

**Board Report**

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**File #:** 2016-0538, **File Type:** Contract

**Agenda Number:** 37.

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**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-Ferroviarie 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

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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**

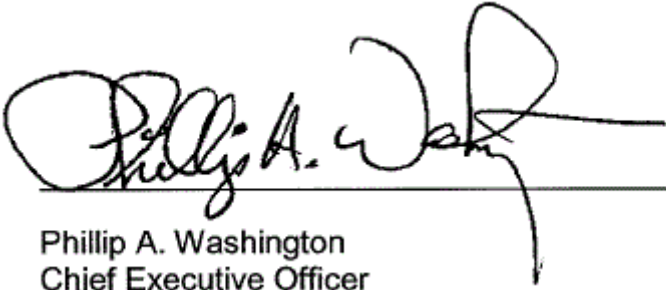
Upon Contract award, Metro will meet with Talgo, Inc. for the Contract required Specification Review Meeting. During the same meeting, Metro will establish communication and reporting protocols. Key Milestones and deliverables, through the shipment of the first six (6) pilot vehicles and delivery of 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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