

**Board Report**

File #: 2016-0646, **File Type:** Contract**Agenda Number:** 27.

**SYSTEM SAFETY, SECURITY AND OPERATIONS COMMITTEE
NOVEMBER 17, 2016****SUBJECT: HR4000 HEAVY RAIL VEHICLE (HRV) ACQUISITION,
RAIL VEHICLE CONTRACTOR****ACTION: AWARD CONTRACT FOR HEAVY RAIL VEHICLE ACQUISITION****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to award a firm-fixed price Contract under RFP No. OP6355500HR4000, **Heavy Rail Vehicle (HRV) Acquisition, to China Railway Rolling Stock Corp (CRRC) MA Corporation** in the not-to-exceed amount of \$178,395,869 for a period of 62 months from Notice-to-Proceed (NTP) for the production and delivery of the 64 HRV Base Order, subject to the resolution of protest(s), if any.

ISSUE

The Purple Line Extension (PLE), Section 1 is anticipated to commence revenue service in November 2023. If the Board approves this Contract, CRRC MA will deliver the 34 HRVs required to support PLE Section 1 by November 2020 and the balance of the 30 HRVs to replace the original A650 HRVs by July 2021.

DISCUSSION

In July 2014, the Board authorized staff to issue a federally funded solicitation for a Best Value Request for Proposals (RFP) utilizing competitive negotiations pursuant to PCC § 20217 for the procurement of the 64 Base Order and 218 Option HRVs.

Staff's recommendation presents the firm that is most advantageous to Metro. CRRC MA's offer represents the Highest Rated and Best Value to Metro when all technical and price factors are considered in accordance with the RFP evaluation criteria, including US content and Local Employment Plan. The Best Value evaluation is inclusive of the vehicle quantities for the Contract Base and all Contract Options. The Procurement Summary (Attachment A) further provides the detailed evaluation results and rankings for all proposers, including the weighted scores associated with each evaluation factor.

Metro is currently constructing the Purple Line Extension (PLE), Section 1, completing the procurement of a design-build contract for Section 2, in January 2017 and issuance of NTP by April

2017, and performing engineering design for Section 3. This rail line extension expands service from the existing terminus of the Purple Line at the Wilshire/Western Station to Westwood.

In accordance with the Rail Fleet Management Plan FY2015-FY2040, Metro anticipates a need to expand the rail fleet to accommodate anticipated growth in ridership, support line extensions and replace vehicles reaching the end of its useful revenue service life.

The 64 HRV Base Order will address the operational service requirements of PLE Section 1 with 34 HRVs; the remaining 30 HRVs will be used to replace the 30 original A650 vehicles that will be reaching the end of its useful revenue service life in approximately six (6) years. The delivery of the new vehicles is scheduled to be completed within 62 months following issuance of NTP at a rate of up to four (4) vehicles per month. There are provisions to impose liquidated damages for late deliveries.

The Contract contains five (5) Options, up to 218 additional vehicles, as part of this procurement action, but the authority to award the Options is not included in the staff recommendation.

- Option 1 - 24 HRVs: Red Line Service Expansion
- Option 2 - 84 HRVs: System Service Expansion
- Option 3 - 20 HRVs: PLE, Section 2
- Option 4 - 16 HRVs: PLE, Section 3
- Option 5 - 74 HRVs: Replacement of existing 74 A650 vehicles

The Options may be exercised in combination or sequence as long they follow the Option expiration dates defined in the Contract. The first Option (any Option #1 through #5) may be exercised not later than 34 months following the Commencement Date or eight months following Shipment of the Pilot Cars, whichever is later. The successive Options must each be exercised within four months of when the preceding one is exercised. The dates are established to minimize impact to production and to limit escalation risks.

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. However, CRRC MA has an established DBE goal of 6.45% with the FTA.

US DOT Contracting Initiative Pilot & Enhanced U.S. Content Programs

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 application of geographical preferences in the evaluation of Construction and Rolling Stock projects.

Metro's LEP was approved by the FTA in September 2015 for application on the HR4000 HRV Acquisition on a voluntary basis. The LEP incentivized proposers to create new jobs in the State of California and invest in local facility construction as a function of the best value evaluation process by providing preferential scoring points based on the committed wages and benefits for new workers. At least 10 percent of the new jobs are targeted for defined disadvantaged populations.

Staff's goal of creating meaningful new manufacturing local jobs was achieved as evidenced by CRRRC MA's commitment to creating new jobs in the State of California totaling \$38,395,972 in wages and benefits covering the period from NTP to November 2026 for the Base Order; if all five (5) Options are exercised the LEP will conclude in January 2031.

The RFP also included an additional incentive for Enhanced U.S. Content as a result of recent California law (AB 1097), which provides transit agencies with the ability to include preferential scoring provisions for proposers who offer U.S. component content in excess of the Federal Buy America requirement of 60%. The Enhanced U.S. Content program is voluntary and is not part of any direct evaluation scoring. However, the monetary value of the Enhanced U.S. Content submittal in excess of 60% was used as a Best Value trade-off against the Price factor for evaluation purposes only. The recommended Awardee committed to a 65% U.S. content for the duration of the Contract.

DETERMINATION OF SAFETY IMPACT

The approval of this contract award will have a direct and positive impact to system safety, service quality, system reliability and overall customer satisfaction. The procurement of 64 new HRVs will feature the most current safety systems and augment service levels by replacing the existing A650 series HRVs.

FINANCIAL IMPACT

The total not-to-exceed contract amount to support the Base Order is \$178,395,869. Funding for the procurement of the 64 HRV Base Order is summarized below:

64 HRV Base Order

PLE Section 1 (34 HRVs): \$160 million is budgeted in the capital LOP budget of Project 865518 - Westside Subway Extension and is included in the Full Funding Grant Agreement and is eligible for TIFIA loan proceed funding.

A650 Vehicle Replacement (30 HRVs): \$130.9 million is budgeted in the capital budget of Project 206037 - HR4000 HRV Procurement.

The FY17 planned expenditure of \$16,338,127 is included in the combined annual budgets for the two aforementioned projects in Project 206037, Cost Center 3043, Rail Vehicle Acquisition, and Project 865518, Cost Center 8510, Construction Contracts/Procurement.

Since this is a multi-year contract, the cost center Manager will ensure that costs will be budgeted in future years.

Impact to Budget

The source of funds for this action affecting PLE, Section 1 is a combination of Federal New Starts, TIFIA, and Measure R 35%, and is within the Adopted LOP and FY17 annual budgets. Funding sources for the PLE, Section 1 are planned for the design, construction and procurement efforts; these funds are not eligible for operations. Funding for the replacement vehicles share of the procurement (project 206037) is Proposition A 35% bonds.

The funding sources under this Project (inclusive of Project 865518 and Project 206037) for the 64 HRV Base Order HRVs are sufficient to award the base contract of this recommendation. Staff is actively pursuing additional 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 of this project.

ALTERNATIVES CONSIDERED

The Board of Directors may choose not to authorize the contract award for this project; however, this alternative is not recommended as this project is critical to support the Purple Line Extension, and retire the oldest HRVs in the fleet.

NEXT STEPS

Upon Board award approval, a Contract will be executed and a Notice-to-Proceed will be issued to CRRC MA once all insurance and bonding requirements are met. Metro and CRRC MA, will then mobilize required resources to ensure timely completion of deliverables by the Vehicle Contractor.

ATTACHMENTS

- Attachment A - Procurement Summary
- Attachment B - July 17, 2014 Board Authorization for Best Value Procurement
- Attachment C - Funding/Expenditure Plan
- Attachment D - FTA Local Pilot Hiring Program (September 30, 2015)
- Attachment E - DEOD Summary

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