OPERATIONS COMMITTEE
JUNE 20, 2001

Metropolitan
Transportation
Authority

One Gateway Plaza
Los Angeles, CA
90012-2952

SUBJECT: **PUBLIC/PRIVATE PARTNERSHIP CONTRACT FOR CONSTRUCTION AND MAINTENANCE OF COMPRESSED NATURAL GAS (CNG) FUELING FACILITY AT THREE MTA BUS DIVISIONS WITH OPTIONS FOR TWO ADDITIONAL DIVISIONS**

ACTION: **AWARD A CONTRACT TO HANOVER COMPANY FOR CONSTRUCTION AND MAINTENANCE OF CNG FUELING FACILITIES AT DIVISIONS 2, 9 AND 15 WITH OPTIONS FOR DIVISIONS 6 AND 12**

RECOMMENDATION

A. Award a ten (10) year municipal loan capital lease, with a firm fixed unit rate, variable quantity, service contract, Lease Agreement OP33900638, to The Hanover Company, of Broken Arrow, OK, to design, build and maintain CNG fueling stations at Divisions 2, 9 and 15 with options for Divisions 6 and 12 in an amount not-to-exceed $42,857,165, inclusive of the options.

B. Authorize the Chief Executive Officer to execute a supplemental Municipal Lease Agreement in the amount of $22,124,376, the cost of which is included in the total contract amount above, for the facilities construction portion of the lease plus interest, with G.E. Capital Public Finance, Inc., Minneapolis, MN, the lending source for The Hanover Company.

C. Authorize the Chief Executive Officer to negotiate and execute construction related change orders as required with The Hanover Company in an aggregate amount not to exceed $500,000.

RATIONALE

Currently, the MTA has fueling capacity to service 1,500 CNG buses. By the end of Fiscal Year 2002, the MTA is projected to increase its CNG fleet to over 1,940, which is 440 buses greater than the MTA's current CNG fueling capacity. Additional CNG fueling capacity is necessary to avoid added costs and operating inefficiencies associated with fueling CNG buses at distant facilities. The Public/Private Partnership for design, construction and maintenance of CNG fueling facilities has been the most reliable, timely and cost-effective means of meeting the MTA's CNG fueling capacity requirements. This approach has been utilized successfully at MTA and has become a model for other transit operators throughout the country.

The recommended agreement requires the MTA to pay capital lease payments to the Partner and their lender, G.E. Capital. The use of the municipal lease provides MTA with substantial financial benefit and includes adequate safeguards and incentives for performance by the Partner that offsets all risk exposure.

FINANCIAL IMPACT

The project will be funded by a combination of capital and operating funds. In the adopted Fiscal Year 2002 budget, Federal Grant Funds of $3,196,000 and local match funds of $799,000 are included in the Capital Improvement Plan under Project Number 200215, CNG Facility Upgrades, for Divisions 2, 9 and 15. No funding is included in the Fiscal Year 2002 budget for the option divisions because the options, if exercised, would not require payments until Fiscal Year 2003. Funds totaling $549,000 are included in the adopted Fiscal Year 2002 budget for the operating costs of this contract, in Cost Center 3341, Facilities Maintenance. Since this is a multi-year contract, the Cost Center Manager and Executive Officer will be responsible for budgeting the cost in future years. Sufficient local funding is available. The Federal Transportation Administration has granted the MTA a waiver to award this contract with a term in excess of five years.

ALTERNATIVES CONSIDERED

The CNG fueling facility could be designed and constructed by the MTA as others have been in the past. This alternative is not recommended for the following reasons:

- Expedited completion and guaranteed cost: The design/build/maintain form of services contract guarantees that there will be no cost overruns to the MTA. In addition, by allowing the contractor to design and build to his specifications, subject to MTA performance specifications, six to twelve months can be reduced from the construction schedule.

- The contractor is penalized for non-performance: The lease provides for liquidated damages for every bus that cannot be fueled due to fuel station non-performance.

- Cost savings: The original award of this contract was recommended after a lease/buy analysis that demonstrated that savings could be realized from the public/private partnership.

BACKGROUND

In May 1999, the Board of Directors approved a recommendation to award a contract to a private contractor to design, build and maintain CNG fueling stations at Divisions 5 and 7. The contract included an option for one additional facility, which was exercised for Division 1 in March 2000. Divisions 5 and 7 were completed in November and December 1999, respectively. Division 1 construction was completed in April 2001. Due to the success of the first Public/Private Partnership contract, the same method was employed to procure CNG fueling facilities at Divisions 2, 9 and 15, with options for Divisions 6 and 12.

There are currently no CNG fueling facilities at Divisions 2 and 9, nor at the option divisions. Division 15 currently has a CNG station that has been in operation since 1991. It was the MTA's first fast-fill facility. It needs to be replaced to increase fueling capacity at the division and to incorporate the many advances in CNG fueling technology that have been developed since the station was constructed. Divisions 1, 3, 5, 7, 8, 10, 15 and 18 already have CNG facilities. After construction is completed at the base divisions included in this contract, the MTA will have CNG fueling capability at all MTA bus divisions, except at Divisions 6 and 12, which are option divisions.

Divisions 3 and 8 do not have sufficient CNG fueling capacity to service all CNG buses that will ultimately be assigned to those divisions. Expansion of current CNG fueling stations will be required. This will be accomplished through a separate RFP for a Public/Private Partnership. The expansion at Divisions 3 and 8 was not included as part of this procurement because completely new CNG stations will be constructed at Divisions 2, 9 and 15, while the project at Divisions 3 and 8 will involve the modification and expansion of existing CNG fueling stations.

The basic structure of this procurement requires that the selected Private Partner (Partner) designs and builds all fueling facilities under a fixed capital lease that is fully amortized on a monthly basis over a ten-year period. The Partner is then responsible for the operation of the fueling facility, including the use of ATU labor to perform daily maintenance. This portion of cost is recovered by the Partner in the form of a fixed unit rate times the expected volume of CNG that is compressed over the same ten-year period. The Partner does not recover any investments or costs until the fueling facility is operable.

The capital portion of the agreement is financed with the use of a municipal lease, which provides the MTA with additional savings when compared to a commercial lease. This municipal lease requires that a supplemental agreement be executed with Partner's lender, G.E. Capital.

PROCUREMENT SUMMARY

A competitive negotiation process was applied to this procurement with the use of Request for Proposal No. OP33900638, which was issued on November 10, 2000. Three proposals were received on January 24, 2001. Since the basis for award of this procurement is determined by source selection of the technically acceptable, lowest priced proposer, all three proposers were first subjected to a thorough technical evaluation to determine qualifications. The qualifications were established in advance and defined in the RFP. These qualifications were evaluated by a Source Selection Evaluation Committee (Committee), which engaged the services of an expert consultant in the field of CNG Fueling to assist in those determinations. After review of all written technical proposals, reference checks, formal presentations, and face to face discussions concerning specific knowledge, experience, and understanding of the scope of work, the Committee determined that all proposers met the standards established in the RFP and were deemed technically qualified.

After concluding formal discussions on terms and conditions and scope of work, the MTA requested Best and Final Offers (BAFO's) on May 9, 2001. BAFO's were received on May 17, 2001. All three proposers provided conforming offers to the basic requirement, including pricing for a commercial lease agreement for the capital portion of the contract. Hanover and ANGI International (ANGI) both included alternative proposals for municipal loans that offered a savings of $3,168,970 and $2,236,477 respectively, from their commercial loan proposal. Trillium USA did not offer an alternative municipal loan offer, but did offer an alternate proposal that addressed energy costs differently than the base requirements. Both the base proposal and the alternate proposal from Hanover were substantially lower than either offer submitted by ANGI and Trillium.

After evaluating all offers, including alternative proposals, the offer that is most advantageous to the MTA is Hanover's municipal loan, capital lease offer. Hanover's recommended offer provides a 27% savings against ANGI's similar offer, and provides the MTA with a 45% savings against Trillium's lowest offer. These cost comparisons are inclusive of options for fueling facilities at Divisions 6 and 12.

COST/PRICE ANALYSIS

PROPOSED PRICE	INDEPENDENT ESTIMATE	RECOMMENDED PRICE
$42,857,165	**$55,811,729**	**$42,857,165**

The recommended price of $42,857,165 has been determined to be fair and reasonable based upon staff selection of the lowest technically acceptable price proposal and price analysis.

SMALL BUSINESS PARTICIPATION

The Small Business Diversity Unit (SBD) established an 8% Disadvantaged Business Enterprise (DBE) participation goal for this project. The recommended awardee, The Hanover Company, committed to 1.49 % DBE participation. Following a comprehensive evaluation of the Proposer's Good Faith Efforts (GFE) documentation, SBD determined that The Hanover Company demonstrated good faith efforts to meet the recommended goal despite unique and major challenges impacting subcontracting opportunities in this contract. The procurement of capital equipment accounts for more than half of the total contract value. The use of MTA labor to maintain the equipment also reduces subcontracting opportunities. The Hanover Company's commitment of 1.49% DBE shall be the goal of record. Further review of the subcontracting opportunities indicated that these opportunities exist primarily in the construction portion (approximately $2,835,676) of the contract.

Award Amount **$42,857,165.00**

Subcontractor's Name	Commitment	Current Attainment	Current Participation	Current Status
Storms & Lowe	.29%	N/A	N/A	To be awarded

Verduzco Electric	**.80**	N/A	N/A	To be awarded
Savala Equipment	**.07**	N/A	N/A	To be awarded
A & S Cement	**.33**	N/A	N/A	To be awarded
Total	**1.49%**	N/A	N/A	

ATTACHMENT

A. Procurement Summary

Prepared by: Michelle Caldwell, Deputy Executive Officer, Office of the CEO
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Victor Ramirez, Contract Administration Manager

Thomas Conner

THOMAS K. CONNER
Executive Officer, Transit Operations

COLONUS MITCHELL
Executive Officer, Procurement

ALLAN G. LIPSKY
Office of the Chief Executive Officer

Procurement: **CNG Infrastructure Privatization Project for Divisions 2, 9, 15, 6 and 12**
Board Date: **June 28, 2001**

BOARD REPORT ATTACHMENT "A"
PROCUREMENT SUMMARY
NEGOTIATED PROCUREMENT

1.	Independent Estimate: $55,856,729
2.	Recommended Vendor: The Hanover Company, Broken Arrow, OK.
	Total Dollar Amount: $42,857,165
3.	Description of Contract Services: Design, Build, Lease and Operate CNG Fueling Facilities at Divisions 2, 9, and 15 with Options for Divisions 6 and 12.
4.	Contract Type: Municipal Capital Lease with Option to Purchase, and Fixed Unit Rate, variable quantity.
5.	RFP Issued: November 10, 2000
6.	Advertise Date: November 14, 2000 and November 16, 2000
7.	DBE Participation Goal: 8%
	Responsive? : The Hanover Company attained Responsiveness through Good Faith Efforts
8.	No. of Notifications Sent to Vendors (postcards): 473
9.	No. of Proposals Picked up by Vendors: 62
10.	Pre-proposal conference date: November 27, 2001
11.	No. of proposals submitted: 3
12.	Date proposals received: January 24, 2001, BAFO Offers received May 17, 2001
13.	Negotiation record:
	Proposer names/offer: Hanover Company $45,007,871 ANGI International $63,828,315 Trillium USA $86,423,230
	Source selection committee analysis: All proposers met all technical requirements and were deemed fully responsive to all RFP requirements including financial qualifications. Award recommendation is based on the lowest price proposer among those technically qualified.
	Proposer BAFO: Hanover Company $42,857,165 ANGI International $58,697,246 Trillium USA $82,138,507
	Recommendation: The Hanover Company
14.	Protest Received: None received as of the date of this recommendation
15.	Disposition of Protest/Appeal: N/A
16.	Pre-Qualification Completed? Yes, All meet Pre-Qualification Standards
17.	Conflict of Interest Certifications Submitted to Ethics? Yes
18.	Audit Report Completed? N/A
19.	EO Evaluation Completed? Yes, The Hanover Company meets the goal based on attainment of Good Faith Efforts.
20.	Contract Administrator: Victor Ramirez
	Tel: (213) 922-1059
21.	Project Manager: Don Ott
	Tel: (213) 922-6664