



Metro

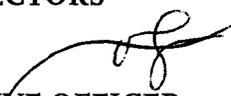
Metropolitan Transportation Authority

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NOVEMBER 13, 2007

TO: BOARD OF DIRECTORS

THROUGH: ROGER SNOBLE 
CHIEF EXECUTIVE OFFICER

FROM: CAROLYN FLOWERS 
CHIEF OPERATIONS OFFICER

SUBJECT: CONTRACTED BUS SERVICES – NORTH REGION

ISSUE

At its October 2007 Board Meeting, the Board of Directors approved equitable adjustments for each of the contracted bus services contractors to compensate the firms for continued operation of buses that Metro was unable to replace. Staff wants to identify a methodology to avoid or otherwise mitigate the need for increased equitable adjustments for the remainder of the contract term.

BACKGROUND

In April 2005, Metro awarded three, five-year contracts for contracted bus services to operate fixed-route service in a North Region (San Fernando Valley), a South Region (South Bay and Gateway Cities) and East Region (San Gabriel Valley) effective August 1, 2005. The Request for Proposal (RFP) and scope of work indicated that Metro would replace certain buses during contract Years 2 and 3. The replacement schedule was based on individual life expectancy of the buses as determined by the manufacturer. The replacement vehicles were not included in the approved capital program for Contract Year 3 because of limited capital funding.

Since new buses would have extensive warranty coverage, Metro's RFP instructed the proposers to anticipate reduced maintenance costs for years 2 through 5 of the contract period and all proposers included the reduced costs as a part of their proposals. As a result of operating the vehicles beyond their expected useful life, the contract service providers are experiencing increased maintenance costs, breakdowns, and complaints. The contractors at a minimum reasonably expect an equitable adjustment to cover the additional expenses.

As capital funding for FY09 would appear to also be limited, staff wants to avoid making additional equitable adjustments to these firms. To accomplish this objective, staff analyzed the contracts and determined that Transportation Concepts, Inc. currently has the largest number of different types of buses and a high number of retirement eligible buses. As such, this firm could request and justify significantly larger equitable adjustments for maintenance and parts inventory for the remainder of the contract term. Staff has decided to amend Contract No. OP31501624 with Transportation Concepts, Inc. to change the period of performance to expire on July 31, 2008 and the firm has agreed to this amendment.

A new procurement will be issued this month for a new contract for this region. Under the terms of the new RFP, proposers will be notified that all of the retirement eligible buses will be relocated to the North Region prior to the beginning of the contract. The South and East Regions will have their older buses replaced with buses that still have a useful life that will last through the remainder of the contract term. This will eliminate any equitable adjustments to those contractors for years 4 and 5 of their contract. While the selected contractor will have a significantly higher hourly revenue service rate in the initial period of the contract, the RFP will also require that the contractor purchase and then lease-back new buses to Metro. (Metro has leased back new buses in previous contracted bus services contracts.) The lease period will coincide with the proposed contract term including the time required to obtain the new buses. While the cost of a lease-back will be more than the cost of purchasing the vehicles, this action is the only method that will allow the procurement of new buses for contracted services. As the remaining two contracts expire in 2010, staff will then determine if the next new procurement should also use this methodology to obtain additional new buses.

The new procurement will also require compliance with Labor Code Sections 1070-1074, which establish a bidding preference for public transit service contractors who agree to retain, for a period of at least 90 days, certain employees who were to perform essentially the same services by the previous contractor. As the Board will recall, various labor groups complained about the initial procurement process and what they viewed as the lack of compliance with Labor Code Sections 1070-1074. To mitigate any issues with this procurement in regards to compliance with the Labor Code staff has included new provisions in the procurement that will require proposers to provide a written plan for compliance with the Labor Code. Metro staff will also closely monitor the contractor to insure compliance with the aforementioned Labor Code. In addition, the resulting contract award will be contingent upon the successful completion of all required compliance steps before a Notice to Proceed will be issued.

NEXT STEPS

Staff will proceed with execution of the amendment to the Transportation Concepts, Inc. contract and the issuance of the new procurement for the North Region.