



**OPERATIONS COMMITTEE
APRIL 21, 2005**

**SUBJECT: CONTRACT NUMBER OP31501623
CONTRACTED BUS SERVICES- EAST REGION
SOUTHLAND TRANSIT, INC.**

ACTION: AWARD CONTRACT NO. OP31501623

RECOMMENDATION

Authorize the Chief Executive Officer to:

- A. Award a five-year fixed-unit rate contract, Contract No. OP31501623, to Southland Transit, Inc. for contracted bus services in an amount not to exceed \$29,552,418 and provide for reimbursement of fuel costs for the five-year period in an amount not to exceed \$3,623,357 for a total contract amount not to exceed \$33,175,775, effective July 3, 2005; and,
- B. Establish a not to exceed contingency amount of \$2,955,241 for unanticipated fuel costs or the potential need for additional Revenue Service Hours.

RATIONALE

Metro operates 21 bus lines that are contracted to private transportation companies. These companies provide maintenance and operations services comparable to those provided at Metro operating divisions. Three separate RFPs were released in December 2004 to reprocur these lines into three regional contracts. This award is a five-year contract to provide service for the lines in the East Region (see Figure 1).

Figure 1: Contracted Metro Bus Lines- East Region

Line	Name	Current Contract	Currently Operated By
177	Pasadena - Monrovia - Duarte via Foothill Blvd	OP 3150 1094	First Transit
254	Willowbrook - Huntington Park - Lorena St - City Terrace	PS 3150 0575 A	First Transit
256	Eastern Ave - Avenue 64 - Hill Ave	OP 3150 1094	First Transit
266	Rosemead Blvd - Lakewood Blvd	PS 3150 0575 A	First Transit
270	Monrovia - El Monte - Norwalk	PS 3150 0575 A	First Transit
605	Grande Vista Ave USC Hospital Shuttle	OP 3150 1095	Transportation Concepts

Metro began contracting a portion of its bus service in 1996. The first 13 contracted lines were existing Metro-operated services which were transferred because of their high subsidy. 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 cost savings are realized through the lower operating cost of the contractors.
- Modifications or expansion to existing Metro 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.

Staff provided the Board an outline of the procurement process and evaluation criteria for this contract in a December 2004 Board Box report. The most recent procurement is different than the previous process in the following areas:

- Fuel costs will be paid to contractors on a reimbursement basis. The current highly-volatile fuel market would have necessitated contractors to hedge their fuel costs if required to include it in their proposal. The reimbursement method will also allow Metro to move the contracts to clean-fuel vehicles when the existing vehicles need to be retired.
- Additional monetary penalties have been included to ensure that the contractors will meet or exceed Metro bus performance indicators.
- The contractors will provide a dedicated facility and management staff for each contract.
- These contracts allow for additional services to be added to each region, if necessary, during the term of the contract.

Staff is also recommending a contingency for unanticipated fuel costs or the potential need for additional Revenue Service Hours. The fuel projections included in the contract award amount are based on the current market conditions. The actual cost may be higher or lower depending on future fuel prices and the future contract vehicle fleet makeup. The additional Revenue Service Hours may be necessary due to Consent Decree service requirements or additional contracted services as part of the Metro Connections program.

FINANCIAL IMPACT

The funding of \$6,458,926 for this service is included in the proposed FY06 budget in cost center 3590, Contract Services under project 300011, task 11.1.01.3.08. Since this is a multi-year contract, the cost center manager and Deputy Chief Executive Officer will be accountable for budgeting the cost in future years. In FY05, approximately \$5,802,813.63 was budgeted for this line item.

ALTERNATIVES CONSIDERED

Contracting all or some of the Lines to local or municipal operators was considered. Contract Services staff continues to look for opportunities to transfer these lines when

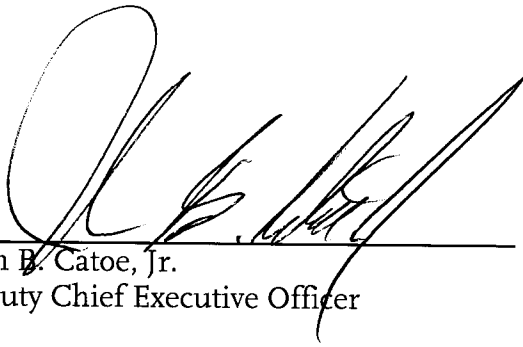
advantageous to our operations. Staff is currently working with Foothill Transit and Norwalk Transit to study the feasibility of transferring Line 270 to one or both of these operators. Staff will continue to look for additional transfer opportunities during the term of this contract.

Staff has also considered bringing the services in-house to be operated at Metro Bus Divisions. Based on the marginal Metro Bus Operating Cost (\$83.11/RSH), it would cost approximately \$3.55 million more to operate these services in-house during FY06. There are also some one-time costs that would be associated with bringing these services in-house. Physical modifications may be needed at existing Divisions to accommodate the additional buses and division staff would need to be trained to operate and maintain the types of buses currently providing contracted bus services.

ATTACHMENTS

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

Prepared by: Mark P. Maloney, Deputy Executive Officer
Transportation Contract Services



John B. Catoe, Jr.
Deputy Chief Executive Officer



Roger Snoble
Chief Executive Officer

**BOARD REPORT ATTACHMENT A
PROCUREMENT SUMMARY**

CONTRACTED BUS SERVICES – EAST REGION

1.	Contract Number: OP31501623		
2.	Recommended Vendor: Southland Transit.		
3.	Cost/Price Analysis Information:		
	A. Bid/Proposed Price: \$29,801,760 excluding fuel reimbursement	Recommended Price: \$29,552,418 excluding fuel reimbursement \$33,175,775 including fuel reimbursement	
	B. Details of Significant Variances are in Attachment A-1.D		
4.	Contract Type: Fixed Unit Rate		
5.	Procurement Dates:		
	A. Issued: December 17, 2004		
	B. Publicized: December 17, 2004		
	C. Pre-proposal Conference: December 22, 2004		
	D. Proposals Due: January 14, 2005		
	E. Pre-Qualification Completed: March 9, 2005		
	F. Conflict of Interest Form Submitted to Ethics: March 25, 2005		
6.	Small Business Participation:		
	A. Bid/Proposal Goal: 10% DBE goal	Date Small Business Evaluation Completed: March 18, 2005	
	B. Small Business Commitment: 11.10% DBE Details are in Attachment A-2		
7.	Invitation for Bid/Request for Proposal Data:		
	Notifications Sent: 35	Bids/Proposals Picked up: 22	Bids/Proposals Received: 3
8.	Evaluation Information:		
	A. Bidders/Proposers Names:	<u>Bid/Proposal Amount:</u>	<u>Best and Final Offer Amount:</u>
	Southland Transit	\$29,801,760	\$29,552,418
	Transportation Concepts	\$39,814,732	\$35,236,473
	Laidlaw, Inc.	\$43,311,039	\$34,696,759
	Proposed amounts do not include fuel reimbursements costs.		
	B. Evaluation Methodology: Explicit Factors. Details are in Attachment A-1.C		
9.	Protest Information:		
	A. Protest Period End Date: April 25, 2005		
	B. Protest Receipt Date:		
	C. Disposition of Protest Date:		
10.	Contract Administrator: Susan M. Dove	Telephone Number: 922-7451	
11.	Project Manager: Mark Maloney	Telephone Number: 922-2806	

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

CONTRACTED BUS SERVICES - EAST REGION

A. Background on Contractor

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.

B. Procurement Background

This is a negotiated procurement for contract services for the East Region using the explicit factors evaluation methodology. The service includes the provision for six lines operating thirty-one vehicles.

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 the volatility of fuel, 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 (CGL) - \$ 1 million per occurrence; \$2 million General Aggregate
- Commercial Automobile Policy - \$ 1 million Combined Single Limit (CSL)
- Excess/Umbrella Insurance Policy - \$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. This assures that the contractor will be able to cover any and all repairs to damaged buses.

The Diversity and Economic Opportunity Department recommended a DBE goal of ten percent (10%) for the solicitation.

C. Evaluation of Proposals

Three proposals were received and evaluated according to the procurement policies and procedures, using the explicit factors approved for this Request for Proposal (RFP). The evaluation criteria recognized the importance of the technical approach (proposed operation & maintenance program, key personnel experience & qualifications, corporate experience, employee retention and past performance) by weighing these collective criteria significantly more than the proposed cost. An Evaluation Committee was formed using staff from the proposed service area, Contract Services and an outside transit agency that uses contract service to operate a similar size service.

Southland Transit received the highest technical ranking and the overall highest weighted score.

Southland Transit, Laidlaw Transit and Transportation Concepts, Inc. submitted proposals in response to the solicitation. All firms were found responsive to the DBE goal. Clarification interviews and negotiations were conducted with all firms. Each of the firms was found to be technically responsive to the solicitation requirements. After negotiations each firm was asked to submit a Best and Final Offer (BAFO). Southland Transit's BAFO cost was lower than the other proposers. Southland's proposed price per Revenue Service Hour (RSH) ranged from \$48.14 per RSH for the first year to \$51.31 for the final year. The details are shown on Attachment C. The firm is the highest rated company and is well qualified to perform the service.

D. Cost/Price Analysis Explanation of Variances

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

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

CONTRACTED BUS SERVICES - EAST REGION

PRIME CONTRACTOR – Southland Transit

Small Business Commitment

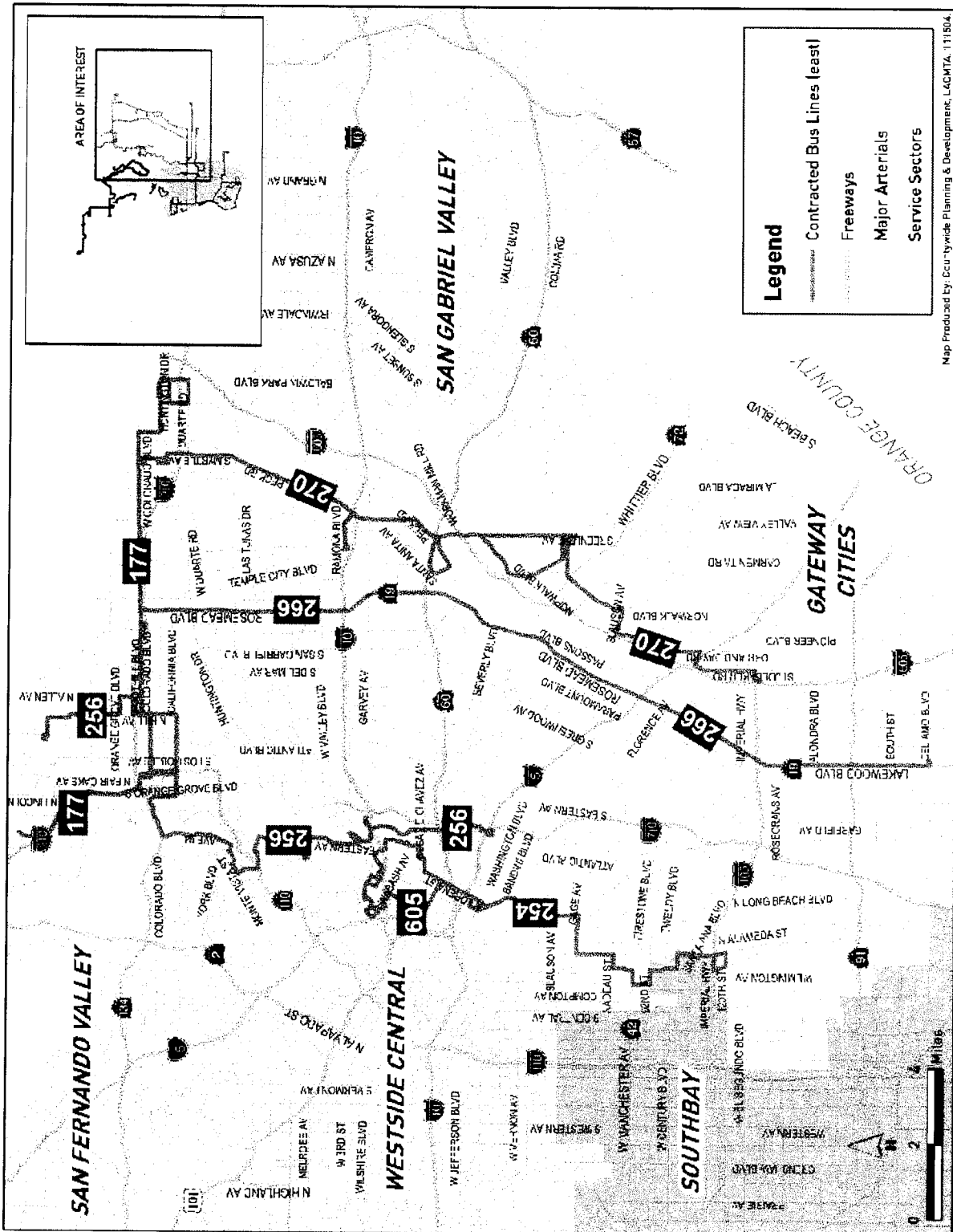
Other Subcontractors

Pinnacle Petroleum	6.55%
BriteWork	3.80%
California Job Connection	0.47%
JCM & Associates	0.28%

None Listed

Total DBE Commitment 11.10%

ATTACHMENT B Map of East Region Lines



ATTACHMENT C
East Region Contract Costs

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Revenue Service Hour Rate	\$48.18	\$47.37	\$48.61	\$49.88	\$51.31	
Annual Revenue Service Hours	120,454	120,454	120,454	120,454	120,454	602,270
Operating Cost	\$5,803,190	\$5,705,725	\$5,854,760	\$6,008,551	\$6,180,192	\$29,552,418
Fuel	\$655,736	\$688,523	\$722,949	\$759,097	\$797,052	\$3,623,357
Total	\$6,458,926	\$6,394,248	\$6,577,709	\$6,767,648	\$6,977,244	\$33,175,775