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**EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE
JUNE 21, 2007**

**SUBJECT: PS625011, DRUG TESTING LABORATORY SERVICES
MEDTOX LABORATORIES, INC.**

ACTION: AWARD CONTRACT FOR DRUG TESTING LABORATORY SERVICES

RECOMMENDATION

Authorize the Chief Executive Officer to award an eight-year unit rate contract, Contract No. PS625011, to Medtox Laboratories, Inc., for drug testing laboratory analysis services in an amount not to exceed \$670,000, inclusive of five one-year options, effective August 1, 2007.

RATIONALE

Metro's commitment to providing safe, reliable and efficient transportation services to the public and a safe and healthy work environment for its employees is complemented by its Drug and Alcohol Free Work Environment Policy (policy). Department of Transportation (DOT) and Federal Transit Administration (FTA) regulations 49 CFR Parts 40 and 655 require that Metro conduct drug testing of employees and job candidates in order to increase safety in mass transit operations. Failure to comply can result in suspension of Metro's eligibility to receive FTA funds. Metro's policy and testing program are not only fully compliant with federal regulations; they are considered a model for other agencies in the country.

Urine specimens are collected at six (6) medical clinics under separate contracts with Metro. The medical clinics contracts were the subject of a January 2007 Board Report. The laboratory receives the specimens via courier and conducts technical and scientific analysis in accordance with federal regulations and strict Department of Health and Human Services (HHS) protocols under the National Laboratory Certification Program. Test results are electronically transmitted to the Medical Review Officer (MRO) for the required review and verification process. The MRO functions under a separate contract and provides Metro with the final, verified results. Awarding separate contracts for these three services is one way to ensure Metro is in compliance with the checks and balances imposed by the DOT/FTA regulations, which require that the specimen analysis and the test result review be independent of each other as the MRO is the gatekeeper of the collection and testing processes.

The period of performance of the contract will be from August 1, 2007 to July 31, 2010.

FINANCIAL IMPACT

Funding for the first year of this contract, in the amount of \$99,450 is included in the proposed FY08 budget in cost center 6250 under Projects 100030, 100040, 100060, 100070, and 100080; Task 06.06, Services Outsourced/Drug Test Lab, account 50316. Since this is a multi-year contract, the cost center manager and Executive Officer will be accountable for budgeting the remaining cost in future years, including any option(s) exercised. In FY06 \$111,000 was expended for these services.

ALTERNATIVES CONSIDERED

One option would be to not obtain the drug testing laboratory services. However, this option was not considered because given the stringent restrictions imposed by HHS and the DOT/FTA regulations governing drug specimen analysis and reporting, these services are required in order for Metro to be in compliance with the DOT/FTA regulations.

ATTACHMENTS

- A Procurement Summary
- A-1 Procurement History
- A-2 List of Subcontractors
- A-3 Pricing Summary

PREPARED BY:

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Roger Snoble
Chief Executive Officer

**BOARD REPORT ATTACHMENT A
PROCUREMENT SUMMARY**

**PS625011, DRUG TESTING LABORATORY SERVICES
MEDTOX LABORATORIES, INC**

1.	Contract Number: PS625011		
2.	Recommended Vendor: Medtox Laboratories, Inc.		
3.	Cost/Price Analysis Information:		
	A. Bid/Proposed Price: \$641,080* *See Attachment A-3	Recommended Price: \$641,080	
	B. Details of Significant Variances are in Attachment A-1.D		
4.	Contract Type: Fixed Unit Rate		
5.	Procurement Dates:		
	A. Issued: March 2, 2007		
	B. Advertised: March 5 & 8, 2007		
	C. Pre-proposal Conference: None		
	D. Proposals Due: March 30, 2007		
	E. Pre-Qualification Completed: April 9, 2007		
	F. Conflict of Interest Form Submitted to Ethics: May 7, 2007		
6.	Small Business Participation:		
	A. Bid/Proposal Goal: No Goal Recommended	Date Small Business Evaluation Completed: February 2, 2007	
	B. Small Business Commitment: Details are in Attachment A-2 No Goal Recommended		
7.	Invitation for Bid/Request for Proposal Data:		
	Notifications Sent: 10	Bids/Proposals Picked up: 22	Bids/Proposals Received: 4
8.	Evaluation Information:		
	A. Bidders/Proposers Names:	Bid/Proposal Amount:	<u>Best and Final Offer Amount:</u>
	Medtox Laboratories, Inc.	\$641,080*	\$641,080
	Quest Diagnostics	\$953,630	\$953,630
	Laboratory Corporation of America	\$906,630	\$906,630
	Pacific Toxicology	\$891,966	\$891,966
	B. Evaluation Methodology: Details are in Attachment A-1.C		
9.	Protest Information:		
	A. Protest Period End Date:		
	B. Protest Receipt Date: TBD		
	C. Disposition of Protest Date: TBD		
10.	Contract Administrator: Maria V. Lechuga	Telephone Number: 922-7206	
11.	Project Manager: Jessica Gil	Telephone Number: 922-2-7172	

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

**PS625011, DRUG TESTING LABORATORY SERVICES
MEDTOX LABORATORIES, INC**

A. Background on Contractor

Medtox Laboratories Inc. has a home office in Saint Paul, Minnesota with local office in Santa Clarita, California. Medtox has been in the drug-testing services business since 1984 and offers a variety of testing capabilities to their clients. Medtox provides drug testing services to private and public corporations, occupational health clinics, hospitals, state and federal government entities. Among these are Northwest Airlines, Pacific Gas & Electric, AC Transit and New Jersey Department of Transportation. Medtox is one of the nation's largest SAMHSA-certified drug testing laboratories. It also operates an extensive CAP-accredited clinical and occupational testing laboratory. The numerous certifications and accreditations received by Medtox are evidence of the company's meticulous procedures and laboratory standards. Medtox is certified in each state and adheres to all applicable federal, state and local regulations. The performance and qualifications of the laboratory personnel exceed the requirements set by the Department of Health and Human Services.

B. Procurement Background

The Technically Acceptable, Lowest Price method was used for this procurement. Contractors were required to pass the minimum requirements of knowledge, experience and certifications in order to be determined technically qualified. The Source Selection Committee determined the technically qualified laboratories; cost proposals were opened only for the technically acceptable laboratories and award recommended to the lowest price.

C. Evaluation of Proposals

The procurement process for this contract was in compliance with Metro's Procurement policies and procedures. Four proposals were received. The Source Selection Committee evaluated each proposal against the minimum requirements previously established to determine if they were technically acceptable. Once determined to be technically acceptable, the cost proposals were opened. All the laboratories' rates were multiplied by the estimated 9,400 drug tests per year to determine what the total cost for the eight years would be. Medtox's unit rates were 31%- 44% less than the unit rates offered by the other laboratories. This analysis does not include the other services the laboratories may have to provide upon request.

A comparison was done against the other services that the laboratories may have to provide upon request, i.e. litigation packages, expert witness testimony and subject matter consultation and Medtox was lower or comparable to the rates offered by the other laboratories.

The proposed unit rates from Medtox were accepted without negotiation because their rates were the lowest of all the proposers.

D. Cost/Price Analysis Explanation of Variances

The recommended price has been determined to be fair and reasonable based upon a competitive procurement process. The proposed unit rates by Medtox are less than the other three proposers, one of whom is the incumbent. Metro currently pays \$11.50 per specimen analysis and averaged approximately \$107,000 per year during the current contract period for laboratory expenses. With Medtox, the first year would be approximately \$77,700, which represents the pricing per specimen and the estimated amount of \$2,500 for other required services.

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

**PS625011, DRUG TESTING LABORATORY SERVICES
MEDTOX LABORATORIES, INC**

PRIME CONTRACTOR – Medtox Laboratories, Inc.

Small Business Commitment

Other Subcontractors

N/A

None

Total Commitment 0%

**BOARD REPORT ATTACHMENT A-3
PRICING SUMMARY FOR THE DRUG TESTING LABORATORY SERVICES**

	3 Year Base Contract			5 Option Years				
	Yr. 1	Yr. 2	Yr. 3	Opt. 1	Opt. 2	Opt. 3	Opt. 4	Opt. 5
Pricing per specimen testing								
Med Tox Lab	\$8.00	\$8.15	\$8.30	\$8.45	\$8.60	\$8.75	\$8.90	\$9.05
Quest Lab	\$11.50	\$11.50	\$12.00	\$12.35	\$12.75	\$13.10	\$13.75	\$14.50
Pac Tox	\$10.55	\$10.60	\$10.65	\$11.65	\$12.12	\$12.60	\$13.10	\$13.62
Lab Corp	\$11.50	\$11.50	\$11.50	\$11.79	\$12.08	\$12.38	\$12.69	\$13.01
D&L Isomers Testing								
Med Tox Lab	N/C	N/C	N/C	N/C	N/C	NC	N/c	N/c
Quest Lab	Included*	Included*	Included*	Included*	Included*	Included*	Included*	Included*
Pac Tox	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Lab Corp	\$40.	\$40.	\$40.	\$40.	\$40.	\$40.	\$40.	\$40.
Other additional testing not included below (please specify, if any)								
Med Tox Lab	-	-	-	-	-	-	-	-
Quest Lab	*D&Ls capped at 10 yrs.	*D&Ls capped at 10 yrs.	*D&Ls capped at 10 yrs.	*D&Ls capped at 10 yrs.	*D&Ls capped at 10 yrs.	*D&Ls capped at 10 yrs.	*D&Ls capped at 10 yrs.	*D&Ls capped at 10 yrs.
Pac Tox	30% disc from list	30% disc from list	30% disc from list	30% disc from list	30% disc from list	30% disc from list	30% disc from list	30% disc from list
Lab Corp	-	-	-	-	-	-	-	-

Other Services to be provided upon Request

Litigation Package	Fee
Med Tox Lab	\$100 ea.
Quest Lab	\$250 ea.
Pac Tox**	\$125 per pkg (**5% increase in ea of Yrs 2 & 3; 10% per yr for Yrs. 4-8)
Lab Corp	\$250 ea. DOT / \$125 ea. Non-DOT
Expert Witness Testimony	
Med Tox Lab	In person \$200 per hr + Expen / Max \$1,000/day Telephonic testimony (actual time on phone) \$100 per hr. Preparation time for Expert Witness Testimony \$100 per hr.
Quest Lab	Fee \$500 + Travel / \$75.00 per hr.
Pac Tox**	\$195 per hr / \$780/half day (**5% increase in ea of Yrs 2 & 3; 10% per yr for Yrs. 4-8)
Lab Corp	\$125 per hr. at company site / \$500 per half day \$1,000 per /day at client site + (actual, reasonable expenses)
Subject Matter Consulting	
Med Tox Lab	Included with Expert Witness Testimony
Quest Lab	Included in Expert Witness Fee above
Pac Tox**	\$125 per hr. / \$500 per half day (**5% inc. Yrs 2 & 3; 10% per yr for Yrs. 4-8)
Lab Corp	Included with Expert Witness Testimony

**BOARD REPORT ATTACHMENT A-3
PRICING SUMMARY FOR THE DRUG TESTING LABORATORY SERVICES**

	Proposer	3 Year Base Contract			5 Option Years					TOTAL
		Yr. 1	Yr. 2	Yr. 3	Opt. 1	Opt. 2	Opt. 3	Opt. 4	Opt. 5	
Assume 9,400 drug tests per year x pricing per specimen	Med Tox Lab	\$8.00	\$8.15	\$8.30	\$8.45	\$8.60	\$8.75	\$8.90	\$9.05	
		\$75,200	\$76,610	\$78,020	\$79,430	\$80,340	\$82,250	\$83,660	\$85,070	\$641,080
	Quest Lab	\$11.50	\$11.50	\$12.00	\$12.35	\$12.75	\$13.10	\$13.75	\$14.50	
		\$108,100	\$108,100	\$112,800	\$116,090	\$119,80	\$123,140	\$129,250	\$136,300	\$953,630
	Pac Tox	\$10.55	\$10.60	\$10.65	\$11.65	\$12.12	\$12.60	\$13.10	\$13.62	
		\$99,170	\$99,640	\$100,110	\$109,510	\$113,928	\$118,440	\$123,140	\$128,028	\$891,966
	Lab Corp	\$11.50	\$11.50	\$11.50	\$11.79	\$12.08	\$12.38	\$12.69	\$13.01	
	\$108,100	\$108,100	\$108,100	\$110,826	\$113,552	\$116,372	\$119,286	\$122,294	\$906,630	

