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NOVEMBER 1, 1996

TO: BOARD OF DIRECTORS

FROM: JOSEPH E. DREW, CHIEF EXECUTIVE OFFICER

SUBJECT: AWARD CONTRACT FOR COMMUNICATIONS
INSTALLATION ON THE VERMONT/HOLLYWOOD
CORRIDOR OF THE METRO RED LINE

Los Angeles County
Metropolitan
Transportation
Authority

RECOMMENDATION

One Gateway Plaza
Los Angeles, CA

Approve:

90012

a) award of Contract No. B648B to Steiny & Company, the lowest responsive and responsible bidder for the Communications Installation on the Vermont/Hollywood Corridor of the Metro Red Line for a Total Contract Value of the bid amount of \$2,693,054, and

213.922.6000

b) an Authorization For Expenditure which provides an allowance of \$269,305 for any necessary changes and/or extra work, for a total AFE value of \$2,962,359.

Mailing Address:

P.O. Box 194
Los Angeles, CA 90053

Within Construction Committee authority Yes X No _____

ORGANIZATIONAL IMPACT

This award will allow staff to maintain the project schedule for the Vermont/Hollywood Corridor of the Metro Red Line in accordance with the federal Full Funding Grant Agreement.

BUDGET IMPACT

The funds for this award are available within the Board approved project budget of \$1,640,781,000. This recommended award will result in a Contract with a Total Contract Value of \$2,693,054. The forecast final cost, including anticipated changes, for this contract is \$2,962,359. The award status of the Contract No. B648B is shown in Attachment 1. There is no impact to either the Fiscal Year Budget or the Sources of Funds. Project Contingency will not be affected.

Potential Cost Recovery: Yes _____ No _____

ALTERNATIVES CONSIDERED

There are no viable alternatives. The subject contract was bid in accordance with the California Contracting Law and Federal Transit Authority Guidelines, which requires award to the lowest responsive and responsible bidder. (See Summary of Bids, Attachment 2.)

BACKGROUND

The Work under this Contract consists of the design and procurement of specified cable terminations and materials, installation of communications equipment, wiring and terminals with associated testing and documentation. The Work will be in the underground stations and tunnels presently under construction on the Vermont/Hollywood corridor of the Metro Red Line.

The Contractor is to support testing and commissioning of communications, other systems and facility equipment. The Contractor is required to comply with all licensing, quality and safety requirements.

Attachment 3 summarizes the activities in this Invitation For Bids. Attachment 5 notes that there are no previous Construction Committee approvals on this Contract since this is the award.

DBE PARTICIPATION

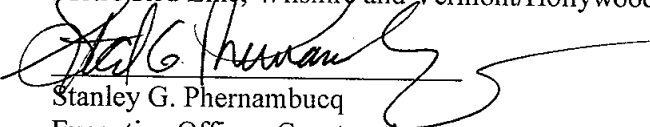
The DBE goal for this contract was set at 26%. Steiny & Company has committed to a goal of 26%. The List of Proposed Subcontractors for this Contract is provided in Attachment 4.

ATTACHMENT

1. Contract Value Statement
2. Summary of Bids
3. Additional Background
4. List of Proposed Subcontractors
5. The Cumulative Summary of Construction Committee Approvals on the B648B Contract since Delegation of Authority in February 1996

Prepared by:

Larry Kelsey, Manager of Contracts
Stephen J. Polechronis, Deputy Executive Officer, Construction
Metro Red Line, Wilshire and Vermont/Hollywood Corridors


Stanley G. Phernambucq
Executive Officer, Construction

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ATTACHMENT 1
CONTRACT VALUE STATUS
R81 Metro Red Line Communications Installation
(Vermont/Hollywood Corridor)
AWARD OF CONTRACT B648B

CONTRACTOR: COMMUNICATIONS INSTALLATION (VERMONT/HOLLYWOOD CORRIDOR)
CHANGE TITLE: AWARD OF CONTRACT

CONTRACT VALUE STATUS

1.	CONTRACT AWARD AMOUNT:	\$2,693,054.00
2.	PREVIOUSLY EXECUTED CHANGES:	\$0.00
3.	CURRENT CONTRACT VALUE: (1 + 2)	\$2,693,054.00
4.	AUTHORIZED WACN'S NTE):	\$0.00
5.	OBLIGATED CONTRACT VALUE (3 + 4)	\$2,693,054.00
6.	VALUE OF THIS CHANGE	\$0.00
7.	ESTIMATED CONTRACT VALUE: (5 + 6)	\$2,693,054.00

AUTHORIZED FOR EXPENDITURE STATUS

AFE INCREASE REQUEST

8.	MTA APPROVED AFE:	\$2,962,359.00		
9.	ESTIMATED CONTRACT VALUE: (Line 7)	\$2,693,054.00		
10.	REMAINING AFE (8-9)	\$269,305.00		
11.	OTHER PENDING CHANGES (Merited)	0.00		
12.	REMAINING AFE (w/CHANGES 10-11)	\$269,305.00		
13. !	TRENDS AND CONTINGENCIES	\$0.00		
14.	REMAINING AFE: (w/TRENDS 12-13)	\$269,305.00	\$0.00	For all potential changes

CONTRACT BUDGET STATUS

15.	CURRENT CONTRACT BUDGET:	\$3,815,000.00
16.	FORECAST CONTRACT VALUE:	\$2,693,054.00
17.	REMAINING CONTRACT BUDGET: (15-16)	\$1,121,946.00

CONTRACT INCREASE PERCENTAGES

18.	% OF ORIGINAL AWARD VALUE (THIS CHANGE)	N/A
19.	% OF ORIGINAL AWARD VALUE (MERITED CHANGES)	N/A
20.	% OF ORIGINAL AWARD VALUE (LOGGED + TRENDS)	N/A
21.	% CONTRACT COMPLETE:	0%

REVIEWED BY MTA PROGRAM CONTROL: R. Mora/W. Brown, Program Control

DATE:

! TREND items may be found to have no merit or be of a lesser value

rev. 2.5 04/03/96 dbp

ATTACHMENT 1: Unallocated Contract Data

PRINTED BY: L. SIMPSON - MTA PROGRAM
DATA AS OF 10/11/96 15:05:02

RECOMMENDATION FOR AWARD
 CONTRACT B648B, COMMUNICATIONS INSTALLATION
 VERMONT/HOLLYWOOD CORRIDOR
 SUMMARY OF BIDS

BIDDER NAME AND ADDRESS	TOTAL BID PRICE	DBE GOAL = 26%
LOWEST RESPONSIVE BIDDERS		
Steiny and Company, Inc. 221 North Ardmore Avenue Los Angeles, CA 90004	2,693,054.33*	26%
L. K. Comstock & Company, Inc. 16662 Hale Avenue Irvine, CA 92606	\$5,648,681.88*	28.5%
NON-RESPONSIVE BIDDER		
DeNarde Construction Company 228 East Aviation Road Fallbrook, CA 92028	\$3,585,677.00*	10.7%
ENGINEER'S ESTIMATE	\$5,446,972.00	
*Checked and corrected for arithmetic errors. Total Bid Price is the Basis of the Award.		

RECOMMENDATION FOR AWARD
CONTRACT B648B, COMMUNICATIONS INSTALLATION
ADDITIONAL BACKGROUND

BID PROCESS AND RESULTS

This invitation for Bid was advertised July 29, 1996 and the pre-bid conference was conducted on August 21, 1996. The Bid Opening was held on October 7, 1996.

The Work to be performed by the Contractor includes the design and procurement of specified cable terminations and materials, installation of communications equipment, wiring and terminals with associated testing and documentation. Further, the Contractor is to support testing and commissioning of communications, and of other systems and facility equipment. The Work will be performed in underground rail stations and tunnels under construction. The Contractor shall be required to comply with all licensing, quality, and safety requirements

At the October 7, 1996 bid opening, three (3) bids were received:

The apparent lowest bid submitted by Steiny & Company (Steiny) was \$2,693,054.18 which is \$2,807,917.82 lower than the Engineer's Estimate.

The apparent second lowest bid submitted by DeNarde Construction Company (DeNarde) was \$3,560,964.47 which is \$1,886,447.82 lower than the Engineer's Estimate.

The apparent third lowest bid by L. K. Comstock and Company (Comstock) was \$5,648,681.80 which is \$201,709.80 higher than the Engineer's Estimate.

The evaluation of the bids was conducted from October 8, 1996 until October 25, 1996 and resulted in determining that the apparent low bid by Steiny was the lowest responsive and responsible bid and is therefore recommended for award.

CORRECTABLE IMPERFECTION

Steiny's "C-7" Low Voltage Electrical license is currently inactive and, in accordance with the Public Utilities Code §10164, this can and must be corrected prior to award.

The Invitation For Bids (IFB) required that:

"All Bidders must possess and maintain a classification "C-10" Electrical Contractor's license through out the duration of the Work."

Additionally, the IFB required:

"The Contractor shall either possess or provide via subcontract a California State Contractor's License classification "A" General Engineering Contractor and a classification "C-7" Low Voltage Systems Contractor as appropriate for the required work."

Steiny possess both an "A" and a "C-10" license but the C-7 license is inactive. The "C-7" classification is in the process of being added to their "C-10" license.

NON-RESPONSIVE BIDDER

The evaluation also concluded that the apparent second low bidder, DeNarde, is non-responsive.

The IFB required that a bidder meet the DBE goal of 26%. DeNardre had only 10.7%. The IFB requires that the goal be met at the time of the bid or evidence of acceptable Good Faith Efforts must be submitted. DeNarde's failure to meet the goal and subsequent failure to provide any Good Faith Efforts as requested, caused them to be found non-responsive. DeNarde's bid contained several other non-responsive issues as well.

APPARENT THIRD LOW BIDDER

The evaluation determined that the apparent third low bid by Comstock was both responsive and responsible.

RECOMMENDATION FOR AWARD
 CONTRACT B648B, COMMUNICATIONS INSTALLATION
 (VERMONT/HOLLYWOOD CORRIDOR)
 LIST OF PROPOSED SUBCONTRACTORS

Bidder Name and Address	Proposed Subcontractors	Contact Person/Telephone Number	DBE's Ethnicity	Percent	Description of Work to Be Done/Discipline
Steiny and Company, Inc. 221 North Ardmore Avenue Los Angeles, CA 90004		John O. Steiny 213/382-2331			Prime
	Cut Core Demolition Co. 1270 N. Lincoln Avenue #1400 Pasadena, CA 91103	Jamie Potter 818/794-2120	African American Female	.47%	Core drilling
	Universal Wholesale Electric Supply 541 W. Rialto Avenue Rialto, CA 92376	Gloria O'Neill 909/421-7922	Anglo Female	7.02%	Supplier of cable, conduit, etc.
	Automated Switching & Controls, Inc. 3220 East Foothill Blvd. Pasadena, CA 92946	Johnetta MacCalla 818/795-0328	African American Female	14%	Miscellaneous engineering, testing, drawings.
	Analytical Planning Services, Inc. 15707 Rockfield, Suite 225 Irvine, CA 92718	Jay Losak 714/707-5956	Asian/Indian	4.62%	Cost scheduling

ATTACHMENT 5
THE CUMULATIVE SUMMARY OF CONSTRUCTION COMMITTEE APPROVALS ON THE B648B CONTRACT
SINCE DELEGATION OF AUTHORITY IN FEBRUARY 1996

PREVIOUS CONTRACT ACTIONS/CHANGE ORDERS WITHIN THE CONSTRUCTION COMMITTEE'S AUTHORITY		
CONT #	CHANGE ORDER/WACN # & DESCRIPTION	DATE OF CONST. COMM. MTG
B648B	NONE	Since Feb 1996
	N/A	

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November 19, 1996

Los Angeles County
Metropolitan
Transportation
Authority

Dear: Board Members and Alternates

RE: Item 33 Communications Installation Contract 648B

One Gateway Plaza
Los Angeles, CA
90012

Your support of the attached motion will reform some inadequate accounting procedures that fails to address the savings between "budget" and "award" achieved through the fair market bid process.

213.922.6000

In the case of this contract, the low bid was \$2.69 million contrasted with the Engineer's Estimate of \$5.44 million as a preliminary "contract budget" of \$3.81 million. This demonstrates the savings through better contracting a favorable marketplace. Currently, these savings are then spent in excess of the Board Approved Contingency, and not accounted for any further.

Mailing Address:

P.O. Box 194
Los Angeles, CA 90053

The attached motion will solve this problem and improve accountability over change-orders in excess of the Board Approved Contingency.

The motion WILL provide for better accounting of:


- contract awards less than the budgeted amount;
- savings achieved through the open market bid process;
- a separation between the Board approved "contingency" and "savings"
- an adjusted project budget that accounts for the savings realized through better contracting and cost avoidance;

The motion WILL NOT:

- take money out of the project budget;
- affect the Full Funding Grant Agreement;
- reduce the Board approved contingency;

I would appreciate your support of this motion.

Sincerely,


Nick Patsouras

Attachment

ITEM #33 - CONTRACT 648B - MOTION BY DIRECTOR PATSAOURAS

The staff recommendation to award the lowest responsible bidder for the Metro Red Line Communications Installation-Vermont/Hollywood Corridor, has a Total Contract Value of \$2,693,054; this amount is \$2,753,918 less than the Engineer's Estimate of \$5,446,972.00.

The difference between the Engineer's Estimate and the Total Contract Value is due to less expensive equipment costs by the low bidder.

Even with these "savings" between the Engineer's Estimate and the Contract Award Value, the overall project budget remains the same. Unfortunately, no accounting mechanism is in place to reflect the overall savings to the project that should be realized due to the overestimate included in the project budget.

To properly account for these savings, an additional line item should be added. An Adjusted Project Budget that reduces the Project Budget by the difference between a specific contract's budget and the value of the contract award would be a solution.

I, THEREFORE MOVE TO:

I. (a) Approve the staff recommendation to award Contract 648B to Steiny & Company, and;

(b) Approve Authorization For Expenditure which includes a 15% contingency, instead of the usual 10%.

II. (a) Create an Adjusted Project Budget line item that reflects the difference between the Board Approved Project Budget and reductions between individual Contract Values from their corresponding Current Contract Budget estimates.

(b) Modify all project accounting mechanisms to reflect the Adjusted Project Budget, which includes, but is not limited to:

1. The creation of a PROJECT SAVINGS line item that accounts for the difference between the BOARD APPROVED PROJECT BUDGET and the ADJUSTED PROJECT BUDGET;

2. Adjustments of AFE's and all references to the project budget will be made against the newly created ADJUSTED PROJECT BUDGET.

Attachment 3

AGENDA ITEM 33 - (PATSAOURAS)

The staff recommendation to award the lowest responsible bidder for the Metro Red Line Communications Installation-Vermont/Hollywood Corridor, has a Total Contract Value of \$2,693,054; this amount is \$2,753,918 less than the Engineer's Estimate of \$5,446,972.

The difference between the Engineer's Estimate and the Total Contract Value is due to less expensive equipment costs by the low bidder.

Even with these "savings" between the Engineer's Estimate and the Contract Award Value, the overall project budget remains the same. Unfortunately, no accounting mechanism is in place to reflect the overall savings to the project that should be realized due to the overestimate included in the project budget.

To properly account for these savings, an additional line item should be added. An adjusted Project Budget that reduces the Project Budget by the difference between a specific contract's budget and the value of the contract award would be a solution.

I therefore move to:

1. Approve the staff recommendation to award Contract 648B to Steiny and Company, and:
2. Approve Authorization for Expenditure which includes a 15% contingency, instead of the usual 10%.
3. Create an Adjusted Project Budget line item that reflects the difference between the Board Approved Project Budget and reductions between individual Contract Values from their corresponding Current Contract Budget estimates.
4. Modify all project accounting mechanisms to reflect the Adjusted Project Budget, which includes, but is not limited to;
5. The creation of a PROJECT SAVINGS line item that accounts for the difference between the BOARD APPROVED PROJECT BUDGET and the ADJUSTED PROJECT BUDGET;
6. Adjustments of AFE's and all references to the project budget will be made against the newly created ADJUSTED PROJECT BUDGET.

AMENDMENT

7. Finally, direct the CEO to refer this proposed procedure change to Ganett-Fleming, the Project Management oversight firm, for review of pertinent regulations and best practices and bring the recommendation to the next Board Meeting.