



Board Report

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Agenda Number: 41.

**EXECUTIVE MANAGEMENT COMMITTEE
OCTOBER 20, 2016**

SUBJECT: METRO EXPRESSLANES OPERATION AND MAINTENANCE

ACTION: AUTHORIZE THE CHIEF EXECUTIVE OFFICER (CEO) TO EXERCISE CONTRACT OPTION AND MODIFY CONTRACT

RECOMMENDATION

CONSIDER:

- A. AUTHORIZING the Chief Executive Officer (CEO) to exercise Option 4.4, Additional Year of Operation and Maintenance (O&M) - Year 4, Modification No. 71 for Contract No. PS0922102333 with **Atkinson Contractors, LP (Atkinson) for Metro ExpressLanes Operation and Maintenance** in the amount of \$3,096,000, increasing the total Contract price from \$136,236,656 to \$139,332,656.
- B. AUTHORIZING the CEO to execute Contract Modification No. 72 for additional **O&M Support Costs** for Option Year 4 in the amount of \$12,636,000, increasing the total contract price from \$139,332,656 to \$151,968,656.
- C. AUTHORIZING the CEO to negotiate and execute Contract Modification No. 73 for **Additional Transponders** in the amount not-to-exceed \$12,200,000, increasing the total contract price from \$151,968,656 to \$164,168,656; and
- D. APPROVING an increase in Contract Modification Authority (CMA) for Contract No. PS0922102333, to Atkinson in the amount of \$29,216,913 increasing the total CMA from \$78,138,041 to \$107,354,954 to cover the costs of the recommended Contract Modifications above, and any pending and future changes listed in the Contract Modification/Change Order Log (Attachment C).

ISSUE

In December 2010, Atkinson was awarded a Design, Build, Operate and Maintain (DBOM) contract for the Metro ExpressLanes project that included all activities needed to implement and operate the ExpressLanes through the demonstration period. The DBOM contract included various options including five, one year options for operation and maintenance beyond the demonstration period, but none of these was authorized at the time of contract award. The exercising of the third of the one-

year options was approved by the Board on December 3, 2015 and expires on February 23, 2017.

The ExpressLanes continue to be a successful program with over 512,000 accounts opened and 600,000 transponders distributed since opening in November 2012. To continue the operation of the ExpressLanes, staff is asking the Board to approve exercising the fourth of the five, one-year options to extend O & M to February 23, 2018.

DISCUSSION

Recommendation A: Additional Year of O & M

Staff is currently working on new specifications for ExpressLanes O & M services. The Requests for Proposals (RFPs) are scheduled to be advertised in early 2017. Until we are in a position to execute new contracts for these services, it will be necessary to continue to execute the existing Option Years in the current contract. Since Option Year Three will expire in February 2017, staff is requesting Board authorization to enter into the fourth of the five, one-year options for O & M to continue to operate and maintain the Metro ExpressLanes.

Recommendation B: Additional O & M Support

The recommended funding action is required due to the successful launch of the ExpressLanes and includes many activities driven mainly by customer and non-customer demand - additional account support for new accounts, costs for mailing of customer correspondence and violations and fees related to the processing of payments.

The base O & M contract for the ExpressLanes includes customer service related activities for up to 100,000 transponders, which was the target for the demonstration period. However, there are currently in excess of 600,000 transponders in circulation exceeding all expectations for the program and requiring more effort related to customer service than originally included in the base contract. The distribution of additional transponders results in establishment of new accounts that requires order fulfillment and additional contractor staffing support to service these accounts. Servicing activities include answering calls, handling correspondence, responding to customer inquiries, postage, and processing transactions.

Correspondingly, the success of the Metro ExpressLanes has increased violation processing beyond the original contract numbers, generating additional costs associated with license plate image processing, postage and mailing, phone services, and responding to online inquiries.

In addition, resources will continue to be needed for the maintenance of the tolling equipment and real-time traffic monitoring utilizing "EarthCam" cameras and staffing of the Traffic Management Center for incident management and monitoring of all toll-related systems. The Contract Modification in Recommendation B addresses this additional operational support required to operate and maintain the ExpressLanes through the balance of O & M Option Year 4.

Recommendation C: Additional Transponders

Since there continues to be steady growth in transponder distribution at a rate of 10,000 to 12,000 transponders issued per month, additional funds will be required to purchase transponders for new accounts. In addition, since the useful life of a transponder is approximately 5 years, funds are needed to purchase transponders to replace those that have been in circulation since the opening of the ExpressLanes. Over the next 12 to 18 months we expect to replace more than 250,000 transponders. The recommended funding action ensures that the supply of transponders continues to be sufficient to fulfill customer orders, replace existing aging transponders, and keeps us in the queue for manufacturing which requires a long lead item.

Recommendation D: Additional CMA

The additional CMA request of \$29,216,913, when combined with previous Board Approved CMA remaining, will be used to authorize Recommendations A, B and C (O & M Option Year Four, associated O & M Support Costs and Additional Transponders) as well as additional pending Modifications.

The request for authorization to increase the CMA will serve as a management tool for staff to issue contract modifications to compensate the contractor for additional costs incurred for the completion of the above services.

To ensure there is no interruption in O & M services, staff requests authority be granted to the CEO to execute a Contract Modification for the additional O&M support costs for Option Year 4.

DETERMINATION OF SAFETY IMPACT

Approval of these recommendations will improve safety for Metro ExpressLanes patrons.

FINANCIAL IMPACT

Because this is a multi-year program, the cost center manager and Executive Officer, Congestion Reduction will be responsible for budgeting the remaining CMA in future years.

Impact to Budget

The funding for this action will come from toll revenues generated from the Metro ExpressLanes operation. No other funds were considered for this activity.

ALTERNATIVES CONSIDERED

The Board may decline to approve the recommended actions. This is not recommended as staff cannot immediately re-procure a new contractor to operate and maintain the ExpressLanes and ensure uninterrupted operations. Additionally, this will most likely require re-negotiation of all rates under the existing contract and result in higher costs.

NEXT STEPS

Upon Board approval of the Recommendations, staff will take the necessary steps to amend the

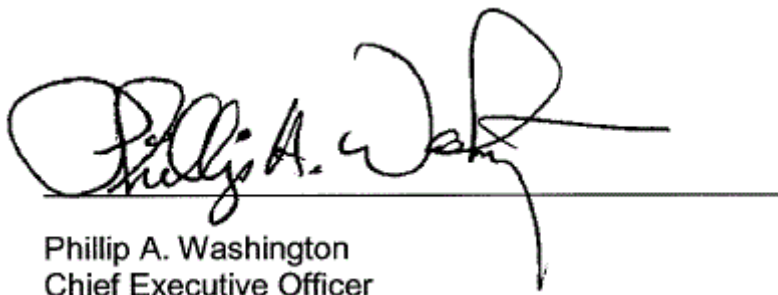
budget, notify the contractor of the exercising of Option Year Four for O & M and execute all required Contract Modifications.

ATTACHMENTS

- A. Procurement Summary
- B. Contract Modification Authority Summary
- C. DEOD Summary

Prepared by: Joe O'Donnell, Director, (213) 922-7231
Tim Lew, Sr. Mgr, Transportation Planning, (213) 922-1071
Kathy McCune, DEO (213) 922-7241
Shahrzad Amiri, Executive Officer, (213) 922-3061

Reviewed by: Debra Avila, Chief, Vendor/Contract Management Officer,
(213) 418-3051
Stephanie Wiggins, Deputy CEO, (213) 922-1023



Phillip A. Washington
Chief Executive Officer