



Metro

**OPERATIONS COMMITTEE
MAY 15, 2008**

**SUBJECT: OP31502132, NORTH REGION CONTRACT BUS SERVICE
VEOLIA TRANSPORTATION**

ACTION: AWARD CONTRACT FOR CONTRACT BUS SERVICES

RECOMMENDATION

Authorize the Chief Executive Officer to:

- A. Award a five year firm fixed price contract, Contract No. OP31502132, to Veolia Transportation for Contract Bus Service in an amount not-to-exceed \$53,048,803 and provide for reimbursement of fuel costs for the five-year period in an amount not-to-exceed \$11,281,251 for a total contract amount not-to-exceed \$64,330,054, effective August 3, 2008; and
- B. Execute future contract modifications to Contract No. OP31502132 up to an amount not to exceed \$3,216,502 (five percent of total contract value) for unanticipated fuel or other costs, and the potential need for additional Revenue Service Hours.

RATIONALE

We operate 22 bus lines that are contracted to private transportation companies. The North Region contractor currently operates six of these lines: 96, 167, 177, 218, 603 and 634. The contract with the current North Region (San Fernando Valley) contractor, Transportation Concepts, Inc., expires August 2, 2008.

Line	Description	Annual RSH	Annual Passengers
96	Downtown LA - Sherman Oaks via Griffith Pk Dr. & Riverside Dr.	39,810	736,980
167	Plummer St. - Coldwater Canyon Av. - Chatsworth Transportation Ctr	28,499	546,951
177	La Canada - Sierra Madre Villa via I-210 & California Blvd. & Walnut St	10,481	62,920
218	Cedars Sinai Medical Center - Laurel Canyon Bl. - Studio City	15,821	312,352
603	Rampart Blvd. - Hoover St. - Allesandro St. - Colorado St.	57,211	1,691,672
634	Sylmar Metrolink Station - Mission College via Hubbard Av./St.	3,137	43,408
Total		154,959	3,394,283

A Request for Proposal (RFP) for a new, five-year agreement for contracted bus services was released December 31, 2007 and proposals were due March 6, 2008. The new contractor's term will begin August 3, 2008 and end August 2, 2013.

This procurement was previously discussed in a board report dated November 13, 2007 which indicated that staff would identify a strategy for addressing vehicle replacements for its contracted bus operations. Since that time, we have adopted a capital expenditure request for FY09 that will allow us to directly purchase up to 53 low-floor compressed natural gas (CNG) vehicles to replace vehicles that are scheduled for replacement. Once procured, these new vehicles will be assigned to the North Region contractor to operate. In the event new vehicles are not procured, the Contractor is required to provide service with the existing vehicles.

We began contracting a portion of our bus service in 1996. The first 13 contracted lines were existing services which we operated. These were transferred because of their high subsidy per passenger. The remaining contracted lines include some of the new local shuttle and Consent Decree services that have been added since 1996. Contracting a portion of the bus service has had both cost and operational benefits:

- Annual savings are realized through the lower operating costs of the contractors.
- Modifications or expansion to existing bus divisions are not necessary when new services are added.
- Contracts allow for greater flexibility in operation. Lines can be quickly added, cancelled, or modified.

This procurement differs from the previous procurement process in the following areas:

- Proposers were asked to submit a detailed compliance plan outlining how they intend to comply with California Labor Code Sections 1070-1074, and Statement of Work Section 8.11.1 entitled "Labor Code Sections 1070-1074." In the prior procurement, we encountered issues involving how the firms would implement this statute which involves retention of current employees. Staff wanted to ensure that the firms have a detailed plan for compliance and that the plan would be incorporated into the resulting contract.
- Additional Liquidated Damages have been included to ensure that the contractors will meet or exceed our bus performance indicators.
- The Statement of Work includes sections specific to complying with the Labor Code including requiring the provision of employee information within five days of a request.
- The Statement of Work also requires the Contractor to provide a retention bonus to operators employed at the end of the contract period.
- This procurement includes a voluntary Disadvantaged Enterprise Anticipated Level of Participation (DALP) goal of 10%. The recommended vendor, Veolia, has committed to achieve 10.75% DALP utilizing DBE suppliers for a propane motor fueling station, fuel and uniforms. Veolia was the only firm that exceeded the recommended DALP goal. Veolia proposed three DBE suppliers, while another vendor proposed utilizing one DBE supplier for uniforms at approximately \$20,000 per year which over a five year period equates to only 0.002% of its total price. The third vendor did not propose to use any of our certified DBE suppliers.

Staff is recommending a contingency for unanticipated fuel costs, other unanticipated costs, and the potential need for additional Revenue Service Hours. The fuel projections included in the contract award amount are based on current market conditions. The actual cost may be higher or lower depending on future fuel prices and the future contract vehicle fleet makeup. Additional Revenue Service Hours may be necessary due to the addition or modification of contracted lines.

DISCUSSION

In April 2005, the Board approved awarding three, five-year contracts for contracted bus services to operate fixed-route bus service in a North Region (San Fernando Valley), a South Region (South Bay and Gateway Cities) and East Region (San Gabriel Valley) effective August 1, 2005. The Request for Proposal (RFP) and scope of work indicated that we would replace certain buses during contract years two and three. The replacement buses were not included in previous capital programs due to limited capital funding. In order to mitigate the need for equitable adjustments to contract bus service providers for maintenance costs associated with operating these buses beyond their expected useful life, an agreement to modify the contract term of the North Region contractor, Transportation Concepts, Inc., was negotiated and executed earlier this year. The early expiration of that contract will allow us to consolidate the older vehicles that need replacement and include them in the North Region fleet under a single new contract.

While the purchase of new vehicles is not part of the scope of work for this contract, this contract does include pre-negotiated, lower operating costs for us once the new vehicles are placed into service. The funding request for these replacement vehicles has been included in our FY09 capital programs budget.

Currently, the North Region service is operated from a facility and yard located in Sylmar. The new North Region contract will result in a new facility centrally located north of downtown Los Angeles. This new location will improve service reliability for our customers served by the six contract lines assigned to this region and better serve our needs over the five year term of the contract.

FINANCIAL IMPACT

The funding of \$12,022,162 for North Region contracted bus services is included in the proposed FY09 budget in cost center 3590, Contract Services under project 300011, Bus Operations. 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. It is estimated that \$9,912,967 will be spent on the North Region Contract Services during FY08.

ALTERNATIVES CONSIDERED

Staff has considered assigning the North Region lines to the other two contractors. This is not recommended because of the increased deadhead time to the North Region lines and

because the contractors do not have sufficient vehicle space and maintenance facilities for the additional buses.

Staff has also considered bringing these services in-house. Comparing Veolia's proposed rate to our in-house rate, it would cost significantly more to operate these services in-house which would negatively affect our structural deficit. Physical modifications would 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.

ATTACHMENT(S)

- A. Procurement Summary
- A-1. Procurement History
- A-2. List of Subcontractors
- B. Map of North Region
- C. North Region Costs

Prepared by: Shannon Anderson, Manager, Transportation Contract Services
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Carolyn Flowers

Carolyn Flowers
Chief Operations Officer

Roger Snoble

Roger Snoble
Chief Executive Officer

**BOARD REPORT ATTACHMENT A
PROCUREMENT SUMMARY**

Contracted Transportation Services - North Region

1.	Contract Number: OP31502132		
2.	Recommended Vendor: Veolia Transportation		
3.	Cost/Price Analysis Information:		
	A. Bid/Proposed Price: \$53,048,803 excluding fuel reimbursement	Recommended Price: \$53,048,803 excluding fuel reimbursement \$64,330,054, including fuel reimbursement	
	B. Details of Significant Variances are in Attachment A-1.D		
4.	Contract Type: Firm Fixed Price -Services - Cost Reimbursement - Fuel		
5.	Procurement Dates:		
	A. Issued: December 31, 2007		
	B. Advertised: January 14, 2008		
	C. Pre-proposal Conference: January 23, 2008		
	D. Proposals Due: March 6, 2008		
	E. Pre-Qualification Completed: March 10, 2008		
	F. Conflict of Interest Form Submitted to Ethics: April 24, 2008		
6.	Small Business Participation:		
	A. Bid/Proposal Goal: DALP 10%	Date Small Business Evaluation Completed: April 11, 2008	
	B. Small Business Commitment: 10.75% DBE Details are in Attachment A-2		
7.	Invitation for Bid/Request for Proposal Data:		
	Notifications Sent: 6	Bids/Proposals Picked up: 20	Bids/Proposals Received: 3
8.	Evaluation Information:		
	A. Bidders/Proposers Names: First Transit MV Veolia Transportation Proposed amounts do not include fuel reimbursement	<u>Bid/Proposal Amount:</u> \$52,014,514 \$48,718,083 \$55,583,350	<u>Best and Final Offer Amount:</u> \$50,493,592 \$48,919,313 \$53,048,803
	B. Evaluation Methodology: Describe Methodology Details are in Attachment A-1.C		
9.	Protest Information:		
	A. Protest Period End Date: May 20, 2008		
	B. Protest Receipt Date: N/A		
	C. Disposition of Protest Date: N/A		
10.	Contract Administrator: Susan M. Dove	Telephone Number: 922-7451	
11.	Project Manager: Shannon Anderson	Telephone Number: 922-2802	

BOARD REPORT ATTACHMENT A-1 PROCUREMENT HISTORY

Contracted Transportation Services - North Region

A. Background on Contractor

Veolia Transportation, headquartered in Paris, France is the largest private transportation provider in the United States. Veolia Transport Worldwide operates services on behalf of 5,000 local, regional and national authorities around the world. Veolia operates in 27 countries with 72,000 employees and serves 2.5 billion passengers through the provision of bus, paratransit, taxi, rail and ferry services.

Veolia has obtained its North American experience through the combined transit experience of Connex North America and ATC which it acquired in 2005. Since 1935, ATC had managed and operated public contract transportation services. In September 2005, ATC was acquired by Connex North America. The acquisition of ATC and Connex in 2005 resulted in the company name change to Veolia Transportation.

Veolia's experience encompasses the operation of fixed route and paratransit and rail services. Veolia Transportation operates paratransit contracts in Connecticut, Maryland, Washington DC, South Carolina, Texas and California. Veolia also operates a bus-rapid-transit system in Las Vegas. Veolia Transportation runs fixed route and commuter bus contracts in New Jersey, Maryland, Virginia, Washington DC, North and South Carolina, Texas, California, Colorado, Arizona, Georgia and Canada. Veolia operates fixed route services for Los Angeles Department of Transportation (LADOT) DASH and Commuter Express services. Veolia also provides fixed route services to San Diego Metropolitan Transit System and Orange County Transportation Authority (OCTA).

B. Procurement Background

The Request for Proposal required vendors to propose a fixed rate for each revenue service hour (RSH rate) that would be needed to provide the proposed bus service. The revenue service hour costs are to include all operation and maintenance costs with the exception of fuel. Because of rising fuel costs, fuel costs will be directly reimbursed to the contractor based on actual costs. The RSH rate also includes all administrative costs including insurance expenses based upon provision of the following coverage: Commercial General Liability (CG L) - \$1 million per occurrence; \$2 million General Aggregate Commercial Automobile Policy ; \$1 million Combined Single Limit (CSL) Excess/Umbrella Insurance Policy; and \$24 million above underlying CGL and Auto policies. Total Insurance coverage: \$25 million. Property/Collision/Comprehensive Insurance - Contracted service must place policy (various options) that provides for total insurance coverage of \$10 million. These insurance limits ensure that the contractor will be able to cover any and all repairs to damaged buses. The Diversity and Economic Opportunity Department recommended a DALP goal of 10% for this procurement.

C. Evaluation of Proposals

In accordance with our Procurement Policies and Procedures, the Source Selection Committee conducted a comprehensive evaluation of the technical proposals. An Evaluation Committee was formed, consisting of staff representatives from Contracted Transportation Services, Quality Assurance, Service Development - San Fernando Valley Sector and Safety Departments. A technical representative from LADOT, which utilizes contract service to operate similar type service, was also represented on the Source Selection Committee. All members of the Source Selection Committee had significant expertise with contracted transportation service, bus maintenance and safety and service development.

Per the acquisition plan, the proposals were evaluated according to the procurement policies and procedures, using the weighted guidelines, and explicit factors utilized in the procurement process.

The evaluation criteria recognized the importance and assigned weights to the following evaluation criteria:

Evaluation Criteria	Assigned Weight
Qualifications of the Firm	10%
Qualifications of the Staff	10%
Operating Methodology/Workplan,	20%
Compliance with California Labor Code 1070-1074	10%
Past Performance	15%
Price	35%

Each evaluation criterion had sub-criteria. The major sub-criteria included:

- Demonstrated experience with the performance standards established in the statement of work (for example, vehicle maintenance, on-time performance, vehicle cleanliness, safety, etc.)
- Demonstrated experience providing bus contract services to State, Municipal, Federal government and/or commercial clients
- Demonstrated experience in coordinating local transit and shuttle services with municipal agencies
- Professional qualifications and years of experience of key project personnel
- Relevant experience of the project team including the General Manager, Operations Manager, Maintenance Manager and Safety/Training Manager (prior experience with fixed route local bus service)
- Demonstrated ongoing driver training and safety program in compliance with 13 CCR as it relates to transit bus vehicle laws, vehicle orientation, safe bus operation and other factors as outlined in the scope of work and performance indicators (e.g., CHP inspections and traffic accidents)
- Demonstrated experience with the preparation of reports required in the scope of work

- Appropriateness of firm’s preventive maintenance program including: responsiveness to bus breakdowns, the utilization of fleet management and/or preventive maintenance software, driver pre-operation safety inspection practices, etc.
- A safety program that meets or exceeds contract requirements
- Demonstrated/approved security plan that outlines procedures to protect our farebox revenues against theft or inaccurate reporting
- Appropriateness of work plan and schedule as it relates to the Scope of Work, implementation and startup plan, awareness of project issues, strategies for meeting project goals and objectives

The score for price was calculated proportionately with the lowest price getting the highest score. Higher prices received proportionately lower point scores.

Proposals were received from First Transit, MV Transportation and Veolia Transportation. The proposals were initially reviewed to verify compliance with the minimum requirements contained in the RFP: “All key personnel, the General Manager, Operations Manager, Maintenance Manager, Safety and Training Manager shall have a minimum of three years experience in their specific area of expertise as it relates to local fixed route transit services.” All three firms met the minimum qualifications.

Reference checks were conducted on all three firms. Overall, the firms were found to have acceptable ratings in the Past Performance category. Clarification interviews and discussions were conducted with all firms. In order to validate technical capability, site visits and further interviews were conducted at each of the proposed operating facilities. As a result of the site visits, two firms, MV Transportation and First Transit were deemed deficient in their proposed operating methodology and workplan. Specifically, these firms proposed sites that were deficient. One site was on a steep grade and would be difficult for buses to access; the other site was too small for the number of buses and was close to a residential area. These firms were given an opportunity to correct this and other identified deficiencies. In the response to the notice of perceived deficiencies, MV Transportation and First Transit submitted additional documentation including proposing the same site proposed by Veolia.

As a result of the corrected deficiencies, all firms were deemed technically qualified to perform the work. Negotiations were conducted with all firms. Once negotiations were concluded, all firms were asked to submit a Best and Final Offer (BAFO). The BAFOs were reviewed and Veolia Transportation received the highest technical ranking and the overall highest weighted score.

Based on all of the information submitted, the proposal submitted by Veolia is considered to be superior in the following key areas:

- Veolia Transportation offered superior operating methodologies including a detailed facility/site plan and implementation plan. (The site will require improvements to comply with our operating requirements.) Veolia researched and demonstrated an understanding of the critical paths related to permit and zoning issues for facility improvements. Veolia was the only firm that researched and offered creative ideas in regards to the site plan, e.g., architectural renderings highlighting parking

configurations, maintenance facilities and office space. Neither of the other proposers provided a detailed implementation plan to show proposed site improvements, the critical path for obtaining permits, etc. that are necessary to make the improvements and the Source Selection Committee had no way to determine whether the firms would have the improvements completed in time to begin service in August.

- Veolia has a clear understanding of the maintenance issues involved in the existing fleet. The existing fleet consists of various buses that exceed the normal useful life for a transit vehicle. Therefore, there is increased maintenance costs associated with maintaining the fleet. Each firm was given the opportunity to review the buses including maintenance records. Veolia proposed a comprehensive maintenance plan, including high level of detail on its preventative maintenance intervals and inspection methodology. The vehicle maintenance program demonstrated a solid understanding of the vehicle maintenance requirements. While not required, Veolia provided a budget for major component replacements and repairs which demonstrated a superior understanding of the maintenance challenges of the current fleet of vehicles. The other proposers did not address this issue.
- Because of previous issues involving compliance with California Labor Code Sections 1070-1074, proposers were asked to commit to compliance with the Labor Code and provide an implementation plan for proposed employee retention. Veolia provided a detailed plan for employee retention and compliance with the California Labor Code Sections 1070-1074, which included a \$500.00 signing bonus for operators.
- This solicitation contained a Disadvantaged Enterprise Anticipated Level of Participation (DALP) goal of 10%. Veolia committed to achieving 10.75% DALP utilizing DBE suppliers for a propane motor fueling station, fuel and uniforms. Veolia was the only firm that exceeded the recommended DALP goal. Veolia proposed three DBE suppliers, while MV proposed utilizing one DBE supplier for uniforms at approximately \$20,000 per year which equates to \$100,000 over a five year period; MV's committed DALP goal equates to approximately 0.002% of its total price. First Transit did not propose to use any of our certified DBE suppliers.

Based upon the evaluation criteria contained in the RFP, the award is recommended to Veolia as providing the highest rated proposal. Although, MV Transportation and First Transit offered lower prices, their technical proposals were significantly weaker. Based on the current bus fleet, the cost difference between Veolia and MV, the lowest price firm, is an annual cost of \$825,898 per year. As the FY09 Capital Budget contains funding for replacement buses, proposers were asked to provide pricing for the existing fleet and the replacement fleet. Assuming approval of the Capital Budget and the procurement of new buses, the price differential for the operating costs will decrease to approximately \$568,117 per year.

Veolia Transportation's proposed price per Revenue Service Hour (RSH) ranged from \$69.08/RSH for the first year to \$78.17/RSH for the final year for the existing fleet. The proposed price per RSH for the replacement fleet ranged from \$63.10 for the first year for

the replacement fleet to \$68.57 for the final year for the replacement fleet, depending on when new vehicles are received and put into revenue service.

The Source Selection Committee believes the annual price premium for Veolia over MV is justified and recommends the contract be awarded to Veolia Transportation. Based on the comprehensive procurement evaluation process, the Source Selection Committee determined that the proposal submitted by Veolia Transportation is most advantageous to us.

D. Cost/Price Analysis Explanation of Variances

The recommended price has been determined to be fair and reasonable based upon adequate price competition.

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

Contracted Transportation Services - North Region

PRIME CONTRACTOR – VEOLIA TRANSPORTATION, INC.

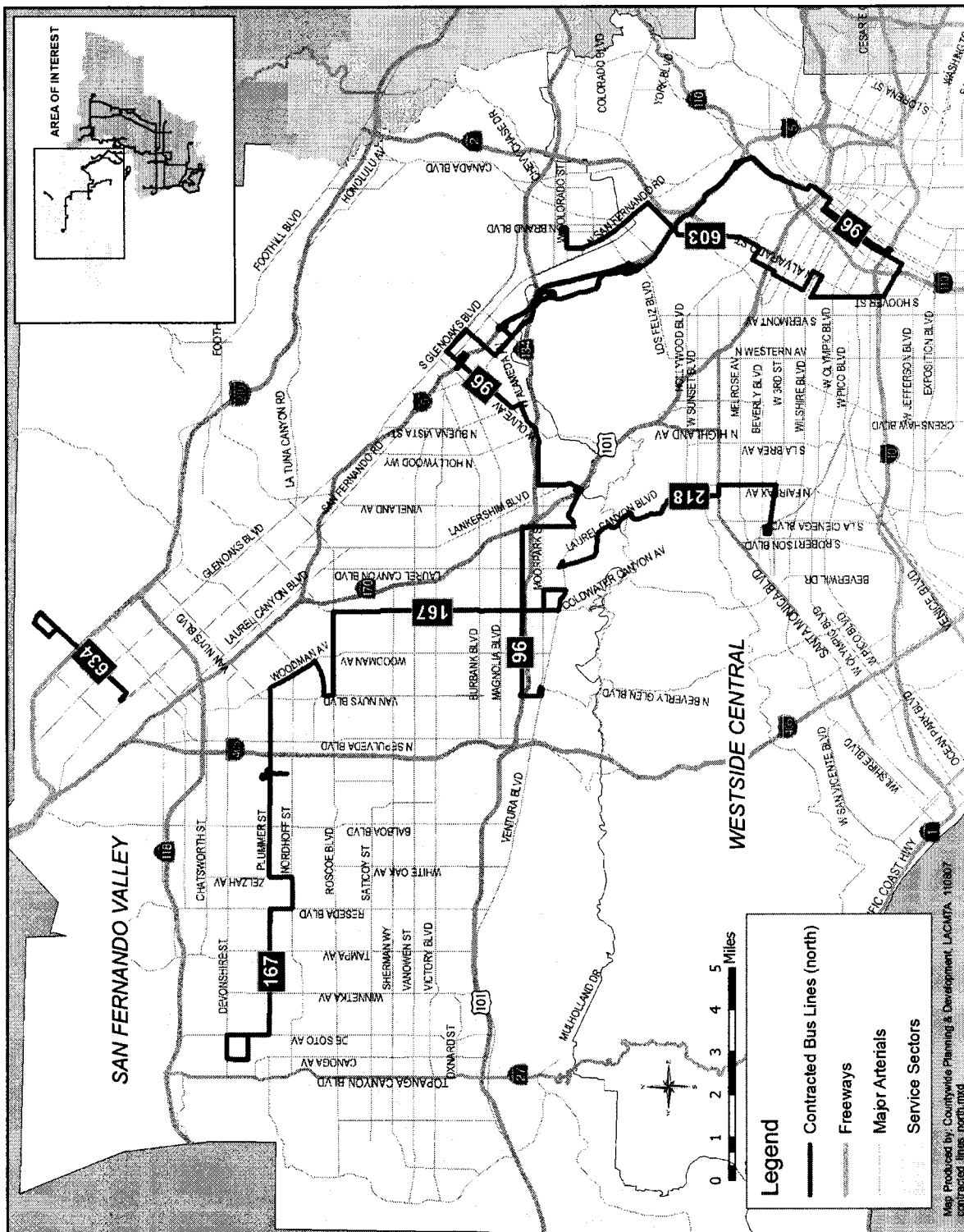
Small Business Commitment

Other Subcontractors

Alvaco, Inc. (dba: Avcogas)	2.04%
Becnel Uniforms	0.15%
Patten Energy Enterprise	<u>8.56%</u>
Total DBE Commitment	10.75%

J. D. Evans, Inc

ATTACHMENT B – MAP OF NORTH REGION



ATTACHMENT C – NORTH REGION COSTS

Pricing for existing fleet:

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Revenue Service Hour (RSH) Rate	\$69.08	\$71.65	\$73.25	\$75.02	\$78.17	
Annual RSH	144,478	144,478	144,478	144,478	144,478	722,390
Operating Cost	\$9,980,540	\$10,351,849	\$10,583,014	\$10,838,740	\$11,293,845	\$ 53,047,987
Fuel	\$2,041,622	\$2,143,703	\$2,250,888	\$2,363,433	\$2,481,604	\$ 11,281,251
Total	\$12,022,162	\$12,495,552	\$12,833,902	\$13,202,173	\$13,775,449	\$ 64,329,237

Pricing for replacement fleet:

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Revenue Service Hour (RSH) Rate	\$63.10	\$65.58	\$68.87	\$71.00	\$74.31	
Annual RSH	144,478	144,478	144,478	144,478	144,478	722,390
Operating Cost	\$9,116,562	\$9,474,867	\$9,950,200	\$10,257,938	\$10,736,160	\$ 49,535,727
Fuel	\$1,398,000	\$1,467,900	\$1,541,295	\$1,618,360	\$1,699,278	\$ 7,724,832
Total	\$10,514,562	\$10,942,767	\$11,491,495	\$11,876,298	\$12,435,438	\$ 57,260,560