



Metro

Metropolitan Transportation Authority

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REVISED

**OPERATIONS COMMITTEE
OCTOBER 18, 2007**

SUBJECT: CONTRACTED BUS SERVICE MAINTENANCE COST INCREASE

ACTION: AMEND CONTRACTS TO PROVIDE ADDITIONAL FUNDING

RECOMMENDATION

Authorize the Chief Executive Officer to negotiate and execute:

- A. Amendment No. 1-2 to Contract No. OP31501623 with Southland Transit, Inc.(STI) to provide an equitable adjustment for additional maintenance costs for year three of the five-year contract in the amount not to exceed \$328,839 increasing the Total Contract Value from \$29,552,418 to \$29,881,257;
- B. Amendment No. 2 to Contract No. OP31501624 with Transportation Concepts, Inc. (TCI) to provide an equitable adjustment for additional maintenance costs for year three of the five-year contract in the amount not to exceed \$265,643 increasing the Total Contract Value from \$36,315,168 to \$36,580,811; and
- C. Amendment No. 3 2to Contract No. OP31501625 with First Transit, Inc. (FTI) to provide an equitable adjustment for additional maintenance costs for year three of the five-year contract in the amount not to exceed \$42,600 increasing the Total Contract Value from \$66,547,817 to \$66,590,417.

RATIONALE

Maintenance costs for the contract service providers have increased due to the aging of the contract bus fleet. Forty-eight of 185 buses in the contract fleet were scheduled for replacement by Metro before the end of contract year 3. These buses have exceeded their useful life but have not been replaced.

Background

In April 2005, Metro awarded three, 5-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 an East Region (San Gabriel Valley). The contracts were 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 a bus as determined by the manufacturer. Contract year 3 began August 1, 2007 and because of limited capital funding, the replacement vehicles were not included in Metro's approved capital program.

Because 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 and require an equitable adjustment to cover the additional expense.

Discussions between Metro staff and service providers to determine an equitable cost adjustment for these increased maintenance costs resulted in proposals from each of the three contract service providers. Reaching agreement on a price adjustment for additional maintenance costs will allow Metro to continue to receive contract bus services for contract year 3, which runs through July 31, 2008, under the terms of the existing agreements.

- STI currently operates the East Region contract and has proposed a price adjustment of \$328,839 for additional maintenance costs for contract year 3.
- TCI currently operates the North Region contract and has proposed a price adjustment of \$265,643 for additional maintenance costs for contract year 3.
- FTI currently operates the South Region contract and has proposed a price adjustment of \$42,600 for additional maintenance costs for contract year 3.

Staff is reviewing the proposed adjustments and, with the Board's approval, will negotiate final amounts within the next two months.

IMPACTS TO OTHER CONTRACTS

There are no impacts to other contracts that would result from the proposed amendments.

FINANCIAL IMPACT

The funding of \$583,992 for these amendments is included in the FY08 budget in multiple cost centers under multiple bus operating projects.

Since this is a multi-year contract, the cost center manager and Chief Operations Officer will be accountable for budgeting the cost in future years, including any options exercised. In FY07, \$34,001,448 was expended on contracted fixed route transportation services.

ALTERNATIVES CONSIDERED

Staff considered not negotiating equitable adjustments. This is not recommended as the proposed increased maintenance cost is related to the aging buses. Failure to provide the adjustment will result in a lower level of maintenance service which may ultimately result in a reduction of reliable service to the riders.

Staff considered terminating the contracts for convenience and bringing the services in-house to be operated at Metro bus divisions. Based on the marginal Metro Bus Operating Cost (\$87.41/RSH), it would cost significantly more to operate these services in-house. There are also some one-time costs that would be associated with a termination for convenience and bringing these services in-house. Physical modifications may also be needed at existing Divisions to accommodate the additional buses and division staff would need to be trained to operate and maintain the different types of buses currently used to provide contracted bus services.

Staff also considered re-procuring the contracts. This action is not recommended at this time as it would involve terminating the contracts for convenience which would necessitate the payment of one-time costs associated with the termination. In addition, the older buses are currently spread between all three contractors. Because there are few firms with the capability to operate the level of required contracted bus services, this action would simply result in having the same or other firms operate the service at a higher cost per revenue service hour.

ATTACHMENT(S)

- A. Procurement Summary
- A-1 Procurement History
- A-2 List of Subcontractors

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Carolyn Flowers

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Chief Operations Officer

Roger Snoble

Roger Snoble
Chief Executive Officer

**BOARD REPORT ATTACHMENT A
PROCUREMENT SUMMARY**

CONTRACTED BUS SERVICE MAINTENANCE COST INCREASE

1.	Contract Number: OP31501623 – Southland Transit, Inc. OP31501624 - Transportation Concepts, Inc. OP33501625 – First Transit, Inc.		
2.	Recommended Vendor: See above.		
3.	Cost/Price Analysis Information:		
	A. Bid/Proposed Price: N/A	Recommended Price: Not to Exceed: \$328,839 – Southland Transit, Inc \$265,643 – Transportation Concepts, Inc. \$42,600 – First Transit, Inc.	
	B. Details of Significant Variances are in Attachment A-1.D		
4.	Contract Type: Fixed Unit Rate		
5.	Procurement Dates:		
	A. Issued: NA		
	B. Publicized: NA		
	C. Pre-proposal Conference: NA		
	D. Proposals Due: NA		
	E. Pre-Qualification Completed: NA		
	F. Conflict of Interest Form Submitted to Ethics: NA		
6.	Small Business Participation:		
	A. Bid/Proposal Goal: 10% DBE goal	Date Small Business Evaluation Completed: NA	
	B. Small Business Commitment: 11.10% DBE – Southland Transit, Inc. 10.06% DBE – Transportation Concepts, Inc. 10.01% DBE – First Transit, Inc. Details are in Attachment A-2		
7.	Invitation for Bid/Request for Proposal Data:		
	Notifications Sent: NA	Bids/Proposals Picked up: NA	Bids/Proposals Received: NA
8.	Evaluation Information:		
	A. Bidders/Proposers Names: NA	<u>Bid/Proposal Amount:</u> NA	<u>Best and Final Offer Amount:</u> NA
	B. Evaluation Methodology: Explicit Factors. Details are in Attachment A-1.C		
9.	Protest Information:		
	A. Protest Period End Date: NA		
	B. Protest Receipt Date: NA		
	C. Disposition of Protest Date: NA		
10.	Contract Administrator: Susan M. Dove	Telephone Number: 213-922-7451	
11.	Project Manager: Shannon Anderson	Telephone Number: 213-922-2802	

**BOARD REPORT ATTACHMENT A-1
PROCUREMENT HISTORY**

CONTRACTED BUS SERVICE MAINTENANCE COST INCREASE

A. Background on Contractors

Southland Transit

The formation of Southland Transit evolved as a result of a merger between San Gabriel Transit, one of the first companies to provide public paratransit services in Los Angeles and R&D Transportation Service, a company specializing in providing community transit services to clients in Southern California. Southland Transit, which was founded in June 2001, is an experienced community transit company operating fourteen demand responsive services and nine fixed route services. Southland's experience encompasses the operation of fixed route, paratransit, and Dial-a-ride. Currently Southland has contracts with several clients, including City of Baldwin Park, City of San Luis Obispo, City of Glendale and the City of El Monte

Transportation Concepts, Inc.

Founded in 1982, Transportation Concepts, Inc., (TCI) a subsidiary of Parking Concepts, Inc. is a customer-focused provider of passenger transportation services. TCI operates service from twelve different locations in Los Angeles, Orange, Riverside and San Bernardino counties. Transportation Concepts Inc., currently has approximately 600 employees and operates approximately 300 vehicles. TCI provides a wide variety of approaches for transit system operations. Their experience includes the operation of fixed route, paratransit, Dial-a-ride and airport shuttle services. TCI has been providing contract services for Metro under contracts for the past seven years. Currently TCI has contracts with several clients, including OMNITRANS, Riverside Transit Agency, County of Los Angeles, and the Santa Monica Municipal Bus Lines.

First Transit

First Transit Inc. (First Transit) is a business unit of FirstGroup America, an entity owned by FirstGroup, plc. United Kingdom-based passenger Transportation Company. FirstGroup, plc. is the United Kingdom's largest surface transportation company, with a fleet of more than 9,000 vehicles. With 40,000 employees worldwide, FirstGroup, plc. is listed on the London Stock Exchange. First Transit also provides contract services to over 100 other transit agencies located in the United States. First Transit has been providing contract services for Metro for the past seven years.

B. Procurement Background

Competitive solicitations - Requests for Proposals (RFP) were issued for all three regions. The RFP required vendors to propose a fixed rate for each revenue service hour that would be needed to provide the proposed bus service. The revenue service hour costs included all operation and

maintenance costs with the exception of fuel. Because of the volatility of fuel, fuel costs are directly reimbursed to the contractor based on actual costs. The Board approved the award for Contract Nos. OP31501623 and OP31501624 for the Contracted Transportation Services North Region and East Region respectively in April 2005. The Board approved the award of Contract OP31501625 of the Contracted Transportation Services South Region in May 2005. The services commenced in August 2005. In August 2007, as a result of maintenance issues Metro staff requested proposals for the contractor's higher maintenance costs.

C. Evaluation of Proposals

As a result of operating the vehicles beyond their expected useful life, the contract service providers are experiencing increased maintenance costs and require an equitable adjustment to cover the additional expenses. One proposal was received from each Contracted Service Provider. These proposals are being evaluated according to the Metro procurement policies and procedures. The final amounts for the equitable adjustments must be negotiated with each contractor.

D. Cost/Price Analysis Explanation of Variances

The recommended price proposed by each contract service provider is currently being analyzed to determine if the proposed costs/adjustments are fair and reasonable based upon price analysis. Within the next two month period, the proposed prices will be negotiated.

**BOARD REPORT ATTACHMENT A-2
LIST OF SUBCONTRACTORS**

CONTRACTED BUS SERVICE MAINTENANCE COST INCREASE

A. PRIME CONTRACTOR – SOUTHLAND TRANSIT, INC. (Contract #OP-3150-1623)

Subcontractor's Name	Commitment
BriteWorks	3.80%
Pinnacle Petroleum	6.55%
California Job Connection	0.47%
JCM & Associates	0.28%
W.C. Goolsby	Added
TOTAL	11.10%

B. PRIME CONTRACTOR – TRANSPORTATION CONCEPTS, INC. (Contract #OP-3150-1624)

Subcontractor's Name	Commitment
Merrimac Energy Group	9.63%
California Job Connection	0.43%
Becnel Uniforms	Added
TOTAL	10.06%

C. PRIME CONTRACTOR – FIRST TRANSIT INC. (Contract #OP-3150-1625)

Subcontractor's Name	Commitment
Sidney's Uniforms	0.18%
Merrimac Energy Group	7.00%
BJR Superior Office Products	0.02%
Capital Office Products	0.05%
California Job Connection	0.34%
Avalco, Inc.	1.33%
Uniserve Facilities	1.09%
TOTAL	10.01%