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OPERATIONS COMMITTEE
FEBRUARY 14, 2001

SUBJECT: CONTRACTED BUS SERVICE

ACTION: AUTHORIZE THE CEO TO AMEND CONTRACT WITH FIRST TRANSIT, INC. AND TO AWARD AN EMERGENCY CONTRACT TO COACH USA

RECOMMENDATION

- A. Authorize the Chief Executive Officer to amend Contract #PS 3150 0575 A between the MTA and First Transit, Inc., by transferring Lines 177 and 256 to Coach USA, reducing the 8 year total contract value by \$12,508,163, from \$150,731,418 to \$138,223,255.
- B. Authorize the Chief Executive Officer to execute an emergency contract for Lines 177 and 256 to Coach USA, for a contract value of \$1,701,567, for a period of one year.

RATIONALE

The level of service quality provided by First Transit, Inc. (FTI) on all lines has been below their contractual requirements since commencement of the current contract in June 2000. Patrons of the 11 lines operated by FTI have complained about schedule reliability (cancelled or late runs), inoperable headsigns, and dirty coaches, and performance data tracked by MTA staff have documented unacceptable service quality which has resulted in assessment of significant monetary disincentives. This has not resulted in adequate service improvement and a Cure Notice was issued November 21, 2000. Satisfactory improvement was not achieved during the 60-day Cure period. Staff now believes that transfer of two lines from FTI will allow for increased management focus and improved customer service on the remaining 9 lines.

The decision to transfer Lines 177 and 256 was due to the geographical location of service coupled with the high rate of customer complaints on these lines. Line 177 operates from the City of Duarte to the Jet Propulsion Laboratory (JPL) in Pasadena. The MTA has received many complaints from patrons that rely on reliable bus service on Line 177 to get to JPL, to work or to the City of Hope Hospital in Duarte. Line 256 services the City of Pasadena, Altadena, Highland Park, East Los Angeles, and Commerce. Many of this line's patrons depend on bus services to get to work and schools such as Pasadena City College and Cal State University, Los Angeles.

Metropolitan
Transportation
Authority

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During the month of November 2000, First Transit received a total of 247 services complaints. A large percentage of the complaints were from these two lines. The transferring of Lines 177 and 256 would be a reduction of 35,830 revenue service hours. This would be an 11.11% reduction in FTI's revenue service hours. Based on the terms and condition of the contract, the MTA has the contractual right to increase or decrease revenue service hours by 25% without having to re-negotiate the hourly service rate. This reduction is allowable within the MTA contractual rights.

Prior to the Cure Notice being sent to FTI, MTA project management staff had been working diligently (and continue to work) with FTI staff to improve their service quality. Monthly meetings were held with the FTI's project team. Numerous correspondence was submitted to FTI to indicate the serious service quality issues, and Monthly Incentives and Disincentives letters were submitted to FTI which detailed the problem areas. Following the Cure Notice, MTA staff has held meetings with FTI's local project management team, as well as a regional and corporate management team, to assist FTI during the 60 day Cure Notice period. In a good faith effort the MTA, on January 22, 2001, extended the Cure Notice by one week to January 29, 2001, to give FTI an additional week to improve services.

FINANCIAL IMPACT

Funding of \$21,953,212 for operating services for contracted bus services was approved in the FY- 01 budget in Cost Center 3590 (Contract Services), under Project Number 300011. No additional funds would be required during this fiscal year.

ALTERNATIVES CONSIDERED

Two alternatives are considered:

The first alternative is to bring the lines in-house. The 11 contractor operated lines are high subsidy lines requiring a higher ratio of funding. A cost estimate assuming internal BDOF bus operators was prepared by Office of Management and Budget and compared to the cost of transferring the service to Coach USA. Coach USA's cost per revenue service hour would be \$47.49. Under the new UTU contract, using BDOF operators the marginal cost per revenue service hour would be about ~~\$68.00~~ **\$60.00**. Hence, the cost of operating these services in-house would be substantially higher than continuing to contract with external providers for these high subsidy lines.

The second alternative is to have First Transit continue to operate the existing 11 service lines. This alternative is not recommended, as the current service provider has not demonstrated the ability to manage 11 service lines and fully meet its existing contractual obligations.

BACKGROUND

First Transit Incorporated was awarded a \$150,731,418, 5-year contract, containing three 1-year options, to operate 11 lines (125, 128, 130, 205, 225/226, 232, 177, 254, 256, 266 and 270) at a Special MTA Board Meeting on May 8, 2000.

Service began operation on June 24, 2000. Each month since the award of the contract, MTA Transit Operations staff has provided First Transit with a Performance Review Letter detailing the performance of their services in accordance with their contract. The Performance Letter is an indicator as to how well First Transit performed in complying with their contractual obligations in accordance with the Scope of Work, such as: providing the required revenue service hours, service adherence, complaints, and providing reports in a timely manner. Ever since the inception of this contract, MTA has notified FTI monthly of service deficiencies and no substantial improvement has been made after six (6) months of service, despite providing FTI with performance information and staff assistance.

Specifically, FTI has not complied with the Scope of Work Section 2.0, Contractor's Responsibilities, as follows:

1. FTI has not successfully furnished the MTA with the required professional personnel to coordinate, staff and control all necessary activities for the successful operation of the contracted services(s) including vehicles and operating personnel.
2. FTI has not operated its transit services in a safe, reliable, and efficient manner and in accordance with the service standards agreed to in its contract.
3. FTI has experienced substantial numbers of daily service cancellations, poor performance relative to on-time performance, not provided well-maintained and mechanically safe vehicles, and failed to minimize passenger complaints arising from their management of service.

Due to these chronic service performance problems, FTI was issued a 60 day Cure Notice on November 21, 2001. It was necessary to issue a Cure Notice for contractual obligations pertaining to: On-Time Pull-out, Cancellations, Missed Service, Destination Signs, Customer Complaints, Vehicle Cleanliness and the lack of accurate and timely reports.

FTI responded to the Cure Notice on December 5, 2000, citing the following circumstances that impacted their service:

- Unauthorized call off of operators by the Teamsters Union
- Local unemployment rate at an all time low
- Higher than expected breakdowns due to a significant amount of the fleet over "Total Bus Life Mileage"

- Obsolete head signs
- MTA's union strike
- Vehicle cleanliness poor performance due to FTI contractor's lack of performance
- Miscommunication regarding reporting requirements

MTA staff did not accept FTI's initial Improvement Plan because the plan did not define how and when the service deficiencies would be corrected and lacked project management guidance during weekend revenue service. A revised Improvement Plan was accepted in concept by MTA project staff.

MTA staff recently issued a 60-day extension to the Cure Notice for the nine (9) lines out of eleven (11) that will continue to be operated by First Transit. The two lines, Line 177 and 256, to be transferred, with approval of the Board, will also remain under the cure notice to ensure no degradation of service occurs prior to the transfer. The recommended action will give FTI an additional opportunity to improve their performance on the remaining lines by focusing their management and supervisory staff as well as their maintenance staff on those lines. After removing lines 177 and 256 from FTI service, if substantial improvements in their remaining service are not achieved over the next 60 days, staff will make a recommendation to the Board to terminate their contract for default. Staff would then issue a new RFP for all lines presently operated by First Transit.

FTI's project management team has not demonstrated its ability to manage the day-to-day transit activities or otherwise effectively provide the necessary service hours required of this contract. Since the inception of this contract, the number of customer complaints received by MTA Customer Relations Department related to First Transit's service is substantially higher than any other MTA contract bus service provider or MTA Division.

PROCUREMENT SUMMARY

A Request for Quotation (RFQ) was issued on January 17, 2001 to Coach USA and MV Transportation, the two current Contracted Bus Service providers who are providing similar services awarded under the Request for Proposals (RFP) for Contracted Bus Services, RFP No. PS-315-0575. This approach was in the best interests of the MTA in that it allowed the use of terms and conditions and performance incentives consistent with current contracts. The two contractors responded to the RFQ on January 22, 2001. Coach USA submitted a lower hourly rate of \$47.49 (versus MV Transportation's proposed rate of \$51.84) and is therefore recommended for award, having been previously qualified as technically acceptable. The current proposed labor hours and related costs were reviewed by project management and found to be appropriate in the technical evaluation. This award is issued on an emergency basis and shall be valid for a period of only one year. A formal RFP will subsequently be prepared for open competition regarding a longer-term contract for the two lines being awarded herein to Coach USA.

Buses necessary to operate the two lines will be transferred from First Transit to Coach USA.

COST/PRICE ANALYSIS

PROPOSED PRICE	RECOMMENDED PRICE	HISTORICAL PRICE*
\$1,701,567	\$1,701,567	\$1,541,494
	PRICE VARIANCE	\$160,073

* Based on First Transit’s projected revenue service hours for 12 months at its current billing rate.

The recommended price of \$1,701,567 has been determined to be fair and reasonable based upon adequate price competition and price analysis performed by Procurement’s Cost/Price Analysis Unit. The historical price variance is due to the original lower hourly rate proposed by First Transit for the same time period. The economies of scale reflected in First Transit’s lower price were achieved through the pricing of multiple lines for an 8-year period under RFP No. PS-315-0575, while Coach USA has provided 1-year pricing for only 2 lines under this RFQ.

SMALL BUSINESS PARTICIPATION

First Transit, Inc.

The Contract was awarded, effective June 24, 2000, and is approximately 10% complete. The Contractor committed to a DBE participation goal of 6.22%. Current DBE attainment¹ based on the relevant contract amount² is 0.43%. Current DBE participation³ based on the total actual amount paid-to-date to prime and total actual amount paid-to-date to DBE firms is 14.49%. The Prime Contractor has utilized one (1) of the three (3) originally listed DBE firms, with the other two (2) firms scheduled to perform within the next few months. The Prime Contractor has demonstrated Good Faith Efforts by using one (1) additional DBE firm. Any reduction in scope of work that impact the goal attainment will be taken into consideration when determining compliance at the time of project close out.

Original Award Amount	\$ 150,731,418
Relevant Contract Value²	\$ 150,731,418
Total Actual Amount Paid to Date to Prime	\$ 4,513,501

Subcontractor	Commitment	Current Attainment¹	Current Participation³	Current Status
Schwartz Oil Company	6.05 %	0.41%	13.69%	Performing
Sidney’s Uniforms	0.15%	0.00%	0.00%	To Perform
Berg & Associates	0.02%	0.00%	0.00%	To Perform
Solid Construction Company	NA	0.02%	0.80%	Performing
TOTAL	6.22%	0.43%	14.49%	Expected to Meet the Goal

¹ Current Attainment = Total Actual Amount Paid-to-Date to Subs ÷ Total Relevant Contract Amount

² Relevant Contract Amount = Original Contract Value + Contract Cost Modifications affecting DBE or SBE Scope of Work

³ Current Participation = Total Actual Amount Paid-to-Date to Subs ÷ Total Actual Amount Paid-to-Date to Prime

Coach, USA

The MTA established a 6.77% Disadvantaged Business Enterprise (DBE) goal for this project. The recommended awardee, Coach, USA, committed to 6.77% DBE participation.

Award Amount \$ **1,701,567**

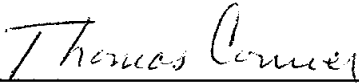
Subcontractor's Name	Commitment	Current Attainment	Current Participation	Current Status
RTS Oil, Inc.	5.58%	-0-	-0-	to be awarded
Universal Parking Resources	1.19%	-0-	-0-	to be awarded
TOTAL	6.77%			

¹Current Attainment = Total Actual Amount Paid-to-Date to Subs ÷ Total Relevant Contract Amount


²Relevant Contract Amount = Original Contract Value + Contract Cost Modifications affecting DBE or SBE Scope of Work

³Current Participation = Total Actual Amount Paid-to-Date to Subs ÷ Total Actual Amount Paid-to-Date to Prime

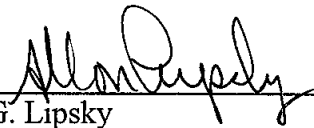
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