



**Board Report**

**File #:** 2017-0322, **File Type:** Contract

**Agenda Number:** 30.

**SYSTEM SAFETY, SECURITY AND OPERATIONS COMMITTEE  
JUNE 15, 2017**

**SUBJECT: CONTRACTED BUS SERVICE - SOUTH REGION**

**ACTION: AWARD CONTRACT FOR CONTRACTED BUS SERVICE**

**RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to award a five-year, firm fixed unit price Contract No. OP38384000 to MV Transportation, Inc. (MV) for contracted bus services in the South Region in an amount not-to-exceed \$127,280,617, effective July 1, 2017, subject to resolution of protest(s), if any.

**ISSUE**

The current contract with MV for operating bus services in the South Region is scheduled to expire on June 30, 2017. A new contract is required to continue the service.

**DISCUSSION**

Metro operates 18 bus lines that are contracted to private transportation companies. The South Region contractor currently operates seven of these lines as follows: 125, 128, 130, 205, 232, 607, and 625.

Line	Description	Annual RSH*	Annual Passengers
125	El Segundo - Downey via Rosecrans Ave.	44,595	1,612,779
128	Compton - La Mirada via Alondra Blvd.	11,466	320,248
130	Redondo Beach - Cerritos via Artesia Blvd.	33,235	942,404
205	Imperial/Wilmington Sta. - San Pedro via Wilmington Ave., Vermont Ave. & Western Ave.	45,300	1,193,736
232	Long Beach - LAX via Sepulveda Blvd.	60,198	1,893,401
607	Inglewood - Windsor Hills - Inglewood	2,310	18,263
625	Green Line Shuttle World Way West via Imperial Hwy.	4,860	91,367

\*RSH = Revenue Service Hours

Metro began contracting a portion of our bus services in 1996. The first 13 contracted lines were

existing directly operated services. These lines were transferred due to their high subsidy per passenger rate ratio. The remaining five (5) contract lines include some of the new local shuttle and Consent Decree services that have been added since 1996. Contracting a portion of our bus service has provided both cost and operational benefits:

- Annual savings are realized through the lower operating costs of the contractors.
- Modifications or expansion to existing bus divisions are not necessary when new services are added.
- Contracts allow greater flexibility in operation. Lines can be quickly added, cancelled, or modified.

Despite being operated by a contractor, Metro's Service Planning Department still includes all South Region routes in all performance and planning analyses. Changes are effected semiannually or when needed, to ensure optimal and efficient service performance.

In June 2010, the Board approved an award of a five-year contract with MV Public Transportation, Inc. which expires June 30, 2017. The new proposed Contract requires the contractor to pay for CNG fuel costs, but will continue to provide for reimbursement for actual fuel costs for diesel buses. The maximum cost Metro will pay for diesel fuel is based on an index price published by the Oil Price Information Service (OPIS). Reimbursement of diesel fuel used in revenue vehicles is a practice that Metro has used to minimize the risk of potentially volatile diesel fuel prices affecting costs over the five-year contract period and the potential need for price adjustments based on changes in fuel prices or varying diesel fuel consumption resulting from the replacement of diesel buses with new CNG buses. Metro requires contractors to pay for CNG fuel for revenue vehicles and develop a plan for the installation of a CNG station within their facility for continuity and reliability of operation.

The new Contract contains additional provisions related to vehicle maintenance, including dedicated positions for maintenance of Metro-owned communications equipment such as advance transportation management system (ATMS), automated passenger count (APC), and others, stricter body damage and appearance standards, and specific procedures for the transfer of vehicles to and from the contractor to further increase service versatility. Metro has initiated the process of acquiring new CNG buses which will replace the current diesel fleet during this Contract period. Metro's Vehicle Acquisition group expects that the buses will be replaced during FY18-FY19; pending a decision by Bus Fleet Management. The Contract also contains the same provisions that allow for service levels to be increased or decreased over the term of the Contract based on our operating needs. Additionally, Metro has implemented new provisions to incentivize the application for, and receipt of, fuel tax credits and grants relating to the maintenance of Metro's buses. These provisions allow the contractor to retain a majority of the fuel tax credits/grants toward the beginning of the contract period and gradually balance out to where the contractor and Metro evenly retain the fuel tax credits/grants.

The new Contract term will begin July 1, 2017 and end June 30, 2022.

### **DETERMINATION OF SAFETY IMPACT**

The proposed Contract contains provisions requiring minimum levels for training that will ensure the safest possible operation of our equipment and service.

## **FINANCIAL IMPACT**

The funding of \$24,029,963 for this contracted service is included in the FY18 budget in Cost Center 3593 3592; Project 306001, Operations Transportation, and Account 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.

### **Impact to Budget**

The source of funds for this service will come from Federal, State, and local funding sources including sales tax and fares that are eligible for Bus Operating Projects. These funding sources will maximize the use of funds for these activities given funding provisions.

## **ALTERNATIVES CONSIDERED**

Staff considered bringing these services in-house. Based on our proposed FY18 marginal bus operating cost of \$167.65 per Revenue Service Hours, it would cost more to operate these services in-house and would require physical modifications to our facilities to operate and maintain the vehicles used for this service. The new cost for services is \$97.36 per RSH for diesel and \$122.13 per RSH for CNG.

## **NEXT STEPS**

Upon Board approval, staff will execute Contract No. OP38384000 to MV Transportation, Inc. In spring 2022, staff will return to the Board with recommendations based upon further evaluation of the services provided under this Contract.

## **ATTACHMENTS**

Attachment A - Procurement Summary

Attachment B - Metro South Region Contract Service Bus Lines

Attachment C - DEOD Summary

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