Los Angeles County
Metropolitan Transportation Authority

One Gateway Plaza
Los Angeles, CA 90012-2952

213
me

Metro

OPERATIONS COMMITTEE
MARCH 19, 2009

SUBJECT: CONTRACTED BUS SERVICE – EAST REGION CONTRACT MODIFICATION

ACTION: MODIFY CONTRACT TO PROVIDE ADDITIONAL FUNDING

RECOMMENDATION

Authorize the Chief Executive Officer to:

A. Negotiate and execute Modification No. 4 to Contract No. OP31501623 with Southland Transit, Inc.(STI) to provide additional funding for fuel, operations and maintenance for years four and five of the five-year contract in the amount not to exceed $4,964,260 increasing the Total Contract Value from $33,504,614 to $38,468,874, and;

B. Use previously approved Board Approved Contingency to modify Contract No. OP31501623 with Southland Transit, Inc. in the amount of $2,955,241 to provide additional funding for fuel, operations and maintenance costs increasing the Total Contract Value from $38,468,874 to $41,424,115.

RATIONALE

Fuel costs have increased significantly since the time this contract was awarded in April 2005. Service levels were increased when a new Metro Express line (577) was added in December 2005. Additionally, an equitable adjustment to the hourly rate is recommended since certain buses originally scheduled for replacement in contract years two and three were replaced with used vehicles instead of new vehicles.

Background

In April 2005, we awarded a five-year contract to Southland Transit for contracted bus services to operate fixed-route service in our East Region (San Gabriel Valley). The contract was effective August 1, 2005. Staff is projecting that the actual expenses through the end of this contract term will be $41,424,115 and therefore additional spending authority is being requested at this time.

The contract provisions require us to pay actual fuel expenses on a reimbursement basis. At the time of award, fuel costs over the five-year contract period were estimated at $3,623,357 based on average fuel costs of $5.84 per revenue service hour. In the first year of the contract, average actual fuel costs were approximately $8.99 per revenue service hour and have been as high as $13.99 per revenue service hour for the first seven months of FY 2009. The funds requested are required to cover actual expenses incurred as well as projected fuel costs through the end of the contract.

The reasons that original contract estimates were low in comparison to current projections include the following: actual fuel costs for the fleet, which has included a combination of gasoline, diesel, propane and compressed natural gas vehicles, have been higher during the contract period than originally forecast; and, original fuel estimates were based on a lower service level of 120,454 revenue service hours per year while actual service levels provided under this contract have been approximately 133,185 revenue service hours per year.

The Request for Proposal (RFP) and scope of work also indicated that we would replace certain buses during contract years two and three. The replacement schedule was based on individual life expectancy of a bus as determined by the manufacturer. Because new buses would have extensive warranty coverage, our RFP instructed the proposers to anticipate reduced maintenance costs for years two through five of the contract period and all proposers included the reduced costs as a part of their proposals. Contract year three began August 1, 2007 and because of limited capital funding, the replacement vehicles were not included in our approved capital program. In October, 2007, the Board approved an equitable adjustment to compensate Southland Transit for additional maintenance costs in year three for buses that were not replaced in the form of a not-to-exceed amount of $328,839.

In November 2007, staff provided an update on the strategy to mitigate the need for equitable adjustments with the existing contracts. That update indicated that a new RFP would be issued for the North Region to allow a consolidation of the retirement eligible buses under a new contract. In May 2008, the Board approved the award of the Contracted Transportation Services – North Region contract to Veolia Transportation. Additionally, the Board authorized funding for the replacement of 53 retirement-eligible buses within the contract fleet. Bids for that procurement were received in December and staff anticipates requesting Board approval for an award by May 2009.

For Southland Transit's contract, we have provided different buses, but not new buses, to operate in contract years four and five. Based on discussions with Southland Transit, an equitable adjustment in the form of a rate increase from $49.88 per revenue service hour to $55.17 per revenue service hour for contract year four, and from $51.31 per revenue service hour to $56.61 per revenue service hour for contract year five, has been proposed to compensate the vendor for additional maintenance costs associated with operating the current fleet through the end of its five year contract. Staff is reviewing the proposed adjustments and, with the Board's approval, will negotiate final amounts within the next two months. These proposed rates compare favorably with the two other contracts region rates for the same periods as shown in the table below:

Contract Period:	Aug 08 – July 09	August 09 – July 10
Proposed East Region Rate per RSH	$55.17	$56.61
Actual North Region Rate per RSH	$69.08	$71.65
Actual South Region Rate per RSH	$63.57	$68.60

IMPACTS TO OTHER CONTRACTS

There are no impacts to other contracts that would result from the proposed modifications.

FINANCIAL IMPACT

The funding of $4,964,260 for these modifications is included in the FY09 budget in cost centers 3590, Transportation Contract Services under bus operations project 300011, and line item 50801 – Purchased Transportation.

Since this is a multi-year contract, the cost center manager and Chief Operations Officer will be accountable for budgeting the cost in future years, including any options exercised. In FY08, $37,043,736 was expended on contracted fixed route transportation services.

ALTERNATIVES CONSIDERED

Staff considered reallocating service to other contractors to mitigate the need for additional funds for fuel and operations under this contract. This is not recommended as the two other contract bus service providers have higher operating rates and because fuel costs are reimbursed based on actual costs, so this would result in higher overall costs to us.

Staff considered terminating the contract for convenience and bringing the services in-house to be directly operated by us. Based on our marginal Bus Operating Cost ($100.00/RSH), it would cost significantly more to operate these services in-house. There are also some one-time costs that would be associated with a termination for convenience and bringing these services in-house. Physical modifications may also be needed at existing Divisions to accommodate the additional buses and division staff would need to be trained to operate and maintain the different types of buses currently used to provide contracted bus services.

Staff also considered re-procuring the contracts. This action is not recommended at this time as it would involve terminating the contract for convenience which would necessitate the payment of one-time costs associated with the termination. Because there are few firms with the capability to operate the level of required contracted bus services, this action would likely result in having the same or other firms operate the service at a higher cost per revenue service hour.

ATTACHMENT(S)

A. Procurement Summary
A-1 Procurement History
A-2 List of Subcontractors

Prepared by: Shannon Anderson, Transportation Contract Services Manager
Michael Greenwood, Deputy Executive Officer, Transportation Contract Services

Carolyn Flowers
Chief Operations Officer

Roger Snoble
Chief Executive Officer

BOARD REPORT ATTACHMENT A
PROCUREMENT SUMMARY
CONTRACTED BUS SERVICE – EAST REGION CONTRACT MODIFICATION

Contract Number: OP31501623 – Southland Transit, Inc.		
Recommended Vendor: See above.		
Cost/Price Analysis Information:		
A. Bid/Proposed Price: $4,964,260	Recommended Price: Not to Exceed: $4,964,260	
B. Details of Significant Variances are in Attachment A-1.D		
Contract Type: Fixed Unit Rate		
Procurement Dates:		
A. Issued: NA		
B. Publicized: NA		
C. Pre-proposal Conference: NA		
D. Proposals Due: NA		
E. Pre-Qualification Completed: NA		
F. Conflict of Interest Form Submitted to Ethics: NA		
Small Business Participation:		
A. Bid/Proposal Goal: 10% DBE goal	Date Small Business Evaluation Completed: NA	
B. Small Business Commitment: 11.10% DBE – Southland Transit, Inc. Details are in Attachment A-2		
Invitation for Bid/Request for Proposal Data:		
Notifications Sent: NA	Bids/Proposals Picked up: NA	Bids/Proposals Received: NA
Evaluation Information:		
A. Bidders/Proposers Names: NA	<u>Bid/Proposal Amount:</u> NA	<u>Best and Final Offer Amount:</u> NA
B. Evaluation Methodology: Explicit Factors. Details are in Attachment A-1.C		
Protest Information:		
A. Protest Period End Date: NA		
B. Protest Receipt Date: NA		
C. Disposition of Protest Date: NA		
Contract Administrator: Susan M. Dove	Telephone Number: 922-7451	
Project Manager: Shannon Anderson	Telephone Number: 922-2802	

BOARD REPORT ATTACHMENT A-1
PROCUREMENT HISTORY

CONTRACTED BUS SERVICE – EAST REGION CONTRACT MODIFICATION

A. Background on Contractor

Southland Transit

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

Competitive solicitations were issued for the North, East and South regions of Los Angeles County. The Request for Proposal required vendors to propose a fixed rate for each revenue service hour that would be needed to provide the proposed transportation service. The revenue service hour costs included all operation and maintenance costs with the exception of fuel. Because of the price volatility of fuel, fuel costs are directly reimbursed to the contractor based on actual costs. The Board approved the award of Contract Nos. OP31501623 and OP31501624 for the Contracted Transportation Services North Region and East Region respectively in April 2005. The Board approved the award of Contract OP31501625 of the Contracted Transportation Services South Region in May 2005. The services commenced in August 2005.

The Diversity and Economic Opportunity Department recommended a Disadvantaged Enterprise Goal (DBE) goal of ten percent (10%) for the solicitation. Southland Transit committed to a DBE goal of 11.10%.

C. Evaluation of Proposals

As a result of fleet changes, Southland is operating a different bus fleet than the initial fleet that was outlined in the original contract. Specifically, the firm originally operated gasoline, diesel and propane fueled buses. Metro subsequently assigned CNG buses to the Contractor. This change increased maintenance costs.

In September 2008, Southland proposed an equitable adjustment in the form of a rate increase from $49.88 per revenue service hour to $55.17 per revenue service hour for contract year 4, and from $51.31 per revenue service hour to $56.61 per revenue service hour for contract year 5, to compensate the contractor for additional costs. This equates to an approximate dollar increase of $1,152,002 for operation costs in contract years 4 and 5 which is considered fair and reasonable. As a result of an increase in the price of fuel and the increased fuel usage for the additional revenue service hours, there is a need to provide additional funding for anticipated fuel costs for the remainder of the contract period. Based on a review of the fuel records, and invoices, it was determined that $3,812,258 will be needed. Thus, an additional $4,964,260 is needed to fully fund this contract.

D. Cost/Price Analysis Explanation of Variances

The recommended price of $4,964,260 for operating and fuel costs has been determined to be fair and reasonable based on a cost/price analysis.

BOARD REPORT ATTACHMENT A-2
LIST OF SUBCONTRACTORS

CONTRACTED BUS SERVICE MAINTENANCE COST INCREASE

SMALL BUSINESS PARTICIPATION (Contract #OP-3150-1623)

This Contract has a Disadvantaged Business Enterprise (DBE) participation commitment of 11.10%. The contract was awarded to Southland Transit on April 21, 2005 and is approximately 70% complete. Current DBE attainment[1] based on the current contract amount[2] is 7.95%. Current DBE participation[3] based on total actual amount paid-to-date to Contractor and total actual amount paid-to-date to DBE firms is 10.40%. Three of the original four subcontractors/suppliers are performing as listed below. The Contractor has demonstrated Good Faith Efforts by utilizing two additional DBE firms, which were not listed with the original team.

Original Award Amount **$33,175,775**

Current Contract Amount[2] **$33,504,614**

Total Actual Amount Paid to Date to Prime **$25,611,339**

Subcontractor's Name	Commitment	Current Attainment[1]	Current Participation[3]	Current Status
BriteWorks	3.80%	2.52%	3.30%	Performing
Pinnacle Petroleum	6.55%	0.00%	0.00%	Substituted
California Job Connection	0.47%	0.39%	0.51%	Performing
JCM & Associates	0.28%	0.16%	0.21%	Performing
W.C. Goolsby	Added	4.76%	6.22%	Performing
Expo Propane	Added	0.12%	0.16%	Performing
TOTAL	11.10%	7.95%	10.40%	Performing

[1]Current Attainment = Total Actual Amount Paid-to-Date to DBE Subs ÷ Total Current Contract Amount
[2]Current Contract Amount = Original Contract Amount + Contract Cost Modifications
[3]Current Participation = Total Actual Amount Paid-to-Date to DBE Subs ÷ Total Actual Amount Paid-to-Date to Prime