



**BOARD OF DIRECTORS OPERATIONS COMMITTEE
MAY 26, 2005 ~~APRIL 21, 2005~~**

**SUBJECT: CONTRACT NUMBER OP31501625
CONTRACTED BUS SERVICES- SOUTH REGION
FIRST TRANSIT, INC.**

ACTION: AWARD CONTRACT NO. OP31501625

RECOMMENDATION

Authorize the Chief Executive Officer to:

- A. Award a five-year fixed-unit rate contract, Contract No. OP31501625, to First Transit, Inc. for contracted bus services for firm fixed amount of \$66,547,817 and provide for reimbursement of fuel costs for the five-year period in an amount not to exceed \$10,381,844 for a total contract amount not to exceed \$76,929,661, amount effective July 3, 2005; and,
- B. Establish a not to exceed contingency amount for unanticipated expenses for the five-year contract period in the amount of \$6,654,781.

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 reprocure these lines into three regional contracts. This award is a five-year contract to provide service for the lines in the South Region (see Figure 1 on next page).

Figure 1: Contracted Metro Bus Lines- South Region

| Line | Name | Current Contract | Currently Operated By |
|------|---|------------------|-------------------------|
| 125 | Rosecrans Ave | PS 3150 0575 A | First Transit |
| 128 | Alondra Blvd | PS 3150 0575 A | First Transit |
| 130 | Artesia Blvd | PS 3150 0575 A | First Transit |
| 205 | Willowbrook - Harbor City - San Pedro | PS 3150 0575 A | First Transit |
| 214 | South Broadway / Main Loop - Artesia Transit Center | PS 3150 0575 C | First Transit |
| 225 | Palos Verdes Peninsula | PS 3150 0575 A | First Transit |
| 232 | Long Beach - L.A.X. via Sepulveda Blvd | PS 3150 0575 A | First Transit |
| 607 | North Inglewood Shuttle | OP 3150 1096 | Transportation Concepts |
| 608 | Crenshaw Connection | OP 3150 1096 | Transportation Concepts |
| 625 | Green Line Shuttle World Way West | OP 3150 1096 | 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 without increasing the cost per revenue service hour.

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 Degree service requirements or additional contracted services as part of the Metro Connections program.

FINANCIAL IMPACT

The funding of \$14,318,257 for this service is included in the proposed FY06 budget in cost center 3590, Contract Services under project 300011, task 11.1.01.3.01. 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 \$10,439,000 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

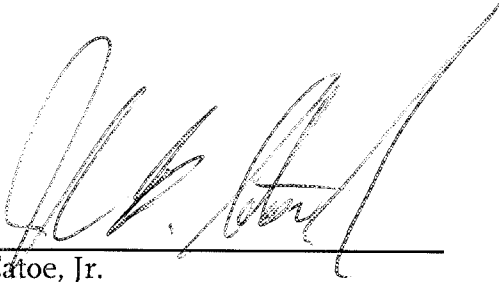
advantageous to our operations. Staff is already in the process of transferring Metro Bus Line 225 to the Palos Verdes Peninsula Transit Authority beginning in June 2005. Staff will continue to look for additional transfer opportunities during the term of this contract.

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 \$3.42 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 Metro 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.

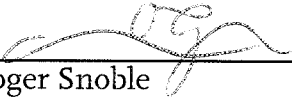
ATTACHMENTS

- A. Procurement Summary
- A-1. Procurement History
- A-2 List of Subcontractors
- B. Map of South Region Lines
- C. South 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 - SOUTH REGION

| | | | |
|-----|--|--|-------------------------------------|
| 1. | Contract Number: OP31501625 | | |
| 2. | Recommended Vendor: First Transit, Inc. | | |
| 3. | Cost/Price Analysis Information: | | |
| | A. Bid/Proposed Price: \$68,080,490 excluding fuel reimbursement | Recommended Price: \$66,547,818 excluding fuel reimbursement \$76,929,661 including fuel reimbursement | |
| | B. Details of Significant Variances are in Attachment A-1.D | | |
| 4. | Contract Type: Firm Fixed Unit Price | | |
| 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: 10.01% 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: 2 |
| 8. | Evaluation Information: | | |
| | A. Bidders/Proposers Names: | <u>Bid/Proposal Amount:</u> | <u>Best and Final Offer Amount:</u> |
| | Laidlaw Transit System, Inc. | \$81,755,785 | \$64,472,712 |
| | First Transit, Inc. | \$68,080,490 | \$66,547,818 |
| | Proposed amounts do not include fuel reimbursement. | | |
| | 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 - SOUTH REGION

A. Background on Contractor

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. For over fifty years, First Transit has provided three service approaches: transit management, transit contracting and management consulting.

First Transit's Transit Contracting Services provides a wide variety of approaches for transit system operations. Their experience encompasses the operation of fixed route, non-Emergency Medicaid brokerage, commuter express, paratransit, dial-a-ride, airport shuttle and shared-ride taxi services. First Transit has been providing contract bus services for the LACMTA under contracts for the past eight years and the firm has performed satisfactorily. First Transit has also provided service for the Los Angeles Department of Transportation (LADOT), the City of Gardena, the Palos Verdes Peninsula Transit Authority, the City of Pasadena, and Foothill Transit. On a national level, First Transit also provides contract services to over 100 other transit agencies located in the United States.

B. Procurement Background

This is a negotiated procurement for contract services for the South Region using the explicit factors evaluation methodology. The service includes the provision for 10 bus lines involving 77 buses.

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

Two proposals were received and evaluated according to the procurement policies and procedures, using the weighted guidelines 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.

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

Laidlaw Transit Services, Inc. (Laidlaw) submitted the other proposal for the South Region. Both Laidlaw and First Transit were found responsive to the DBE goal. Interviews and negotiations were conducted with both firms and both firms were asked to submit a Best and Final Offer (BAFO). In the BAFO, Laidlaw reduced its proposed price by approximately twenty-one percent (21%) and submitted the lowest cost. However, the Evaluation committee identified several weaknesses in Laidlaw's proposal in areas that are critical to the success of the Contract Services' program. Weaknesses were identified in Laidlaw's proposed maintenance program. Their proposed safety program was not considered comprehensive and the proposed key personnel have minimal relevant experience in the operation of similar size service. Overall, the Evaluation committee considered Laidlaw to be technically responsive but with significant risk that could affect delivery of quality bus services. On the other hand, First Transit offered a superior maintenance approach, had a comprehensive safety program and the key personnel have the necessary relevant experience with similar size service to provide quality leadership needed for the contract services.

Considering all these factors, the Evaluation Committee felt the apparent annual price premium was justified and recommended the contract be awarded to First Transit. First Transit proposed price per Revenue Service Hour (RSH) ranged from \$58.00 per RSH for the first year to \$68.60 for the final year. The details are shown on Attachment C.

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 - SOUTH REGION

PRIME CONTRACTOR – First Transit, Inc.

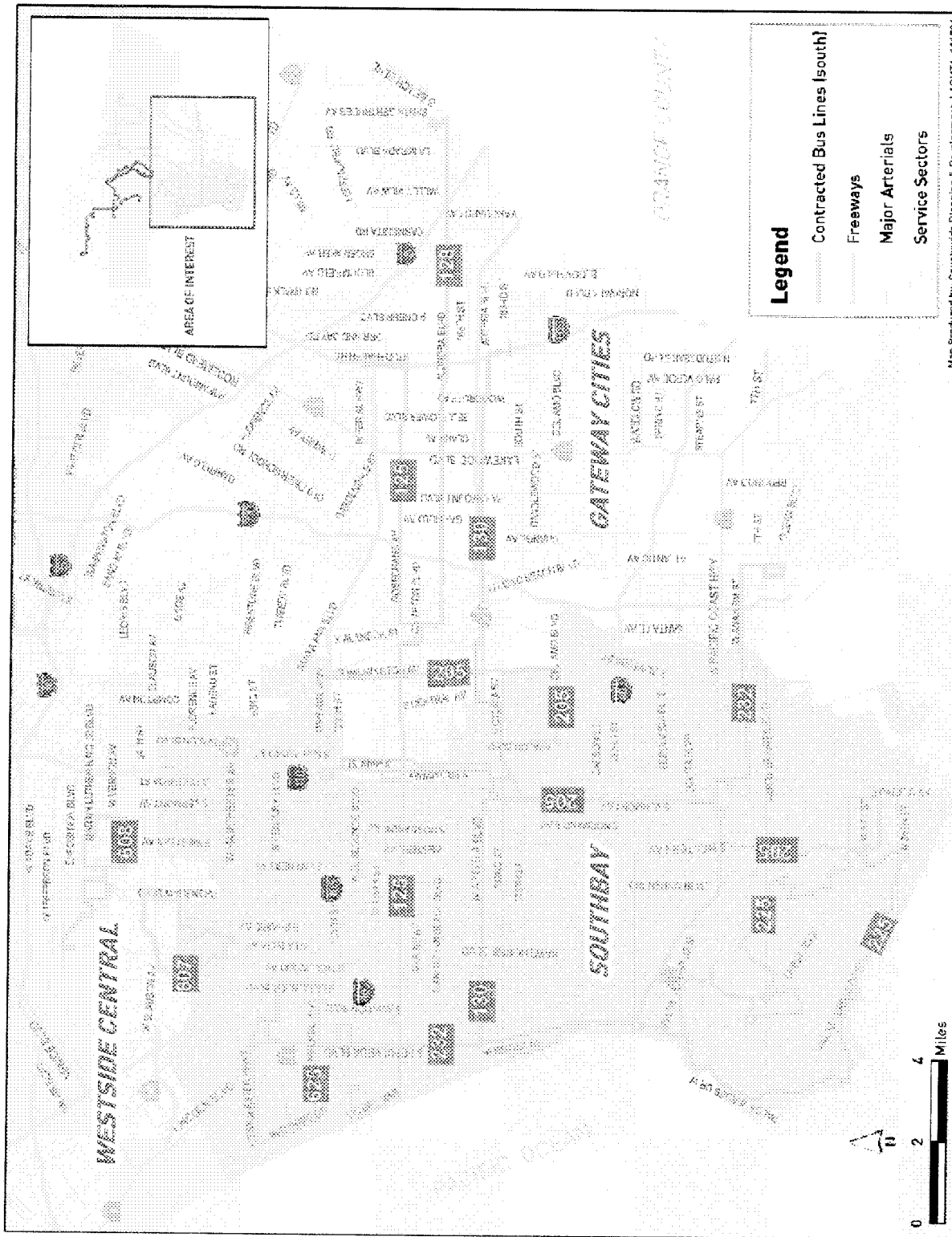
Small Business Commitment

Other Subcontractors

| | | |
|-------------------------------|-------|-------------|
| Sidney's Uniforms | 0.18% | None listed |
| Merrimac Energy Group | 7.00% | |
| BJR Superior Office Solutions | 0.02% | |
| Capital Office Products | 0.05% | |
| California Job Connection | 0.34% | |
| Alvaco Inc. (Avcogas) | 1.33% | |
| Uniserve Facilities Services | 1.09% | |

Total DBE Commitment 10.01%

ATTACHMENT B Map of South Region Lines



Map Produced by: Countywide Planning & Development, LACMTA, 111704.

ATTACHMENT C
South Region Contract Costs

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total |
|------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Revenue Service Hour Rate | \$58.00 | \$60.29 | \$61.53 | \$63.37 | \$68.60 | |
| Annual Revenue Service Hours | 213,436 | 213,436 | 213,436 | 213,436 | 213,436 | 1,067,182 |
| Operating Cost | \$12,378,994 | \$12,869,132 | \$13,132,257 | \$13,525,761 | \$14,641,673 | \$66,547,817 |
| Fuel | \$1,939,263 | \$2,005,790 | \$2,074,313 | \$2,144,891 | \$2,217,587 | \$10,381,844 |
| Total | \$14,318,257 | \$14,874,922 | \$15,206,570 | \$15,670,652 | \$16,859,260 | \$76,929,661 |