



Metro

Metropolitan Transportation Authority

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**FINANCE AND BUDGET COMMITTEE
JUNE 20, 2007**

SUBJECT: FAREBOX REVENUE PROCESSING

ACTION: APPROVE CONTRACT FOR THE SALE OF CURRENCY

RECOMMENDATION

Authorize the Chief Executive Officer to award a five-year, fixed rate contract, Contract No. PS 0740161979, to Los Angeles Federal Armored Services, Inc., for the sale of currency, in an amount not to exceed \$7,800,000, inclusive of four one year options, effective July 1, 2007.

RATIONALE

Since introduction of the day pass in 2004, the Treasury Department receives approximately \$100 million per year in one dollar bills from bus fareboxes. Banks require that paper currency be faced, counted and banded before it can be accepted for deposit. Since the bills collected from the bus operations are commingled into large mobile bins, counting and processing bills is a labor intensive operation that is expensive when done by Metro staff.

FINANCIAL IMPACT

Funding of \$1,005,460 for this service is included in the FY07 budget in cost center 5440, Revenue Collections. These funds are divided among five sector projects under account 50906. Since this is a multi-year contract, the cost center manager will be accountable for budgeting the cost in future years, including any option exercised. As of December 31, 2006, \$474,277 in fees had been charged for FY07 currency services.

ALTERNATIVES CONSIDERED

One option considered is to have staff count and deposit farebox currency. This option is not recommended because the estimated cost of additional staff plus supervisory and security personnel, would be approximately \$1 million per year more than the recommended price.

BACKGROUND

On a daily basis, revenues from buses which are in the cashbox section of the farebox are securely transferred into the mobile bins. The mobile bins are removed and transported to the Central Cash Counting Office (CCCO) via Metro's armored vault trucks. At the CCCO, the coins are sorted and counted by machines for deposit to the bank. The bills, which are mostly in singles, are manually sorted by staff to separate the large denomination bills which are commingled in the mobile bins. The large denomination bills are manually counted and deposited to the bank by Metro staff. The singles which comprise 99% of the bills received

are labor intensive to count due to the conditions of the bills, not faced or stacked. They are weighed and sold to a vendor “as-is” by weight at the contract rate, and the vendor keeps/absorbs minor over/under variances.

As an internal control, the weighing scale is calibrated daily. Staff randomly counts weighed bags for accuracy and to determine the average piece weight of each unit. At the end of each business day, the currency vendor is notified of the total amount of bus farebox revenues and the vendor electronically transfers the net amount to Metro’s depository bank. Upon confirmation of wire transfer by staff, the vendor is allowed to pick up the money for transport to the vendor’s cash counting facility.

The bills collected from the Metro rail system are not included in the amount sold to the vendor. Individual ticket vending machine bill containers are brought into the CCCO for handling. Since the bills are faced and stacked when removed from the container, they can be placed directly into a bill sorter for counting. Deposits to Metro’s bank are then made by staff.

ATTACHMENT

A. Procurement Summary

Prepared by: Marcelo T. Melicor, Revenue Collections Manager



Terry Matsumoto
Chief Financial Services Officer and
Treasurer



Roger Snoble
Chief Executive Officer

**ATTACHMENT A
PROCUREMENT SUMMARY**

CURRENCY COUNTING SERVICES

1.	Contract Number: PS 0740161979		
2.	Recommended Vendor: Los Angeles Federal Armored Services, Inc.		
3.	Cost/Price Analysis Information:		
	A. Proposed Price: Not-To-Exceed \$7,800,000	Recommended Price: Not-To-Exceed \$7,800,000	
	B. Details of Significant Variances are in Attachment A-1.D		
4.	Contract Type: Unit Rate		
5.	Procurement Dates:		
	A. Issued : February 08, 2007		
	B. Advertised: February 08, 2007		
	C. Pre-proposal Conference: February 15, 2007		
	D. Proposals Due: March 07, 2007		
	E. Pre-Qualification Completed: March 27, 2007		
	F. Conflict of Interest Form Submitted to Ethics: March 07, 2007		
6.	Small Business Participation:		
	A. Proposal Goal: 0%	Date Small Business Evaluation Completed: January 29, 2007	
	Small Business Commitment: 0%		
7.	Request for Proposal Data:		
	Notifications Sent: February 08, 2007	Proposals Picked up: 2	Proposals Received: 2
8.	Evaluation Information:		
	A. Proposers Names: Dunbar Armored L. A. Federal Armored Services, Inc.	Proposal Amount: NTE \$7,800,000 NTE \$7,800,000 (LAFA proposed lower unit rates).	<u>Best and Final Offer Amount:</u> N/A
	B. Evaluation Methodology: Describe Methodology Details are in Attachment A-1.C		
9.	Protest Information:		
	A. Protest Period End Date: May 22, 2007		
	B. Protest Receipt Date:		
	C. Disposition of Protest Date:		
10.	Contract Administrator: Bassar Richardson	Telephone Number: 213-922-4596	
11.	Project Manager: Marcelo Melicor	Telephone Number: 213-922-7621	

**ATTACHMENT A-1
PROCUREMENT HISTORY**

CURRENCY COUNTING SERVICES

A. Background on Contractor

Los Angeles Federal Armored Services, Inc. (LAFA) is located in Los Angeles, California. LAFA draws on over 17 years of experience with receiving, shipping and processing of currency and coins.

LAFA's major area of business expertise is providing currency counting services for a variety of customers, such as, Southern California Regional Rail Authority (Metrolink) and Orange County Transportation Authority (OCTA). Furthermore, LAFA has satisfactorily processed Metro's currency for the past five (5) years.

LAFA maintains a fleet of 13 armored trucks and currently buys between 1,500,000 to 2,000,000 one dollar bills per week packaged by staff into bags containing 4,000 bills. LAFA's facility is located within a mile of downtown Los Angeles and is within a few minutes of the Federal Reserve Bank Los Angeles Branch.

B. Procurement Background

Metro conducted a Request for Proposal (RFP) 2 Step; Technically Acceptable, Lowest Price type procurement. Basis of award, as stated in the RFP, is predicated on each successfully meeting the technical evaluation criteria. LAFA & Dunbar Armored passed the technical requirements are, therefore, eligible for price consideration. LAFA provided the lowest proposed priced/unit rates and is therefore recommended for contract award. This contract will be for a term of one (1) year with four (4) one-year options.

The Diversity & Economic Opportunity Department (DEOD) did not recommend a Small Business Enterprise (SBE) goal for this procurement. Based on industry practices, the prime contractor is expected to complete the entire scope of work with its own workforce. However, pursuant to the SBE Program, if the contractor utilizes the services of subcontractors, the prime contractor is expected to afford maximum opportunities to the SBE firms in all subcontracting and supply services areas throughout the life of the contract.

C. Evaluation of Proposals

This procurement was conducted in accordance with Metro's policies and procedures. Both proposers were determined to be technically qualified to provide the required services. LAFA's price was the most advantageous and therefore is recommended for award.

LAFA has been validated through Metro's Pre-Qualification process.

D. Cost/Price Analysis Explanation of Variances

The recommended price has been determined to be fair and reasonable based upon adequate price competition. LAFAs proposed unit rates average 72% less than Dunbar's proposed unit rates. The proposed unit rates are less than Metro is currently paying for these services.

The annual unit prices per 1,000 units are as follows:

<u>PERIOD</u>	<u>FEE PER 1,000 BILLS</u>
Base Year	\$7.95
1 st Option Year	\$8.25
2 nd Option Year	\$8.50
3 rd Option Year	\$9.00
4 th Option Year	\$9.50

ATTACHMENT A-2
LIST OF SUBCONTRACTORS

CURRENCY COUNTING SERVICES

PRIME CONTRACTOR - Los Angeles Federal Armored Services, Inc.

Small Business Commitment

Other Subcontractors

N/A

N/A

Total Commitment

N/A

