



## Board Report

File #: 2016-0538, File Type: Contract

Agenda Number: 37.

### SYSTEM SAFETY, SECURITY AND OPERATIONS COMMITTEE SEPTEMBER 15, 2016

**SUBJECT: A650 HEAVY RAIL VEHICLE (HRV) OVERHAUL AND CRITICAL COMPONENT REPLACEMENT PROGRAM (OCCRP), RAIL VEHICLE CONTRACTOR**

**ACTION: APPROVE CONTRACT AWARD**

#### **RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to:

- A. ESTABLISH a Life-of-Project (LOP) Budget of \$86,662,000 for the **overhaul of 74 A650 Heavy Rail Vehicles** (HRV's) under CP 206038 - HRV Midlife Overhaul; and
- B. AWARD a firm-fixed Unit Rate Contract Number A650-2015: HRV Overhaul and Critical Component Replacement Program (OCCRP) to Talgo, Inc. for a not-to-exceed amount of \$72,970,493 to perform the overhaul and delivery of 74 HRV's, with a contract period of performance of 56 months, including all option vehicles. The Base Contract is for the overhaul of 38 HRV's (\$54,698,676), with an option to overhaul the remaining 36 HRV's (\$18,271,817).

#### **ISSUE**

In July 2014, the Board authorized staff to issue a federally funded solicitation for a Best Value Request for Proposals (RFPs) as competitive negotiations pursuant to PCC § 20217 and Metro's procurement policies and procedures for the Overhaul Program.

Staff's recommendation presents the firm that is most advantageous to Metro. Talgo, Inc.'s offer represents the Best Value to Metro when all technical and price factors are considered in accordance with the approved evaluation criteria. The Procurement Summary of this report (Attachment A) further describes the evaluation results and detailed rankings for all Proposers, including the weighted scores associated with each evaluation criteria.

This action authorizes Talgo, Inc. to overhaul and replace the critical components further described in the RFP No. A650-2015 Heavy Rail Vehicle Overhaul and Critical Component Replacement Program (OCCRP) in order to maintain the fleet in a State of Good Repair (SGR).

#### **DISCUSSION**

The primary objective of the project is to obtain safe, reliable, high quality overhauled HRVs on-time and within budget, and to create new jobs for Los Angeles County that can be tied directly to the Overhaul Program.

The Los Angeles County Metropolitan Transportation Authority (Metro) operates the Metro Red Line (MRL) with a fleet of 104 Vehicles, consisting of 30 Original (Base-Buy) HRVs and 74 Newer (Option-Buy) HRVs manufactured by Breda Costruzioni-Ferrovie between 1992 and 2000. The Original fleet has an average age of 23.5 years and average mileage of 790,000 miles per vehicle. The Newer HRVs have an average age of 17.6 years with average mileage greater than 1.3 million miles per vehicle.

The Newer HRVs are the heaviest used Vehicles. Many of the critical systems and components suffer from parts obsolescence, lack of vendor support and outdated technology. These deficiencies diminish the performance and maintainability of the fleet. By overhauling and replacing these vital systems and components and by updating relevant technology, this Overhaul Program will maintain the fleet's State of Good Repair and ensure the continued safety, reliability, availability, and maintainability of the fleet for full revenue service.

Performing the Overhaul Program is also in accordance with the Rail Fleet Management Plan FY2015 - FY2040 (Draft, May 24, 2016, v.8). The plan anticipates a need to expand each rail fleet to accommodate anticipated growth in ridership, line extensions and to replace vehicles reaching the end of their useful revenue service life. The Overhaul Program will also support the maintenance department with reasonable spare ratios.

Metro's Source Selection Committee (SSC) reviewed the proposals and evaluated four (4) key factors, weighted in descending levels of relative importance: 1) Experience and Past Performance, 2) Price, 3) Technical Compliance, and 4) Project Management. Metro also applied the US Department of Transportation's (US DOT) pilot Local Employment Program (LEP) as voluntary incentive evaluation criteria. The two proposals received were in compliance with the RFP requirements and determined to be within the Competitive Range.

Upon Board approval, Notice-to-Proceed (NTP) will be issued to the vehicle contractor. Delivery of the 38 overhauled base order HRVs is scheduled to be completed within 46 months following NTP, approximately by June 2020. The Contract contains one (1) Option to overhaul the remaining 36 HRVs. The Option may be exercised within 12 months following NTP without being subject to escalation costs. If exercised, the Contract will be extended by 10 months with up to four (4) overhauled HRVs delivered per month. This approach permits Metro flexibility and time to identify and program future funding. The required delivery dates have liquidated damage assessments that may be imposed for late deliveries.

The Diversity and Economic Opportunity Department (DEOD) did not recommend a Disadvantaged Business Enterprise (DBE) goal for this procurement as it is not applicable (please refer to Attachment E). This procurement falls under the Federal Transit Administration's (FTA) Transit Vehicle Manufacturer (TVM) goal in accordance with 49 Code of Federal Regulations (CFR) Part 26.49.

### US DOT Contracting Initiative Pilot Program

Metro created a new Local Employment Program (LEP) that was approved for use under the U.S. Department of Transportation's (DOT) Contracting Initiative Pilot Program. This pilot program allows for the use of geographical preferences in the evaluation of Construction and Rolling Stock projects. Metro's LEP was approved for use on the A650 Overhaul Program on a voluntary basis, and established evaluation scoring preferences for Proposers that commit to creating new local jobs for Los Angeles County residents.

DOT and FTA determined that using a Los Angeles County geographical preference for a rail car overhaul project would not provide an unfair competitive advantage for any one Proposer. Metro's LEP is limited to new jobs created by the Proposers in Los Angeles County, provided that at least 10 percent of the jobs are targeted for defined disadvantaged populations in Los Angeles County. Metro's LEP incentivized Proposers to create new jobs in Los Angeles County as a function of the Best Value evaluation process, by providing preferential scoring points based on the committed wages and benefits for new Los Angeles County workers.

Staff's goal of creating meaningful new manufacturing jobs that are tied to Metro's Rolling Stock overhaul program was achieved, as evidenced by the fact that the recommended Awardee, Talgo, Inc. has committed to creating new jobs in Los Angeles County totaling \$2,212,676 in wages and benefits. This equates to 16.9 FTE job years for the Base and Option period.

### **DETERMINATION OF SAFETY IMPACT**

The approval of this Contract award will have a direct and positive impact to system safety, service quality, system reliability, maintainability and overall customer satisfaction. The A650 Overhaul Program will permit Metro to maintain the "State of Good Repair" on the A650 Option-Buy fleet.

### **FINANCIAL IMPACT**

Upon Board approval, this action will establish an LOP Budget of \$86,662,000 for Overhaul of 74 HRV's. The Project LOP not only includes resources for the HRV Overhauls (\$72,970,493), there are also resources necessary for Professional Services, Metro Labor, and Project Contingency. The Base Overhaul is of 38 HRV's (\$54,698,676) and Option Overhaul is of the remaining 36 HRV's (\$18,271,817). Full funding of \$54,698,676 for the 38 Base Overhauls is included in the FY17 budget. Base overhauls are currently scheduled to be completed in FY21. The \$18,271,817 needed for the 36 HRV's, as well as other project resources will be budgeted upon reassessment of project cash flows and programming of additional funds. These resources will be programmed during Metro's annual budget process.

Project funding of \$6,136,536 is included in the FY17 budget in Cost Center 3043 - Rail Vehicle Acquisition, Account 50308 - Service Contract Maintenance, under Project CP206038, Heavy Rail Vehicle Midlife Overhaul.

Since this is a multi-year contract, the cost center manager, project manager, and Senior Executive

Officer, Vehicle Acquisition will be responsible for ensuring that Project costs are budgeted in future fiscal years.

#### Impact to Budget

The sources of funds for this action is Measure R 2% and Prop A 35% Bonds, which are eligible for rail capital activities. The funding sources under this project are sufficient to award the contract base of this recommendation. Staff is actively pursuing additional State and Federal sources such as MAP -21 and other eligible federal sources. Staff is also pursuing additional State and Local funding sources such as Cap and Trade and similar sources as they become available to meet the funding needs for the Project.

#### **ALTERNATIVES CONSIDERED**

Staff considered using in-house Metro resources to perform this work. This approach is not recommended as Metro does not have sufficient resources and Subject Matter Experts available to perform this work. This approach is not recommended for the lack of staff capabilities listed above.

The Board of Directors may choose not to authorize the Contract award for this project; however, this alternative is not recommended by Metro staff because the Overhaul Program is critical in maintaining a SGR on 74 Newest A650 HRVs and to enable the Maintenance department to effectively plan and schedule its work.

#### **NEXT STEPS**

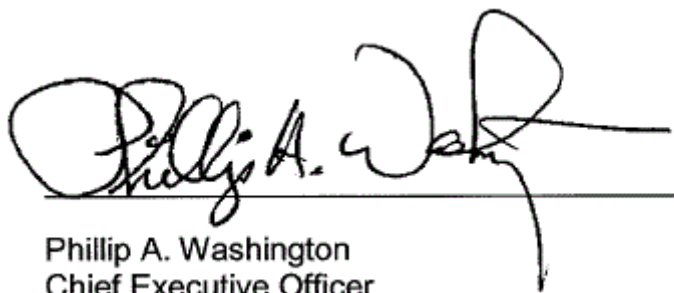
Upon Contract award, Metro will meet with Talgo, Inc. for the Contract required Specification Review Meeting. During the same meeting, Metro will establish communication and reporting protocols. Key Milestones and deliverables, through the shipment of the first six (6) pilot vehicles and delivery of the production vehicles will be discussed to ensure understanding and agreement of requirements to ensure expedient reviews and approvals.

#### **ATTACHMENTS**

Attachment A - Procurement Summary  
Attachment B - Funding/Expenditure Plan  
Attachment C - Metro Board Report July 17, 2014  
Attachment D - FTA Local Hiring Program Ltr Dated 09 30 2015  
Attachment E - DEOD Summary

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Phillip A. Washington  
Chief Executive Officer

## PROCUREMENT SUMMARY

**A650 HEAVY RAIL VEHICLE (HRV) OVERHAUL AND CRITICAL  
COMPONENT REPLACEMENT PROGRAM (OCCRP)  
CONTRACT A650-2015**

1.	<b>Contract Number:</b> A650-2015	
2.	<b>Recommended Vendor:</b> Talgo, Inc.	
3.	<b>Type of Procurement (check one):</b> <input type="checkbox"/> IFB <input checked="" type="checkbox"/> RFP <input type="checkbox"/> RFP-A&E <input type="checkbox"/> Non-Competitive <input type="checkbox"/> Modification <input type="checkbox"/> Task Order	
4.	<b>Procurement Dates:</b>	
	<b>A. Issued:</b> 05.05.15	
	<b>B. Advertised/Publicized:</b> 05.09.15	
	<b>C. Pre-proposal/Pre-Bid Conference:</b> 06.02.15	
	<b>D. Proposals/Bids Due:</b> 10.15.15	
	<b>E. Pre-Qualification Completed:</b> 08.09.16	
	<b>F. Conflict of Interest Form Submitted to Ethics:</b> 08.11.16	
	<b>G. Protest Period End Date:</b> 09.08.16	
5.	<b>Solicitations Picked up/Downloaded:</b> 133	<b>Bids/Proposals Received:</b> 2
6.	<b>Contract Administrator:</b> Wayne Okubo	<b>Telephone Number:</b> (213)922-7466
7.	<b>Project Manager:</b> Cop Tran	<b>Telephone Number:</b> (213)922-3188

**A. Procurement Background**

This Board Action is to approve Contract No. A650-2015 issued in support of the A650 Heavy Rail Vehicle Overhaul and Critical Component Replacement Program. The intent of this overhaul program is to replace vital systems and components and update relevant technology to ensure the continued safety, reliability, availability, and maintainability of the Red Line fleet for full revenue service and maintain the fleet's State of Good Repair.

The RFP was issued in accordance with Metro's Acquisition Policy and the contract type is a firm fixed unit price.

Twenty-one amendments were issued during the solicitation phase of this RFP:

- Amendment No. 1, issued on 05.18.15 clarified vehicle inspection dates;
- Amendment No. 2, issued on 05.29.15 established project data repository for planholder access to reference documents;
- Amendment No. 3, issued on 06.05.15 extended proposal due date to 08.10.15;
- Amendment No. 4, issued on 06.19.15 clarified commercial terms and edited technical specifications;
- Amendment No. 5, issued on 07.02.15 modified work completion schedule and edited technical specifications;

- Amendment No. 6, issued on 07.15.15 extended proposal due date to 09.10.15;
- Amendment No. 7, issued on 07.29.15 established additional vehicle inspection dates and edited technical specifications;
- Amendment No. 8, issued on 07.30.15 edited technical specifications;
- Amendment No. 9, issued on 08.19.15 extended the proposal due date to 10.01.15 and edited technical specifications;
- Amendment No. 10, issued on 09.04.15 established site inspection for loading and unloading location and edited technical specifications;
- Amendment No. 11, issued on 09.09.15 clarified loading and unloading location;
- Amendment No. 12, issued on 09.17.15 extended proposal due date to 10.08.15;
- Amendment No. 13, issued on 10.01.15 extended proposal due date to 10.15.15 and clarified commercial terms;
- Amendment No. 14, issued on 10.08.15 modified proposal forms;
- Amendment No. 15, issued on 10.12.15 modified proposal forms;
- Amendment No. 16, issued on 03.17.16 after receipt of proposals requested Best and Final Offers (BAFOs);
- Amendment No. 17, issued on 03.30.16 after receipt of proposals edited BAFO technical specifications;
- Amendment No. 18, issued on 04.06.16 after receipt of proposals modified BAFO proposal forms;
- Amendment No. 19, issued on 06.10.16 after receipt of proposals requested Second BAFOs;
- Amendment No. 20, issued on 06.15.16 after receipt of proposals clarified BAFO commercial terms;
- Amendment No. 21, issued on 06.22.16 after receipt of proposals modified BAFO proposal forms.

The RFP included requirements for the DOT Contracting Initiative Pilot Program for a voluntary local hiring preference incentive in the evaluation of proposals, which was re-confirmed with FTA on October 14, 2015. This voluntary program provides an opportunity for proposers that participate in the program to submit a qualifying Local Employment Plan, to earn additional points above and beyond all other evaluation criteria in the RFP. All new jobs and facility investments in a proposal, measured in dollars and created within Los Angeles County, would be eligible for the incentive points.

A total of two proposals were received on October 15, 2015. A Pre-Proposal Conference was held on June 2, 2015 at Division 20 so vehicle inspections could be conducted over the following three days. Additional vehicle inspection requests were accommodated on Amendment No. 07, which added inspection dates of August 6-7, 2015.

A request for a site visit to the loading/unloading location was requested and granted on Amendment No. 10, which scheduled the site inspection for September 14, 2015.

Responses to questions received throughout the solicitation period, were grouped and posted to the project data repository accessible to all solicitation plan holders. Thirteen groups of questions/answers were uploaded to the site from June 19, 2015 to October 5, 2015. All available drawings, manuals, and other reference material were posted to the site.

Over the course of the solicitation period numerous requests to extend the proposal due date were submitted by prospective proposers and the actual proposal due date of October 15, 2015. These requests were granted to ensure maximum competition from an already limited field of interested proposers.

The proposal evaluation period, from October 15, 2015 through March 2016 included oral presentations, site visits, and face-to-face negotiations. The lengthy process was necessary to thoroughly assess the technical proposals and also the price proposals, which were both significantly higher than the project budget. Alternatives to the overhaul program were considered but ultimately rejected because of the current condition of the A650 fleet.

## **B. Evaluation of Proposals/Bids**

A Proposal Evaluation Team (PET) consisting of staff from the Rail Vehicle Acquisition department was convened and conducted a comprehensive technical evaluation of the proposals received. Additionally, technical advisors (TAs) from Metro's Rail Fleet Services and Rail Vehicle Engineer departments augmented the PET as subject matter experts.

The proposals were evaluated based on the following evaluation criteria and weights:

- |  |            |
|--|------------|
| • Past Experience and Past Performance | 350 points |
| • Price                                | 300 points |
| • Technical Compliance                 | 250 points |
| • Project Management Experience        | 100 points |
| • Incentive: Local Employment Plan     | 50 points  |

The evaluation criteria are appropriate and consistent with criteria developed for other similar vehicle acquisition procurements. Several factors were considered when developing these weights, giving the greatest importance to past experience and past performance on rail vehicle overhaul and integration, or new rail vehicle acquisition.

Both of the proposals received were determined to be within the competitive range. The firms are listed below in alphabetical order:



1. Alstom Transportation, Inc. (Alstom)
2. Talgo, Inc. (Talgo)

Proposal evaluation kick-off was conducted on October 19, 2015. Technical Advisors (TAs) were used to support the PET with their expertise in the relevant subject matter. Comments from the TAs were compiled and presented to the PET on November 24, 2015. Request for Clarifications were sent to both competitive range firms on November 25, 2015, with a due date of December 15, 2015. Clarification review was extended due to the Holidays, and was conducted with TAs and the PET from December 16, 2015, through January 5, 2016. Oral presentations with each firm were scheduled to cover two days with the Talgo, Inc.'s presentation on January 7-8, 2016, and Alstom's on January 14-15, 2016. Immediately following the oral presentations, the PET conducted site visits to each of the firms proposed overhaul locations. These site visits were held the week of January 18, 2016, covering trips to Alstom Transportation, Inc.'s Mare Island, CA facility and Talgo, Inc.'s Milwaukee, WI facility. The PET was able to evaluate and assess each of the proposer's facilities along with the corresponding capability and capacity of the location. The PET considered the proposals, oral presentations, and the site visits in their initial proposal evaluation score. The price proposals were then opened and pre-negotiation positions were established using Metro's Independent Cost Estimate. Negotiation discussions held March 2-11, 2016, resulted in conforming commercial terms and technical specifications to be used as the basis for the request for Best and Final Offers (BAFOs). The discussions addressed the Proposer's strengths and weaknesses and to better understand why proposals exceeded the existing project budget. On March 17, 2016, a request for BAFOs was issued with a due date of April 11, 2016. The BAFO price proposals submitted continued to contain pricing that exceeded the project budget. On April 13, 2016, staff developed alternative scope and quantity scenarios to address the budget issue. The recommended alternative divided the overhaul program into a base quantity of 38 vehicles, with an option for the balance of 36 vehicles that can be exercised within 12 months after contract notice to proceed is issued. Discussions regarding this new scope of work quantities were conducted during the week of June 6, 2016. Invitations to submit a second BAFO were issued to both firms on June 10, 2016. Revised BAFOs were received from both firms on July 1, 2016. Final evaluations of the second BAFO were completed the week of July 5, 2016, and were used as the basis of the current recommendation for award.

An important evaluation factor throughout the RFP process was the incentives created by Metro's Local Employment Plan (LEP). Both firms proposed a level of participation in the voluntary Local Employment Plan (LEP) under the FTA's Pilot Program. This participation resulted in a normalized distribution of the preference points allocated in accordance with their respective commitment value of the new local jobs created by each firm, and added to the final evaluation score. Talgo proposed the higher LEP commitment value and, therefore, received the maximum incentive score.

A Buy America Pre-Award Audit was conducted by Metro the week of July 11, 2016, in accordance with FTA guidance stated in 49 CFR 663. Both Proposers were audited and found to far exceed the FTA's Buy America requirements.

**Qualifications Summary of Firms Within the Competitive Range:**

**Alstom Transportation Inc.**

Alstom Transportation, Inc. (Alstom) has proposed to perform this overhaul project out of its Mare Island, California facility. This dedicated manufacturing facility is located approximately 400 miles from Los Angeles and has been performing component replacements, overhauls, and extensive railcar repairs there for the past six years. The firm proposed to perform the railcar stripping, final assembly, and testing at this facility, while the engineering work would be generated out of its Naperville, Illinois site. Alstom has extensive experience in U.S. railcar overhaul work, having overhauled or modernized nearly 5,100 railcars for many of the major transit agencies.

**Talgo Inc.**

Talgo, Inc. (Talgo) is headquartered in Seattle, Washington and has proposed to perform this overhaul project out of its Milwaukee, Wisconsin production facility. Talgo intends to draw from its global engineering resources and relocate them to Milwaukee for this project. Talgo is one of the world's leading suppliers of rolling stock with a particular focus on extended lifecycle and service/reliability. While Talgo is primarily known globally as a railcar manufacturer, its experience also encompasses the U.S. market with new railcars, and overhaul and maintenance work for Amtrak, Oregon DOT, and Washington State DOT.

1	Firm	Average Score	Factor Weight	Weighted Average Score	Rank
2	<b>Talgo Inc.</b>				
3	Past Experience and Past Performance	71.91	350	251.7	
4	Price (Base + Option)	100.00	300	300.0	
5	Technical Compliance	74.80	250	187.0	
6	Project Management Experience	75.80	100	75.8	
7	Voluntary Local Employment Plan Incentive	50.00	50	50.0	
8	<b>Total</b>		<b>1050</b>	<b>864.5</b>	<b>1</b>

<b>9</b>	<b>Alstom Transportation Inc.</b>				
<b>10</b>	Past Experience and Past Performance	80.94	350	283.3	
<b>11</b>	Price (Base + Option)	88.05	300	264.2	
<b>12</b>	Technical Compliance	78.24	250	195.6	
<b>13</b>	Project Management Experience	76.00	100	76.0	
<b>14</b>	Voluntary Local Employment Plan Incentive	44.80	50	22.4	
<b>15</b>	<b>Total</b>		<b>1050</b>	<b>841.5</b>	<b>2</b>

### **C. Cost/Price Analysis**

The recommended price has been determined to be fair and reasonable based upon adequate price competition, Independent Cost Estimate, technical evaluation, fact finding, and negotiations. Although the recommended price is 66.73% higher than the ICE, Metro's technical evaluation of all price elements for both Proposers confirmed that the offers are valid current market prices.

	<b>Proposer Name</b>	<b>Proposal Amount</b>	<b>Metro ICE</b>	<b>Negotiated or NTE amount</b>
1	Talgo Inc.	\$77,961,362	\$43,764,550	\$72,970,493
2.	Alstom Transport. Inc.	\$100,567,306	\$43,764,550	\$82,874,817

The Negotiated breakdown for Base and Option amounts is as follows:

	<b>Proposer Name</b>	<b>Base</b>	<b>Option</b>	<b>Total</b>
1	Talgo Inc.	\$54,698,676	\$18,271,817	\$72,970,493
2	Alstom Transport. Inc.	\$62,880,485	\$19,994,331	\$82,874,817

The Proposer's total commitment of wages and benefits for new local job creation is as follows:

	<b>Proposer Name</b>	<b>Total</b>
1	Talgo Inc.	\$2,212,676
2	Alstom Transport. Inc.	\$989,987

### **D. Background on Recommended Contractor**

The recommended firm, Talgo, Inc., located in Seattle, Washington, has been in business for 74 years and is a leading supplier of rolling stock with a unique integrated life-cycle approach to railcar manufacturing and maintenance. Its recent contracts include the manufacture of 26 new railcars to Oregon DOT, and the ongoing railcar maintenance (including overhaul work) for Washington State DOT.

## ATTACHMENT B - Funds Uses and Sources Tables

	From Inception to Date (ITD) thru FY15 Jun	7/1/15 - 6/30/16	7/1/16 - 6/30/17	7/1/17 - 6/30/18	7/1/18 - 6/30/19	7/1/19 - 6/30/20	7/1/20 - 6/30/21		
Use of Funds		FY16	FY17	FY18	FY19	FY20	FY21	Total	% of Project
38 Option Vehicles		\$ -	\$ 4,946,536	\$ 8,656,439	\$ 11,954,129	\$ 15,664,032	\$ 13,477,540	\$ 54,698,676	83.4%
Professional Services	\$ 744,000	\$ 320,000	\$ 760,000	\$ 870,000	\$ 880,000	\$ 890,000	\$ -	\$ 4,464,000	6.8%
MTA Administration	\$ 500,000	\$ 422,000	\$ 420,000	\$ 420,000	\$ 400,000	\$ 420,000	\$ -	\$ 2,582,000	3.9%
Contingency		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,822,864	\$ 3,822,864	5.8%
<b>38 Option Vehicle Summary</b>	<b>\$ 1,244,000</b>	<b>\$ 742,000</b>	<b>\$ 6,126,536</b>	<b>\$ 9,946,439</b>	<b>\$ 13,234,129</b>	<b>\$ 16,974,032</b>	<b>\$ 17,300,404</b>	<b>\$ 65,567,540</b>	<b>100.0%</b>
36 Option Vehicles	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,271,817	\$ 18,271,817	86.6%
Professional Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 800,000	\$ 800,000	3.8%
MTA Administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 600,000	\$ 600,000	2.8%
Contingency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,422,643	\$ 1,422,643	6.7%
<b>Option Order Summary</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 21,094,460</b>	<b>\$ 21,094,460</b>	<b>100.0%</b>
Total 74 Option Vehicles	\$ -	\$ -	\$ 4,946,536	\$ 8,656,439	\$ 11,954,129	\$ 15,664,032	\$ 31,749,357	\$ 72,970,493	84%
Professional Services	\$ 744,000	\$ 320,000	\$ 760,000	\$ 870,000	\$ 880,000	\$ 890,000	\$ 800,000	\$ 5,264,000	6%
MTA Administration	\$ 500,000	\$ 422,000	\$ 420,000	\$ 420,000	\$ 400,000	\$ 420,000	\$ 600,000	\$ 3,182,000	4%
Contingency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,245,507	\$ 5,245,507	6%
<b>Total Order Summary Total</b>	<b>\$ 1,244,000</b>	<b>\$ 742,000</b>	<b>\$ 6,126,536</b>	<b>\$ 9,946,439</b>	<b>\$ 13,234,129</b>	<b>\$ 16,974,032</b>	<b>\$ 38,394,864</b>	<b>\$ 86,662,000</b>	<b>100.0%</b>
<b>Sources of Funds</b>		<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>Total Sources</b>	<b>%</b>
Measure R 2% (206038)	\$ 1,244,000	\$ 742,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,986,000	2.3%
PropA 35% Bonds/Cash	\$ -	\$ -	\$ 6,126,536	\$ 9,946,439	\$ 13,234,129			\$ 29,307,104	33.8%
Cap and Trade; Other State & Federal sources (206038)*			\$ -	\$ -	\$ -	\$ 16,974,032	\$ 38,394,864	\$ 55,368,896	63.9%
								\$ -	0.0%
<b>* Future Local, State &amp; Federal Funds to be identified as they become available.</b>								\$ -	0.0%
<b>Total Funding Sources</b>	<b>\$ 1,244,000</b>	<b>\$ 742,000</b>	<b>\$ 6,126,536</b>	<b>\$ 9,946,439</b>	<b>\$ 13,234,129</b>	<b>\$ 16,974,032</b>	<b>\$ 38,394,864</b>	<b>\$ 86,662,000</b>	<b>100.0%</b>

\* Staff will pursue additional funding sources to supplement Project 206038 budget which may become available through MAP-21 or other federal sources for this project and also utilize other State and Local funding sources as opportunities arise such as Cap and Trade or other new sources.

**Metro**

Los Angeles County  
Metropolitan Transportation Authority

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**SYSTEM SAFETY, SECURITY AND OPERATIONS COMMITTEE  
JULY 17, 2014**

**SUBJECT: PURCHASE OF NEW HEAVY RAIL VEHICLES AND REFURBISHMENT  
OF A650 HEAVY RAIL VEHICLES & P2000 LIGHT RAIL VEHICLES**

**ACTION: AUTHORIZE REQUEST FOR PROPOSAL SOLICITATIONS FOR RAIL  
CAR PROCUREMENTS**

**RECOMMENDATION**

- A. The Board finds that rail vehicle procurements in compliance with Public Utilities Code (PUC) §130232 low bid requirement, does not constitute an adequate procurement method for LACMTA needs. Pursuant to Public Contracts Code (PCC) §20217, authorize procurement by competitive negotiation for the following: 1) Procurement of new heavy rail vehicles; 2) Refurbishment of existing A650 heavy rail vehicles; and 3) Refurbishment of existing P2000 light rail vehicles.

Requires Two-Thirds Vote

- B. Authorize the Chief Executive Officer (CEO) to solicit Best Value Requests for Proposals (RFPs) as competitive negotiations pursuant to PCC § 20217 and Metro's procurement policies and procedures, for contracts to purchase new rail vehicles and to refurbish existing rail vehicles.

**ISSUE**

Staff is developing the technical and quantity requirements for the new rail car procurement and the rail car refurbishment procurements. It has been determined that they constitute specialized rail transit equipment purchases. This determination renders it appropriate that the new heavy rail vehicles and the refurbishment of existing light and heavy rail vehicles, be procured by a competitively negotiated process in accordance with PCC § 20217. PCC § 20217 states that the Board, upon a finding by two-thirds vote of all members, may find that the competitive low bid procurement method is not adequate for the agency's needs and direct that the procurements be conducted through competitive negotiation.

## **DISCUSSION**

It is in the public's interest to utilize competitive negotiation rather than a sealed bid process to consider factors other than price in the award of contracts for vehicles and refurbishment of vehicles as allowed under PCC § 20217. The competitive negotiation process allows consideration of factors other than price that could not be adequately quantified or considered in a strictly low bid procurement.

Staff recommends the use of Best Value solicitations for all three rail car programs to allow for the consideration of technical and commercial factors, as well as price, in the contract award selection process.

By establishing explicit factors that identify Metro's definition of best value, the solicitation can use important evaluation criteria to augment price considerations; such as past performance related to schedule adherence, quality, reliability and vehicle performance.

In addition to the ability to evaluate key technical and schedule factors, the Best Value Request for Proposal process permits direct discussions and negotiations with proposers to clarify requirements and cost prior to an award recommendation. This process minimizes the risks associated with a complex specification and scope of work by allowing the parties to clarify ambiguities and correct deficiencies.

## **FINANCIAL IMPACT**

The requested action has no financial impact at this time. However, future activities associated with the respective procurements will be charged against the adopted Life of Project budgets for the affected heavy rail and light rail vehicle projects. Upon completion of the Request for Proposals, staff will present more detailed plan addressing financial impacts and impact to budget.

## **ALTERNATIVES CONSIDERED**

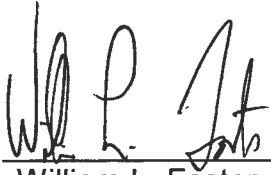
Procurement by a low bid process was considered but is not recommended. The sealed bid process does not adequately account for any technical superiority of performance, reliability, or system life cycle costs that on firm's equipment or solution may have over another since the process must award to the lowest responsive and responsible bidder. For these reasons, staff does not recommend this alternative. The competitively negotiated procurement process will provide for evaluation of critical non-price related factors in the selection process.

## **NEXT STEPS**

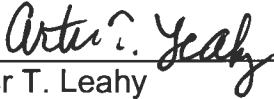
If this action is approved, staff would proceed with competitively negotiated best value solicitations for the new heavy rail vehicle and the refurbishment of the P2000 and A650 vehicles.

Prepared by: Richard Hunt, General Manager Strategic Vehicle &  
Infrastructure Delivery

Questions: Carolyn Kreslake, Transportation Planning Manager IV  
213-922-7420

A handwritten signature in black ink, appearing to read 'W. L. Foster', written over a horizontal line.

William L. Foster  
Interim Chief Operations Officer

A handwritten signature in black ink, appearing to read 'Arthur T. Leahy', written over a horizontal line.

Arthur T. Leahy  
Chief Executive Officer





U.S. Department  
of Transportation  
**Federal Transit  
Administration**

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**SEP 30 2015**

Stephanie Wiggins  
Deputy Chief Executive Officer  
Los Angeles County Metropolitan  
Transportation Authority  
One Gateway Plaza  
Los Angeles, CA90012-2952

Re: Application for Inclusion in  
U.S. Department of Transportation's  
Contracting Initiative Pilot Program

Dear Ms. *Stephanie* Wiggins:

Thank you for the application submitted by the Los Angeles County Metropolitan Transportation Authority (LACMTA) to the United States Department of Transportation (DOT) Contracting Initiative Pilot Program.<sup>1</sup> The Federal Transit Administration (FTA) accepts LACMTA's proposals for inclusion in the program with certain modifications, as described more fully below.

FTA understands that LACMTA has four contracting opportunities involving rolling stock that it would like to include in the Pilot Program. These contracting opportunities include contracts for (1) the purchase of 282 heavy rail vehicles; (2) the purchase of up to 600 new buses; (3) the mid-life overhaul of 74 heavy rail vehicles; and (4) the mid-life overhaul of 82 light rail vehicles. In support of its application, LACMTA submitted the following documents: April 13, 2015 Submittal to FTA for Admission into Local Hiring Pilot Program; Local Employment Program (Mandatory) & Local Employment Program (Voluntary); P3010 US Employment Value Summary Trade-off Analysis – Attachment 1; and May 8, 2015 Response to Supplemental Questions Regarding Application for Local Hiring Pilot Program.

LACMTA proposes a mandatory Local Employment Plan (LEP) for the heavy rail contract and voluntary LEPs for the bus purchase and overhaul contracts. The LEP in both circumstances would target new and existing jobs in Los Angeles County and would provide that at least 10 percent of the jobs be targeted at disadvantaged populations. The proposed mandatory LEP would make the inclusion of an LEP a requirement of responsiveness, and would constitute 10 percent of the total points available for all RFP evaluation factors. The proposed voluntary LEP would provide the bidder with additional "bonus" points that could be awarded if the bidder includes an LEP with its bid.

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<sup>1</sup> The DOT Contracting Initiative is described in more detail in 80 FR 12257 (March 6, 2015).

In considering whether to approve a proposed contract requirement under the Pilot Program, FTA is guided by an August 2013 opinion of the Office of Legal Counsel (OLC) of the U.S. Department of Justice.<sup>2</sup> Under that opinion, FTA may approve a proposed contract requirement that is likely to have only an incidental effect on the pool of potential bidders, or that imposes reasonable requirements related to the performance of the necessary work. Or, if a proposed specification is likely to have more than an incidental effect on the pool of potential bidders and is unrelated to the work's performance, FTA still may approve the requirement if it "promotes the efficient and effective use of federal funds in the short or long run" or "safeguards the integrity of the competitive bidding process." The OLC decision leaves to FTA discretion the determination of what constitutes the "efficient and effective use of federal funds."

FTA is concerned that the proposed voluntary and involuntary programs both may have more than an incidental effect on the pool of potential bidders – at least with respect to the heavy rail car buy and the bus buy – because they could put at a disadvantage any manufacturer who does not already have a facility in the defined geographic area, and this competitive disadvantage is not relieved by the voluntary or involuntary nature of the program. However, an appropriate modification of LACMTA's proposed requirements will address our concerns.

Generally, FTA proposes modifications to the following provisions: the voluntary versus mandatory nature of the LEP requirement; credit given for new versus existing jobs; and the geographic area eligible for LEP participation. FTA is concerned with making the LEP mandatory, as well as awarding credit for existing jobs within Los Angeles County because both terms could give an undue advantage to potential bidders already located within Los Angeles County. Additionally, FTA examined the competitive markets within LACMTA's proposed geographic focus of Los Angeles County, and determined that for two of the contracts such a geographic limitation could afford an unfair competitive advantage.

FTA evaluated each proposed program and contracting opportunity and requests the following modifications.

#### **Purchase of 282 Heavy Rail Vehicles (Estimated Contract Cost: \$1.0558B)**

The LACMTA proposal is a mandatory LEP that includes as part of the bid evaluation criteria credit for new and existing jobs in Los Angeles County. The proposal also includes a requirement that 10% of the jobs be targeted for disadvantaged persons. The LEP would constitute 10% of the available points.

Currently, there is one rail vehicle manufacturer in Los Angeles County, Kinkisharyo. Limiting the LEP to Los Angeles County and including existing jobs could provide Kinkisharyo with an unfair competitive advantage and could be an exclusionary or discriminatory specification prohibited by 49 U.S.C. § 5334(h). FTA requests that LACMTA modify the LEP for the heavy rail vehicles to make it a voluntary program, expand the geographic market to the state of California, and provide credit only for new jobs created, with 10% of the jobs targeted for disadvantaged persons.

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<sup>2</sup> See *Competitive Bidding Requirements Under The Federal-Aid Highway Program*, 23 U.S.C. § 112 (August 23, 2013). The 2013 opinion is available at <http://www.justice.gov/olc/opinions>.

**Purchase of up to 600 new buses (Estimated Contract Cost: \$325M)**

The LACMTA proposal is a voluntary LEP that provides supplemental points for any proposer who includes an LEP. Bidders would receive credit for new and existing jobs in Los Angeles County. The proposal also includes a requirement that 10% of the jobs be targeted for disadvantaged persons.

Currently, there only is one bus manufacturer with a facility in Los Angeles County -- New Flyer. Accordingly, an LEP limited to the county could provide an unfair competitive advantage for that manufacturer, even if the program is voluntary. FTA requests that LACMTA modify the LEP for the 600 bus buy to expand the geographic market to the state of California, and provide credit only for new jobs created, and 10% of the jobs targeted for disadvantaged persons.

**Mid-life overhaul of 82 light rail vehicles (Contract Value \$100M) and mid-life overhaul of 74 heavy rail vehicles (Contract Value \$46M)**

The LACMTA proposal for the two mid-life overhaul contracts is the same: a voluntary LEP giving credit for new and existing jobs in Los Angeles County, and a requirement that 10% of the jobs be targeted for disadvantaged persons.

For overhaul contracts, the original vehicle manufacturer has an advantage for doing mid-life overhauls of its own vehicles. The original manufacturers for the vehicles subject to the contracts are not located in Los Angeles County, resulting in all potential bidders being similarly situated. Under these circumstances, limiting the geographic market to Los Angeles County does not provide an unfair competitive advantage for any one bidder. As with the other contracts, FTA requests that this LEP be limited to new jobs created and provide that 10% of the jobs be targeted for disadvantaged persons.

With the above modifications to LACMTA's proposed LEPs, FTA believes that inclusion of the four contracting opportunities in the Pilot Program would likely better promote the efficient and effective use of federal funds and safeguard the integrity of the competitive bidding process. Please let us know whether LACMTA is interested in participating in the Pilot Program under the proposed terms. If you have any questions, please contact Deputy Chief Counsel Dana Nifosi at 202-366-1643 or [Dana.Nifosi@dot.gov](mailto:Dana.Nifosi@dot.gov).

Sincerely,



Leslie T. Rogers  
Regional Administration

**DEOD SUMMARY**

**Heavy Rail Vehicle (HRV) Overhaul & Critical Component Replacement Program  
(OCCRP) / A650-2015**

**A. Small Business Participation**

The Diversity and Economic Opportunity Department (DEOD) did not recommend a Disadvantaged Business Enterprise (DBE) goal for this procurement. The Federal Transit Administration (FTA) requires that each Transit Vehicle Manufacturer (TVM) submit for approval an annual percentage overall goal. In accordance with 49 Code of Federal Regulations (CFR) Part 26.49, only those transit vehicle manufacturers listed on FTA's certified list of Transit Vehicle Manufacturers, or that have submitted a goal methodology to FTA that has been approved or has not been disapproved, at the time of solicitation are eligible to bid.

**B. Living Wage and Service Contract Worker Retention Policy Applicability**

The Living Wage and Service Contract Worker Retention Policy is not applicable to this contract.

**C. Prevailing Wage Applicability**

Prevailing wage is not applicable to this contract.

**D. Project Labor Agreement/Construction Careers Policy**

Project Labor Agreement/Construction Careers Policy is not applicable to this contract.