Reshaping NYCHA support functions

BCG Engagement: key findings and recommendations

August 2012

Context and objectives for this document

The Boston Consulting Group was hired by NYCHA in March 2011 to <u>reshape its central office support functions</u> to achieve two objectives:

- Achieve greater efficiency and effectiveness
- Free up resources to invest in the "front-line" of NYCHA

BCG's work focused on identifying four types of opportunities, which when taken together, will reshape NYCHA's operating model:

- Business process improvements
- IT systems enhancements
- Organizational structure redesign
- Capabilities and cultural change

Given the broad nature of the engagement, we are providing a document summarizing BCG's work for the senior team and board. The objectives of this document are:

- Provide a summary of BCG's work
- Share the key recommendations and support provided by BCG
- Describe the resulting value delivered and projected cost savings
- Summarize the infrastructure, tools, and capabilities built to support successful implementation

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2 **Approach to identify opportunities**

3 **Summary of key findings and recommendations**

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Appendix:
6 **Key findings and recommendations by area**
Board governance
Engaging for Results

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BCG was hired to help NYCHA "do more with less"

NYCHA faces many deep challenges, including:
- Aging housing stock, increasing maintenance demands, growing capital investment needs
- Declining funding and an unclear outlook on future funding
- Increasing public pressure to provide more services with fewer resources

In this context, BCG was hired to assess and propose improvements to NYCHA's <u>central support service functions</u>. Our primary objective was to help NYCHA "do more with less" by enhancing the efficiency and effectiveness of these support functions in order to redirect resources to field operation activities

Specifically, the services BCG was contracted to perform were:
- *"Perform a comprehensive current state assessment of NYCHA's central services and borough office support functions"*
- *"Develop and recommend improvements based on its assessment with the goal of improving and enhancing the efficiency and effectiveness of NYCHA's current business model, while leveraging best practices of organizations such as leading public housing authorities, property management companies, and best-in-class private sector companies"*
- *"Provide strategic, tactical, and technical support to NYCHA in implementing its comprehensive business transformation plan"*

Source: BCG–NYCHA Proposal (Submitted Mar 2011); BCG–NYCHA Contract (Mar 2011)

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BCG's effort supported Imperative 5 of *Plan NYCHA*

Plan NYCHA: vision for the future

Evolve the model for public housing and rental assistance in New York City to make it financially, socially, and environmentally sustainable

Provide or enable better access to decent, safe, and affordable housing for current customers

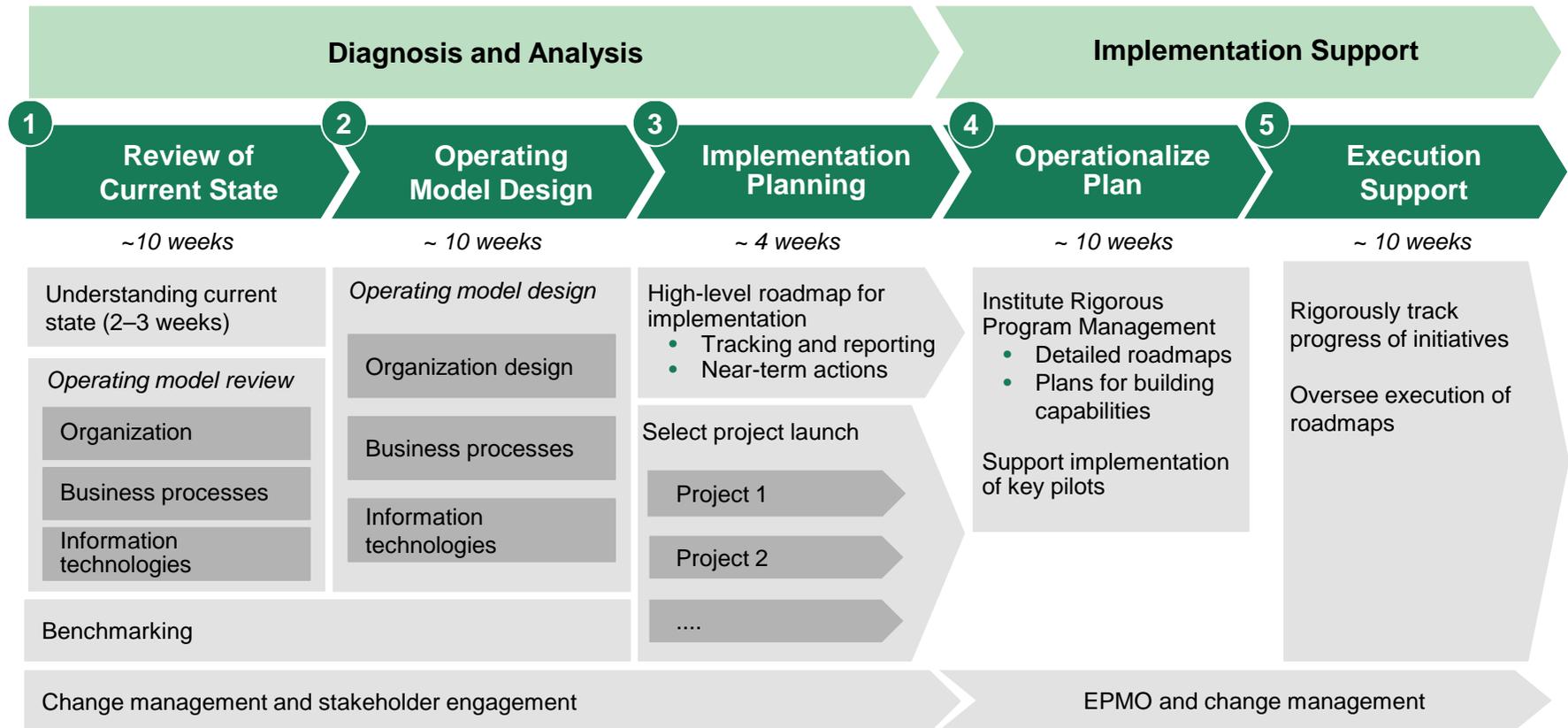**Increase the number of New Yorkers served by NYCHA**

Support positive outcomes for NYCHA residents and communities

Transform into a high-performing organization that excels at customer service

Plan NYCHA: 10 imperatives

1 **Preserve the public and affordable housing asset**

2 **Develop new mixed-use, mixed-income housing and resources**

3 **Ensure financial stability**

4 **Expedite maintenance and repairs**

5 **Strengthen the frontline (...by becoming an "efficient, high-productivity organization"*)***

6 **Improve safety and security**

7 **Optimize apartment usage and ensure rental equity**

8 **Connect residents, communities to critical services**

9 **Excel in customer service**

10 **Create a high-performing NYCHA**

Source: Plan NYCHA

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Five phases of work encompassed a broad set of activities, ranging from operating model design to execution support

Diagnosis and Analysis			Implementation Support	
1 Review of Current State	**2** Operating Model Design	**3** Implementation Planning	**4** Operationalize Plan	**5** Execution Support
~10 weeks	*~ 10 weeks*	*~ 4 weeks*	*~ 10 weeks*	*~ 10 weeks*

1 — Review of Current State (~10 weeks)

Understanding current state (2–3 weeks)

Operating model review
- Organization
- Business processes
- Information technologies

Benchmarking

2 — Operating Model Design (~ 10 weeks)

Operating model design
- Organization design
- Business processes
- Information technologies

3 — Implementation Planning (~ 4 weeks)

High-level roadmap for implementation
- Tracking and reporting
- Near-term actions

Select project launch
- Project 1
- Project 2
- ....

4 — Operationalize Plan (~ 10 weeks)

Institute Rigorous Program Management
- Detailed roadmaps
- Plans for building capabilities

Support implementation of key pilots

5 — Execution Support (~ 10 weeks)

Rigorously track progress of initiatives

Oversee execution of roadmaps

Change management and stakeholder engagement | EPMO and change management

Project scope covered back-office functions, not "front-line"

Extent of focus given to specific functions based on complexity or potential size of opportunity

In-scope

- ⭐ ATAD & Leased Housing
- Development (Administrative)[1]
- ⭐ Capital Projects (Administrative)
- ⭐ Operations (Administrative)
- ⭐ Community Programs and Development[1][2] (Administrative)
- Facility Planning & Administration, Security, & General Services
- ⭐ Legal[1]
- ⭐ Human Resources
- Information Technology
- ⭐ Finance
- Procurement /Sourcing[3] & Supply Chain Operations
    - Solicitations (e.g., RFPs)
    - Inventory management
    - Distribution/warehousing
- Office of the Chairman[1]
    - Communications
    - Policy and Program Development
    - Research and Analysis
    - Strategic Planning / Change Management
    - Office of the Secretary

Out-of-scope

- Development (non-Administrative)
- Capital Projects (non-Administrative)
- Operations (non-Administrative
    - Customer call centers
    - Walk-in centers
- Community Programs and Development[2] (non-Administrative, community centers)
- NYPD Contract
- Office of the Chairman
    - Asset Management
    - Audit
    - Equal Opportunity
    - Legislative Affairs
    - Office of Public / Private Partnerships
    - Inspector General

⭐ **Provided "Deep dive" support (resources for targeted, deeper analyses of opportunities and recommendations)**

1. Not in-scope for Phase II recommendations / operating model design based on prioritization with executive team.   2. In scope for targeted baselining exercise   3. Currently sits in multiple functions

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BCG's work also extended beyond original scope

BCG invested $5M of its own resources for additional team members

Activities beyond original scope	**Plan NYCHA**	Plan NYCHA quantification	Supported launch of Plan NYCHA by calculating projected financial impacts
		Plan NYCHA editing and socialization	Assisted in editing of Plan NYCHA in final stages before launch
	Governance	Top-level organizational redesign	Provided high-level suggestions on redesign of top-level organization (e.g., reports to Board and GM), including Board, Senior Executive committees
		Redesign board processes	Established appropriate meeting cadence for Board-Senior Team meetings
		Metrics management system	Supported development of metrics, targets, and reporting mechanisms to establish management by objectives
	Operations	Property Management Demonstration Project	Supported design of in-house and outsourced models to identify best practices, test applicability of private property mgmt. concepts to NYCHA
		Borough redesign	Helped enable borough redesign and broader operations transformation
	Section 8	Fraud benchmarking	Benchmarked other agencies' approaches for fraud detection/prevention
Deeper support within areas of scope	**Finance / IT**	Hyperion RFP launch	Supported drafting of RFP for budgeting process improvements
	Capital Projects	Short term obligation of funds	Developed framework and approach for short term obligation of funds, including roadmap to track obligation
	Procurement	Additional deep-dive support / baselining	Supported procurement process redesign; developed detailed activity plans for MRO and contingent labor, along with in-depth analysis
		Materials, services RFP and design	Proposed inventory management pilot at 10 sites, drafted RFP, and released for bid submission; began operationalizing (e.g. design & IT)
		Prioritization of next wave of opportunities	Built plan for prioritizing and phasing strategic sourcing projects

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Executive summary – Approach to identify opportunities

BCG worked shoulder-to-shoulder with NYCHA employees across the organization, cooperating as a joint team to identify, plan, and implement transformation initiatives

The joint team used several approaches to identify opportunities for improving support functions

- Detailed analysis and benchmarking of organizational structure and staffing levels to identify inefficiencies, ineffective allocation of decision rights, and other areas for improvement
- Mapping, analyzing, and benchmarking of processes and activities to identify bottle-necks
- Interviews with customers and employees to develop, test, and refine initial top-down hypotheses
- Identification of policies and regulations that could be a barrier to implementation of recommendations

The team focused on identifying four types of opportunities

- Business process improvements – streamlining processes and outsourcing non-core processes
- IT systems enhancements – making substantial improvements to IT systems and investment decision-making processes to more effectively allocate IT resources
- Organizational structure redesign – restructuring support functions from transaction-oriented departments into strategic business partners driving improvements
- Capabilities and cultural change – building capabilities to fill gaps and promote higher employee performance

To frame the development of recommendations, the team defined key design principles for NYCHA's new operating model – the overarching goal was to move NYCHA towards a more property-centric, less hierarchical organization excelling in its core capabilities

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BCG-NYCHA worked "shoulder-to-shoulder" in joint teams

Note: team evolved through different phases based on changing areas of focus

Board

NYCHA
• John Rhea
• Emily Youssouf
• Margarita Lopez
• Victor Gonzalez

Steering Committee

NYCHA	BCG
• A. Riazi	• Allison Bailey
• L. Godfrey	• Pappudu Sriram
• S. Kaloyanides	
• C. Laboy	
• H. Morillo	
• S. Myrie	
• R. Ribeiro	
• N. Rivers	
• C. Serrano	
• A. Spitzer	

Expert Advisors

BCG	External
Bob Tevelson (Procurement /Sup.Chain) Stuart Scantlebury (IT) ...	Leading PHAs Real Estate development Property Management Real Estate policy/ HUD Legal

Project Management

NYCHA	BCG
• Jenna Lawrence	• Daniel Acosta

Applications—Leased Housing and ATAD		Operations (Admin)		Capital Projects (Admin)		Procurement and Supply Chain		Legal		HR	
NYCHA	BCG	NYCHA	BCG	NYCHA	BCG	NYCHA	BCG	NYCHA	BCG	NYCHA	BCG

Development		Community Programs and Development		Facility Plan, Security and General Services		IT		Finance		Office of the Secretary		Other Central Svcs./Functions	
NYCHA	BCG	NYCHA	BCG	NYCHA	BCG	NYCHA	BCG	NYCHA	BCG	NYCHA	BCG	NYCHA	BCG

In addition, the project team worked with a wide range of NYCHA employees and departments

Name	Department	Name	Department	Name	Department	Name	Department
Employee 1	Administration	Employee 33	FGSS	Employee 65	IT	Employee 97	Operations
Employee 2	ATAD	Employee 34	FGSS	Employee 66	LHD	Employee 98	Operations
Employee 3	ATAD	Employee 35	FGSS	Employee 67	LHD	Employee 99	Operations
Employee 4	ATAD	Employee 36	FGSS	Employee 68	LHD	Employee 100	Operations
Employee 5	ATAD	Employee 37	FGSS	Employee 69	LLHD	Employee 101	Operations
Employee 6	ATAD	Employee 38	FGSS	Employee 70	LHD	Employee 102	Operations
Employee 7	ATAD	Employee 39	FGSS	Employee 71	LHD	Employee 103	Operations
Employee 8	Capital Projects	Employee 40	Finance	Employee 72	Legal	Employee 104	Operations
Employee 9	Capital Projects	Employee 41	Finance	Employee 73	Legal	Employee 105	Operations
Employee 10	Capital Projects	Employee 42	Finance	Employee 74	Legal	Employee 106	Operations
Employee 11	Capital Projects	Employee 43	Finance	Employee 75	Legal	Employee 107	Operations
Employee 12	Capital Projects	Employee 44	Finance	Employee 76	Legal	Employee 108	Operations
Employee 13	Capital Projects	Employee 45	Finance	Employee 77	Legal	Employee 109	Operations
Employee 14	Capital Projects	Employee 46	Finance	Employee 78	Legal	Employee 110	Operations
Employee 15	Capital Projects	Employee 47	Finance	Employee 79	Legal	Employee 111	PMO
Employee 16	Capital Projects	Employee 48	Finance	Employee 80	Legal	Employee 112	PMO
Employee 17	Capital Projects	Employee 49	HR	Employee 81	Legal	Employee 113	Procedure Dev & admin
Employee 18	Capital Projects	Employee 50	HR	Employee 82	Office of Secretary	Employee 114	Procurement & SCO
Employee 19	Capital Projects	Employee 51	HR	Employee 83	Operations	Employee 115	Procurement & SCO
Employee 20	Capital Projects	Employee 52	HR	Employee 84	Operations	Employee 116	Procurement and SCO (TSD)
Employee 21	Capital Projects	Employee 53	IT	Employee 85	Operations	Employee 117	Procurement and SCO (Boroughs)
Employee 22	Capital Projects	Employee 54	IT	Employee 86	Operations	Employee 118	Procurement and SCO (Boroughs)
Employee 23	Communications	Employee 55	IT	Employee 87	Operations	Employee 119	Procurement and SCO (CPD)
Employee 24	Communications	Employee 56	IT	Employee 88	Operations	Employee 120	Procurement and SCO (SCO)
Employee 25	CP&D	Employee 57	IT	Employee 89	Operations	Employee 121	Procurement and SCO (GSD)
Employee 26	CP&D	Employee 58	IT	Employee 90	Operations	Employee 122	Research and Mgmt Analysis
Employee 27	CP&D	Employee 59	IT	Employee 91	Operations	Employee 123	Research and Mgmt Analysis
Employee 28	CP&D	Employee 60	IT	Employee 92	Operations	Employee 124	Strategic Planning
Employee 29	CCC	Employee 61	IT	Employee 93	Operations	Employee 125	Strategic Planning
Employee 30	Development	Employee 62	IT	Employee 94	Operations	Employee 126	Strategic Planning
Employee 31	Development	Employee 63	IT	Employee 95	Operations	Employee 127	Strategic Planning
Employee 32	Development	Employee 64	IT	Employee 96	Operations	Employee 128	Steering Committee
						Employee 129	Steering Committee

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Several BCGers worked with NYCHA over the project's course

Partners / Senior Advisors *(Full project)*
- Allison Bailey
- Tom Lutz
- Stu Scantlebury
- Pop Sriram
- Robert Tevelson

Principals
- Daniel Acosta *(Full project)*
- Ryan Greene *(Phases I - III)*[1]
- Rajneesh Gupta *(Phase III)*
- Gary Sutton *(Phases I - V)*

Project Leaders
- David Badler *(Phases II - III)*
- Arup Bhattacharjee *(Phases IV - V)*
- Peter Cho *(Phases I - V)*
- Camille DeLaite *(Phases I - IV)*
- Kevin Mole *(Phase III)*
- Raymond Nomizu *(Phases I - V)*[1, 2]
- Liza Stutts *(Phases I - IV)*

Support staff
- Administrative Assistants
- Communications
- Finance
- Knowledge Management
- Legal

Consulting staff
- Julia Cohen *(Phase VI)*
- Stanka Ilkova *(Phase III)*
- Abigail Jones *(Phases III - V)*
- Leora Kelman *(Phases I - III)*
- David Lee *(Phases IV - V)*
- Kunal Madhok *(Phases III - V)*
- Aviel Marrache *(Phases II - III)*
- Grant Martinez *(Phases IV - V)*
- Will O'Shaughnessy *(Phases IV - V)*
- Amnon Ron *(Phases IV - V)*
- Rachel Xanttopoulos *(Phases IV - V)*
- Ben Zhou *(Phases I – III)*

Short-term (various phases)
- Adi Adiv
- Ross Arnowitz
- Jin Kim
- Johnathan Peterson
- David McCarty
- Jared Mellin
- Mike Mannarino
- Michael Zhang

Summers *(Phases I-III)*
- Maryanna McConnell
- Bay Love
- Jack Bugas
- Brooke Hatcher

1. Former BCG employee 2. Outside contractor
Source: BCG staffing records

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The team used a number of lenses to identify opportunities
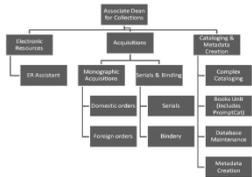
Organization composition diagnostics
- Spans / layers
- Shadow analysis
- Overtime
- Secretary support

Organization benchmarking
- Business model
- FTEs
- Spend
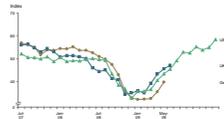
Activity benchmarking
- Business model
- Processes, practices
- Performance

Top-down hypotheses
- In collaboration with NYCHA subject matter experts / functional leads

Opportunity identification
- Enterprise-wide
- By function

Activity analysis / process mapping
- Process steps / stages
- Roles / responsibilities
- Metrics / KPIs

Customer or employee feedback
- Pain points
- Key challenges

Legal / HR Policy
- Barriers to implementation
- Civil service
- Union rules

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Benchmarking analysis compared NYCHA to PHAs as well as private property management companies ("PMCOs")

Public Housing Authorities

	HACLA	PHA	SAHA	KCHA	BALT	AHA
HR		◆	◆	◆		
Leased Housing	◆	◆	◆	◆	◆	
Capital Projects (Admin)	◆	◆	◆		◆	
Community Operations (Admin)		◆			◆	
Development		◆		◆		◆
Finance	◆	◆	◆	◆		
IT	◆	◆	◆	◆	◆	◆
Legal	◆		◆	◆		◆
Eligibility	◆	◆	◆	◆		
Operations (Admin)	◆	◆	◆		◆	
Communications				◆		◆
Procurement and Supply Chain		◆			◆	

Private property management companies

	Lemle and Wolff	Shin-da	Omni New York LLC	Wave-crest	Metro	Habi-tat	Draper & Assoc.	Colum-bia	Lane & Co.	Integ-ral
Org structure	◆	◆	◆	◆	◆	◆	◆	◆		
Rent collection	◆	◆	◆		◆		◆			
IT	◆	◆	◆	◆		◆				
Operation	◆	◆	◆	◆			◆	◆		◆
Procure-ment		◆	◆						◆	
Capital Projects				◆	◆				◆	
Finance					◆	◆	◆	◆	◆	
Waitlist					◆	◆	◆			

Four types of opportunities identified to deliver value

Opportunity types

Business process improvements

- Remove unnecessary steps and procedures
- Optimize cadence and sequence of activities (e.g., parallel vs. sequential processing)

IT systems enhancements

- Leverage systems (e.g., applications, databases, servers, networks, end-user devices) to drive efficiency and more effective processes

Organizational structure redesign

- Clearly establish structure, roles, responsibilities, and decision rights to drive effectiveness
- Identify optimal staffing levels for efficiency

Capabilities and cultural change

- Identify, build, and attract necessary capabilities
- Measure, manage, and incentivize desired high performance (e.g. inter-department collaboration)

Value to deliver for NYCHA

Financial impact

Cost savings
- Improving FTE productivity; streamlining staffing
- Leverage scale for more efficient spend

New revenue streams
- Leverage existing assets for new revenues

Service level improvements

Improved service levels to Section 8 tenants / families and landlords

Improved service levels to tenants / families in NYCHA-owned properties

Effectiveness

Organizational effectiveness
- Better decision-making (e.g. more strategic)
- More effective management / team structures

Operational effectiveness
- Employees, processes execute more effectively

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Example: identified process improvement opportunities

Complicated steps and wide range of pain points in tenant interview process

Up to 6 month at each step; lots of churn

	Interview				Screening	

Applicant
- No — Attend? — Call to re-schedule — Mail in remaining documents
- Yes
- Schedule interview
- Tenant may request hearing to challenge determination of non-eligibility within 90 days
- Indicate preferred development

Call center

Intake/ Planning
- Schedule interview from waitlist
- QC random sample; add to dev't waitlist

Eligibility
- Conduct interview — Documents complete/? — Validate documents — Meet criteria?
- No
- Yes

Screening
- Yes — Perform background check — Eligible? — Yes — Issue notice
- No
- No

Potential outcome

Ineligible b/c of failure to appear	Priority too low (back on preliminary waitlist)	Ineligible b/c of criminal or rental history	Eligible
	Ineligible (non-qualification or failure to submit all documents by deadline)		

Timeline (days)

Up to 6 months   Up to 6 months   Up to 60 days

Interview   Screening

Example: identified systems enhancement opportunities

NYCHA IT application landscape and areas for improvement

Legend:
- Significant user identified issues
- Opportunities to improve performance or replace with improved systems
- No significant issues identified

Diagram elements:
- City Payroll system
- Timekeeping system
- Legal workflow system
- Document mgmt.
- Construction mgmt.
- QWEB & Microstation (CAD)
- E-Business Suite
  - General Ledger
  - Public sector budgeting
  - Accounts Receivable
  - Accounts Payable
  - Grants
  - Purchasing
  - Inventory
  - Procurement
  - Order Manager
  - Property Manager
  - Fixed Assets
  - Project
  - *Advanced procurement*
    - iSupplier
    - Sourcing
    - Contract mgmt
- Work order assessment
- Handhelds
- Tenant Data System
- Rent Control System
- Tenant Selection and Assignment Plan
- Data warehouse
- Customer Relationship Management (CRM)
- Scanning
- Printing and mailing
- Fusion Middleware
- Document Mgr.

Example: explored organization structure redesign

Proposed department structure flattens organization and improves accountability

Current structure
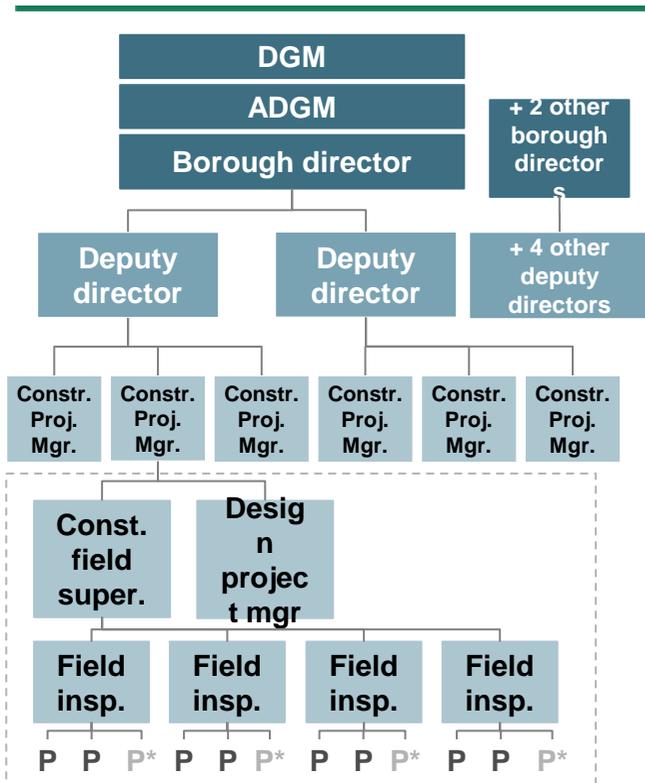
Proposed structure (Internally-managed)
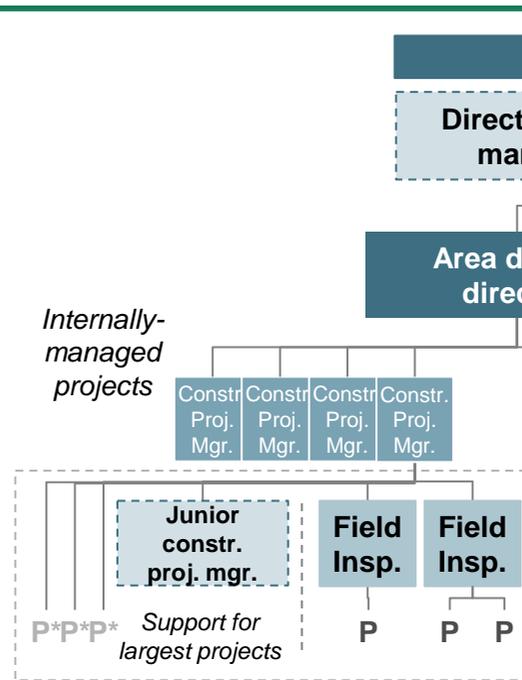
Proposed structure (CM-managed)

DGM
ADGM
Borough director
+ 2 other borough directors

Deputy director | Deputy director | + 4 other deputy directors

Constr. Proj. Mgr. | Constr. Proj. Mgr. | Constr. Proj. Mgr. | Constr. Proj. Mgr. | Constr. Proj. Mgr. | Constr. Proj. Mgr.

Const. field super. | Design project mgr

Field insp. | Field insp. | Field insp. | Field insp.

P P P* P P P* P P P* P P P*

DGM
Director of project management
Area deputy director | +6 other area teams

Internally-managed projects

Constr. Proj. Mgr. | Constr. Proj. Mgr. | Constr. Proj. Mgr. | Constr. Proj. Mgr.

Junior constr. proj. mgr. | Field Insp. | Field Insp.

P* P* P* *Support for largest projects*

P P P

CM-managed projects

Constr. Proj. Mgr.

P* P* P* P P P | Junior constr. proj. mgr.

Support for largest projects

Key changes: Eliminate two layers; increase number of construction project mgrs to ensure manageable project load

P: Active projects
P*: Projects in design or closeout

1. Need to align CPD boroughs with those of Operations. Note: On conventional projects, Project Managers and field inspectors will have more projects (see next slide for staffing levels and responsibilities)

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Example: used benchmarks to determine appropriate sizing and resourcing levels

Industry benchmarks suggest opportunity of ~55FTE reduction in HR

	25th percentile	Median	75th percentile
Industry			
All employers	60	100	180
Bank, fin, ins	110	170	220
Coms & info svcs	60	140	200
Biz, pers svcs	70	120	270
Svcs (non-manu)	60	110	180
Non business	60	100	170
Government	60	100	180
Manufacturing	80	100	160
Education	50	80	90
Healthcare	50	70	100
PHAs	~57	66	100
Trans, warehs	40	60	90
Retail/whl trade	30	60	120

Total FTEs per HR FTEs

NYCHA, 67 FTEs per HR FTE

Potential future state

NYCHA HR achieves best in class PHA, and median private sector benchmarks for relevant comps

- ~100:1 Total FTE to HR FTE ratio
- On base of ~12k employees...
- ...implies ~55 FTE reduction...
- Results in ~120 FTE

May require a fundamental reassessment of activities & service levels

- Both activities driven by regulatory environment and those that are not

1. PHA benchmarks include SAHA, KCHA, PHA, NYCHA
Source: IOMA - Exhibit 2.1-2 - HR Department Benchmark and Analysis Survey 2007-2008 BNA

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Example: examined building capabilities, cultural change

More broadly, HR organizations extend from transactional to strategic value-oriented contribution

Transactional

- Payroll
- Time and expense
- Employee assistance
- Administration and record keeping
- Training admin
- Reporting

Core functional

- Compensation and incentives
- Management and staff development
- Recruiting
- Performance Management
- Expatriate Management
- Health and safety
- Measurement
- HR IT

Transformational

- Change and cultural transformation management
- Manage diversity and inclusion
- Leadership development
- PMI support
- Retention programs
- Employer brand management
- Manage staff engagement
- Targeted HR initiatives for business support

Strategic, value-oriented

- Strategic Workforce Planning
- Strategic Talent Management
- Human Capital Management
- Total Workforce Management
- M&A HR Due Diligence
- Employee value proposition
- Joint strategic business planning

PHAs

Most private sector HR functions are here

World class HR functions are here

Activities currently conducted

Strategic contribution

Associated capability buildup needed to achieve change

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Executive summary – Key findings and recommendations (I/IV)

NYCHA facing several significant challenges, many of which are mutually reinforcing

- *Under-funded capital:* NYCHA faces a vicious cycle in which underfunded capital improvements drive higher unmet demands, cause increasing structural deficits and maintenance/repair needs (e.g., capital deficit / physical needs estimated at >$16B based on latest PNA)

- *Sub-optimal property management and maintenance model:* vertically integrated model exacerbates efficiency issues and contributes to growing maintenance & repair backlog (e.g., current backlog at ~330k work orders; work orders can extend as long as 2 years)

- *Sub-optimal procurement and supply chain:* highly fragmented procurement activites and bureaucratic purchasing processes drive higher costs and long lead times (e.g., NYCHA pays different unit prices for same items --$8-28 per gallon of white paint; in 2010, spent ~$5M to manage $5M of active inventory with a little over 2 turns)

- *Inefficient support functions:* significant number of 'shadow' resources in central and borough offices (e.g. finance, HR, procurement); processes highly rigid/bureaucratic and inconsistent with best practices (e.g. budgeting)

- *Underleveraged IT systems:* implemented powerful software packages, but do not leverage full potential and some critical functionality missing (e.g., suboptimal work order scheduling, actual labor time not captured, material usage not tracked by job)

- *Ineffective resource deployment:* low workforce engagement; labor procedures (civil service /union) impede ability to deploy resources most effectively; downsizing constrained by 'bumping' implications

Other PHA's have addressed similar issues by transforming their enterprise operating model to reflect best practices from private property management firms (PMCOs) and more progressive PHA's, enabling them to operate at a lower cost and with greater effectiveness, e.g.,

- Shifting more responsibility for property management from central offices to property-level
- Focusing on core activities, outsourcing non-core activities
- Leveraging spend volumes and centralizing where appropriate (e.g. procurement)

The team recommended changes to NYCHA's enterprise operating model to enable more consistency with best practices and to reduce the cost and improve overall effectiveness, e.g.,

- Property management model – move to leaner, property centric model deploying PMCO best practices, with increased outsourcing
- Community Operations – move from direct provider to orchestrator of core services supportive of improved property management
- Capital Projects – introduce proactive integrated asset management model with operations
- Procurement – move to centralized, strategic sourcing that leverages spend; tracking and accountability with minimal inventory
- Section 8/ATAD – move to participant led, self service models for tenants and landlords
- Support functions (i.e. HR, Finance, IT, FGSS) – move to Business partner model, focused on strategic support, outsourcing non-core activities; eliminate shadow functions and redundancies in boroughs and center
- Section 8 – move to participant led, self-service model

Executive summary – Key findings and recommendations (III/IV)

In addition, across support and administrative functions, the team identified numerous opportunities to improve business processes, improve organizational effectiveness, and enhance IT systems

- Reducing process steps and unnecessary requirements and procedures to improve cycle times (e.g. procurement); outsource non-core processes and activities(e.g. training)
- Flattening the organization, delayering, eliminating shadow functions and redundancies, increasing decision making authority (e.g. finance)
- Leveraging IT systems to evolve business processes; establishing governance to ensure investments justified by ROI; building efficient self-service portals (e.g. ATAD/Sec 8)

Specific initiatives proposed to achieve recommended operating model changes, including:
- Operations – borough re-design; new property management operating models, including Demonstration Project
- CPD – redesign overall operating model; redesign long-term capital planning process
- Section 8 – ongoing risk mitigation; rent reasonableness; fraud detection; online processes and portals for tenants and landlords
- HR – organizational re-alignment; introduction of performance management
- ATAD – policy and process streamlining; online portal for applicants
- FGSS – rationalize fleet and facilities usage and manage
- IT – organizational re-alignment; enhanced governance model including new decision-making process
- Procurement / Supply Chain – streamline and centralize organization with new analytical capabilities; re-design sourcing and procurement processes; pursue strategic sourcing for savings; streamline supply chain with JIT
- Finance – organizational re-alignment, improved budgeting processes

Executive summary – Key findings and recommendations (IV/IV)

Recommended changes are estimated to deliver ~$70M in run-rate cost savings and ~$55M in run-rate revenues by 2016

- Cost savings are largely driven by better leveraging of NYCHA's procurement spend and restructuring of central office support functions
- Revenues are largely driven by identifying fraud and enforcing rent reasonableness in Section 8
- Coming out of the work with BCG, NYCHA redid their 5 year operating plan, incorporating many of the initiatives, generating $35M salary and fringe savings by 2016

In addition to financial impacts, significant improvements to service quality and organizational effectiveness will improve many aspects of customer and employee experiences

- *Tenants and landlords:* more reliable, user-friendly customer service access points (e.g., Section 8 recertification); streamlined processes and reduced burden (e.g., eliminated document requirements); faster workorder turnaround as piloted best practices become adopted more broadly
- *Employees:* simplified, more efficient processes and policies to increase employee productivity; greater employee engagement

Proposed transformation includes critical investments in systems and capabilities, e.g.,

- IT systems investments will support ongoing process redesign for key activities
- New positions and training necessary for new operating model success

Key accomplishments already achieved during course of the engagement

- Progress toward recommended initiatives
- Buildup of infrastructure and capabilities to support decision-making and implementation

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Identified a trend in public housing toward adoption of private property management practices

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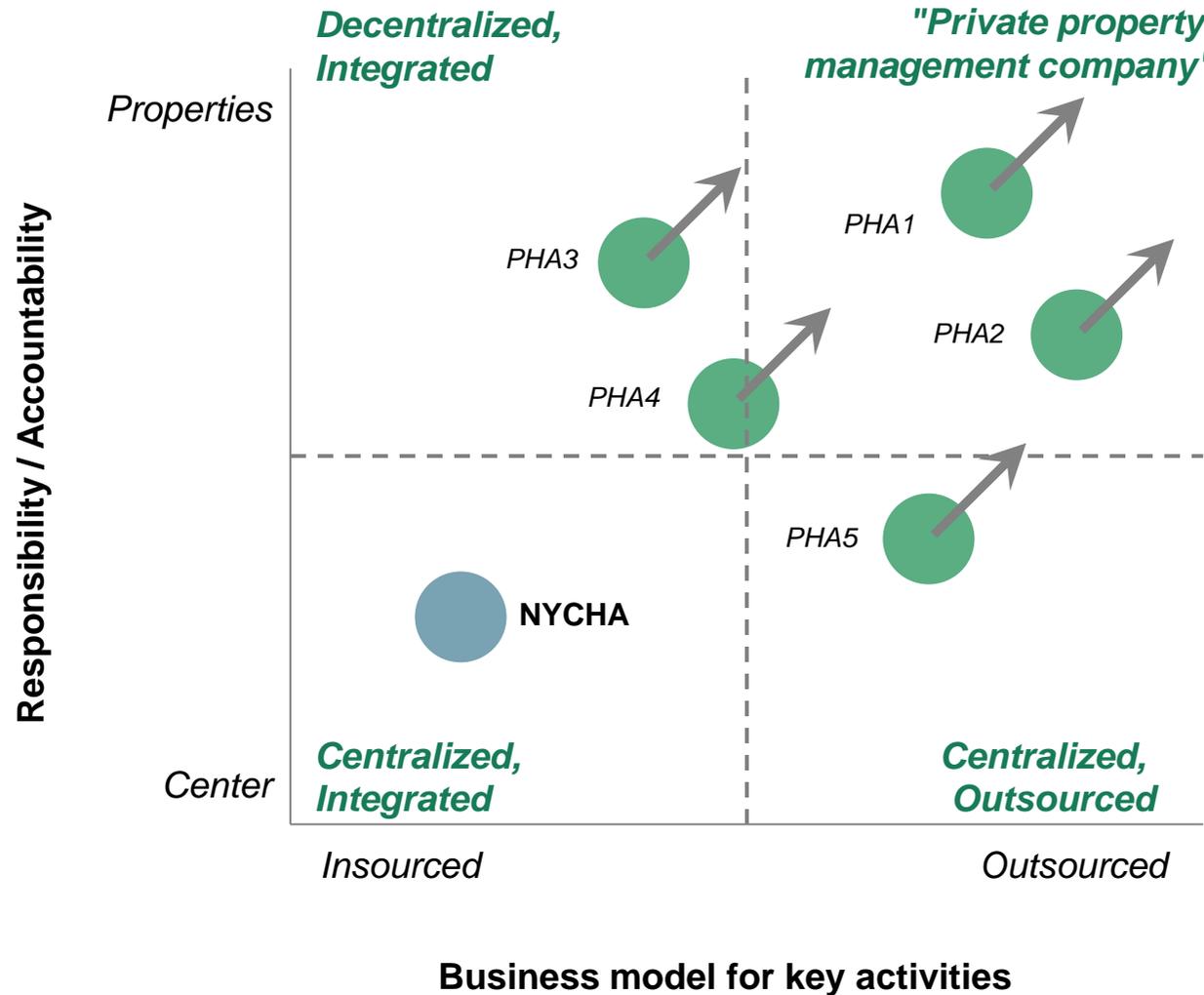
PMCOs and best-in-class PHAs place more accountability at the property level and have less shared accountability

Activity	NYCHA	PMCO	Best-in-class PHA	Key observations
Management				
Property management				
Resident relations/issues				
Rent collection				
Re-certification				
Finance				
Payroll		OR		
Op. budget development				
Op. budget measurement				
Payment processing				
Maintenance & repair				
Apartment Inspections			OR	
Scheduling			OR	
Deployment				
First line maintenance				
Complex repair jobs			AND	
Preventative maintenance			OR	
Apartment turnovers		OR		
Procurement/ SCO				
Sourcing/Procurement				
Materials management			AND	
Leasing				
Eligibility		OR		
Leasing				
HR				
Employment/Hiring		TBD		
Formal Training				
IT				
Support		OR	OR	
Help desk		OR	OR	
Legal				
Legal		OR	OR	
Capital improvements				
Capital planning/budget				
Contract administration				
Construction				

Key observations

NYCHA significantly different along key dimensions:
- Less accountability and decision making at property
- More instances of shared accountability across levels
- Less outsourcing

Legend:
- Property
- Borough
- Center
- Outsourced

As compared to PMCOs and best-in-class PHAs, NYCHA service levels lagging along key dimensions

Example: Operations

	NYCHA	PMCOs	PHAs[2]

Maintenance & Repair	• **Backlog** of 330k[1] workorders
	  – Some appointments being scheduled as late as 2014
	• **Available data suggests emergencies handled in timely manner**...
	  – 59% of emergencies closed in 8 hours
	• **Failure to reliably track maintenance and repair data** in a timely manner
		• **No backlog** for maintenance & repair
		  – 5-7 days to address corrective maintenance issues
		• **24 hours to address emergencies**
		• **Track through workorder system**
			• **No backlog** for maintenance & repair
			  – 7-24 days to address corrective maintenance issues
			• **24 hours to address emergencies**
			• **Track through workorder system**

Rent collection	• **11% rent delinquency** • **1.2% bad debt**	• **2-5% rent delinquency** • **1-2% bad debt**	• **3-5% rent delinquency** • **1% bad debt**

1. As of 5/23/11 2. These PHAs have transformed their operating model and their housing stock largely

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Defined guiding principles for operating model design (I/II)

Ensure that development and tenant needs are at the center of operating model design

- Structure boroughs to support developments efficiently while minimizing hierarchy
- Bias toward enterprise-view rather than silos
- Ensure flexibility to better match resources with shifting demand (e.g., skilled trades)
- Build systems that prioritize property business needs (e.g. IT, Procurement)

Locate decision-making and accountability as close as possible to the point of service

- Reduce internal bureaucracy; flatten organization
- Push responsibility downwards in organization
- Devolve activity and accountability to property-level (to the extent feasible)

Focus on building capabilities to support key strategic priorities (only)

- Identify and professionalize targeted set of core competencies
- Consider outsourcing non-core activities

Maximize value from NYCHA's assets

- Maximize value from marketable assets consistent with strategic priorities (e.g. commercial space, land, parking lots)
- Leverage size and volume of purchasing

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Defined guiding principles for operating model design (II/II)

Design for long-term strategic value while still identifying quick wins

- Build capabilities in line with key strategic priorities (Plan NYCHA)
- Invest and develop for long-term solutions rather than quick fixes

Use best-in-class technology to drive process redesign not vice-versa

- Leverage technology to replace inefficient processes
- Reduce system complexity; adapt simple technology rather than develop complex, customized solutions unless necessary
- Target new data requests and information needs to business requirements and minimize additional layers

Ensure driving toward becoming a best-in-class performer with best-in-class employees

- Avoid re-inventing the wheel, leverage best practices (internal and external)
- Insist on top quartile performance in operating and customer service metrics
- Integrate performance management into processes
- Bias toward transparent, data-driven decision-making and clear accountability

> **Move to an accountable NYCHA that is more property-centric, less hierarchical, and excels in its core capabilities**

Taken together, the BCG recommendations target a strategic shift to a new enterprise operating model…

Property Management

Vertically in-sourced,
borough-centric
↓
**PMCO-like property-
centric model with
increased outsourcing**

Section 8

Compliance-driven model
↓
**Participant-led,
self-service model**

**Enterprise
operating
model**

Community Services

Direct service provider of
broad portfolio
↓
**Orchestrator of core
services supportive of
improved property
management**

Shared Services

Expanded
next page

Transactional "caretaker" focus
↓
**Business partner focused;
outsource non-core**

Capital Projects

Reactive, siloed operations
↓
**Proactive integrated asset
management model**

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…enabled by best-in-class support functions operating at lower cost and with greater effectiveness

Shared Services

Transactional "caretaker" focus

↓

Business partner focused; outsource non-core functions

Procurement / Supply Chain

Fragmented purchasing, dispersed accountability, and obsolete inventory

↓

Centralized, strategic sourcing leveraging spend; tracking and accountability with minimal inventory

Finance

Manually focused, fragmented organization

↓

Focused, high capability, with iterative top-down / bottom-up budgeting

HR

Compliance-oriented, transaction-driven model

↓

Strategic partner in talent development

IT

Order-taker with siloed organization and transactional approach

↓

Business change driver with customer service orientation, transparent, fact-based investment decisions

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Key changes recommended – by function (I / IV)

	Current state (as of 4/2011)	Recommended future state
Ops – Property mgmt.	**Borough-centric model with significant shadow function activity** • Large borough office infrastructure with shadow FTEs (e.g., HR, Finance, Procurement) • Centralized, command-and-control structure • Accountability for key property management activities at the borough level	**Leaner, property-centric model employing PMCO best practices and structures** • Lean, regional oversight; no shadow FTEs • Scale benefits for manual processes achieved through centralization of support functions • De-centralized, property-level ownership and decision-making; property managers are single point of accountability for property performance
Ops – M&R	**Vertically-integrated, borough-centric model** • Staffing tilted toward above-property, not front-line level • Accountability for repairs concentrated at the borough rather than the property level • No measurement of tradeoffs between in-house vs. third-party providers (i.e. cost)	**Property-centric model with focus on core functions** • Staffing ratios tilted toward property-level with more skilled M&R workers covering more property needs • Property staff accountable for addressing repairs • Property managers have ability and data to obtain above-property or third-party services for skilled trades, depending on tradeoffs (i.e. cost)
CP&D	**Direct service provider of broad portfolio** • Wide-range of services and ad-hoc planning of programs • 37% overhead cost vs. 15% best-in-class	**Orchestrator of core services to promote positive resident and neighborhood outcomes** • Optimized program portfolio to ensure highest value delivered in most cost-effective way • Streamlined staffing ratios and greater use of strategic partnerships (preliminary review suggests partners can operate at lower cost than we can)

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Key changes recommended – by function (II / IV)

	Current state (as of 4/2011)	Recommended future state
Section 8	**Compliance-driven, error-prone model** • 100% mail-in process with extensive re-work and quality control issues • Major backlogs, slow turn-around time • Difficulty controlling rising expenses	**Participant-led, efficient service model** • Customer-friendly, self-service model with 90% online usage; supplemented with mail-in • Much more efficient and effective (less re-work, more quality control) program • Potential HAP savings through fraud reduction/prevention and rent reasonableness
ATAD	**Long cycle time, inefficient processes** • Highly bureaucratic, NYCHA-led process • Long wait times (~12 mos), limited applicant transparency, complicated requirements • 27% of interviewees rent a unit	**Short cycle time, more efficient processes** • Greatly reduced wait times (~60 days) with enhanced transparency and simplified requirements • Introduction of online self-service model • Target 63% of interviewees renting a unit
Procure-ment & Supply Chain	**Fragmented purchasing; dispersed accountability, and sub-optimal inventory management structure; complicated process with long cycle times, e.g. RFP process** • Fragmented procurement activity across NYCHA, with spend spread across 1,400 suppliers, limiting discounts • High inventory (8K warehouse SKUs, 2K storeroom SKUs) and related handling costs • Sprawling, unlinked network of warehouses • Limited inventory controls outside of central warehouse • Up to 20 months to complete an RFP	**Centralized, strategic sourcing that leverages spend; tracking and accountability with minimal inventory** • CPO leads centralized, streamlined procurement organization; New, streamlined RFP process • Leveraging NYCHA's scale with fewer suppliers (target ~180) to achieve greater discounts • Fewer warehouse and supply chain locations with a Just-in-Time inventory management process • Leverage Just-in-Time delivery to lower inventory (1K warehouse SKUs, 300 storeroom SKUs) and handling costs • Greater accountability via technology systems upgrades and linking materials to work orders

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Key changes recommended – by function (III / IV)

Current state (as of 4/2011)	Recommended future state
IT	
"Order-taker" model with transactional business area relationships • Lack of integration among existing systems affecting ability to meet business needs • Obsolete skill sets • Weak relationship between IT and business leaders with limited communication • IT governance process has mixed efficacy	**Business change driver with customer service orientation and transparent, fact-based investment decision-making process** • Streamlined organization focused on making better use of technologies and partnering with businesses to lead projects • Focused on efficiency gains and delivering full value from IT investments • Robust governance process that brings business and IT leaders together to decide investment priorities from an enterprise perspective
FGSS	
Under-utilized resources with many non-core functions performed in-house • 15-50% unused corporate space • 35% utilization of fleet • Many non-essential functions (e.g., print)	**Leaner department focused on orchestrating services and delivering only key functions in-house** • Optimal use of office / corporate space • Full leveraging of resources and usage of third-party vendors for non-essential functions
HR	
Compliance-driven model with transactional business area relationships • Focused on transactional activities, with limited strategic business support to clients • Paper-driven processes contributing to a costly HR/employee ratio • No NYCHA-wide performance management system, difficult to take appropriate actions with high / low performers	**Lean, strategic partner in talent development** • Customer service-oriented strategic business partner • Greater process efficiencies (less paper, automation, select outsourcing, etc.) with reduced cost-to-serve • 100% of employees to be evaluated and provided with tailored development plans – incentivizing high performance and addressing low performance

Key changes recommended – by function (IV / IV)

	Current state (as of 4/2011)	Recommended future state
Finance	**Manually focused, fragmented organization with top-down budgeting** • Fragmented function spread across many departments and responsibilities • Highly manual, time-intensive budget process driven from "the top" • Transaction-oriented model with lack of strategic capabilities;	**Focused, high capability department with iterative top-down and bottom-up budgeting** • Outsourcing manual and non-core processes to streamline org • More strategic, analytical responsibilities • Partnership relationships with business areas • Decentralized, "bottoms-up" budget development and tracking with greater accountability
Capital projects	**Reactive, siloed operating model** • No clear decision-making authority or point of responsibility for managing projects • Poor on-time delivery of designs with downstream effects on planning • Ineffective contractor relationships lead to poor outcomes for NYCHA • Poor tracking of performance management metrics • Reactive capital planning based on last minute inputs from senior management and ops	**Proactive integrated asset management** • Single decision-maker accountable for each project • Leverage more efficient and effective project delivery methods, eliminate redundant oversight and outsource majority of designs • Tracking performance of people, project and properties • Dynamic capital planning process in line with NYCHA's overall strategic priorities

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NYCHA-BCG team identified specific initiatives to achieve recommended changes (I / II)

	Initiative	Brief Description
Operations – Property Management	Borough office re-design	Restructure property management model (property-borough-center), including adaptation and integration of property-level best practices
	Property Management Demonstration Project	Design and implement Property Management Demonstration Project to test effectiveness of new property management model and identify best practices
Operations – Maintenance & Repair	Select policy changes for maintenance / repair operating model	Redesign maintenance and repair policies and introduce mobile technology to facilitate more efficient, faster delivery of service
	Increase front-line maintenance and repair staff at the property level	Shift more staff from above-property level to property level to enable faster and more efficient delivery of service
Community Programs & Development	Program portfolio baselining	Baseline the full portfolio of NYCHA's community operations to develop a true picture of spend and identify preliminary areas for cost-savings opportunities
	Establish strategic framework and operating model	Establish strategic framework and design operating model to maximize impact of services, achieve efficiencies, and leverage broader network of partners
Section 8	Risk mitigation	Address critical customer and regulatory risks through short-term measures
	Process re-design	Re-design processes and systems to improve service and efficiency
	Terminations	Stabilize terminations process (mailing of annual reviews and notices)
	Fraud reduction	Identify and remediate rent payment fraud in subsidy payments to save funds
	Rent reasonableness	Adjust rent to more accurately capture true market costs of property
	Section 8 online participant portal	Create online portal for Section 8 tenants and landlords to improve ease of access, efficiency
ATAD	Redesign policies and procedures	Achieve greater efficiency, effectiveness through re-structuring org and policies
	ATAD online participant portal	Create online application portal for applicants to improve ease of access, efficiency
Procurement, Supply Chain	Move to strategic sourcing	Move from fragmented procurement model to a coordinated, strategic sourcing model which leverages NYCHA's scale with fewer suppliers and reduced spend
	Non-construction materials and services	Strategic sourcing for non-construction materials and services
	Construction materials and labor	Strategic sourcing for construction materials and labor
	Consolidate org and refine processes	Redesign of organization to streamline processes and staffing
	Supply chain transformation	Revamp materials management system to ensure cost-effective distribution

Note: This is a non-exhaustive list of recommendations, not covering the full scope of work done by BCG. As noted in the prior slides, Legal, Development, and Other Central Services were also departments studied by BCG, but due to the relative small amount of savings potential, focus upon these departments lessened as the engagement moved forward.

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NYCHA-BCG team identified specific initiatives to achieve recommended changes (II / II)

	Initiative	Brief Description
IT	Right-size org, outsource help desk, network, etc.	Right-size IT organization to make more effective and cost-efficient
	Improve governance mechanisms	Implement IT governance mechanism to facilitate effective allocation of resources
Facilities Planning	Reduce &/or outsource non-Operations vehicles / fleet	Reduce fleet expenditures, potentially through outsourcing
	Sublease underutilized corporate space	Reduce facilities spend through subleasing unused office space
	Outsource facilities management	Achieve cost savings through outsourcing facilities management
	Improve commercial storefront occupancy	Generate additional revenues through improving occupancy of commercial storefront property
HR	Performance management	Institute robust NYCHA-wide performance management model for employees
	Reorganize and streamline dept (incl. shadows)	Right-size HR and restructure to build strategic capabilities and make into a more efficient organization
Finance	Budget redesign	Create new budget design process with a "top-down" and "bottom-up" methodology to ensure accountability
	Payroll outsourcing / automation	Automate payroll processing, potentially outsourcing for greater efficiency
	Utilities payment processing outsourced / automated	Automate utilities payment processing, potentially outsourcing
	Rental strategy for parking spaces	New parking space strategy to generate additional revenues
	Generate new advertising revenue	Utilization of NYCHA assets to generate new revenues through advertisements
Capital Projects	Redesign CPD operating model	Design phased rollout of new oversight operating model to realize gains in project management efficiency and cost savings
	Performance management dashboard	Actively track performance of people, projects and properties to deliver on-time and on-budget projects. In the short term, build a dashboard that will be integrated with a long-term IT solution
	Design long-term capital planning process	Restructure capital planning process to maximize impact of capital funds
	Framework and strategy for short-term spend and obligation of funds	Develop framework to prioritize properties in line with NYCHA's strategy, and identify projects to focus capital improvement efforts

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Table of Contents

Executive summary – Cost savings and value delivered

Recommendations are estimated to deliver ~$70M in run-rate cost savings and ~$55M in run-rate revenues by 2016

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In addition to financial impacts, significant improvements to service quality and organizational effectiveness will improve many aspects of customer and employee experiences

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Proposed transformation includes critical investments in systems and capabilities

- IT systems investments will support ongoing process redesign for key activities
- New positions and training necessary for new operating model success

Key accomplishments already achieved during course of project

- Progress toward recommended initiatives

$509M of FY10 operating and capital spend prioritized as in-scope for Phase II BCG solution design

$M

Legend:
- OTPS (light green)
- PS (dark green)

Area of focus

Category	Value	Breakdown
Total FY10 spend	4,162	595 CapEx, 3,567 OpEx
Non-operating budget spend	1,124	CapEx, Dep'n, Non-cash OPEB
Operating expenses (cash)	3,038	
Spend categories not reviewed	644	Utilities, NYPD contract, Pilot
Reviewable OpEx	2,393	1,278 OTPS, 1,116 PS
Out-of-scope	1,836	1,027 OTPS, 809 PS
CapEx projects*	472	225, 247
Total in-scope	1,026	801 (497, 304)
Phase II out-of-scope	292	209, 83
Phase II in-scope	509	288, 221

$472M includes 2010 stimulus dollars; Recurring annual spend is ~$200M

Note: The add-back for Capital procurement includes both spend controlled by Capital Projects ($242M) and that controlled elsewhere ($47M - e.g. refrigerators purchased through SCO). 2010 figures are higher than a typical year because of stimulus funding. Based on FY2010 actuals.

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Recommendations estimated to achieve over $70M in run-rate cost savings and over $55M in new revenue

Net Cost Savings ($M)

Ops: 2-3
ATAD[1]: 6-7
LHD[1]: 6-7
CPD[2]: 10-11
Comm Ops: 3-4
Proc[3]: 24-35
Fin: 2-3
HR: 4-5
IT: 4-5
FGSS: 2-3
Total: 62-83

$71M — Expected target

New Revenues ($M)

LHD Fraud Reduction: 23-27
LHD Inspections (retro): 1-2
Rent Reasonable-ness: 23-27
Parking: 1-2
Commercial Space: 1-2
Total: 49-61

$56M

- ----- Expected target
- High-end estimate of savings
- Low-end estimate of savings
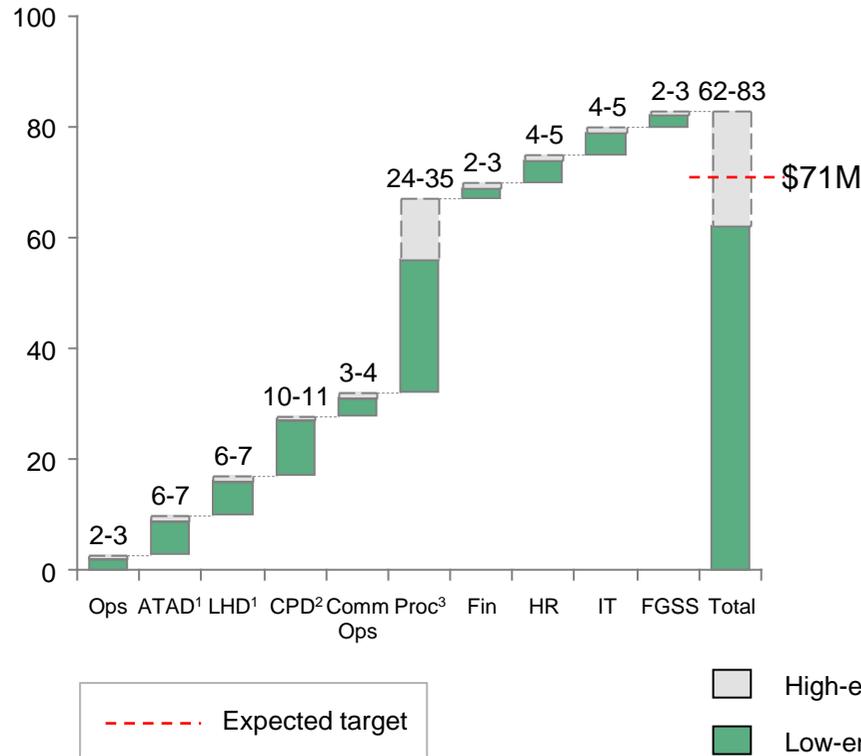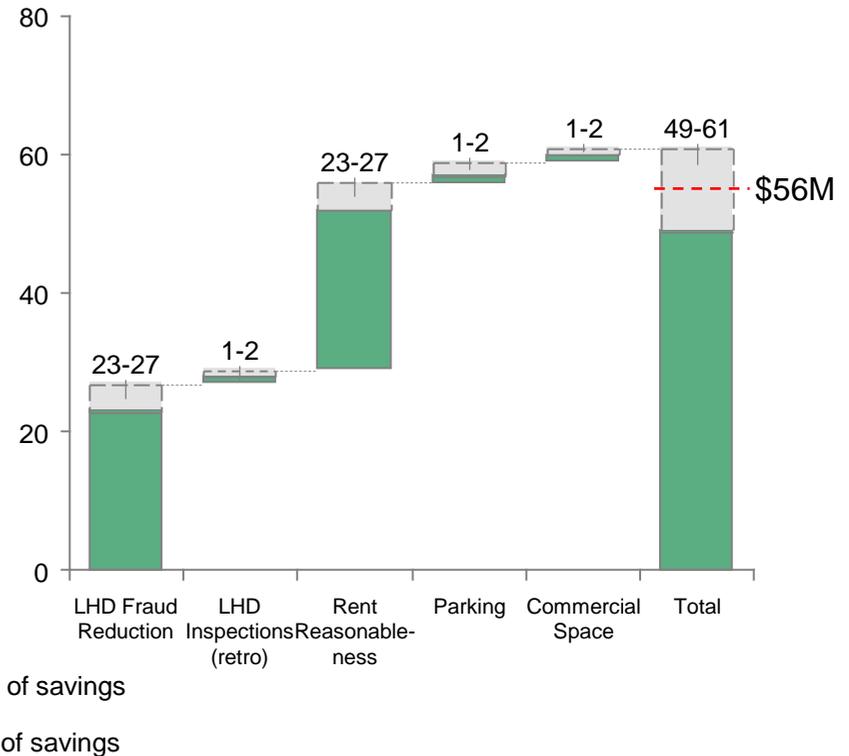
1. Note that ATAD and LHD both include savings from Online Portal implementation, and savings are slated to begin being realized in 2014. Total savings from online portal is estimated at $9-10M.   2. CPD savings are coming from 104 actual FTE reductions   3. Procurement savings includes construction materials and construction labor savings.
Source: Finance Department estimates; Streamlining Project Team Projections; Project-specific Roadmaps

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Financial impacts to be achieved over next 5 years

Estimated run-rate savings of nearly $13M by end of 2012

Projected run-rate cost savings of ~$71M by 2016

Net Cost Savings ($M)

Additional savings being pursued as part of transformation (e.g., "Lockdown & Count", OT reduction)

Emerging opportunity[1]

OTPS

PS
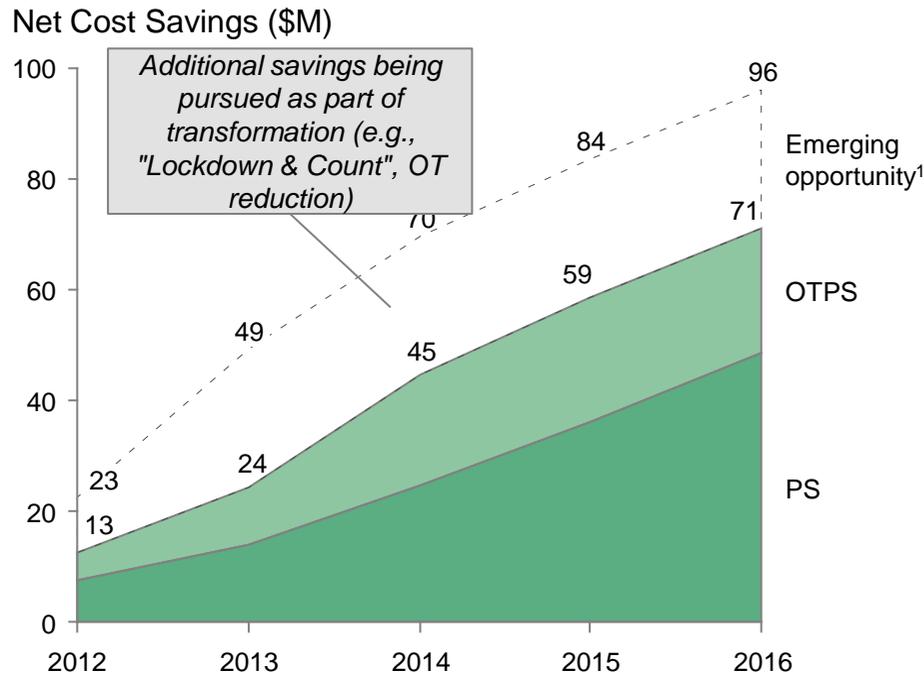
Total	13	24	45	59	71
OTPS[2]	5	11	20	23	23
PS[3]	8	14	25	36	48

Projected new run-rate revenues of ~$56M by 2016

New Revenues ($M)

Op[4]
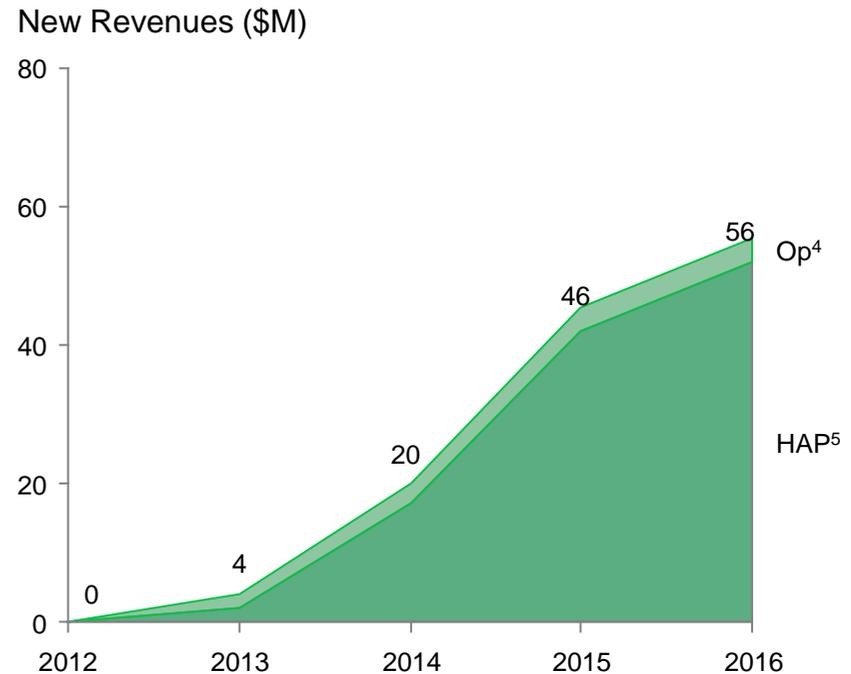
HAP[5]

Total	0	4	20	46	56
Op[4]	0	2	3	4	4
Hap[5]	0	2	17	42	52

1. Emerging opportunity represents additional potential savings beyond current list of recommendations to be implemented – for illustrative purposes only.   2. OTPS consists of Strategic Sourcing and Corporate Sublease.   3. PS estimates also include savings from ATAD, LHD online portal.   4. Op is additional operating revenues, specifically parking and commercial space
5. HAP is for additional revenues for HAP program
Source: Finance Department estimates; Streamlining Project Team Projections; Project-specific Roadmaps

Summary of run-rate cost savings opportunities by function

Department Name	Baseline				Run-rate Cost Savings						
	Year-end FTE (#)	PS ($M)	OTPS ($M)	Total spend ($M)	FTE (#)	% red.	FTE ($M)	% red.	Non-FTE ($M)	% red.	Total savings ($M)
Operations (Admin)	148	15	0.4	15	30 - 35	22%	2 - 3	17%			2 - 3
Leased Housing [1]	383	37	15	52	90 - 95	24%	6 - 7	18%			6 - 7
ATAD[1]	209	24	0.1	24	60 - 75	32%	6 - 7	27%			6 - 7
IT	275	33	8	41	45 - 55	18%	4 - 5	14%			4 - 5
FGSS[2]	187	15	46	61					2 - 3	5%	2 - 3
HR	183	19	1	20	60 - 65	34%	4 - 5	24%			4 - 5
Finance	335	35	2	37	30 - 35	10%	2 - 3	7%			2 - 3
Capital Projects (Admin)[3]	266	28	0.3	28	120 - 130	47%	10 - 11	38%			10 - 11
Other impact **					25 - 30		3 - 4				3 - 4
Subtotal	**2,099**	**216**	**127**	**343**	**460 - 520**	**23%**	**37 - 45**	**19%**	**2 - 3**	**2%**	**39 - 48**
Materials mgmt / SCO	113	10	55	65							
Procurement (GS)	19	2	150	152	95 - 100	53%	7 - 8	44%	17 - 27	10%	24 - 35
Procurement (CPD)	24	2		2							
Procurement (Ops)	27	3	10	13							
Total	**2,169**	**223**	**287**	**510**	**555 - 620**	**28%**	**44 - 53**	**22%**	**19 - 30**	**9%**	**63 - 83**

Note: Savings are calculated on a run-rate basis.
* PS savings calculations include fringe (calculated at 55% of annual salary)and are net of FTE investments as well. Adjusts for shadow savings, e.g. Sec. 8 savings distributed between LHD, GS, and Other impact (CCC savings) **"Other impact" captures some savings affecting out-of-scope cost, specifically savings from Community Operations. 1. Note that projected FTE savings from adding the online portal is built into leased housing and ATAD savings – the projected online portal savings are on next slide. Online portal savings are not included in NYCHA 5 year plan due to commencement slated for 2013.   2. This figure requires further verification and does not include one-time cost.   3. Note that actual admin head count is 266 + vacancies
 Note: GS and CPD FTE numbers are adjusted to reflect employees within GS or CPD whose primary job is Procurement. Additional procurement spend in SCO comes from the developments, and is not on the Central Office Cost Center's balance sheet. Totals may not sum exactly because of rounding.

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Several levers to pull achieve personnel savings

Illustrative

FTEs

Voluntary attrition / **Retirement**
Actively manage backfills of people who attrite or retire. ~3-5% in-scope FTEs attrite or retire annually

Performance management
Leverage existing processes and **accelerate introduction of PM to ~3k FTEs**

Buyouts
Offer buyouts to pension-qualified FTEs to encourage immediate retirement

Outsourcing agreements
Pursue **outsourcing agreements** where 3rd party vendor takes on NYCHA employees

Target reduction 300-500 FTEs

Must take a customized approach for each department

Beyond savings, key improvements in customer and employee experiences

Improvements to effectiveness (select examples)

NYCHA Tenants and Landlords

Shortened waiting list time
- Expedite the process of receiving a unit by streamlining overall application procedure for new tenants and transfers
- Reduce eligibility time from up to 12 months to up to 60 days

Easier, reliable online interface
- Build fully functional online capability allowing customers to transact with NYCHA through the web or self-service kiosks, and access information on their case/service request[1]

Faster attention to M&R needs
- Launch Demonstration Project to test new practices to improve maintenance and repair delivery process

NYCHA Employees

Faster on-boarding and better training
- Simplify process of hiring new employees into NYCHA
- Streamline training to focus offerings, improve delivery models

Reduce "red tape"
- Identify and remove unnecessary / outdated policies and
- Revamp overall procedures to improve employee productivity

Strengthen inter-department collaboration
- Create structures to improve coordination and visibility across departments (e.g., institute weekly inter-department meetings)

1. Online Portal scheduled to commence in 2013 due to necessity of first building up capabilities in LHD before launch

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Necessary to build capabilities and IT systems to achieve full value of recommendations

Hiring new employees
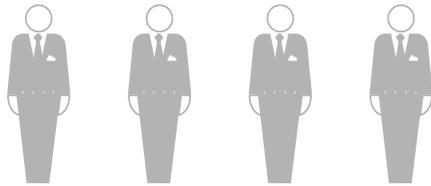
Hiring of new, skilled employees to build NYCHA's capabilities

- Current employee gaps require new infusion of employees
- Skilled employees necessary to manage transition to future-state NYCHA

Enhancing IT systems

New IT systems to drive more efficient processes and enable cost savings

- IT systems for HR performance management and records keeping
- Budgeting software tools
- Online portal for tenant services and leased housing

Training current and new employees

Training current employees to perform future-state functions

- Building up skill-set of current employees to perform new roles and activities for future-state NYCHA

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Transformation includes investments to enhance IT systems and build key capabilities

	Personnel		IT Systems				Training
	New Employees	Cost ($M)	System Improvement	One-time Cost ($M)	Estimated Ongoing Support Cost ($M)	Estimated Annual Benefit ($M)	
Operations	9	$0.8M	-	-	-	-	
ATAD	-	-	Self-service Portal	$2-3M	~$0.5M + call center	$3 – 4M	
			ATAD development specific waitlist	$1 – 2M	Limited	~$1M	
Section 8	-	-	Self-service Portal	$5-7M	~$0.5 - 1M + call center	$8 – 10 M	$1-4M
CPD	5	$0.5M	-	-	-	-	
Comm Ops	-	-	-	-	-	-	
Development	-	-	-	-	-	-	
HR	7	$0.7M	Performance management, training, records	Limited[1]	~$1 - 2M	~$2M	
Procurement / SCO	4	$0.4M	Materials mgmt. system	~12M	$1 – 2M	$3 – 4M	
			Advanced Procurement enhancements	~$.4M	Limited	Enabler	
Finance	9	$0.9M	Budgeting	~$3M	$.3-.6M	$2-4M	
IT	23	$3.0M	-	-	-	-	
Total	**57**	**$6.4M**		**~$23 – 27M**	**~$3 – 6M**	**~$19 – 25M**	**$1-4M**

Note: FTE Investments are already calculated into the prior cost savings calculation, and are thus "net" of FTE investments
1. Assumes PeopleSoft implementation with DoITT. Note: All are high-level estimates and require refinement and validation through business requirement gathering. Upfront cost estimates do not include training, technical documentation, facilities, transactional support and 5-year capital support and maintenance expenses

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Table of Contents

Executive summary – Implementation and path forward

BCG worked with NYCHA to establish a clear implementation plan for the recommended initiatives to ensure that the full value of recommended initiatives will be delivered

Prioritized and sequenced the implementation of initiatives to build momentum and ensure most critical and foundational recommendations are implemented first

Enterprise Program Management Office (EPMO) established to ensure initiatives are successfully implemented and the full value of BCG's recommendations are realized

- EPMO is responsible for driving towards the impact and reporting progress
- The EPMO reports directly to the GM and works directly with senior executives

Instituted tools to track real-time progress across all initiatives and measure enterprise-wide performance

- Implemented a web-based tool to track the real-time status of all initiatives
- Designed an enterprise-wide set of metrics to measure performance

Enabled and trained NYCHA project managers and EPMO team to ensure sustained success, working shoulder-to-shoulder throughout engagement to ensure full adoption of best practices

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Worked with teams to leave clear implementation path

Key activities and deliverables

Timeline and sequencing

Target org structure

Stakeholder engagement

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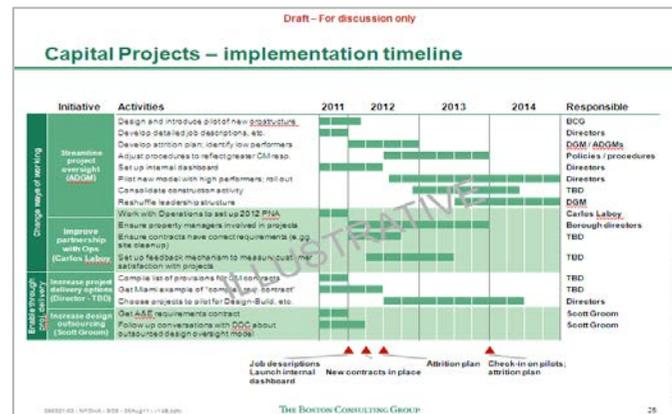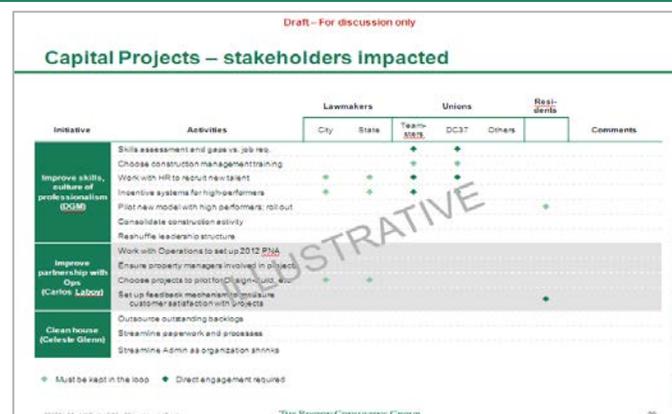
Originally over 100 opportunities on the table with many requiring cross-functional resources

Opportunities comprising of Plan NYCHA initiatives and broad set of BCG-NYCHA projects identified in Phase I

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Critical step was to segment and prioritize opportunities given limited resources and targeted goals

Gather	*Prioritize (timing)*	*Segment*	*Sequence*

Gather

Business as usual responsibilities

Plan NYCHA Initiatives (incl. identified projects)

~110 total Plan NYCHA /Re-shaping support function opportunities consolidated to 82

Prioritize (timing)

Impact on NYCHA

Implementation Risk

Distinguish the critical enablers (automatically High Priority)

Segment

Near-term
41 opportunities

Medium-term
20 opportunities

Longer-term
21 opportunities

Sequence

Near-term (next 12 months)

Must dos
3 opportunities

Enablers
9 opportunities

High Impact

29 opportunities

Performed first cut of consolidating and prioritizing ~110 opportunities and sequencing ~40 as near-term

2012 EPMO Priorities – By Classification

	Class A (23)	Class B (13)	Sequenced later (11)	Removed from EPMO scope (14)
Overall	• Metrics Management			
Section 8	• Risk Mitigation • *Process Redesign*		• Fraud ID Benchmarking / Rent Reasonableness • Online self-service portal for LHD	
Opera-tions	• Work order turnaround time reduction • OT Structure/reduction • Borough Redesign • Property Management Demo Project	• *Improve Lease Enforcement* • *Enhanced safety/security measures (WAM)*	• Future state property mgmt operating model (property-borough-center), including property-level best practices • Redesign maintenance / repair org.	• Fulfill requirements for mixed-finance
ATAD	• Restructure/Policy Revision		• Develop online portal for ATAD	
CPD	• New Oversight Operating Model • Performance Mgmt Dashboard → *Obligate Funds*		• Introduce new processes for project oversight	• Complete Bond B
Procure-ment	• Strategic Sourcing • Redesign Procurement Processes (RFP) • Streamline Supply Chain		• Implement JIT supply chain	• Hire CPO, consolidate / streamline org (included in Streamline Supply Chain)
IT	• Improve Capabilities & Right-size IT Org • IT Governance			
HR	• Performance Management • Reshape and Rightsize HR Organization • Annual Leave Benefit Modification		• Workforce development and staff assessment	• Fill key executive positions • Revise agency policies and procedures • Employee Engagement (included in HR Reorg and Rightsize)
Admin	• Corporate Sublease • Improving Safety			• Stakeholder engagement[3] • Rightsize and explore outsourcing fleet
Finance	• Strategic Reorganization (Parking and Payroll) (2) • Budget Process Redesign	• *Capitalize Section 8*		• RAD proposal • Finalize rent increase • Energy performance contract
Comm Prog	• Future programmatic framework, inventory and assessment of resident services portfolio[2]	• *Job Generation* • *Resident Engagement Strategy* • *Community Center Leasing Lifecycle*		• Develop, communicate clear partnership strategy (included in Framework Project)
Legal				• Pursue MTW, MTW equivalent • Improve rent collection (in lease enforcement)
Comm			• Identify best communications practices, and infrastructure needs	• Develop, roll-out PPPH document
Dev.		• *Marketing Strategy for Preferences* • *HCZ* • *Harlem RBI* • *FHA Homes* • *Randolph* • *Prospect Plaza* • *MOU on Env Assess with HPD*	• Van Dyke Supportive Housing • Hallets Point	

Active projects in *italics* have <u>not</u> yet been approved by ES and included in Roadmapping

Needed an organizational infrastructure to manage the transition; lynchpin is the EPMO

Typical program organization

| | | Roles |

Steering Committee
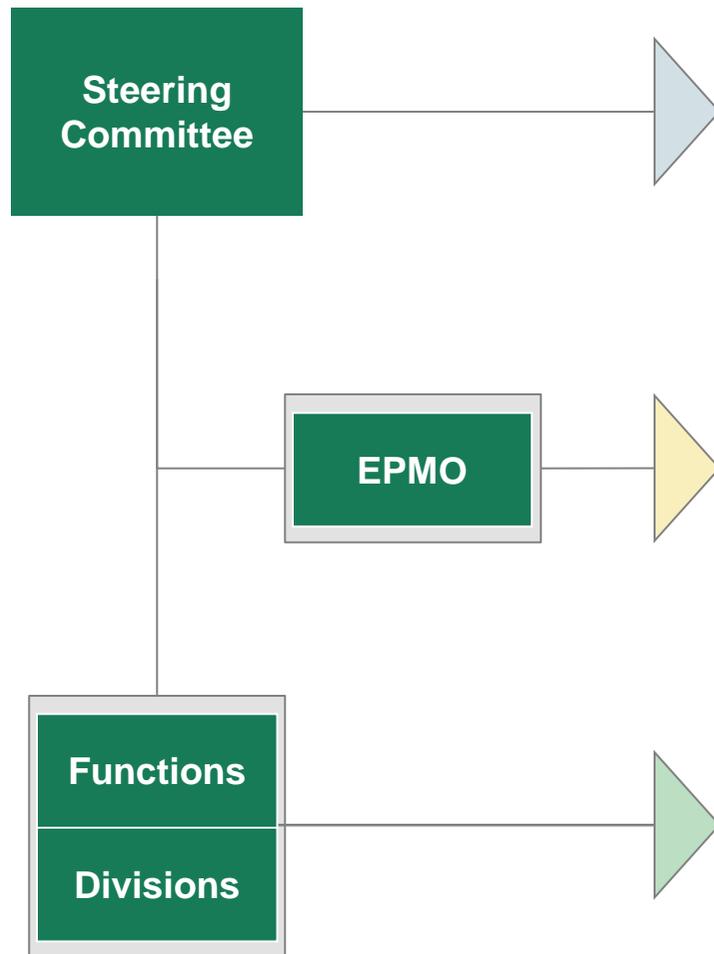
- Provide overall guidance to EPMO, Finance, and HR
- Provide resources for the EPMO to exceed value expectations
- Make course correction decisions based on leading indicators
- Promptly resolve pending issues, remove roadblocks

EPMO

- Support for prioritization and sequencing
- Work with departments to create rigorous, locked-down workplans
- Ensure transparency and integrity of numbers at all times
- Consolidate and create Steering Committee reports; spotlight critical issues/informed activism
- Identify and manage team interdependencies
- Work with Communications to develop messaging

Functions

Divisions

- Create and own workplans – focused on critical drivers of value and risk
- Work with EPMO, IT, and HR to keep workplans current and promptly update on issues when necessary
- Consistently drive implementation

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The EPMO plays three main roles that drive change

1 **Activist Governance**

- Prioritize key projects that are under EPMO
- Define leadership expectations and roles
- Set up and communicate clear governance structure
- Establish reporting cadences

Clear accountability for project delivery

2 **Initiative planning and tracking**

- Define key milestones & impacts
- Allocate expected impact to specific initiatives
- Define project interdependencies, stakeholders and risks

Forward looking course corrections

3 **Reporting and issue resolution**

- Create visibility through structured reporting
- Actively manage interdependencies
- Elevate deviations from plan and structure interventions
- Ensure continuing leadership alignment and mobilization
- Solicit and track feedback

Transparency on what matters

Instituted tools and metrics to track progress

Tracking tools enforce accountability on progress of initiatives and performance

Snapshots – Illustrative purposes only

Web-based tracking

Implemented a web-based tool to track the real-time status of all initiatives and provide visibility on all projects' progress to senior executives

Enterprise metrics

1	Customers served
2	Customer satisfaction
3	Overall management performance
4	Management to budget
5	Employee safety
6	Employee satisfaction
7	Performance Management
8	Project delivery

Designed an enterprise-wide set of metrics to measure performance of the enterprise and each department

Enabled NYCHA project managers and EPMO team to ensure sustained success

Enabled project managers to succeed

Trained project managers on project management
- Conducted several training workshops for project managers on project management

Supported project managers in planning their initiatives
- Helped define project scope, objectives, and deliverables through a project charter
- Helped establish a timeline for completion of major initiative milestones, deliverables through a Roadmap
- Assisted in the identification of critical inter-dependencies across departments to ensure appropriate planning for collaboration

Enabled NYCHA EPMO to succeed

Trained EPMO on program management methodology leveraging BCG experts
- Conducted training for EPMO team on BCG program management methodology led by BCG global topic expert

Supported EPMO by adopting a collaborative teaming model
- Paired each EPMO team member with a BCG consultant to work as a team
- Each team worked together to support a portfolio of initiatives

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Moving forward...

Throughout this transformation effort, NYCHA has worked through obstacles and collaborated on a long list of achievements; however, need to address ongoing enterprise-level risks and challenges

- Prioritization and adequate resourcing
- Collaboration and transparency
- Accountability
- Performance management systems
- Key gaps in positions and capabilities
- Perception by stakeholders

Proposed mitigation strategies to address specific observed challenges; key structures and tools put in place that require continued commitment of senior team for effectiveness

- Organization design
- EPMO
- Management metrics
- Performance management system
- Escalation process
- Cross functional engagement team

Need to continue to strengthen and institutionalize EPMO and metrics management

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Continued success requires that NYCHA addresses ongoing challenges and risks (I/III)

Challenges and risks	Observations	Potential mitigation strategy
1 **Prioritization and adequate resourcing**	• Limit adding initiatives to an already long list of priorities	• Limit the number and frequency of adding new initiatives - have Senior Management, Board and GM consistently align on new priorities • De-prioritize initiative to free up resources who reasonably stretched
	• Responsibilities and decision making concentrated in too few individuals – tendency to go to same individuals over and over	• Leverage EPMO to highlight resource bandwidth issues • Go deeper into management bench to identify additional resources – leverage HR

2 **Collaboration and transparency**	• Avoid departments operate in silos which can lead to
	  – Limited sharing of information, people between departments
	
	  – Limited engagement during interdepartmental meetings
	
	  – Persistence of shadow support functions across the organization
		• Build joint ownership where appropriate for key cross functional initiatives
		
		• Institute clear escalation process
		
		• Continue to use EPMO reporting to provide visibility
		
		• Ensure active engagement in meetings is addressed in team building efforts
		
		• Zero out shadow functions from department budgets

Continued success requires that NYCHA addresses ongoing challenges and risks (II/III)

Challenges and risks	Observations	Potential mitigation strategy
③ Accountability	• Need greater of use of data and tools to measure and hold people accountable (EPMO, metric system) • Must define consequences for failure to deliver on commitments (e.g. cost savings identified in diagnostic phase) • Critical to hard wire into budgets and significant leakage occurs	• Link metrics to explicit evaluation and performance management goals (e.g. bonus) • Board/GM should require regular updates on key initiatives • Use escalation process to highlight failure to deliver and ensure consequences • Savings should be translated into targets in budgets and monitored accordingly
④ Performance management system	• Managers do not consistently use performance management process to write up low performers as they consider it to be burdensome • Evaluations get completed but need to be calibrated to reflect real performance • Unable to transition out low performers even when following performance management process	• Business must be co-owner with HR • HR shift model to be a strategic business partner to train and offer support on performance management – e.g. the HR help desk • Normalize evaluations to be on a curve – institute review process to ensure adherence • Central HR tracking and reporting out of transition status • Top down commitment to and use of performance management process to transition out low performers

Continued success requires that NYCHA addresses ongoing challenges and risks (III/III)

Challenges and risks	Observations	Potential mitigation strategy
⑤ Key gaps in positions and capabilities	• Key senior positions are either vacant or filled by individuals in "acting" capacity (e.g. CPO, GM, CFO) – Need stable leadership promising continuity of transformation • Lack of sufficient resources with required skills (project management, new technologies) to deliver as priority projects • Investment in technology required to support evolving needs of the business does not get funded	• Provide a plan with timeline and resources dedicated to hiring key senior positions • Engage high caliber executive search firms • Require departments to have a hiring and training plan to bridge skill gap • Leverage newly created IT Governance to ensure sufficient investments are made and that IT investments deliver value
⑥ Perception by stakeholders	• Risk that key stakeholders don't feel appropriately brought along and engaged by NYCHA (e.g. Unions, HUD, City Hall) • Lack of awareness about the change program across most of NYCHA and inability of staff to carry out necessary changes	• Proactively engage with labor unions, City Hall and HUD to ensure alignment – get ahead of changes and issues • Regularly communicate updates on the change program across the organization (e.g. email, newsletter, all employee meetings, departmental meetings) – put Roadmap and plan to support communication strategy

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Key structures and tools put in place to help address risks and challenges

Tools & structures	Risks and challenges					
	Prioritization and adequate resourcing	Collaboration and transparency	Accountability	Performance management system	Key gaps in positions and capabilities	Perception by stakeholders
Organization design	✓	✓			✓	
EPMO	✓	✓	✓		✓	✓
Management metrics	✓	✓	✓	✓		
Performance Management system				✓	✓	
Escalation process	✓	✓	✓			
Cross functional engagement team		✓	✓			✓

Continued commitment is critical

BCG team has worked with NYCHA to make key progress on initiatives during project (I/III)

	Initiative	Accomplishments
Operations	**Borough redesign**	**Shifted activities from boroughs to property-level and central operations** • Launched 5th borough, which will test streamlined regional management and shift ownership for key activities (e.g., budgeting) to property level • Consolidated borough support functions into a Centralized Business Services unit to leverage best practices and reduce redundancies
	Property Management Demonstration Project	**Structured in-house and outsourced models to test new practices** • Drafted RFP for the Demonstration Project • Designed models to test practices along lines of private property management companies, including key M&R policy / process changes • Determined metrics to track results
CP&D	**Program portfolio baselining**	**Built high-level baseline of current operating model to identify potential areas of cost reduction and high-level impact**
Section 8	**Risk mitigation**	**Achieved key performance metrics for HUD compliance** • Re-designed Voucher Management System reporting for HUD • Achieved 95% HUD Reporting Rate • Reconciled port-in billing across systems • Re-designed and activated new terminations policy • Eliminated backlogs: scanning, printing, uncategorized mail, certifications • Completed 2010 and 2011 mock RIM audit • Improved inspections process and completed first pass of re-design
ATAD	**Redesign process and procedures**	**Transitioned toward redesigned, more efficient ATAD department** • Realized savings through restructuring of department • Designing credit check pilot for launch in early March • Designed initial priority consolidation /simplification

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BCG team has worked with NYCHA to make key progress on initiatives during project (II/III)

	Initiative	Accomplishments
Procurement	**Strategic sourcing**	**Designed and implemented new strategic sourcing process for MRO and Contingent Labor** • Sourced contingent labor using newly-revamped RFP process • Analyzed responses and selected contingent labor vendor with anticipated savings of 40% • Developed and supported the RFP process for MRO materials • Launched evaluation committee to select vendor for 10 inventory management pilot sites • Completed initial analysis for MRO **Prioritized next wave of savings opportunities** • Analyzed remaining spend categories to prioritize and phase strategic sourcing projects • Vetted initial recommendations with key stakeholders
	Process redesign	**Instituted expedited RFP process, reducing cycle time by 7 – 15 mos.** • Shortened RFP process from 10-20 months to 3-5 months
	Supply chain transformation	**Set vision and plan for more efficient supply chain structure** • Designed inventory management pilots and determined tracking metrics • Secured inventory in unofficial storerooms • Created transformation plan with associated impact timing
IT	**Improve governance mechanisms**	**Revitalized IT Steering Committee** **Established Architecture Review Board** **Clarified roles for IT PMO and Finance**
HR	**Performance management**	**Launched new NYCHA-wide performance management system** • Implemented tools to measure employee performance and identify high and low performers • Established processes to set individual goals and take appropriate actions with high and low performers

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BCG team has worked with NYCHA to make key progress on initiatives during project (III/III)

	Initiative	Accomplishments
Finance	**Budget redesign**	**Drafted RFP to solicit Hyperion vendor, supporting more efficient and useful budgeting process / data** • Provided feedback on RFP contents • Facilitated dialogue between Finance, IT, Law and Procurement
Capital Projects	**Performance management dashboard**	**Instituted CPD dashboard to support accountability / tracking** • Developed metrics to track performance of people and projects • Designed and implemented tracking tool
	Creation of new operating model	**Launched phased rollout of new model to deliver projects on-time and on-budget** • Designed new model (including staffing, process changes, project selection) • Implemented phased rollout
	Redesign capital Planning	**Developed high level capital planning process** • Defined framework for developing capital plan aligned with NYCHA's strategic priorities • Identified organizational and process changes to reduce time to obligate
	Short term obligation of funds	**Finalized approach and roadmap for short term obligation of funds** • Framework for prioritizing properties • Defined approach and list of projects to focus efforts for short term obligation of funds

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BCG team has worked with NYCHA on additional accomplishments that support NYCHA's success

Accomplishments

Organizational changes	• Developed and established new governance processes • Set up regular senior team meetings, including Operations meetings and Executive Sponsors meetings to enhance governance structures • Assisted with talent search for key executive roles (e.g., CPO)
EPMO	• Established EPMO structure under General Manager • Ramped up 30 high-priority projects • Initiated process of EPMO flagging issues to GM and check-in with project managers • Aligned on tools and templates for tracking and monitoring progress • Determined issue escalation criteria and process • Initiated process of reviewing status of tracked project on weekly basis
Metrics	• Defined and agreed upon enterprise-level and department-level metrics for executive dashboard to track organization success
Plan NYCHA	• Quantified financial impacts of key Plan NYCHA initiatives • Provided editorial input on the Plan NYCHA document
Stakeholder engagement	• Assisted in engagement with key stakeholders to ensure support for Plan NYCHA initiatives • Helped in planning of stakeholder engagement with residents; NYCHA has completed "round-table" meetings with tenants and employees to ensure communication and support

Appendix
Key findings and reccs

BCG recommendations by area

Operations

1. Property Management
2. Maintenance and Repair
3. Community Programs & Development
4. Section 8
5. ATAD

Support Functions

6. Procurement / Supply Chain
7. IT
8. FGSS
9. HR
10. Finance

Developing Assets

11. CPD

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Operations – Property Management (I/II)

Overview

Borough-centric model with significant shadow activity

BCG's scope entailed an assessment of Operations administrative support functions, which currently operate via a large borough office infrastructure. NYCHA's property management model is vertically in-sourced, with borough administrative staff supporting work ranging from maintenance and repair to procurement and inventory management to resident support services. The borough offices also contain significant shadow function activity (e.g. Budget, HR, IT). Based on its diagnostic, including benchmarking, the NYCHA-BCG team identified opportunities to restructure these support functions to reduce and eliminate shadow activity, standardize best practices, and create a leaner operating model.

The project team's diagnostic found opportunities to increase efficiencies beyond borough office operations. We found property staff to be lacking fundamental property management capabilities. Currently, NYCHA employs more of a centralized "top-down" property management model that often results in development-level decision-making taking place at the borough or central levels. The team's study found that other Public Housing Authorities (PHAs) are increasingly pursuing more "property-centric" models, shifting greater decision-making to the development level, thereby clarifying and strengthening accountability, improving service levels, and increasing the efficiency of spend. While beyond the original scope of work, as part of its recommended changes to NYCHA's borough office infrastructure, the team identified options to shift ownership for key management activities more to the development-level. The team also identified options to explore alternative models.

Team Recommendations

Borough office re-design
- Centralize borough functions and activities to reduce redundant activities - including the elimination of shadow functions; standardize and leverage best practices; and increase operating efficiencies across boroughs.
- Shift more accountability and ownership for key management activities to the property level

Property Management Demonstration Project – design and implement a project to test alternative in-house and outsourced models; study the applicability of private property management company practices and identify best practices for NYCHA adaptation to improve efficiency and service levels

Operations – Property Management (II/II)

Future state

Leaner, property-centric model employing PMCO best practices and structures
- NYCHA to achieve a leaner, property-centric operating model, with regional oversight and no shadow functions at the borough level
- Scale benefits for manual processes achieved through centralization of support functions
- Borough support staff operating at improved service levels with ~$4M in cost savings via consolidation of redundant roles and modified responsibilities at the borough level
- Operations to employ a "property management company-like" model across its properties, with decentralized, property-level ownership and decision-making; property managers as single point of accountability for property performance
- Wider leverage of identified best practices, resulting in significant service level improvements and cost savings (to be quantified via Demonstration Project)

Path forward

- NYCHA to build upon its initial centralization of borough support functions by modifying borough roles appropriately and eliminating shadow functions (e.g., relocate procurement activities to a centralized procurement organization)
- Train and strengthen capabilities of NYCHA property managers for greater accountability as NYCHA shifts to a more property-centric model
- Property management companies to manage a small set of NYCHA properties, including one typical NYCHA development by Q3 of 2012
- NYCHA to begin tracking property management performance in Q3 of 2012, to test and validate the alternative models of the Property Management Demonstration Project
- NYCHA to roll out identified best practices and an improved property management model, based on performance results of the Demonstration Project

Operations — Maintenance and Repair (I/II)

Overview

Vertically-integrated, borough-centric model
NYCHA's current property management model is vertically in-sourced, with Maintenance & Repair (M&R) staff and capabilities at the property and borough levels, and in centralized teams (i.e., Technical Services Unit). The project scope did NOT cover direct study of these front-line operations. However, the scope did cover studying the impacts of Operations administrative and central support function operations on front-line activity. Thus, while the project did NOT do a deep dive into M&R operations, the NYCHA-BCG team did identify some related improvement opportunities. As part of its benchmarking, for example, the team looked at NYCHA's operating model holistically, including the structure, effectiveness, and efficiency of M&R organizations at other PHAs and at property management companies.

Compared to benchmarks, many NYCHA properties are understaffed in terms of on-site maintenance workers, causing more of the repairs to shift to above-site workers (borough or centralized teams). The team also worked directly with members of NYCHA's current M&R organization to understand other challenges and identify where improvement opportunities existed.

The team's diagnostic identified opportunities to shift accountability for M&R to the property level; increase the ratio of property-based M&R workers per unit while reducing the need for above-property specialist work; and change select M&R-related policies to reduce inefficiencies. Preliminary analysis also showed that there may be an opportunity to streamline the relationship between the boroughs and Technical Services front-line staff, however this requires further analysis. The team proposed that NYCHA leverage the Demonstration Project to test these potential improvements.

Team Recommendations

- **Select policy changes for M&R operating model –** modify M&R policies and introduce mobile technology to facilitate more efficient, faster delivery of services by the right staff
- **Increase front-line M&R staff at the property level** — shift more staff from above-property levels to enable faster and more efficient delivery of services; clarify property-level Maintenance Worker responsibilities such that they perform a greater percentage of repair work and reduce the need for above-property specialist labor

Operations — Maintenance and Repair (II/II)

Future state	**Property-centric model with focus on core functions** • NYCHA to achieve a property-centric maintenance and repair model, with M&R staffing ratios tilted more toward property-level and property staff accountable for addressing repairs • Skilled maintenance workers performing all work within their job descriptions and above-property or third-party skilled trades engaged only as necessary • Where cost effective and efficient, property staff are given the ability and data to hire above-property or third party vendors to make skilled trades repairs • Faster and improved service levels at lower costs, generating savings (to be quantified and studied as part of Property Management Demonstration Project)
Path forward	• NYCHA to begin testing select policy changes via the Property Management Demonstration Project— if successful, these changes to be rolled out to the broader organization • In collaboration with Finance, NYCHA to ensure that property-level staff are trained to manage their budgets and to make decisions about when to use above-property staff and when to call a third-party vendor • NYCHA to upskill current maintenance workers to ensure they have the skills required to perform all jobs within their job description • As savings are achieved in other areas of the NYCHA organization, additional highly-skilled M&R workers added to property-level staff, thus increasing the ratio of maintenance workers per unit

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Community Programs & Development

Overview	**Direct service provider of broad portfolio** NYCHA's CP&D unit provides a range of services, including operating 108 community centers (seniors and after-school) and leasing of 289 other centers to third party providers (primarily DYCD, DFTA and ACS). NYCHA spends up to $55M annually on operation of the community centers, including $51M for the 108 directly operated centers ($45M out of operating funds). NYCHA is not operating these centers efficiently (e.g., 37% overhead cost vs. 15% overhead cost at best-in-class organizations). The community centers are not within NYCHA's core capabilities. Programming appears fragmented/bottom-up, and there is limited reliable reporting on effectiveness. Many of the centers are clustered close to each other.
Team Recommendations	**Program portfolio baselining** – baseline the portfolio of NYCHA's community operations to develop a true picture of spend and identify preliminary areas for cost-savings opportunities **Establish strategic framework and operating model –** create dialogue with New York City and other stakeholders to move to orchestrator model, whereby NYCHA provides the real estate and other agencies or non-profits operate the community centers directly; strive for savings via partnership with others. Preliminary estimate is that up to $5M can be saved by operating centers more efficiently; up to $45M if other agencies agree to assume operations and costs.
Future state	**Orchestrator of core services to promote positive resident and neighborhood outcomes** • New operating model whereby best-in-class partners provide social services and NYCHA acts as orchestrator, landlord, and data provider / aggregator • Substantially smaller outlay for social services provision
Path forward	• Commence stakeholder discussions to move to orchestrator model • Develop overall strategic framework for function, including KPIs • Move forward / build on launch of 4 separate initiatives to develop strategic framework, strengthen job creation, improve resident engagement, and ensure community centers are operating under appropriate leases/license agreements

Section 8 (I/II)

Overview	**Compliance-driven, error-prone model** NYCHA's Section 8 program was experiencing significant operational challenges from the recent NICE implementation, exposing the agency to a variety of regulatory, legal and public relations risks. Landlords and tenants were both experiencing major backlogs and slow turnaround times, while external HUD reporting was often incomplete and/or inaccurate. Besides the short-term challenges from the implementation, the Section 8 program has a lot of inefficient processes that were never re-designed during the implementation. As a result, many of the inefficiencies were simply automated. In addition, the program is centered on a mail-based process, whereby forms are mailed out and received back from landlords and tenants, then scanned and reviewed. There is limited online functionality. Finally, need more proactive effort to control HAP expenditures by better aligning rents to market levels and combating fraud (primarily under-reporting of household income).
Team Recommendations	• **Risk Mitigation** – From June through December 2011, created a cross-functional Risk Mitigation team with representatives from LHD, IT, CCC, GSD and Legal to identify, prioritize and address critical agency risks. • **Process Re-design** – In 2012, perform detailed diagnostic on key processes and implement policy, process, system, and organizational changes to improve effectiveness and efficiency; as an outgrowth of this, enhance landlord portal functionality • **Terminations** – In 2012, automate the newly re-designed terminations policy • **Online portal** – From 2013 through 2015, develop and implement high-functioning online portal for both landlords and tenants; portal would generate significant ($8-10M) savings, while simultaneously improving customer service, quality control and compliance • **Fraud reduction** – In 2013, 2014 or 2015, adopt proactive fraud identification and remediation policy to combat under-reporting of income and other fraudulent activities • **Rent reasonableness** – In 2013, 2014 or 2015, implement new rent database that better aligns rent with "true" market levels, thus avoiding potential over-payment of HAP subsidy

Section 8 (II/II)

Future state	**Participant-led, efficient service model** • Much more efficient ($8-10M annual savings) and effective (less re-work, greater quality control) program than today; considered best-in-class among PHAs • Highly-innovative, fully functional online capability; transformation from mail-reliant, compliance-driven model to customer-friendly, self-service model with 90% online usage • Up to $50M in potential HAP savings through fraud reduction/prevention and more rigorous rent reasonableness approach

Path forward	• With BCG support, NYCHA formed a cross-functional Risk Mitigation team that identified and executed 9 separate initiatives that significantly reduced agency risk – e.g.,
	  – Re-designed Voucher Management System reporting for HUD
	  – Achieved 95% HUD Reporting Rate
	  – Reconciled port-in billing across systems
	  – Re-designed and activated new terminations policy
	  – Eliminated backlogs in scanning, printing, uncategorized mail, certifications
	  – Completed 2010 and 2011 mock RIM audit
	  – Improved inspections process and completed first pass of re-design
	• For 2012, perform process re-design on critical processes and automate new terminations policy to ensure maximum compliance
	• Starting in 2013, develop and implement online capability to generate savings and improved customer service
	• From 2013 through 2015, develop enhanced fraud and rent reasonableness capability
	• NYCHA to implement performance management to identify high performers and employees with obsolete skills; promote high performers and retrain or exit employees with obsolete skills

Overview	**Long cycle time, inefficient processes** NYCHA's eligibility unit (ATAD) handles public housing and Section 8 eligibility centrally. The current process is highly-inefficient due to many of the design features of the current process, including: • Long lead times given to applicants to comply with the eligibility process (up to 12 mos.) and then to wait for a rental (up to 9 mos. wait) result in very high drop-out rate relative to benchmarks (43% certification to interview rate vs. 70% benchmark, 63% rent to certification rate vs. 90% benchmark) • Complex priority scheme, which results in 16% of applicants being rejected because their priority status has changed by the time of the interview from original application • Complex documentation requirements, which contribute to the high drop-off rate and lead to longer processing times • Inefficiencies in interviewing process and systems, resulting in 2-7 hour total interview times vs. 1.5-3 hour benchmark times Total of 163 FTEs involved in eligibility process across ATAD, CCC, and GSD (excluding FTEs in ATAD doing non-eligibility functions) – opportunity to save up to 70 FTEs or $7M annually.
Team Recommendations	• **Redesign policies and procedures** – From 2012 through March 2014, implement various policy changes, including annual waitlist purge; priority consolidation (N1/N2/N8 and W1/W2); simplified content requirements; enhanced credit check procedures; streamlined interview process; shorter applicant deadlines; and shift in responsibility for S8 eligibility to LHD. Goal is to achieve total reduction of 33 FTEs, or $3M in savings. 18 FTEs already realized. • **Online Portal** – From 2013 through 2015, in concert with anticipated online roll-out of Section 8 portal, develop and implement online waitlist process. Opportunity to achieve 40 incremental FTE savings, or $7M in savings

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ATAD (II/II)

Future state	**Short cycle time, more efficient processes** • Much more efficient ($7M annual savings) eligibility function • Faster cycle time to process applicants (from up to 12 months to target of 60 days) • Highly-innovative, fully-functional online capability; transformation from mail-reliant, compliance-driven model to customer-friendly, self-service model • Target 63% of interviewees renting a unit
Path forward	• NYCHA has begun implementation of the changes in the Policy Planning project (i.e., Redesign policies and procedures recommendation). Already, 18 FTE savings have been achieved through attrition. Half of the targeted priority consolidation has been informally approved by HUD. New content and system have been developed, and a credit check pilot is being planned. Total headcount reduction of 33 FTEs is planned by June 30, 2013 • NYCHA to implement performance management to identify high performers and employees with obsolete skills; promote high performers and retrain or exit employees with obsolete skills • Starting in 2013, and working with Section 8, develop and implement online capability to generate savings and improve customer service

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Procurement (I/II)

Overview

Fragmented purchasing, complicated process with long cycle times (e.g., RFP process)
The NYCHA-BCG team examined NYCHA's procurement functions, which are spread across a range of departments including CPD ($200M), GSD ($160M), and SCO ($55M). With over 74 FTEs in the formal procurement organization and ~50 "shadow" FTEs largely in the borough level, there was a significant degree of fragmentation that made a strategic, integrated sourcing model difficult. Rather than concentrating spend in a fewer number of suppliers to obtain steeper discounts, NYCHA's current material spending strategy is more ad-hoc, with a relatively large number of suppliers (75% of suppliers accounting for only 20% of spend: 82 of 110 vendors for trade; 109 of 144 vendors for professional).

The project team also identified significant room for improvement in the organizational design, with CPD, GSD, and SCO operating largely as separate silos. The common capabilities, processes, and responsibilities used in services and materials implied an opportunity to drive down costs and improve efficiency by integrating procurement into a central procurement organization. Personnel capabilities also varied, particularly in the purchase order processing, with a sizeable productivity gap between the highest- and lowest-performing workers.

While the purchase order requisition system represented an effective means of order processing, sourcing technology is largely transaction-focused and does not easily accommodate large-scale sourcing events

Significant improvement opportunities were also identified in NYCHA's procurement processes. In particular, NYCHA's RFP process was time-consuming, taking up to 20 months. It required heavy FTE involvement and a high number of iterations. Inefficient process steps and a lack of parallel processing also presented opportunities for process improvements.

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Procurement (II/II)

Team Recommendations	• **Move to Strategic Sourcing** – Concentrate spend in a fewer number of suppliers to obtain steeper discounts. Test strategic sourcing process via pilot programs for maintenance material, contingent labor. These strategies were also designed to bundle more of the spend with suppliers and reduce their uncertainty about future volumes and motivate them to development of more creative offerings. • **Consolidate organization** – Centralize procurement in a consolidated procurement and supply chain organization led by a Chief Procurement Officer, eliminate duplicative activity and modify inefficient processes. • **Redesign RFP Process** – Simplify the procurement RFP process by streamlining inefficient process steps, parallel processing steps in the vendor integrity check process, and by moving the responsibility and accountability for contract review (CRC) into the procurement organization,.
Future state	**Centralized, strategic sourcing that leverages spend** • One centralized procurement organization led by a Chief Procurement Officer: Savings of $3M-$4M based on FTE reductions of ~40-45 • Significantly reduced supply base from ~1,000 to ~180 • Reduced cost through more effective sourcing: Savings of $11M-$16M
Path forward	• Complete sourcing pilot and replicate results across other categories in 2012 – 2013 • Complete process of recruiting Chief Procurement Officer • Consolidate sourcing activity in a single procurement and supply chain organization by end of 2012, identifying best practices, and improving relevant procurement processes • NYCHA to implement performance management to identify high performers and employees with obsolete skills; promote high performers and retrain or exit employees with obsolete skills

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Supply chain (I/II)

Overview

Dispersed accountability and sub-optimal inventory management structure

The project team examined NYCHA's supply chain network to understand the flow of maintenance material from suppliers to developments in order to reduce cost, increase inventory management accountability, and increase timely material availability. NYCHA operates an expansive supply chain network with ~145 storerooms, 300+ trade shops, and a large central warehouse. Also, an unofficial network of more than 5,000 storerooms exists at developments with no inventory tracking / controls.

The NYCHA-BCG team identified significant room for improvement , as NYCHA spent nearly $5M to manage $5M of active inventory with a little over 2 turns in 2010 (i.e., $12M was delivered to the developments from the warehouse).

Storerooms exhibited high obsolescence of materials and shrinkage costs. Furthermore, IT systems were not leveraged to provide visibility or link materials to work orders, with ~800 suppliers not integrated as a strategic part of the supply chain. Each of the developments further incurs costs from storing material in storerooms, with weak accountability for ultimate use of material delivered.

Team Recommendations

Supply chain transformation
- Move to a Just-in-time (JIT) inventory management model to increase the availability of material at the point of use when needed by mechanics and skilled trades, thus improving overall productivity and reducing labor cost
- Significantly reduce reliance on centralized warehouse
- Tie material requirements to maintenance work tickets to facilitate JIT model
- Reduce warehouse and storeroom inventory SKUs
- Professionalize store rooms, beginning with select pilots

Supply chain (II/II)

Methodology	• **Identify pain points in supply chain / distribution model and related processes**
	  – e.g., long cycle times, high distribution costs
	
	• **Understand alternative models for potential improvement opportunities**
	  – Organization structure benchmarks and best practices
	  – Innovation and process improvements

Future state	**JIT material distribution model with accountability and minimal inventory** • "Just-in-Time" (JIT) delivery the dominant channel for materials management • Fewer warehouse and supply chain locations • Greater accountability via technology systems upgrades and linking materials to work orders • Warehouse SKUs reduced from approximately 8K to 2K • Store room SKUs reduced from 1K to 300 SKUs • Store rooms professionalized with best-in-class inventory replenishment models • Savings of $6M-$9M through reductions of ~40-45 FTEs
Path forward	• Continue execution of storeroom professionalization pilot and rollout best practices over the course of 2012 – 2013 • Continue SKU reduction effort at store rooms and central warehouse • Develop technology to tie material requirements to work orders • NYCHA to implement performance management to identify high performers and employees with obsolete skills; promote high performers and retrain or exit employees with obsolete skills • Begin implementation of JIT suppliers

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Overview	**"Order-taker" model with transactional business area relationships** Historically, NYCHA's IT department has served as an order taker, fulfilling requests from the business for technological changes with limited communication. Over the last few years, NYCHA has invested significantly in technology to enable organizational transformation. A comparison to benchmarks indicate that NYCHA's IT costs are in-line, but the organization lacks skilled resources to manage complex new technologies Overall, NYCHA has invested in many powerful technological tools which are not yet meeting all of the users' needs. Challenges with the implementation of NICE II and the integration of existing systems continue to create issues for the authority. Further, some technologies are outdated and no longer meet user needs. Additionally, NYCHA lacks technology offerings that can improve user experience and increase efficiency, particularly online portals for tenants, residents, and landlords. Finally, NYCHA does not have a robust governance process in place to manage the IT investments required to enable efficiency gains including a well-defined and agreed-upon blueprint for NYCHA"s application landscape
Team Recommendations	**Improve IT governance mechanisms** – implement a set of processes and governance bodies that include both business and IT stakeholders to make coordinated decisions about how IT should be used to get the most business or mission value from IT spending **Improve capabilities and right-size IT organization –** reduce obsolete skill sets and focus on developing capabilities required to maintain new technologies, including capabilities required to "jumpstart" new investment program (e.g., Enterprise Architect, Vendor Strategy/Relationship Specialist, and Quality Assurance Manager)

IT (II/II)

Future state	**Business change driver with customer service orientation and transparent, fact-based investment decision-making process** • Transform IT from order taker to business change driver to maximize efficiency gains and value delivered from investments • Create a leaner, more capable organization focused on supporting new technologies and partnering with business to lead IT/business investment projects • Streamlined org to deliver higher service quality at a more cost-efficient level, with opportunity for $2-3M in cost savings with net reductions in ~30 FTE's.
Path forward	• NYCHA to implement performance management to identify high performers and employees with obsolete skills; promote high performers and retrain or exit employees with obsolete skills • NYCHA to revise IT governance process, including re-instating the IT Steering Committee (meeting once every quarter), establishing Architecture Review Board, and establishing Data Management Board • NYCHA to retrain or hire key capabilities required to maintain NICE II investments • NYCHA to retrain or hire key positions required to "jump start" management of new IT/business investment portfolio

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Overview	**Underutilized resources with many non-core functions performed in-house** The project scope entailed an assessment of the administrative support functions, which include Facilities Planning and Administration, General Services and Security. The Administration function currently delivers a wide range of services in-house for the Authority, including lease management of corporate facilities, management of fleet of corporate vehicles, repair and maintenance of horticultural equipment, print and imaging services, building services, and security for corporate facilities. The NYCHA-BCG team diagnostic identified opportunities to reduce expenses through more efficient use of current resources and outsourcing of non-core functions. Corporate office facilities are significantly underutilized with at least 15% and up to 50% under-utilized space, creating opportunity to sublease excess space. NYCHA also currently performs many non-core functions in-house, including building services, mail services, security, reception, office, print, and imaging services. Savings and efficiency gains could be possible through outsourcing these functions as most other agencies do. NYCHA also maintains a fleet of corporate vehicles, with only ~35% utilization for central fleet. Changing policies to reduce or outsource transportation could create symbolic change and generate savings.
Team Recommendations	**Sublease underutilized corporate office space** – explore consolidating NYCHA's main corporate offices in one location and subleasing underutilized office space **Outsource enabling, non-core functions** – outsource non-core services, including building services, mail services, security, reception, office, print, and imaging services, through bundled facilities management contract **Reduce or outsource central fleet** – change current policies on vehicle use and allocation to reduce central fleet and vehicle and driver allocations **Improve commercial storefront occupancy** – generate additional revenues by improving occupancy, rent rates, and rent collection at commercial storefronts at developments

Facilities Planning, General Services & Security (II/II)

Future state	**Leaner department focused on orchestrating services and delivering only key functions in-house** • Achieve market standard utilization of corporate office space while maintaining sufficient space for customer service activities • Create a lean Administration function focused on orchestrating services and delivering only those services in-house where NYCHA has expertise or unique needs to justify
Path forward	• NYCHA to complete space planning and architectural assessment to determine minimum space requirements and potential for consolidation • NYCHA to renegotiate current lease terms and / or pursue sublease of excess space • NYCHA to reassess fleet and transportation policies • NYCHA to reduce size of fleet and explore outsourcing to third party

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HR (I/II)

Overview	**Compliance-driven model with transactional business area relationships** NYCHA's HR department was functioning as a compliance-driven organization with a higher than average cost to serve per employee. Focused on transactional activities, HR was providing limited strategic business support to its clients with little intradepartmental collaboration. Inefficient, paper-driven processes contributed to a costly HR/employee ratio. NYCHA also lacked an organization-wide performance management system, making it challenging to take appropriate actions with high and low performers. Performance evaluations were limited to managerial employees given the civil service and union environment. Employees were not provided with development plans, against which they could act or otherwise be held accountable. There was little direction provided on how to appropriately address high and low performers, including a general lack of understanding of the disciplinary process.
Team Recommendations	**Reorganize and streamline department (including shadows)** • Short-term, focus on needs currently identified by customers including enhanced training and support for performance mgmt • Longer-term, reorganize and work in partnership with lines of business to address evolving business needs; invest in strategic capabilities (e.g., Workforce Planning team, HR generalist liaisons, Performance Management Specialist, broadened support in employment and labor relations) • Reduce inefficient processes through select outsourcing / partnerships, automation, and a review of services offered **Implement a NYCHA-wide (managers and non-managers) performance management system to identify and create action plans for top and bottom performers** • Roll out evaluation tools across the agency, differentiated by level • Identify high and low performers and leverage evaluations to generate individual development plans for all employees • Provide training on review and disciplinary process (focused on represented employees) • Take appropriate actions to address high and low performance

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HR (II/II)

Future state	**Lean, strategic partner in talent development** • A customer service-oriented business partner providing strategic thought partnership through a collaborative operating model • Greater process efficiencies (less paper, automation, select outsourcing, etc.) will reduce cost-to-serve from ~$1700 / FTE to ~$1400 / FTE ($4-5M annual savings) • 100% of employees will be evaluated and provided with tailored development plans • High and low performance among staff will be appropriately addressed
Path forward	• Implement reorganization, including making strategic investments in talent and process efficiencies • Employ performance management within HR organization – identifying high and low performers – and actively monitor attrition to enable savings • Institutionalize NYHCA-wide performance management processes • Drive compliance with performance management process throughout agency by providing necessary training and general support to businesses • Explore long-term options to implement structural change to enable greater flexibility

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Finance (I/II)

Overview

Manually focused, fragmented organization with top-down budgeting
The project team assessed the relative spend and organization of NYCHA Finance versus benchmark PHAs, the role of Finance in the context of the current and future state operating model shifts, and opportunities to streamline activity both within Finance and between Finance and other parts of NYCHA.

Analysis yielded opportunities to strengthen the Finance organization's core capabilities and efficiency. The original budgeting process lacked a bottom-up build process, with targets being set at the top and trickling down. A significant amount of duplicative and non-core functions were also within the Finance department, offering significant opportunity for cost-savings and outsourcing of non-core functions. Finally, there was room for devoting more resources to the front-line by devolving COCC costs to the property-level (developments).

Team Recommendations

Budget process redesign – revise the budget development process to become more of a "bottom-up" methodology to ensure greater accountability and accuracy of budget. Also encourage and train borough and property-level staff to take more responsibility for budget development and fiscal accountability for sticking to their budgets. Finance should also provide enhanced monitoring and budget reporting to enable better visibility to the current state of Operations and other areas of NYCHA.

Right-size the Finance organization and streamline activities – Reduce or outsource non-core functions or duplicative work with other departments to enable greater focus on the core and achieve savings (including payroll outsourcing / automation; utilities payments process outsourcing / automation; and parking lot administration). This streamlining would also enable some functions, such as revenue development (including a parking revenue strategy), to be optimized. Finally, enhance the resourcing of critical, understaffed areas in Finance, such as the General Ledger, to strengthen the core.

Devolve COCC costs, where applicable, to ensure NYCHA appropriately allocated front-line expenses to the properties

Finance (II/II)

Future state

Focused, high capability department with iterative top-down and bottom-up budgeting
- Decentralized, bottom-up budget process with close communication and iterations between management board and BU management and staff
- Strengthened budgeting development and monitoring with responsibility shifted from the center
- Outsourcing and automation in non-strategic Finance functions that can perform more cost-effectively elsewhere (including payroll outsourcing / automation; utilities payment processing outsourced / automated; and parking administration)
- Streamlined Finance organization consisting of fewer "non-core" activities, with opportunities for $2-3M in cost savings and potential revenue gains from addition of a revenue development officer
- Remaining front-line expenses allocated as COCC devolved to the properties

Path forward

- NYCHA to implement performance management to identify high performers and employees with obsolete skills; promote high performers and retrain or exit employees with obsolete skills
- For Budget Process Redesign, Finance needs to align with Operations transformation effort
- For Budget Process Redesign Finance needs to align with CPD's redesign of long term capital planning process
- For improving the Payroll process continued collaboration with HR and IT is required

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Overview	**Reactive, siloed operating model** Based on its benchmarking and other diagnostics, the project team identified a opportunity to improve key service metrics – there were lower on-time completion rates for both design and project delivery relative to other PHAs. Specifically, gaps in the operating model were: • Dedicated FTE oversight and activity duplication (e.g., estimating, project management) used to control for quality rather than more sophisticated systems and process controls • Low spans of control in program units leads to ineffective management and higher cost • Low adoption of reporting tools leads to an inability to track progress and performance mgmt In addition, NYCHA 's current planning process is more reactive. It has significant opportunities to improve coordination across stakeholders and to streamline processes to more effectively spend the capital budget in line with NYCHA's overall strategy.
Team Recommendations	**Redesign the CPD operating model and improve operational performance management** • Capital Projects needs to get back to basics and focus on its core competencies: plan, design, procure, build, and close • Move towards an outsourced design model to improve key service metrics • Eliminate redundant oversight for faster decisions and better on-time, on-budget project delivery • Emphasize importance of closeout of projects after construction for better planning • Track and actively manage performance of people, project and condition of properties (i.e., create an effective performance management dashboard) **Transform NYCHA's long-term capital planning process and create a strategy for short-term spend and obligation of funds** • Planning process to begin ahead of allocation of funds • Improve coordination between stakeholders across NYCHA to drive prioritization • Prioritize assets not projects for capital work, using a framework that includes physical needs and condition of the properties, impact to residents, and NYCHA's overall strategy • Align organization and processes for better planning and reduced procurement timing • Focus on larger projects for faster obligation and scale benefits • In short term, to obligate expiring funds, focus on trades that can be procured quickly (e.g., roofs)

CPD (II/II)

Future state	**Proactive, integrated asset management** Future state Capital Projects department to achieve lower costs, on-time delivery, and higher resident satisfaction • Opportunity for $8-10M in savings through reduction of duplicative roles and responsibilities • Consolidate authority and accountability for projects under a single decision-maker to achieve best-in-class service • Tie together all phases of construction, from planning through closing • Work together with Operations to more effectively plan and implement projects Dynamic capital planning process in line with NYCHA's overall strategic priorities • Driven by CPD technical expertise in coordination with Operations and other stakeholders • Based on a dynamic needs assessment • Prioritization based on NYCHA properties and aligned with overall NYCHA strategy
Path forward	NYCHA has begun implementation of Capital Projects future state operating model through a pilot and must continue to execute on that to complete transformation of the entire unit. The future state operating model will be in place by 2013 based on current plans. NYCHA to implement performance management to identify high performers and employees with obsolete skills; promote high performers and retrain or exit employees with obsolete skills NYCHA must also operationalize its capital planning process including building out the process and organizational changes and integrating with the overall operating model. In addition, NYCHA should also look to identify more efficient ways of spending capital funds (e.g., job-order contracts), including a more effective procurement process

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Appendix
Board governance

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Executive Summary: Board governance

NYCHA board asked BCG to help diagnose current governance effectiveness, and to recommend adjustments to increase effectiveness

BCG first focused on developing a factbase through
- Individual interviews of board and senior team members
- Reviewed board's current mandates and requirements with NYCHA Legal department and Board Secretary
- Benchmarked other organizations (PHAs and agencies)
- Identified best-practices, including from leading global experts
  - Colin Carter
  - Alan Jackson, Chairman, New Zealand Housing Authority
  - National Association of Corporate Directors (NACD)

Once the fact-base was established, BCG facilitated a process with the board towards a more effective engagement model
- Developed recommendations for the board's consideration,
- Provided Board members with several recommended readings highlighting principles and best practices for governance
  - Back to the Drawing Board: Designing Corporate Boards for a Complex World, Colin Carter & Jay Lorsch
  - "How Well-Run Boards Make Decisions" (Harvard Business Review, 2006)
  - "Building Better Boards" (Harvard Business Review, 2004)
- Facilitated discussions with board to determine which practices the board wanted to adopt

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NYCHA Board engagement model

Positives	Opportunities for improvement
Current Board is formally meeting on a regular basis	**Unclear decision rights/roles and responsibility between the Board and NYCHA Management**
	• Members acting in some cases as "surrogate senior managers"
Different and complimentary skills sets/expertise in board members	• Need for greater checks and balances
	Unbalanced division of roles and authority between directors and uneasy working relationships
Commitment and engagement of board members to make a difference	• Perceived lack of unity among board members
Reinitiated pre-Board meetings now offer forum for preparation prior to public sessions	**Changing, often vague sense of priorities**
	• No group consensus
	• Too many priorities
	• Too many meetings
	Process leading up to Board meetings ineffective in preparing and aligning members (e.g., briefing meetings, depth/clarity of materials, lack of staff input)
	• Need for more frequent discussion of substantive issues

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Example: Pain points in Board decision-making process show opportunities for streamlining / improving

Informal process to standardize submissions; drain on staff time and opportunity for more consistent flow of information to board

2 day window leaves little time for prep

Back to back meetings often run over, due to volume of items, causing back-up and impacting staff productivity

Weeks 3 and 4 identical to Weeks 1 and 2– high frequency of meetings shrinks timeframe for preparation by staff and of Board members

Meetings / Activities	Week 1	Week 2	Week 3	Week 4	Audience
Pre-Calendar Meeting	▲		▲		GM, Board, DGMs, and relevant staff
Finalize Calendar and Distribute	▬▲		▬▲		Board Secretary
Pre-board meeting		▲		▲	GM/DGM, Board
Board Meeting		▲		▲	Board, Public
Tenancy Meeting	▲	▲	▲	▲	Board, Legal, Management
Disciplinary Meeting	▲	▲	▲	▲	Board, Legal, Management

Tenancy and Disciplinary case load that goes before Board is excessive – could be reduced by 40-50% almost immediately

Pre-board meetings help but are not sufficient to allow for substantive board discussion and consensus building

Increased prep time, reduced meeting frequency, and scheduling changes may help increase productivity

Strong governance is typically characterized by a clear separation between board and management

Typical roles and responsibilities of governing board

Represent interests of those stakeholders not at the table
- Eg, residents, NYC taxpayers, federal taxpayers

Set strategic direction, policy, and priorities and monitor adherence to them

Provide oversight, counsel, and support to management

Evaluate, hire, and fire management in accordance with interest of the stakeholders

Manage audit and remuneration policy

Typical roles and responsibilities of senior management team

Translate the strategic direction of board into more specific strategy and execute

Manage the day-to-day operations of the organization

Provide useful, complete, and accurate information as decision support to the Board members

Having the right board structure and engagement model both critical to make this model work

Source: BCG experience

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Some elements of NYCHA's current governance structure pose potential conflicts with this framework

Unique aspects of NYCHA Board structure

All board positions are full-time positions
- With the exception of Resident member

Several key management roles (e.g., GM, DGMs) remain unfilled

Board members have substantial expertise in key operational areas (e.g., Finance, Stakeholder Engagement and Affordable Housing)

Fixed, small number of Board members, appointed by Mayor

Full-time board members are also fully compensated

Potential implications

Board members become entrenched in day to day operations (ie, "surrogate senior managers")
- Creates difficulty in maintaining needed separation and independent viewpoint
- Drives members to actively involve themselves in responsibilities typically reserved for senior management

Limits breadth of stakeholder representation and of expertise available to the agency

Creates conflict of interest given board's responsibility to represent interests of shareholders and to oversee audit and remuneration

NYCHA's current governance structure is unique when compared to other PHAs ...

	NYCHA	Baltimore	Newark	Chicago	Los Angeles	Atlanta	San Antonio	King County
# of directors	4	5	6	10	6	7	7	5
Compensated?	✓	*TBD*	*TBD*	✗	*TBD*	✗	✗	✗
# resident directors	1	1	1	3	2	1	2	1
Meetings / year	26	12	9	12	12	12	12	12
Part-time (PT) vs. full-time (FT)	FT	PT	*TBD*	PT	PT	PT	PT	PT
Appointed by Mayor or other executive Body	✓	✓	*TBD*	✓	✓	✓	✓	✓

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... And shows little consistency with best practices we observe in corporate governance models

Key dimensions		Other practices

Key dimensions

Board composition ✗ **Majority independent**

Leadership N/A **Leader of independents (if CEO is chairman)**

Size ✗ **6 to 12 directors**

Meeting freq. ✗ **8 to 10 meetings per year Full day or more (~100 hrs.)**

Core committees ✗ **Required: Audit, Remuneration, & Nomination**

Committee composition ✗ **Core committees are comprised of only independent directors**

Other practices

✓ **Annual Strategy Retreat for two or three days (with management)**

✓ **Meeting without management: at least once per year**

✗ **Board and director evaluation**

✗ **CEO evaluation each year involving all directors**

N/A **More disclosure of remuneration**

✓ **Chairman of the board is not chairman of the audit committee**

✓ **Other committees as necessary**
   E.g., safety for airlines, risk for banks

Source: BCG experience and analysis

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Recommend a set of 'must-do' governance changes

1 **Shift timing of pre-Board meeting lead-up activities**

2 **Schedule regular pre-Board meetings with <u>all members</u> – eliminate one-off briefings**

3 **Refine and finalize topics for annual Board calendar**

4 **Redefine role/responsibilities of Board Secretary to move to more "activist" role**
- Eg, prepping Board members and coordinating early engagement on key issues/resolutions

5 **Modify templates for resolutions and supporting data as needed and develop plan to rollout to staff**

6 **Develop 'strawman' roles for Board members**

7 **Set up operational readouts with senior management**
- Outstanding decision to agree on meeting agenda and cadence

8 **Better align board practices with best-in-class benchmarks**

Recommended process for board meeting preparation and lead-up

Decide on content	Gather information and prepare board		Make decisions	
Week 0	**Week 1**		**Week 2**	
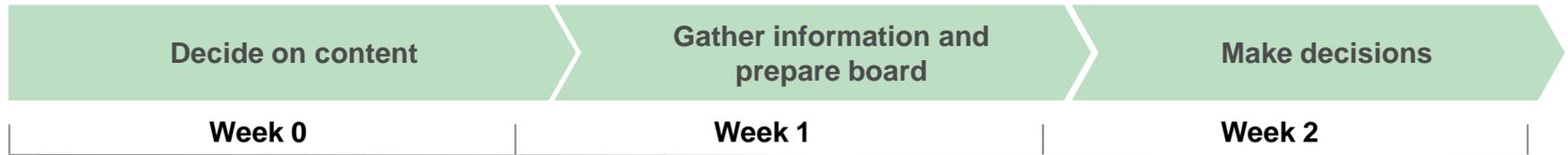
Meeting / Action	Staff-pre-calendar	Board pre-calendar	Calendar released	Pre-board meeting	Board meeting
When	Fri, Week 0	Tues, Week 1	Fri, Week 1	Mon, Week 2	Wed, Week 2
Description	Check resolutions for completeness (eg. vendor history, scope of work, etc.) Adjust calendar as needed	Finalize calendar; Request additional supporting info and documentation; Discuss issues; Provide guidance back to Secretary	Secretary release finalized calendar to public; final resolutions and supporting docs to internal team	Board discuss meaty issues; build consensus; preview tenancy / disciplinary, time permitting	Board take public comment; vote on resolutions
Lead	GM	Board	Secretary	Board	Board
Information provided	Initial resolution submissions and supporting documents, draft calendar	Updated draft calendar	Final resolutions, supporting documents, and calendar		
Attendees / participants	Secretary, relevant staff, and DGMs	GM, Board, Secretary, relevant staff and DGMs (if needed)	N / A	Relevant staff and DGMs	Public, relevant staff and DGMs

Revamped process offers additional time for Board to build consensus and for staff members to prepare

Proposed annual calendar of key board topics
Changes: Steering Committee Meetings bi-monthly; possibility of add'l 'ad-hoc' meetings

Month	Board topic	Cadence	Additional session?
January	Quarterly ratification of investments	Quarterly	
	Quarterly readouts from management	**Quarterly**	✓
	Evaluation of GM	**Annual**	✓
February	**Steering committee updates**	**Bi-monthly or as needed**	✓
March	Public Housing Assessment System (PHAS) report	Annual	
April	Quarterly financial results and ratification of investments	Quarterly	
	Quarterly readouts from management	**Quarterly**	✓
	Steering committee updates	**Bi-monthly or as needed**	✓
May	5–year operating plan	Annual	
June	5–year capital plan	Annual	
	Steering committee updates	**Bi-monthly or as needed**	✓
July	Quarterly financial results and ratification of investments	Quarterly	
	Quarterly readouts from management	**Quarterly**	✓
August	**Steering committee updates**	**Bi-monthly or as needed**	✓
September	HUD annual plan	Annual	
October	Quarterly financial results and ratification of investments	Quarterly	
	Quarterly readouts from management	**Quarterly**	✓
	Steering committee updates	**Bi-monthly or as needed**	✓
December	**Review next year's budget**	**Annual**	✓
	Steering committee updates	**Bi-monthly or as needed**	✓

Board members may also choose to hold additional 'ad-hoc' meetings in addition to scheduled topics

Bold = Recommended additions to slate of regular board topics

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Proposed resolution submission includes only 3 levels (instead of 4)

	Level 1	Level 2	Level 3
Name	**Resolution summary**	**Resolution**	**Standard attachments / memos**
Description	**Key information plus 1 – 2 sentence summary of resolution; including any information for public consumption**	**Official resolution language**	**Standardized packet of relevant supporting information**
Estimated % Resolutions	**100%**	**100%**	**80%**
Standardized submission	**Yes**	**Yes**	**Yes**
Disclosure	**Released with public calendar**	**Emailed to directors and above - 100% FOIL-able**	**Submitted electronically to Board, GM, 1st DGM, COS, Sec., Asst. Sec., GC - FOIL-able if "factual or statistical in nature"**
Templates?	**Templates exist** (used informally)	**Templates exist** (used informally)	**Checklist of documents to be included; templates exist for subset**
Examples / Content	• Location • Submitting Dept. • Funding Source • Amount • 1-2 Sentence Summary • Section 3 fulfillment (for procurement)	• Procurement: Scope of work / justification, negotiated bid price, variance between NYCHA, cost estimate and bid price, bidder's qualifications, green elements • Change Orders: Name of contractor, justification, location, amount, etc. • Leases: Name of lessee, terms of lease, rent and utilities fees, etc.	• Procurement: Scope of work, bid process, bidder history, regulatory • Change Orders: Change order detail, history • Leases: Surveys, comparables, appraisals

Source: Interviews, Office of Secretary documents

Proposed high-level roles and responsibilities for NYCHA Board members to increase clarity

Key roles of Board Chair

Ensure Board effectiveness (primary responsibility)

Motivate other directors

Periodically lead review of Board design and performance
- Including review of Chair

Ensure Board members getting proper information for decision-making

Create time for robust discussion of important issues

Maintain clear agreement and understanding of division between Chair and GM (assuming separate positions)

Key roles of other Board members

Participate actively in board meetings, meeting preparation, and deliberation on key decisions

Oversee and stay current with operations of the organization
- In large part, through operational read-outs provided by senior management

Participate as Steering Committee members on strategic initiatives
- Eg, Plan NYCHA, BCG effort, Green Agenda, etc

Facilitate stakeholder engagement
- Eg, with residents, governmental entities, private sector stakeholders

Offer subject matter expertise to Management on an advisory basis

Source: Carter and Lorsch, Back to the Drawing Board, Harvard Business School Press, 2004; Interviews; BCG analysis

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Plan to use quarterly operational read-outs
Change: Quarterly facilitated by GM

Context and purpose

Educate board on key organizational functions and operations

Create structure for regular communication between core staff and whole board

Structure and format

Timing: Quarterly; full day meeting

Attendees: Board, support staff (as needed), operational area leadership (may rotate in/out if needed)

Format: Presentation with active discussion; facilitated by GM

What's required

Decide on topics for operational read-outs

Communicate and delegate presentation and preparation responsibilities to staff

Reserve time on board and staff calendars

Illustrative agenda

GM / Board adjust to match priorities each quarter

General state of business relative to operational area
- Dashboard of key metrics
- Major programmatic changes
- Unexpected challenges

Review of issues that impact key areas of Board focus and oversight:
- Strategic direction
- Policy decisions
- Stakeholder involvement (e.g., City Hall, residents, etc.)
- Steering committee initiatives (e.g., Green Agenda, Plan NYCHA, etc.)

Flag concerns / requests for support from the board

Board questions / requests for additional information

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Executive summary: organizational pulse check conducted

Relative strength in performance management compared to other public sector organizations

- Nearly 2/3 of employees report that management acts quickly if department performance slips
- However, weak absolute scores: more than half feel that poor performance is tolerated; only 1/3 of employees feel that compensation is tied to performance

However, weak culture of collaboration, with particular frustration around managerial interactions

- Frustration increases with distance from the center and tenure at NYCHA

Employees feel a lack of transparency and connection to organization aspirations and objectives

- Only 45% of employees feel that senior management lives organization values
- Only half feel that they know what is going on at NYCHA
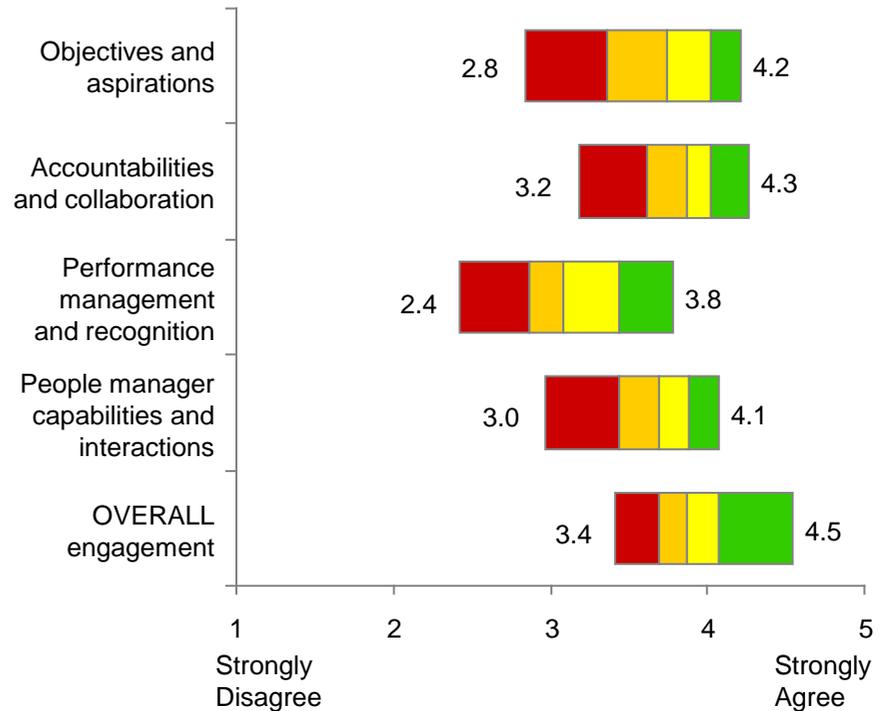- Pervasive issues of distrust; "culture of fear "

But, many employees ready for change in order to make NYCHA stronger

Willingness to change is lower-than-expected, suggesting a need to motivate employees to embrace and drive change efforts

Strong response across the organization, and results compared to Public Sector benchmarks

Department	# of responses	Response rate
Administration	685	100%
Capital Projects	402	92%
Chair[1]	174	74%
IT	209	93%
Comm Ops	398	75%
Finance	184	69%
Operations	2,790	32%
Other / Prefer not to respond	1,837	N/A
Total	**6,679**	**61%**

We have provided absolute scores, but quartile placement is more important to identify hot spots

Objectives and aspirations	2.8	4.2
Accountabilities and collaboration	3.2	4.3
Performance management and recognition	2.4	3.8
People manager capabilities and interactions	3.0	4.1
OVERALL engagement	3.4	4.5

1 — Strongly Disagree ... 5 — Strongly Agree

Quartile ranges for Public Sector benchmarks

■ Bottom quartile   ■ Third quartile   ■ Second quartile   ■ Top quartile   --- Quartiles unique to selection from EFR database

Note: The scores shown represent an average of the quantitative scores, with 1 = "Strongly disagree" and 5 = "Strongly agree"
1. Office of the Chair includes additional departments: Communications, Policy and Program Development, Research and Analysis, Strategic Planning / Change Management, Office of the Secretary, and Legal
Source: Proprietary BCG EFR database

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Overall organization results by domain and dimension

Objectives and aspirations
- Disciplines 3.4
- Motivators 3.6

Overall engagement 3.8

Accountabilities and collaboration
- Disciplines 3.7
- Motivators 3.5

Performance management and recognition
- Disciplines 3.2
- Motivators 3.2

People manager capabilities and interactions
- Disciplines 3.4
- Motivators 3.5

Motivation a pain point across the organization

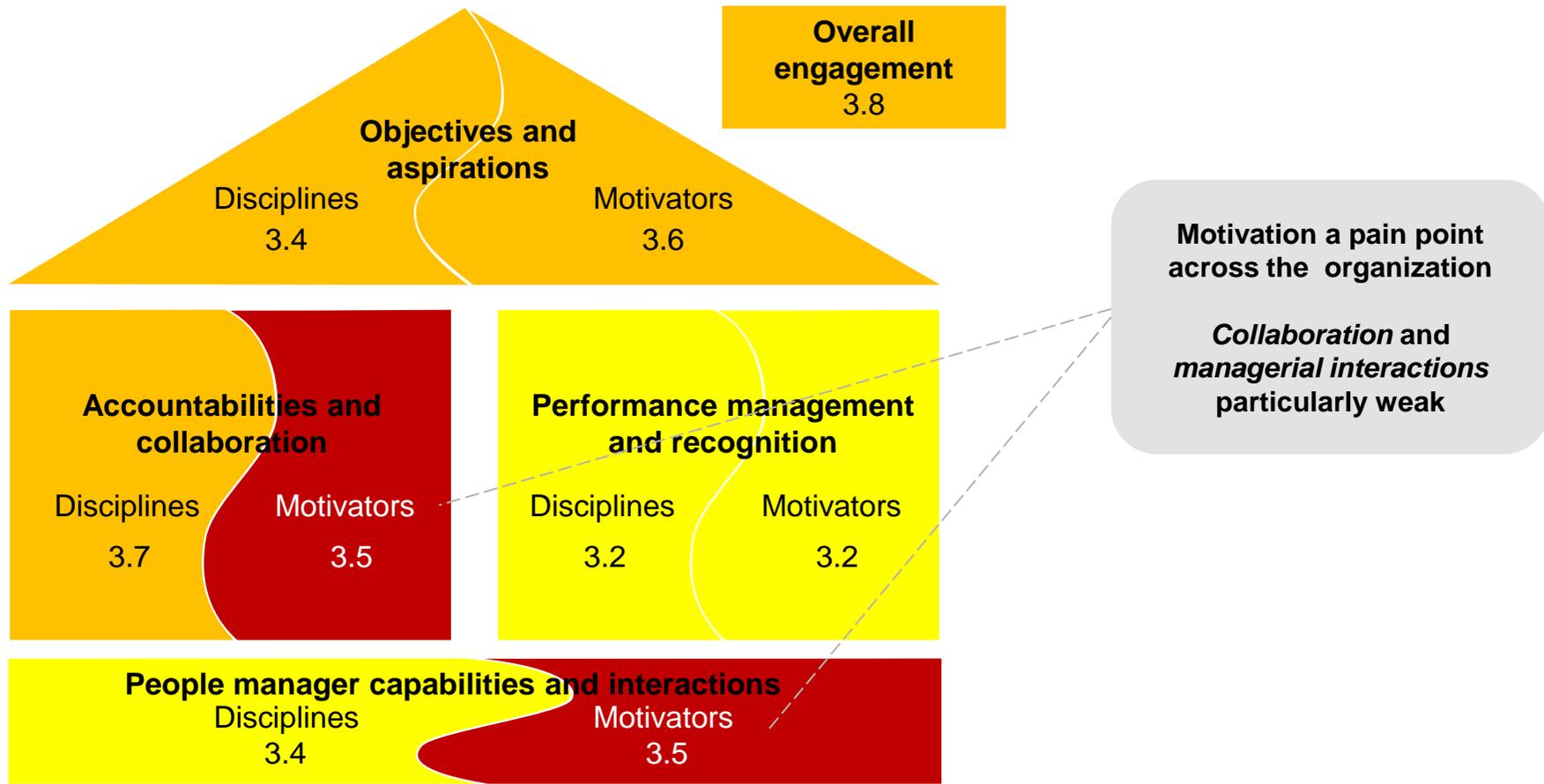*Collaboration* and *managerial interactions* particularly weak

Legend: ■ Bottom quartile   ■ Third quartile   ■ Second quartile   ■ Top quartile   --- Quartiles unique to selection from EFR database

Source: EFR 2.0 Employee Survey, NYCHA, Overall n = 6,679; Proprietary BCG EFR database

Individual department results contain insights for change
Domain and dimension averages cut by division for Operations

	ATAD or Mgmt and Cust. Rel. Sys.		Leased Housing		Bronx PM – Office		Bronx PM – Dev.		Brooklyn PM – Office		Brooklyn PM – Dev.		Manhattan PM – Office		Manhattan PM – Dev.		Queens/SI PM – Office		Queens/SI PM – Dev.		Tech Services		CCC		Emer-gency Servs.		Operations Overall	
No. responses	136		213		155		399		147		405		149		459		51		117		350		140		69		2790	
% responses	64%		55%		26%		38%		21%		27%		25%		32%		18%		21%		36%		59%		64%		32%	
Objectives & aspirations	3.4		3.4		3.5		3.5		3.3		3.4		3.4		3.4		3.4		3.3		3.5		3.5		3.6		3.4	
	3.2	3.5	3.2	3.6	3.5	3.6	3.4	3.6	3.1	3.4	3.3	3.4	3.3	3.4	3.4	3.5	3.4	3.5	3.2	3.4	3.3	3.6	3.4	3.6	3.5	3.7	3.3	3.5
Accountabilities & collaboration	3.6		3.5		3.6		3.6		3.4		3.4		3.5		3.5		3.6		3.4		3.7		3.5		3.6		3.5	
	3.7	3.5	3.5	3.4	3.7	3.5	3.7	3.5	3.4	3.3	3.5	3.3	3.6	3.5	3.6	3.4	3.7	3.4	3.5	3.3	3.8	3.6	3.6	3.4	3.8	3.4	3.6	3.4
Performance management & recognition	3.0		2.9		3.3		3.3		2.9		3.2		3.2		3.2		3.2		2.9		3.2		3.4		3.4		3.2	
	3.1	3.0	2.9	3.8	3.3	3.4	3.3	3.4	2.9	3.0	3.2	3.1	3.2	3.2	3.3	3.2	3.1	3.2	3.0	2.9	3.2	3.2	3.4	3.3	3.5	3.3	3.2	3.2
People manager capabilities & interactions	3.5		3.5		3.5		3.4		3.1		3.4		3.4		3.4		3.4		3.4		3.6		3.6		3.4		3.4	
	3.4	3.6	3.4	3.6	3.4	3.5	3.4	3.4	3.0	3.2	3.3	3.4	3.3	3.5	3.4	3.4	3.4	3.5	3.3	3.5	3.5	3.7	3.6	3.6	3.4	3.5	3.4	3.5
Overall engagement	3.7		3.6		3.9		3.8		3.6		3.6		3.7		3.7		3.7		3.4		3.8		3.6		4.0		3.7	

We will follow up with each department to work to understand themes, drivers, and to develop solutions

O	
D	M

O = overall; D = disciplines; M = motivators

🟥 Bottom quartile 🟧 Third quartile 🟨 Second quartile 🟩 Top quartile --- Quartiles unique to selection from EFR database

1. (incl. Offices of the Chair, GM, and DGMs) or ADGMs (incl. Comm Ops, Ops, Finance, Capital Projects, Development)
Source: EFR 2.0 Employee Survey, NYCHA, Overall n = 6,679; Proprietary BCG EFR database

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