AGENDA TITLE: Provide Direction on Recommendation to Negotiate Terms of Transit Operations Contract

MEETING DATE: April 23, 2014

PREPARED BY: Jean Foletta, Transit System Manager

DEPARTMENT HEAD: Richard Shepard, Director of Public Works

RECOMMENDED ACTION:
Staff recommends that the City Council authorize staff to negotiate the remaining terms of the Transit Operations Contract with MV Transportation and provide direction as appropriate. If negotiations fail or the local MV management team changes, staff requests permission to negotiate with National Express.

BACKGROUND INFORMATION:
On October 23, 2013, the City Council of the City of Elk Grove authorized staff to proceed with a Request for Proposal (RFP) for Transit Operations.

Elements of the RFP process included:

- Allowing proposers to propose separate elements of the transit services or require proposers to respond on all services. Currently all transit services (fixed route, paratransit, commuter and maintenance) are provided through a single contract.

- Forming a sub-committee of the City Council to serve in an advisory role during the RFP process. Vice Mayor Cooper and Councilmember Hume served in this capacity.

- Using a “Best Value” scoring method consistent with the American Public Transportation Association (APTA) Best Practices and utilizing an evaluation team with transit experience.
The preferred proposal would form the basis of a contract to run for five base years with three option years, commencing on July 1, 2014.

The City contracted with Solutions for Transit (SFT) to assist with the RFP process. The principals for SFT, Bobby Kuhn and Kari Wilson, have a broad transit background and have assisted other agencies with the RFP process.

**PROJECT TEAM**
The development of the RFP was a team effort, represented by consulting and City staff as follows:

- Richard Shepard, Director of Public Works
- Suzanne Kennedy, Assistant City Attorney
- Jean Foletta, Transit System Manager
- Kara Reddig, Assistant to the City Manager and former Interim Transit Manager
- Doug Scott, Fleet and Facilities Manager (Doug oversees maintenance of the City’s transit system)
- Joe Simone, Purchasing Manager
- Bobby Kuhn and Kari Wilson, SFT

The solicitation schedule provides that the new contract coincide with the expiration of the current operations contract’s base term of June 30, 2014. The new contract will commence on July 1, 2014.

The entire project schedule appears below:

- **December 2013** - The project team presented a draft document to the City Council sub-committee to obtain concurrence on the RFP process.

- **January 10, 2014** – RFP released.

- **January 28, 2014** – Pre-proposal Conference attended by:
  - AFC Transportation
  - Capitol Transit
  - First Transit
  - McDonald Transit
  - MV Transportation, Inc.
  - National Express
o Paratransit Services
o Ride Right
o Silverado Stages
o Storer Transit Systems
o Veolia Transportation

- **February 12, 2014** – Staff brought a request to the City Council from Sacramento Regional Transit District (RT) to waive the requirement to attend the pre-proposal conference. The City Council agreed to the request which allowed RT to propose on the RFP.

- **February 4, 2014** – Requests for Clarifications/Questions due.

- **February 18, 2014** – Responses to Clarifications/Questions.

- **March 11, 2014** – Proposals Due
  - The City received seven proposals:
    - Capitol Transit
    - First Transit
    - McDonald Transit
    - MV Transportation, Inc.
    - National Express
    - RT
    - Veolia Transportation

- **March 24, 2014** – Interviews were held with five top-scoring firms.

- **April 3, 2014** – Best and Final Offers (BAFO) due from firms that participated in interviews.

**RFP EVALUATION PROCESS**

Evaluation and scoring of the proposals occurred in three steps.

1. Score proposals
2. Interviews
3. Best and Final Offers (BAFO)

The following sections detail the evaluation process, which resulted in the scoring committee’s recommendation to negotiate the Transit Operations Contract.
Scoring Proposals

The evaluation of the RFPs was based on best value. The scoring committee included members of the project team as follows:

- Richard Shepard, Director of Public Works
- Jean Foletta, Transit System Manager
- Kara Reddig, Assistant to the City Manager
- Doug Scott, Fleet and Facilities Manager.
- Joe Simone, Purchasing Manager
- Bobby Kuhn, SFT

Technical and Cost were the two segments of scoring that determined the overall ranking as illustrated below:

- **Technical Proposals = 130 points total**
  - 30 Points for Financial Strength and Resources
  - 20 Points for Evidence of satisfactory performance and integrity in providing transit services
  - 10 Points for Each of the Plans, a total of 80 Points
    - Qualifications Statement
    - Proposed Operations Plan
    - Proposed Vehicle Maintenance Plan
    - Proposed Safety and Security Plan
    - Proposed Training Program
    - Proposed Transition and Startup Plan
    - Proposed Hiring of Employees
    - Proposed Job Classification and Wage Scales

- **Cost Proposal = 130 points total**
  - 110 points – total proposed cost for the base five (5) year contract
  - 20 points – Solutions to further reduce costs associated with operating the transit services
The RFP stipulated the following in regards to scoring of the RFPs and inviting Proposers to the interview process:

If the City receives more than four (4) proposals, the top four (4) scoring proposals will be considered as most competitive and will continue with the selection process. The other proposals shall be eliminated from further consideration and their Proposal Security will be returned to the Proposer.

After a detailed and thorough review of the seven proposals that were submitted, the scoring committee determined there was a tie for fourth place and thus five firms were invited to the interview process as follows:

- First Transit
- MV Transportation, Inc.
- National Express
- Sacramento RT
- Veolia Transportation

Interviews

The next step in the selection process was private interviews with a panel of representatives for the proposers and the City’s Scoring Committee. The interviews provided proposers and the scoring committee the opportunity to answer and clarify facets of their proposals. The five firms identified above participated in interviews on March 24.

Best and Final Offers (BAFOs)

BAFOs provided the opportunity for proposers invited to the interview process to amend their proposal based on the clarifications received in the interviews. (BAFOs are common in the transit RFP process and can help achieve a better value and lower price overall.)

Once the BAFOs were submitted and evaluated, final scores for each Proposer were determined. All of the proposers, with the exception of RT, submitted a BAFO.
The rankings for the cost proposals appear below. The table shows the projected total cost of the five-year base term.

<table>
<thead>
<tr>
<th>Cost Proposals</th>
<th>Proposer</th>
<th>5-Year Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1</td>
<td>First Transit</td>
<td>$27,186,732</td>
</tr>
<tr>
<td>#2</td>
<td>Sacramento RT</td>
<td>$27,342,311</td>
</tr>
<tr>
<td>#3</td>
<td>MV Transportation</td>
<td>$30,570,854</td>
</tr>
<tr>
<td>#4</td>
<td>National Express</td>
<td>$31,420,535</td>
</tr>
<tr>
<td>#5</td>
<td>Veolia</td>
<td>$32,809,775</td>
</tr>
</tbody>
</table>

The table below shows the rankings of the technical portion of the evaluation process.

<table>
<thead>
<tr>
<th>Technical Proposals</th>
<th>Proposer</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1</td>
<td>MV Transportation</td>
</tr>
<tr>
<td>#2</td>
<td>National Express</td>
</tr>
<tr>
<td>#3</td>
<td>Veolia</td>
</tr>
<tr>
<td>#4</td>
<td>First Transit</td>
</tr>
<tr>
<td>#5</td>
<td>Sacramento RT</td>
</tr>
</tbody>
</table>

Using the total overall scores for the technical and cost proposals and a range of 5-20 points assigned for Best Value, a final ranking as illustrated in the table below was assigned.

<table>
<thead>
<tr>
<th>Final Overall Ranking</th>
<th>Proposer</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1</td>
<td>MV Transportation</td>
</tr>
<tr>
<td>#2</td>
<td>National Express</td>
</tr>
<tr>
<td>#3</td>
<td>First Transit</td>
</tr>
<tr>
<td>#4</td>
<td>Veolia</td>
</tr>
<tr>
<td>#5</td>
<td>Sacramento RT</td>
</tr>
</tbody>
</table>

Key considerations:

Of the five proposals received, three agencies had components of their proposals which contained items of note. The scoring committee discussed the key considerations below which are being identified for clarification and consideration by Council. Final scores were developed after these issues were discussed.

MV Transportation:

While MV Transportation scored as the highest technical proposal, the firm has recently informed the City that one of their key team members is no longer part of their proposing team. MV is the City's
current transit services provider and has a history of high turnover rates with key staff assigned to the City. The historical experience of staff turnover has stabilized with the current local team; however, this recent news causes concern. For this reason, should Council approve negotiations with MV, staff recommends that negotiations be terminated with MV and immediately move to the next recommended proposer (National Express) should any of MV’s local team members be unavailable for the project (i.e., General Manager - Terence Thompson, Operations Manager – Lakisha Scott, Safety and Training Manager – Deborah Chase, Maintenance Manager – Joe Sullivan, and Accounting Manager – Karen Bowers).

First Transit:
Although First Transit pricing is low, staff has concerns regarding the wages and benefits for the following positions: Road/Dispatch Supervisor and Mechanic. The wage and benefits costs associated with these positions were not consistent with what other agencies proposed. Staff is concerned that these anomalies would seriously impact transit operations. First Transit provided clarification on this point and stated that if selected they will work with the City to adjust wage levels, which affects cost.

Sacramento RT:
The Sacramento RT pricing presented above does not include full-time equivalents (FTEs) as the City requested. Instead some positions that RT has proposed will be shared by the City and RT. These positions include General Manager (GM), Safety Manager, accounting functions, and Road Supervisors. Due to the size of the project, staff believes that dedicated full-time FTEs are necessary.

Staff anticipates that if these FTEs were added to the Sac RT cost proposal, the increase would be approximately $2,048,000 over the base five-year term.

City Council Sub-Committee
Staff met with the City Council sub-committee on April 9 after final scores had been determined. Staff reviewed the RFP process as detailed in this staff report and answered questions related to the RFP process and scoring of proposals.
RECOMMENDATIONS:
Based on the scoring method described above, staff recommends that the City negotiate terms of the Transit Operations Contract with MV Transportation.

Staff recommends that the contract term be a five-year base, with three one-year options, commencing on July 1, 2014. Staff also recommends that the following provisions be included in the negotiation process:

1) Negotiations would be terminated and move to the second recommended proposer should any of the local MV Management team identified above not be available to the City.

2) The contract provisions in the RFP include liquidated damages for losing key staff members regardless of cause. As part of its BAFO, MV offered to increase the liquidated damages for losing the GM (Terence Thompson) unless the loss is termination for cause or resignation. In other words, the offered increase of liquidated damage would only apply in instances of termination without cause, which limits the City’s ability to collect on this liquidated damage. Staff recommends that the City be fully protected against the damages resulting from turnover in key staff positions, including but not limited to the GM, and staff requests guidance from Council on how to include this BAFO option in negotiations, if at all. One option is to negotiate an increase in the liquidated damages amount without limitation as to the cause for termination or otherwise.

If negotiations fail or the local MV management team changes, staff requests permission to negotiate with National Express.

FISCAL IMPACT:
The five-year base term cost is projected to total $30,571,000.

This amount is an increase from the City’s existing cost of services of approximately $2,550,000 over five years or $510,000 annually. This cost includes two operations components that the City currently pays independent of the service provider - bus stop maintenance and gasoline for e-van services. The annual costs for these services are approximately $135,000 or $675,000 for the five year base term of the contract. Given these factors, the net increase to the transit budget would be approximately $375,000 annually.
The Fiscal Year 2014-15 Budget can accommodate the additional increase to the budget without an increase to the annual General Fund contribution of approximately $250,000 to Transit Operations through increased allocations of Local Transportation Funds (LTF) and Federal Transit Administration (FTA) funds.

However, staff’s goal is to eliminate General Fund contributions in the future; with the advent of a new operations contract, staff will be able to assess costs and continue with Service Improvements until a balanced budget with no General Fund contribution is achieved.

**ATTACHMENTS:**
None