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**OPERATIONS COMMITTEE
NOVEMBER 18, 2004**

SUBJECT: MAINTENANCE AND MATERIEL MANAGEMENT SYSTEM CONTRACT

**ACTION: APPROVE MODIFICATION TO CONTRACT NO. PS9240-1264 WITH
SPEAR TECHNOLOGIES**

RECOMMENDATION

- A) Increase the Life-of-Project budget by \$4.53 million for the Maintenance and Materiel Management System from \$28.80 million to \$33.33 million, including \$100,000 of additional contingency, due to cost increases in additional equipment, extension of the vendor contract and additional labor resulting from the schedule extension.
- B) Amend the FY05 budget to 1) transfer \$1.5 million of expenses and revenues from the Enterprise Fund to the Capital Fund due to the additional labor resulting from the schedule extension; and 2) increase revenues and expenditures by \$3.03 million
- C) Authorize the Chief Executive Officer to execute Contract Modification No. 7 to Contract No. PS-9240-1264 with Spear Technologies to extend the schedule associated with the acquisition and implementation of a Maintenance and Materiel Management System for a period of five months for a firm fixed price of \$1,126,191, increasing the Total Contract Value from \$20,836,322 to \$21,962,513.

RATIONALE

On February 1, 2003, Contract No. PS-9240-1264 was awarded to Spear Technologies to acquire and implement, in fifteen months, a Maintenance and Materiel Management System (M3). The M3 Project is behind schedule due to the following: 1) work stoppage last fall which halted the Contractor's ability to continue work midway through the implementation resulting in a two and a half month delay; 2) The change process to implement M3 required more staff time to create new processes, resolve issues and review and approve documentation than was not initially budgeted. These delays extended the project schedule by three and a half months, and 3) The original rollout scheme called for implementing all bus operating divisions simultaneously. The rollout scheme proved to be too aggressive for Operations and a change was made to rollout M3 sequentially on a Sector-by-Sector basis that extends the schedule by an additional three months.

Equipment cost increased by \$1,984,713 due to cabling, touch panel screens required to support the Mechanics Workbench function, network and security equipment required to support the hand-held data collection devices. The current request of \$366,201 is for additional touch screen panels and an additional \$400,000 is budgeted to procure servers in order to adequately balance the workload and ensure 24X7 access to the system.

Request For Proposal (RFP) development costs, which was conducted by Westin Engineering, was incorrectly identified to another project and subsequently transferred. This increased the project costs by \$1,376,478.

The schedule extensions, RFP development and additional equipment costs increased the original Life-of-Project budget from \$24 million to \$33.3 million, an increase of \$9.3 million. See Attachment B, Project Cost Status.

FINANCIAL IMPACT

The last life-of-project budget approved by the Board in the FY05 budget is \$28,801,000. This action will increase the life-of-project budget by \$4.53 million to \$33.33 million. Funds for this change will come from the following sources:

- \$1.5 million of budgeted expenses and revenues will be transferred from labor in the Enterprise Fund to labor in the Capital Fund, specifically to the M3 Project. Agency-wide there will be no increase to the budgeted number of FTEs; and
- \$3.03 million will be funded with federal grant funds and local match from completed FY04 projects with cost underruns.

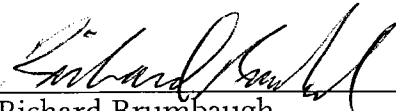
ALTERNATIVES CONSIDERED

One alternative is to seek another system integrator to complete the M3 system implementation. This approach is not recommended as a new system integrator would not have the depth of knowledge and experience as Spear Technologies, who is the product owner. Also, this approach will likely be significantly more costly due to the steep learning curve and project ramp-up that would be required for the new integrator to be effective. Another alternative would be to discontinue the implementation of the remaining business units, however, this alternative is neither practical nor desirable as it does not allow staff to improve its asset management function.

ATTACHMENT(S)

- A. Procurement Summary
 - A-1 Procurement History
 - A-2 List of Subcontractors
- B. Project Cost Status

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**BOARD REPORT ATTACHMENT A
PROCUREMENT SUMMARY**

**MAINTENANCE AND MATERIEL MANAGEMENT SYSTEM
CONTRACT MODIFICATION**

1.	Contract Number: PS9240-1264, Modifications No. 3, 6 and 7 Time Extensions)		
2.	Recommended Vendor: Spear Technologies, Inc.		
3.	Cost Analysis Information:		
	A. Bid/Proposed Price: \$2,176,557	Recommended Price: \$2,176,557	
	B. Details of Significant Variances are in Attachment A-1.D		
4.	Contract Type: Firm Fixed Price		
5.	Procurement Dates:		
	A. Issued: Change Order No. SM050 issued on July 9, 2004		
	B. Advertised: n/a		
	C. Pre-proposal Conference: n/a		
	D. Proposals Due: n/a		
	E. Pre-Qualification Completed: n/a		
	F. Conflict of Interest Form Submitted to Ethics:		
6.	Small Business Participation:		
	A. Contract Goal: 34.33%	Date Small Business Evaluation Completed: n/a	
	Small Business Commitment: n/a		
7.	Invitation for Bid/Request for Proposal Data:		
	Notifications Sent:	Bids/Proposals Picked up:	Bids/Proposals Received:
8.	Evaluation Information:		
	A. Bidders/Proposers Names:	<u>Bid/Proposal Amount:</u>	<u>Best/Final Offer Amount:</u>
	B. Evaluation Methodology: Cost Analysis and Technical Analysis Details are in Attachment A-1.C		
9.	Protest Information:		
	A. Protest Period End Date:		
	B. Protest Receipt Date: n/a		
	C. Disposition of Protest Date: n/a		
10.	Contract Administrator: Gregory Moore	Telephone Number: 922-7376	
11.	Project Manager: Regina Lim	Telephone Number: 922-4545	

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

**MAINTENANCE AND MATERIEL MANAGEMENT SYSTEM
CONTRACT MODIFICATION**

A. Background on Contractor

Spear Technologies was founded in 1997. Spear Technologies has almost seven years of experience designing, implementing and integrating maintenance and materiel management systems specifically for the transit industry. In the last four years, Spear has conducted implementation at New York City Transit, San Francisco, Municipal Railway, Amtrak and Dallas Area Rapid Transit as well as many other smaller projects for various transit agencies.

B. Procurement Background

Contract No. PS-9240-1264 is a fixed price contract for the Acquisition and Implementation of a Maintenance and Materiel Management System. The Contract was awarded to Spear Technologies in an amount not to exceed \$18,976,212, with a ten percent contingency amount (\$1,900,000) to negotiate and execute change orders associated with this project. Prior changes included the addition of new functionalities and associated training, modifications to the system, schedule adjustments, wiring of division locations and other unanticipated project refinements. To date, staff has authorized forty-eight project changes under Contract Modification Nos. 1 through 6, for a total amount of \$1,861,834.

To address the nine-month contract extension, Spear Technologies submitted an initial change request in the amount of \$2,884,082. Negotiations by Procurement staff resulted in a final cost of \$2,176,557 that was also reviewed by the Management Audit Services Department. Under contingency authority, Contract Modification Nos. 3 and 6 were initiated to extend the contract for two separate two-month periods, August through November 2004, for \$472,094 and \$578,272 respectively. As the cumulative contract modifications have reached the limits of the Board approved contingency authority, the remaining value of \$1,126,191 will be executed as Contract Modification No. 7 upon receipt of Board approval.

C. Evaluation of Proposals

N/A

D. Cost Analysis Explanation of Variances

The recommended price has been determined to be fair and reasonable based upon cost analysis, independent cost estimates, negotiations with Spear and MASD audit of the Contractor's cost proposal.

BOARD REPORT ATTACHMENT A-2

LIST OF SUBCONTRACTORS

SMALL BUSINESS PARTICIPATION (PS-9240-1264)

This Contract has a Disadvantaged Business Enterprise (DBE) participation commitment of 33.34%. The Contract was awarded on January 29, 2003 and is approximately 78% complete. Current DBE attainment¹ based on the contract amount² is 31.42% and current DBE participation³ based on total actual amount paid-to-date to Contractor and total actual amount paid-to-date to DBEs is 36.76%.

The two (2) originally listed DBE subcontractors have performed on the contract as listed. The Contractor has demonstrated good faith efforts to maximize DBE participation by utilizing two (2) additional DBE firms.

Original Award Amount	\$ 18,967,694
Current Contract Amount ²	\$ 20,199,795
Total Actual Amount Paid to Date to Prime	\$ 17,267,853

	% Commitment	% Current Attainment	% Current Participation	Current Status
The Natchez Group	20.62%	02.17%	02.54%	Performing
MicroLink Enterprise	12.72%	12.62%	14.76%	Performing
Interbase Corp.	N/A	12.64%	14.78%	Performing
Computer Business Programs	N/A	03.99%	04.68%	Performing
TOTAL	33.34%	31.42%	36.76%	Performing

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

²Current Contract Amount = Original Contract Value + Contract Cost Modifications

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

November 2004 brdrt PS-9240-1264

Draft 1 11/04/04

Based on September 2004's Form103

**ATTACHMENT B
PROJECT COST STATUS
MAINTENANCE AND MATERIEL MANAGEMENT SYSTEM**

	Spears Technology	Labor Costs	Equipment & Development Costs	Contingency	Total
Life-of-project budget	\$ 18,976,212	\$ 3,000,000	\$ 130,000	\$ 1,900,000	\$ 24,006,212
Changes approved at FY05 budget adoption:					
• Additional staff required for testing & implementation		2,200,000			2,200,000
• Additional cabling, computer & network equipment			1,218,512		1,218,512
• Development of business requirements specifications by Westin			1,376,478		1,376,478
Amended life-of-project costs:	18,976,212	5,200,000	2,724,990	1,900,000	28,801,202
Previous change order modifications:					
Modification 1					
• Software changes & modifications to FIS interface	29,850			(29,850)	-
• Wiring for fuel system, Fleetwatch. Run conduit for Div. 10, backup controllers, proximity card & NEMA box for Divs. 6 & 10	94,676			(94,676)	-
• Training not purchased	(84,302)			84,302	-
Modification 2					
• Software changes to inventory chargeback, sales tax add on, direct purchase requests, VMS conversion data modifications	50,626			(50,626)	-
• Wiring for Fleetwatch central controller & technical repair training	28,312			(28,312)	-
• Wireless network installation at Divs. 1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 15, 18, 20, 21, 22, 61A, 61B, RRC	318,503			(318,503)	-
• Licensing for Kiosk software & two year maintenance agreement	154,560			(154,560)	-
• Manpower reallocation to accommodate LOP schedule delay	59,111			(59,111)	-
Modification 3					
• Cancelled change interface to document processing management system, decision support executive information system	(96,669)			96,669	-
• Relocate Div 5 remote island head to accommodate new buses	11,462			(11,462)	-

**ATTACHMENT B
PROJECT COST STATUS
MAINTENANCE AND MATERIEL MANAGEMENT SYSTEM**

	Spears Technology	Labor Costs	Equipment & Development Costs	Contingency	Total
• Wireless network installation at Divs. 4, 14, 34 and non revenue group	23,353			(23,353)	-
• Extend contract thru September 30	472,094			(472,094)	-
• Cancelled proximity card readers	(112,087)			112,087	-
Modification 4					
• Weekend work for inventory carousel upgrades at Divs. 7, 9, 20 & software modification for standard pricing of inventory	55,303			(55,303)	-
• Wireless network installation of security access points devices	175,488			(175,488)	-
• Compression of RRC materiels implementation	49,826			(49,826)	-
Modification 5					
• Wiring for Fleetwatch, installing electrical conduit at Div 3, modify Fleetwatch to support new HID proximity cards	22,894			(22,894)	-
• Electrical work at Div 34	2,798			(2,798)	-
• Extend ROC rollout one month & add rollout support, second data conversion & validation of the RIMS data to M3	26,038			(26,038)	-
Modification 6					
• Extend contract thru November 30	578,272			(578,272)	-
Current contract change order recommendations:					
Modification 7					
• Extend the contract thru May 31, 2005	1,126,191			100,000	1,226,191
Equipment additions:					
• Touch panel screens			366,201		366,201
• Network security devices and servers			400,000		400,000
Labor costs					
• Unbudgeted overhead costs in FY04		1,040,742			1,040,742

**ATTACHMENT B
PROJECT COST STATUS
MAINTENANCE AND MATERIEL MANAGEMENT SYSTEM**

	Spears Technology	Labor Costs	Equipment & Development Costs	Contingency	Total
<ul style="list-style-type: none"> • Extend implementation schedule nine months to June 30, 2005 		1,500,000			1,500,000
Amended life-of-project budget	\$ 21,962,511	\$ 7,740,742	\$ 3,491,191	\$ 139,892	\$ 33,334,336

