

**Metro**

May 6, 2005

TO: BOARD OF DIRECTORS

THROUGH: ROGER SNOBLE
CHIEF EXECUTIVE OFFICER

FROM: JOHN B. CATO JR.
DEPUTY CHIEF EXECUTIVE OFFICER

SUBJECT: CONTRACT BUS SERVICE-
SOUTH REGION (OP31501625)- BAFO ANALYSIS

ISSUE

At the April 28th Board Meeting, the Board approved a motion to have staff provide an analysis of the Best and Final Offers submitted by First Transit, Inc. (First Transit) and Laidlaw Transit Services, Inc. (Laidlaw). In addition, Director Burke requested information about the sequence of how pricing was determined.

DISCUSSION

OP31501625 is a negotiated procurement for contract services for the South Region. The service includes the provision for 10 bus lines involving 77 buses. Proposals were received from First Transit and Laidlaw. The proposals were evaluated by an Evaluation Committee according to the following evaluation criteria published in the RFP.

- Proposed Operation & Maintenance Program 30%
- Key Personnel Experience & Qualifications 15%
- Corporate Experience 10%
- Employee Retention 10%
- Past Performance 5%
- Price Proposal 30%

Because each proposal contained information that required clarification, oral clarification interviews were conducted with both firms. Subsequently, telephone negotiations were conducted. During the negotiations, the firms were again given an opportunity to discuss their understanding of the Statement of Work and to again question some of the requirements. As a result of the negotiations, an Amendment to the Statement of Work was issued. The Amendment made the following changes to the Statement of Work.

- The required compensation level for the Road Supervisor and Dispatch personnel originally required a \$2.00/hour premium. This requirement was deleted. Instead, the Statement of Work was changed to require that wages for the Road Supervisor and Dispatch simply start at the highest driver wage.
- Originally, the RFP required that selected contractor purchase new Non-Revenue vehicles. Amendment No. 3 changed this section to permit the use of vehicles that were less than one-year old at the start of the contract.
- The RFP had initially required at least 20 road supervisor / driver relief vehicles. In Amendment No. 3, the quantity of road supervisor / driver relief vehicles was reduced to 16 vehicles.

While Metro has the right to award a contract without interviews, negotiations or requests for a Best and Final Offer (BAFO), Amendment No. 3 contained changes that staff believed would result in price reductions without adversely affecting service quality. For this reason, each firm was asked to submit a BAFO. The request for BAFO required the firm to address in writing any outstanding issues covered in the clarification interviews, and discussions/negotiations. Proposers were also permitted to include any decrease or increase in pricing as a result of clarifying all issues previously discussed and included in Amendment No. 3.

Following receipt of the BAFOs, the Evaluation Committee again reviewed and scored the final offers. The scoring for price proposals is a mathematical formula:

$$\text{Proposer Price Score} = \frac{\text{Lowest Price Proposed} \times \text{Price Points}}{\text{Proposer's Cost}}$$

BAFO Analysis

The Board requested that staff provide an analysis of the BAFOs submitted by both firms. The requested pricing was broken down into the following three major areas.

- Vehicle Operations (Primary categories: Operator wages/benefits, dispatch & field supervisor wages/benefits, training costs and miscellaneous operations costs.)
- Maintenance (Primary categories: maintenance wages/benefits, maintenance manager wages/benefits, material & supplies, subcontracted maintenance, graffiti removal, non-revenue vehicle maintenance & fuel)
- Miscellaneous Costs (Primary categories: Wages/benefits for administrative staff, facility rent, insurance, training, radio system, and profit.)

The submitted prices were:

	Original Price Proposal	Best and Final Offer
First Transit	\$68,080,488	\$66,547,818
Laidlaw	\$81,755,786	\$64,472,706

As noted, First Transit initially submitted the lowest price. In comparing the offers, Laidlaw's original price proposal was approximately 16.8% higher than the original offer submitted by First Transit. In the BAFO, First Transit reduced its original offer by approximately 2.2% while Laidlaw reduced its original offer by approximately 21.14%. And, there is an approximate 3% difference between the two BAFOs.

In reviewing the pricing, staff conducted two separate reviews. First, staff compared the original Laidlaw offer to the Laidlaw BAFO. The comparison determined that Laidlaw had significantly reduced the proposed line items amounts for operator wages, projected insurance costs and proposed profit. While some reductions were expected because of Amendment No. 3, the reduction of 21.14% between the original price and the BAFO is considered significant.

Staff then compared the BAFO pricing submitted by Laidlaw and First Transit. In its BAFO, Laidlaw proposed significantly lower amounts for the operator benefits, maintenance wages, and maintenance benefits line items than First Transit. In addition, Laidlaw proposed a significantly lower amount for the material & supplies line items. These differences could be potentially considered as a "buy in" where a firm submits a very low price expecting to obtain additional funds through future change orders/modifications. This is of particular concern regarding items affecting maintenance of the vehicles such as potential mechanic vacancies due to excessive turnover, or the lack of available materials and supplies that could adversely affect rollout of the buses.

The proposed lower funding for operator benefits is of greater concern and could be considered unrealistic. The operators that currently work for First Transit are covered under a Labor Agreement with Teamsters Local No. 572 and the successful contractor would be required to adhere to the current labor contract provisions. Each proposer was told about the existence of the Labor Agreement and staff had expected to find similar funding being proposed for operator benefits but this was not the case. The disparity in proposed funding for operator benefits is of concern because it could promote excessive turnover therefore again adversely affecting the firm's ability to meet service requirements.

NEXT STEPS

The Board will be asked to reconsider staff's recommendation at the May Board meeting.