNATIVES CONSIDERED

The Board may choose not to approve the recommendation for the contract modification for human resource process improvements.

An option is to assign this responsibility in-house; however, due to the current vacancy factor, this is not recommended as Metro does not have sufficient staff available with expert-level knowledge needed and capacity to evaluate Metro's hiring process across all phases, continue the review of current job classifications, and provide improvement recommendations to reduce vacancy rates, while performing their current duties.

NEXT STEPS

Upon Board approval, staff will execute Modification No.1 to Contract No. PS108564000 with McKinsey to continue to provide recruitment strategic aspiration services.

ATTACHMENTS

Attachment A - Metro Preliminary Talent Diagnostics

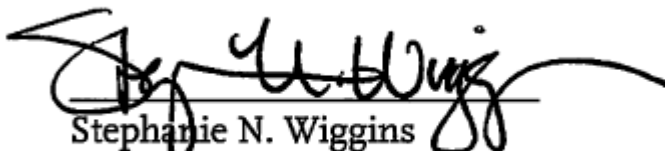
Attachment B - Procurement Summary

Attachment C - Contract Modification/Change Order Log

Attachment D - DEOD Summary

Prepared by: Nancy Saravia, Deputy Executive Officer, Administration, (213) 922-1217
Don Howey, Executive Officer, Administration, (213) 922-8867
Sandra Blanco-Sanchez, Senior Executive Officer, Special Programs, (213) 418-3102
Carolina Coppolo, Deputy Chief Vendor/Contract Management Officer (Interim), (213) 922-4471

Reviewed by: Dawn Jackson-Perkins, Chief People Officer (Interim), (213) 418-3166



Stephanie N. Wiggins
Chief Executive Officer

Metro Talent Diagnostics – McKinsey Initial Summary

1. Initial talent diagnostics identified opportunities to improve hiring speed and volume as listed below:



Decrease in average time to hire for non-contract roles

From a FY24 baseline of 12-31 weeks



Overall non-contract vacancy rate within 2 years

Assuming full implementation and steady growth and attrition, compared to >20% rate today



Accelerated timeline for promotions

With a dedicated path, compared to FY24 baseline

2. Three change levers in categories were also identified:

- 1. Process Optimization:** Simplify, accelerate, and reduce the number of handoffs in Metro's standard recruitment and hiring process
- 2. Process Innovation:** Build on the potential process improvements by tailoring Metro's recruiting and hiring approach for internal and previously vetted external talent, including a dedicated process for promotions
- 3. Organize to deliver:** Support strategic workforce planning and improve collaboration between Metro's Talent Acquisition team and the departments it serves. Improve Metro's ability to adapt its recruitment and hiring strategies to new changes and growth

**PROCUREMENT SUMMARY
RECRUITMENT STRATEGIC ASPIRATION SERVICES / PS108564000**

1.	Contract Number: PS108564000		
2.	Contractor: McKinsey & Company, Inc. (McKinsey)		
3.	Mod. Work Description: Consultant support services for hiring process improvements, continued job classification analysis, execution of strategies to reduce vacancy rates and retain talent and extend the period of performance through 12/31/25.		
4.	Contract Work Description: Evaluate Metro’s current structure and classifications, the hiring process and provide improvement recommendations to reduce vacancy rates		
5.	The following data is current as of: 11/12/24		
6.	Contract Completion Status		Financial Status
	Contract Awarded:	7/1/24	Contract Award Amount: \$497,500
	Notice to Proceed (NTP):	N/A	Total of Modifications Approved: \$0
	Original Complete Date:	6/30/25	Pending Modifications (including this action): Not-to-Exceed (NTE) \$3,477,500
	Current Est. Complete Date:	12/31/25	Current Contract Value (with this action): NTE \$3,975,000
7.	Contract Administrator: Annie Duong		Telephone Number: (213) 418-3048
8.	Project Manager: Don Howey		Telephone Number: (213) 922-8867

A. Procurement Background

This Board Action is to approve Contract Modification No. 1 to provide consultant support services for hiring process improvements, continued job classification analysis, and execution of strategies to reduce vacancy rates and retain talent. This Modification will also extend the period of performance from June 30, 2025 through December 31, 2025.

This Contract Modification will be processed in accordance with Metro’s Acquisition Policy and the contract type is a firm fixed price.

On July 1, 2024, Metro awarded a one-year contract to McKinsey for recruitment strategic aspiration services.

Refer to Attachment C – Contract Modification/Change Order Log.

B. Price Analysis

The recommended price has been determined to be fair and reasonable based on the Independent Cost Estimate (ICE), price analysis using historical pricing for similar services with other public agencies, and technical analysis. The ICE is based on the original negotiated contract rates. Staff negotiated a savings of \$372,500.

Proposal Amount	Metro ICE	Recommended Amount
\$3,850,000	\$3,477,500	\$3,477,500

CONTRACT MODIFICATION/CHANGE ORDER LOG

RECRUITMENT STRATEGIC ASPIRATION SERVICES / PS108564000

Mod. No.	Description	Status (approved or pending)	Date	\$ Amount
1	Consultant support services for hiring process improvements, continued job classification analysis, and execution of strategies to reduce vacancy rates and retain talent, and extend the period of performance through 12/31/25.	Pending	Pending	Not-to-Exceed (NTE) \$3,477,500
	Modification Total:			\$3,477,500
	Original Contract:		7/1/24	\$497,500
	Total:			NTE \$3,975,000

DEOD SUMMARY

RECRUITMENT STRATEGIC ASPIRATION SERVICES / PS1018564000

A. Small Business Participation

The Diversity & Economic Opportunity Department did not establish a Small Business Enterprise (SBE) or Disabled Veteran Business Enterprise (DVBE) goal on the original contract and McKinsey & Company, Inc. did not make an SBE/DVBE commitment. However, for this modification, McKinsey & Company, Inc. made a 5.25% DVBE commitment.

	DVBE Subcontractor	% Committed
1.	Patricio Systems LLC	5.25%
Total DVBE Commitment		5.25%

B. Living Wage and Service Contract Worker Retention Policy Applicability

The Living Wage and Service Contract Worker Retention Policy is not applicable to this modification.

C. Prevailing Wage Applicability

Prevailing Wage is not applicable to this modification.

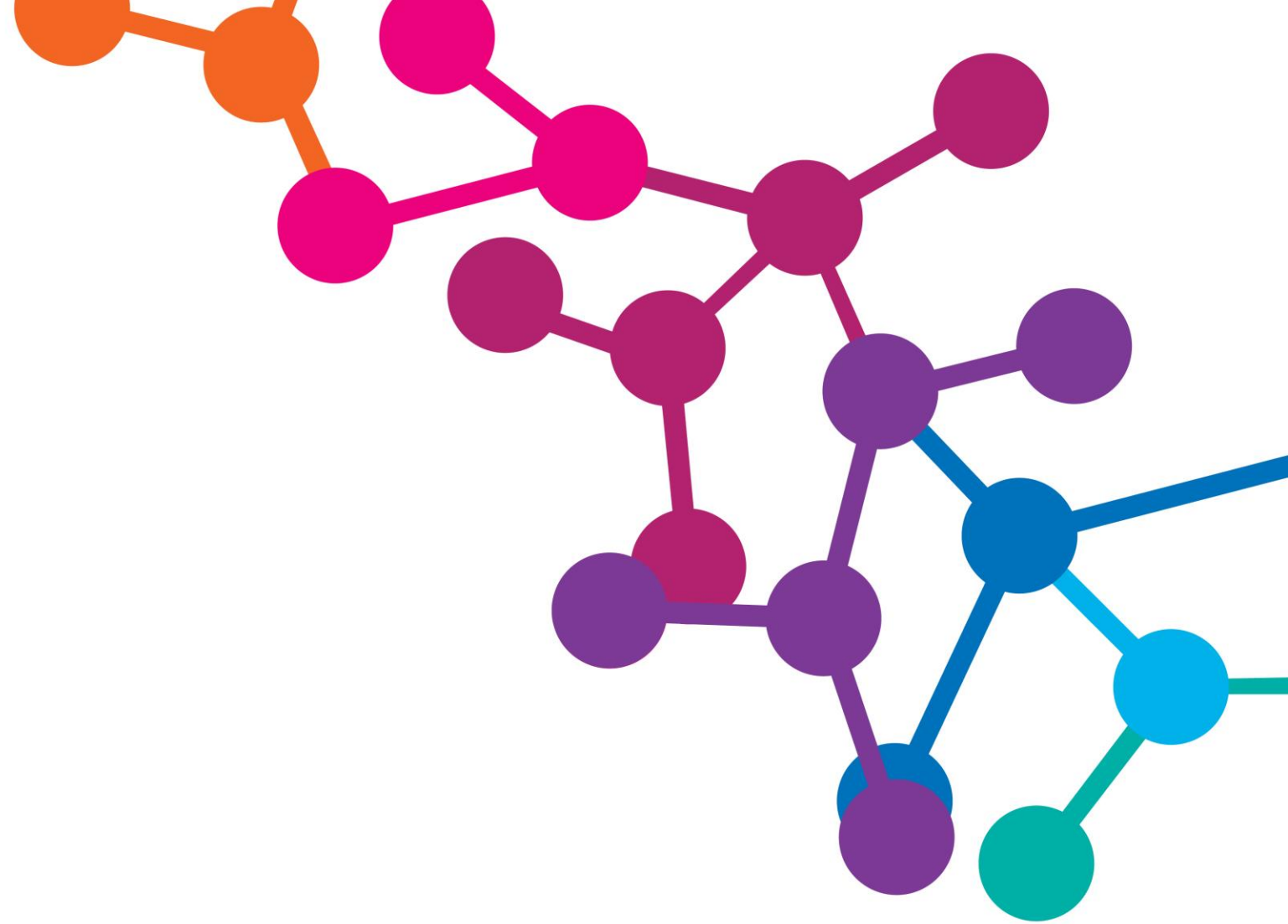
D. Project Labor Agreement/Construction Careers Policy

Project Labor Agreement/Construction Careers Policy is not applicable to this Contract. PLA/CCP is applicable only to construction contracts that have a construction related value in excess of \$2.5 million.

Recruitment Strategic Aspiration Services Contract Modification



Executive Management Committee
November 21, 2024



Staff Recommendation

AUTHORIZE the Chief Executive Officer (CEO) to:

- A. EXECUTE Modification No. 1 to Contract No. PS108564000 with McKinsey & Company, Inc. (McKinsey) to provide consultant support services for hiring process improvements, continued job classification analysis, and execution of strategies to reduce vacancy rates and retain talent, in an amount Not-to-Exceed (NTE) \$3,477,500, increasing the contract value from \$497,500 to \$3,975,000 and extend the period of performance from June 30, 2025, to December 31, 2025, and;
- B. AMEND the FY25 budget in the amount of \$3,477,500 to fund the contract modification.

Background

- In July 2024, McKinsey began work to evaluate Metro's hiring process and provided preliminary recommendations to:
 - ✓ Decrease the average time-to-hire
 - ✓ Decrease the overall non-contract vacancy rate
 - ✓ Accelerate timeline for promotions
- Metro anticipates more than 1,000+ recruitments will need to take place over the next three years to support major expansion projects, the Transit Ambassador transition, and the implementation of the Transit Community Public Safety Department, as well as managing for normal attrition
- The current process for filling vacancies ranges between 12-31 weeks per hire, depending on complexity of the recruitment
- Metro acknowledges that talent needs must be addressed with the following principals: process innovation, streamlining of resource planning, stakeholder engagement and buy-in, and prioritization of critical roles, resources and timelines

Recruitment Strategic Aspiration Services – Contract Mod

- This request will allow McKinsey to advance efforts with staff to optimize processes, innovate, track, and organize recruitment services into an implementation phase
- With McKinsey's support, Metro will:
 1. Establish an internal tactical team whose primary responsibility will be to implement a sustainable approach to address and mitigate the backlog of vacancies, significantly shortening the time to hire by more than 50% and lowering the vacancy rate to under 10% within the next two years
 2. Develop and implement a robust, dynamic planning tool to track, budget and forecast for attrition and vacancies, inclusive of hard-to-fill and high-turnover positions, layered with major project milestones, openings of rail lines, and new services and/or initiatives such as the Transit Community Public Safety Department and the Transit Ambassador transition
 3. Develop a promotion process that accelerates the administration of internal promotions up to 4x's faster