

Staff Summary Report

Council Meeting Date: 03/05/2009

Agenda Item Number: _____

SUBJECT: Request to award a 51-month contract with renewal options of up to four years to Veolia Transportation for fixed route bus and neighborhood circulator services.

DOCUMENT NAME: 20090305fslg10 **PURCHASES (1004-01)**

SUPPORTING DOCS: Yes

COMMENTS: (RFP #09-001) Total cost for this contract is \$151,895,988 for the initial 51-month contract period subject to permitted adjustments in fiscal years 2012 and 2013.

PREPARED BY: Lisa Goodman, CPPB, Procurement Officer, 480-350-8533
Greg Jordan, Transit Administrator, 480-858-2094

REVIEWED BY: Michael Greene, CPM, Central Services Administrator, 480-350-8516
Carlos de Leon, Deputy Public Works Manager, 480-350-8527
Glenn Kephart, Public Works Manager, 480-350-8205

**LEGAL REVIEW AS
TO CONTRACT FORM**

ONLY: Teresa Voss, Assistant City Attorney, 480-350-8814

FISCAL NOTE: The contract award amount of \$151.9 million for the 51-month period comprises \$146.4 million in base contract costs and up to a maximum \$5.5 in performance incentives. The contract award amount will be offset by \$22.6 million from fare revenue, \$47.4 million from Valley Metro/RPTA on behalf of partner cities, and \$12.5 million from regional Proposition 400 funding for bus service in Tempe. The net cost to Tempe of \$69.4 million will be funded by local transit sales tax. Sufficient funds to cover 80 percent of the total cost have been budgeted in cost center 3914 for fiscal years 2009 and 2010. Transportation's long range financial plan has been updated to reflect Veolia's contract costs and staff will submit operating budgets for fiscal years 2011-2013 as necessary.

RECOMMENDATION: Award the contract.

ADDITIONAL INFO: Following the development and release of a comprehensive Request for Proposals (RFP), an eight (8) member evaluation committee assessed the service and cost proposals of two (2) qualified transit contractors. The committee evaluated the firms based on fourteen (14) criteria including price and awarded the most points to Veolia Transportation (814/1000) by a margin of 10 percent. Although Veolia Transportation did not submit the lowest cost proposal, the committee recommends contract award to Veolia for the following reasons:

- Excellent senior management team;
- Superior approach to operating transit and neighborhood circulator services;
- Competitive bus operator wages and strong package of employee benefits;
- Efficiently designed operation with comparatively low overall labor costs;
- Solid fleet maintenance plan based on realistic cost assumptions;
- Promising strategies for community engagement and customer relations;
- Technological and organizational innovation designed to improve services;
- Strong commitment to sustainable business and operating practices;
- Reasonable cost proposal reflecting accurate understanding of operating requirements

Service Provided

Veolia Transportation will provide 1.8 million miles of transit service on seventeen (17) major bus routes and five (5) Orbit neighborhood circulator routes during the last quarter of FY 2009 and 7.4 million miles of service per year for fiscal years 2010 – 2013. The city may at anytime reduce, expand, or otherwise adjust bus routes, revenue miles, frequency, and hours of operation.

Budget Impact

Although Veolia Transportation did not supply the lowest cost proposal, its submittal is lower than what staff budgeted for transit services during the applicable 51-month contract period. On a gross cost basis, Veolia's cost proposal is \$14.7 million less than Transportation staff projected in long range financial planning.

The attached memorandum provides greater detail on the services provided under this contract, costs and revenues, and the evaluation process.



Memorandum

TRANSPORTATION

DATE: March 5, 2009

TO: Mayor and City Council

FROM: Greg Jordan, Transit Administrator (858-2094)
Lisa Goodman, CPPB, Procurement Officer (350-8533)

SUBJECT: Transit Services Contract Award Recommendation

Following the development and release of a comprehensive Request for Proposals (RFP), an eight (8) member evaluation committee assessed the service and cost proposals of two (2) qualified transit contractors. The committee evaluated the firms based on fourteen (14) criteria including price and awarded the most points to Veolia Transportation (814/1000) by a margin of 10 percent. Although Veolia Transportation did not submit the lowest cost proposal, the committee recommends contract award to Veolia for the following reasons:

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- Promising strategies for community engagement and customer relations;
- Technological and organizational innovation designed to improve services;
- Strong commitment to sustainable business and operating practices;
- Reasonable cost proposal reflecting accurate understanding of Tempe's operating and maintenance requirements as well as competitive employee pay and benefits.

Service Provided

Veolia Transportation will provide 1.8 million miles of transit service on seventeen (17) major bus routes and five (5) Orbit neighborhood circulator routes during the last quarter of FY 2009 and 7.4 million miles of service per year for fiscal years 2010 – 2013. The city may at anytime reduce, expand, or otherwise adjust bus routes, revenue miles, frequency, and hours of operation.

In general, the City of Tempe operates fixed route transit service from 4:30am to 1:00am although hours of operation vary by route and in neighboring cities. Orbit service hours of operation are from 6am to 10pm daily. Table 1 below indicates the bus routes operated under this contract as well as service miles, frequency, and FY 2008 ridership.

Table 1: Transit Service Characteristics

Bus Route	FY 2010 Service Miles	Service Frequency (Minutes)				2008 Ridership
		Wkday Peak	Wkday Off Peak	Sat	Sun	
56 – Priest	470,898	15	30	30	30	630,339
62 – Hardy	344,876	15	30	30	30	402,034
65 – Kyrene	200,660	30	30	30	30	212,146
66 – Mill	435,601	30	30	30	30	356,252
72 – Rural/Scottsdale	1,234,816	15	15	30	30	1,766,007
76 – Miller	294,304	30	30	30	30	174,014
77 – Baseline	467,611	15	30	30	30	722,999
81 – McClintock/Hayden	929,511	15	30	60	60	993,287
84 – Granite Reef	69,496	60	60	60	60	29,349
92 – Guadalupe/48 th St.	468,495	15	30	30	30	452,616
108 – Elliot	293,542	30	30	60	60	200,769
114 – Via Linda	84,315	60	60	60	60	28,825
510 – Express	18,845	30	n/a	n/a	n/a	22,827
512 – Express	34,196	30	n/a	n/a	n/a	18,518
520 – Express	38,250	30	n/a	n/a	n/a	30,612
521 – Express	64,133	30	n/a	n/a	n/a	58,468
Flash - Tempe/ASU	163,475	5	5	n/a	n/a	778,669
Orbit – Mercury	328,058	8	8	15	15	790,928
Orbit – Venus	254,624	15	15	15	15	356,638
Orbit – Earth	396,208	15	15	15	15	399,409
Orbit – Mars	315,360	15	15	15	15	173,813
Orbit - Jupiter	479,245	15	15	15	15	644,931
Totals	7,386,519					9,243,450

Summary of Costs and Revenue

The contract award amount of \$151.9 million for the 51-month period comprises \$146.4 million in base contract costs and up to a maximum \$5.5 in performance incentives.

The City of Tempe is a regional transit provider and receives funding from Valley Metro/RPTA to operate bus service in neighboring cities as well as from Arizona State University for the Flash and Orbit neighborhood circulator services (\$47.4 million). Proposition 400, which funds the Regional Transportation Plan, provides funding for regionally significant bus routes operating within Tempe (\$12.5 million). Finally, revenue from passenger fares makes up about 20-25 percent of the cost of local and express bus service (\$22.6 million). The net cost to Tempe of \$69.4 million is funded by local transit sales tax.

Table 2 on the following page provides information on gross costs for each service type and associated external funding and revenue.

Table 2: Costs and Revenue Summary (51-Month Contract Term)

Service Type	Gross Costs	Fare Revenue	External Funding	Prop. 400	Net Costs
Tempe Bus Service	\$ 57,642,247	\$ (11,528,449)	\$ -	\$ (12,502,280)	\$ 33,611,518
Partner City Bus Service	\$ 55,412,815	\$ (11,082,563)	\$ (44,330,252)	\$ -	\$ -
Flash	\$ 3,381,973	\$ -	\$ (2,468,841)	\$ -	\$ 913,133
Orbit	\$ 35,458,952	\$ -	\$ (552,500)	\$ -	\$ 34,906,452
Total	\$ 151,895,988	\$ (22,611,013)	\$ (47,351,593)	\$ (12,502,280)	\$ 69,431,103

Performance Incentives

Veolia Transportation’s base contract amount for the 51-month period is \$146.4 million. However, the contract contains a financial performance incentive/disincentive program of +/- 3.75 percent designed to encourage strong service outcomes. The gross cost figures noted in Table 2 include the 3.75 performance incentive which exceeds Veolia’s base contract amount by \$5.5 million. Similar programs are in use at other transit agencies including Valley Metro/RPTA and the City of Phoenix.

Veolia Transportation will be subject to evaluation on eight (8) performance indicators including on-time performance, service frequency headway compliance, customer complaints, preventable accidents, service interruptions, preventive maintenance, fare revenue handling, and fuel efficiency. Up to 3.75 percent of the base contract amount may be awarded to Veolia Transportation based on the degree to which it exceeds baseline contractual performance standards. Likewise, as much as 3.75 percent of the base contract amount may be withheld from Veolia based on the degree to which it fails to meet baseline contractual performance standards. Should Veolia fail to achieve minimum performance standards, then gross contract expenditures may be as low as \$140.9 million over the 51-month period.

In addition, the contract contains additional disincentives for specific violations of contract terms.

Evaluation Committee

With guidance from Tempe’s Procurement Office, an eight (8) member committee evaluated the two proposals. The committee comprised a diverse set of valley professionals representing the City of Tempe, Valley Metro/RPTA, City of Scottsdale, Arizona State University, Tempe Community Council, and the Tempe Transportation Commission. Professional backgrounds included transit management and operations, quality assurance, fleet maintenance, intelligent transportation systems, finance, customer/community engagement, social services, and sustainability.

RFP & Evaluation Process

The RFP was released for 60 days during which the contractors participated in a pre-proposal conference, took a tour of the East Valley Bus Operations and Maintenance Facility, conducted maintenance inspections on selected transit vehicles, and submitted clarification questions to city staff on the scope of work. City staff provided responses to over 100 vendor questions.

Following review, deliberation, and initial scoring of the proposals, the committee conducted in-depth interviews with the two proposers’ senior management teams, evaluated additional information provided in response to two (2) best and final offer inquiries, and reviewed multiple references for both firms. In total, the committee met on six different occasions and devoted 250 hours to the evaluation.

Evaluation Criteria

City staff developed evaluation criteria for assessing company qualifications based on industry practice, experience with similar procurements conducted by other transit agencies, research on the terms of comparable RFPs, Tempe procurement guidelines, and Tempe's public service priorities and values.

- Senior Management Team Qualifications – 12%
- Transit Service Operating Plan – 10%
- Fleet Maintenance Plan – 10%
- Price – 10%
- Passenger Service and Community Engagement – 8%
- Employee Professional Development Plan – 8%
- Quality Assurance/Control Program – 8%
- Understanding of Scope of Work – 6%
- Sustainable Business and Operating Practices – 6%
- Financial Ability – 5%
- Contractor Experience in Transit Services – 5%
- References and/or Site Visits – 5%
- Price Reasonability – 5%
- Proposal Completeness & Acceptance/Compliance – 2%

Proposal Cost Differences

The cost proposal submitted by Veolia Transportation exceeded its competitor's proposal on a net basis by 4.6 percent (\$6.4 million) over the 51-month period. Although Veolia's cost proposal contains several lower cost categories, much of the net difference is explained by the higher investment Veolia allocates to employee benefits and fleet maintenance.

- Employee Benefits - Veolia's proposal offers bus operator wages and an employee benefits package that the committee judged, with consultation by Tempe's Human Resource Department, to be superior to First Transit's proposal. Competitive wages and benefits are essential to ensure a stable and dedicated work force, particularly in an industry already prone to high employee turn-over.
- Fleet Maintenance – Although Veolia's cost proposal for fleet maintenance is higher than the proposal offered by First Transit, the committee judged it to be more realistic given the advanced age of the fleet, the unique challenges that accompany the use of liquid natural gas, the desert climate, and the maintenance and safety requirements stated in the RFP.

Budget Impact

Although Veolia Transportation did not supply the lowest cost proposal, its submittal is lower than what staff budgeted for transit services during the applicable 51-month contract period. On a gross cost basis, Veolia's cost proposal is \$14.7 million less than Transportation staff projected in long range financial planning.

If you have any questions or comments, please contact Greg Jordan, Transit Administrator, at 480-858-2094, greg_jordan@tempe.gov or Lisa Goodman, Procurement Officer at 480-350-8533, lisa_goodman@tempe.gov. A full copy of the contract is available for review at the City Clerk's office.