

**Board Report**

File #: 2017-0584, **File Type:** Contract**Agenda Number:** 25.

**SYSTEM SAFETY, SECURITY AND OPERATIONS COMMITTEE
OCTOBER 19, 2017****SUBJECT: OPTION TO OVERHAUL 36 HEAVY RAIL VEHICLES****ACTION: EXERCISE THE OPTION TO OVERHAUL THE REMAINING 36 NEWEST HEAVY RAIL VEHICLES****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to:

- A. EXERCISE Option A to overhaul the remaining 36 of the 74 newest Heavy Rail Vehicles under Contract No. A650-2015, Heavy Rail Vehicle Overhaul and Critical Component Replacement Program (OCCRP) ("A650 Overhaul Program"), to Talgo Inc." in the not-to-exceed amount of \$18,271,818 for a total contract value of \$72,970,494, and to extend the period of performance for 10 months beyond the Base Order;
- B. NEGOTIATE AND EXECUTE with Talgo, Inc. for future contract modifications to Contract No. A650-2015 for a not to exceed amount of \$1,000,000 for each contract modification; and
- C. EXERCISE the option for the consultant Technical and Program Management Support Services under RFP No. A650-2015 Heavy Rail Vehicle Overhaul and Critical Component Replacement Program (OCCRP), Contract No. OP30433488, to LTK Engineering Services, in the not-to exceed amount of \$597,238 for a total contract value of \$4,494,837, and to extend the period of performance for an 10 additional months beyond the Base Order.

ISSUE

The seventy-four newest A650 vehicles are experiencing reduced reliability and service availability due to parts obsolescence issues, lack of vendor support and outdated technology. In October 2016 the Metro Board awarded Contract No. A650-2015 to Talgo Inc. to overhaul and replace critical components on 38 of Metro's 74 newest A650 HRVs in order to maintain a State of Good Repair. The contract includes an option to overhaul the remaining 36 HRV's.

Approval of Recommendations A and C allows the exercise of the Contract Option and permits the remaining 36 newest A650 HRV's to be overhauled. This ensures a consistent fleet configuration and ensures the fleet is maintained in a State of Good Repair.

Recommendation B will allow Metro and the Contractor to negotiate future change orders in a timely

manner to ensure that the maximum cost and schedule benefits can be realized. The A650-2105 delivery schedule for the base and option buy is very aggressive. This added delegation of authority will allow staff to mitigate impacts to the program schedule that may arise from change orders currently contemplated. The request for an increase in CMA from \$500,000 to \$1,000,000 for individual changes is consistent with Board authorized CMA's for other Rolling Stock programs, such as Contracts P3010 and P2550, Light Rail Vehicles, and the 45-foot CNG Composite Buses under Contract OP33202082. Staff does not seek any changes to the CMA for aggregate changes, which is 10% of the total Contract value.

DISCUSSION

The primary objective of the project is to deliver safe, reliable, high quality, overhauled HRV's on-time and within budget, and to create new jobs for Los Angeles County that can be tied directly to the Overhaul Program. The exercise of the Option for the remaining 36 vehicles within a 12 month period of the original contract award saves Metro all escalation costs for the Option vehicles. One year of escalation, at a 2% rate of annual inflation, amounts to a \$365,000 savings to Metro.

Metro operates the Metro Red Line (MRL) with a fleet of 104 Vehicles, consisting of the original 30 (DC propulsion) HRV's and newest 74 (AC propulsion) HRV's manufactured by Breda Costruzioni-Ferrovie between 1992 and 2000. The original 30 HRVs have an average age of 24.5 years and average mileage of 790,000 miles per vehicle. The 74 newest HRVs have an average age of 18.6 years with average mileage greater than 1.3 million miles per vehicle.

The newest fleet is the heaviest used fleet on Metro's Red and Purple Lines. Many of the HRV's critical systems and components; specifically the propulsion, friction brake, signaling, communication, and trainline 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 this Project will ensure the continued safety, reliability, availability, and maintainability of the fleet for full revenue service and maintain the fleet's State of Good Repair.

Further, performing the overhaul program is in accordance with Metro's Rail Fleet Management Plan FY2015 - FY2040 (Draft, September 13, 2016). 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 revenue ready vehicles and reasonable spare ratios.

To support the project, the Consultant shall provide Metro with expert professional engineering, technical, and program management oversight services as directed and required by Metro's Project Manager and Rail Vehicle Acquisition staff to ensure the Vehicle Contractor's performance is consistent with the delivery requirements of the OCCRP Contract. Subject to Metro's direction, the Consultant shall apply appropriate technical and engineering support services and resources to ensure the timely overhaul and delivery of the overhauled Vehicles and associated deliverables.

The Scope of Services include, but are not limited to, document control, review and preparation of correspondence in response to technical submissions, oversight of the Vehicle Contractor's supply chain process, support of Project Reviews, oversight of testing and inspection activities, and other

technical support services as directed by Metro.

The Consultant shall provide, on an as needed basis, highly experienced and qualified passenger heavy rail transit engineers with demonstrated expertise in all subject areas listed in the Statement of Qualifications for the duration of the Contract.

The Diversity and Economic Opportunity Department (DEOD) did not recommend a Disadvantaged Business Enterprise (DBE) goal for this procurement as it is not applicable. 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. However, Talgo Inc. has established a 6.51% DBE goal under the FTA TVM goal.

The Diversity and Economic Opportunity Department (DEOD) completed its initial evaluation of the Proposer's commitment to meet the twenty percent (20%) Race Conscious Disadvantage Business Enterprise (RC DBE) goal established for this project. LTK Engineering Services exceeded the goal by making a 30.74% DBE commitment and is deemed responsive to the DBE requirements.

DETERMINATION OF SAFETY IMPACT

The execution of the Contractor and Consultant Options, Recommendations A and B, respectively, 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 newest fleet.

FINANCIAL IMPACT

The approved Project LOP includes funds for the HRV Overhauls; \$72,970,493. There are also funds allocated for Professional Services, Metro Labor, and Project Contingency. The Base Order Contract value for the 38 HRV's is \$54,698,676 while the Option Contract value for the remaining 36 HRV's is \$18,271,817. The Base Order overhaul program is currently scheduled to be completed in FY21. The \$18,271,817 needed for the balance of 36 HRV's, as well for professional services, Metro labor and project contingency 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 \$9,920,833 is included in the FY18 budget in Cost Center 3043 - Rail Vehicle Acquisition 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 source of funds for this procurement will come from Federal, State and local funding sources that are eligible for Rail Capital Projects. These funding sources will maximize fund use given funding eligibility provisions.

ALTERNATIVES CONSIDERED

The Board may choose not to exercise these Options. However, this alternative is not recommended as it adds unnecessary escalation costs that are avoidable should Metro choose to move forward with the exercise of the Options at this time. Additionally, Metro Operations may end up with three (3) types of A650 HRV fleet, severely restricting the ability by Maintenance and Operation's to make-up trains to support revenue service: Original fleet, newest fleet that is overhauled and newest fleet that is not overhauled.

NEXT STEPS

Upon Board approval, the Options will be exercised with Talgo, Inc. and LTK Engineering Services.

ATTACHMENTS

Attachment A-1 and A-2 - Procurement Summary

Attachment B - Funding and Expenditure Plan

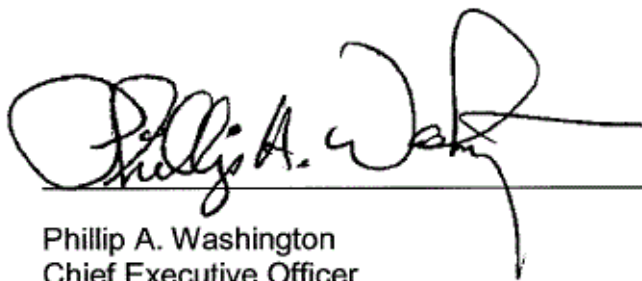
Attachment C-1 and C-2 - DEOD Summary

Prepared by: Andrew Kimani, Senior Project Control Manager, (213) 922-3221

Jesus Montes, Sr. Executive Officer, Vehicle Acquisition, (213) 418-3277

Reviewed by: James T. Gallagher, Chief Operations Officer, (213) 418-3108

Debra Avila, Chief Vendor/Contract Management Officer, (213) 418-3051



Phillip A. Washington
Chief Executive Officer

PROCUREMENT SUMMARY

OPTION TO OVERHAUL 36 A650 HEAVY RAIL VEHICLES/A650-2015

1.	Contract Number: A650-2015		
2.	Contractor: Talgo, Inc.		
3.	Mod Work Description: Exercise Option to Overhaul Remaining 36 Heavy Rail Vehicles		
4.	Contract Work Description: A650 Heavy Rail Vehicle Overhaul and Critical Component Replacement Program		
5.	The following data is current as of: 09.29.17		
	Contract Award:	10.5.16	Contract Award Amount: \$54,698,676
	Notice to Proceed:	01.16.17	Total Mods Approved: 0
	Original Completion Date:	11.16.19	Pending Mods (with this action): \$18,271,818
	New Estimated Completion Date (with this action):	09.16.20	Current Contract Value (with this action): \$72,970,494
6.	Contract Administrator: Wayne Okubo	Telephone Number: (213) 922-7466	
7.	Project Manager: Andrew Kimani	Telephone Number: (213) 922-3221	

A. Procurement Background

This Board Action is to exercise the option to overhaul the remaining 36 A650 Heavy Rail Vehicles under Contract No. A650-2015. The option was included as part of the initial evaluation process.

This Contract Modification will be processed in accordance with Metro's Acquisition Policy and the contract type is a firm fixed unit price.

On September 22, 2016, Metro's Board of Directors approved Board Agenda Item 2016-0538 to Talgo, Inc. in the amount of \$54,698,676 for the overhaul of 38 A650 Heavy Rail Vehicles, with the option to overhaul the remaining 36 vehicles of the newest A650 fleet. 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 fleet for full revenue service and maintain the fleet's State of Good Repair.

The recommended Contract Modification is to exercise the option to overhaul the remaining 36 Heavy Rail Vehicles for the amount of \$18,271,818; increasing the Contract price to \$72,970,494. By exercising the option within a 12 month period from Notice to Proceed (NTP), Metro saves all escalation costs on the option price. The estimated savings to Metro, based on an escalation rate of 2% is \$365,000. A

survey of the proposers has determined that there would be no expected changes to market prices.

B. Cost/Price Analysis

The recommended price for the option has been determined to be fair and reasonable for the exercise of the option for 36 A650 Heavy Rail Vehicles based upon adequate price competition attained during the initial solicitation. The negotiated fixed price for the option vehicles was inclusive of any escalation as long as the option was exercised within 12 months from Notice to Proceed and this action is within that designated period.

PROCUREMENT SUMMARY

OPTION FOR CONSULTING SERVICES TO SUPPORT THE OVERHAUL OF 36 A650 HEAVY RAIL VEHICLES/OP30433488

1.	Contract Number: OP30433488		
2.	Contractor: LTK Engineering Services		
3.	Mod Work Description: Exercise Option for Technical and Program Management Support Services for the Overhaul of the Remaining 36 Heavy Rail Vehicles		
4.	Contract Work Description: Consulting Services for the A650 Heavy Rail Vehicle Overhaul and Critical Component Replacement Program		
5.	The following data is current as of: 09.29.17		
	Contract Award:	11.1.16	Contract Award Amount: \$3,897,599
	Notice to Proceed:	11.23.16	Total Mods Approved: 0
	Original Completion Date:	09.23.20	Pending Mods (with this action): \$597,238
	New Estimated Completion Date (with this action):	07.23.21	Current Contract Value (with this action): \$4,494,837
6.	Contract Administrator: Wayne Okubo	Telephone Number: (213)922-7466	
7.	Project Manager: Andrew Kimani	Telephone Number: (213)922-3221	

A. Procurement Background

This Board Action is to exercise the option to provide technical and program management support services for the overhaul of the remaining 36 A650 Heavy Rail Vehicles under Contract No. OP30433488. The option was included as part of the initial evaluation process.

This Contract Modification will be processed in accordance with Metro's Acquisition Policy and the contract type is a cost plus fixed fee.

On October 27, 2016, Metro's Board of Directors approved Board Agenda Item 2016-0554 to LTK Engineering Services in the amount of \$3,897,599 for technical and program management services related to the overhaul of 38 A650 Heavy Rail Vehicles, with the option to support the overhaul of the remaining 36 vehicles of the newest A650 fleet. The intent of the consultant services is to provide Metro with expert professional engineering, technical oversight, and program management support to ensure the overhaul contractor's performance is consistent with the delivery requirements of the contract.

The recommended Contract Modification is to exercise the option to provide technical and program management support services for the overhaul of the remaining 36 Heavy Rail Vehicles for the amount of \$597,238 increasing the

Contract not to exceed price to \$4,494,837. By exercising the option within a 12 month period Metro saves all escalation costs on the option rates. The estimated savings to Metro, based on an annual escalation rate of 2% and the current level of effort is \$12,000. A survey of the proposers has determined that there would be no expected changes to market prices.

B. Cost/Price Analysis

The recommended price has been determined to be fair and reasonable for the exercise of the option for technical and program management services supporting the additional 36 A650 Heavy Rail Vehicles based upon adequate price competition attained during the initial solicitation. The negotiated unit rates for the option services was inclusive of any escalation as long as the option was exercised within 12 months from Notice to Proceed and this action is within that designated period.

ATTACHMENT B - Funding & Expenditure Plan (CP 206038)

	From Inception to Date (ITD) thru FY16 Jun	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	7/1/21 - 6/30/22			
		FY17	FY18	FY19	FY20	FY21	FY22	Total	% of Project	
1	Use of Funds									
2	Overhaul 38 Option-Buy Vehicles	\$0	\$7,925,747	\$6,002,193	\$16,108,077	\$19,985,362	\$3,827,358	\$849,940	\$54,698,676	83.2%
3	Professional Services	\$798,715	\$265,954	\$980,667	\$990,667	\$1,000,667	\$659,645	\$0	\$4,696,314	7.1%
4	MTA Administration	\$722,000	\$377,903	\$420,000	\$475,000	\$542,000	\$310,382	\$0	\$2,847,285	4.3%
5	Contingency	\$0	\$0	\$0	\$0	\$0	\$3,490,864	\$0	\$3,490,864	5.3%
6	38 Option Vehicle Summary	\$1,520,715	\$8,569,604	\$7,402,859	\$17,573,744	\$21,528,029	\$8,288,249	\$849,940	\$65,733,139	100.0%
9	Overhaul 36 Option Vehicles	\$0	\$0	\$1,966,807	\$0	\$0	\$13,604,426	\$2,700,585	\$18,271,818	87.3%
10	Professional Services (Increase Requested)	\$0	\$0	\$0	\$0	\$0	\$498,318	\$98,920	\$597,238	2.9%
11	MTA Administration (Increase Requested)	\$0	\$0	\$0	\$0	\$0	\$364,755	\$72,407	\$437,162	2.1%
12	Contingency (Increase Requested)	\$0	\$0	\$0	\$0	\$0	\$1,622,643	\$0	\$1,622,643	7.8%
13	Option Order Summary	\$0	\$0	\$1,966,807	\$0	\$0	\$16,090,142	\$2,871,912	\$20,928,861	100.0%
14	Overhaul 74 Option-Buy Vehicles	\$0	\$7,925,747	\$7,968,999	\$16,108,077	\$19,985,362	\$17,431,784	\$3,550,525	\$72,970,494	84%
15	Professional Services	\$798,715	\$265,954	\$980,667	\$990,667	\$1,000,667	\$1,157,963	\$98,920	\$5,293,552	6%
16	MTA Administration	\$722,000	\$377,903	\$420,000	\$475,000	\$542,000	\$675,137	\$72,407	\$3,284,447	4%
17	Contingency	\$0	\$0	\$0	\$0	\$0	\$5,113,507	\$0	\$5,113,507	6%
18	Total Order Summary Total	\$1,520,715	\$8,569,604	\$9,369,666	\$17,573,744	\$21,528,029	\$24,378,391	\$3,721,852	\$86,662,000	100.0%
19	Sources of Funds	FY17	FY18	FY19	FY20	FY21	FY21	Total Sources	%	
20	Measure R 2% (206038)	\$1,520,715	\$0	\$0	\$0	\$0	\$0	\$1,520,715	1.8%	
21	PropA 35% Bonds/Cash	\$8,569,604	\$9,369,666	\$17,573,744	\$0	\$0	\$0	\$35,513,013	41.0%	
22	Cap and Trade; Other State & Federal sources (206038)*				\$21,528,029	\$24,378,391	\$3,721,852	\$49,628,272	57.3%	
23	<i>* Future Local, State & Federal Funds to be identified as they become available.</i>									
24	Total Funding Sources	\$1,520,715	\$8,569,604	\$9,369,666	\$17,573,744	\$21,528,029	\$24,378,391	\$3,721,852	\$86,662,000	100.0%

* 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.

DEOD SUMMARY

OPTION TO OVERHAUL 36 HEAVY RAIL VEHICLES/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. Talgo is listed in the FTA's Eligible TVMs List.

B. Living Wage and Service Contract Worker Retention Policy Applicability

The Living Wage and Service Contract Worker Retention Policy (LW/SCWRP) 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.

DEOD SUMMARY

**OPTION FOR CONSULTING SERVICES TO SUPPORT THE OVERHAUL OF 36
A650 HEAVY RAIL VEHICLES/OP30433488**

A. Small Business Participation

LTK Engineering Services made a 30.74% DBE commitment. The project is in its early stages at 5.40% completion. Current DBE participation is 8.33%. DEOD will continue to monitor the contract for DBE compliance.

SMALL BUSINESS COMMITMENT	30.74% DBE	SMALL BUSINESS PARTICIPATION	8.33% DBE
--	-------------------	---	------------------

	DBE Subcontractors	Ethnicity	% Committed	% Participation
1.	Virginkar & Associates	Sub-Continent Asian American	18.35%	0.00%
2.	Ramos Consulting Services	Hispanic American	12.39%	8.33%
	Total Commitment		30.74%	8.33%

B. Living Wage and Service Contract Worker Retention Policy Applicability

The Living Wage and Service Contract Worker Retention Policy (LW/SCWRP) 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.