



Council Agenda Report

Department Name: Public Works
Cost Center: 5201 (Transit)
For Agenda of: May 4, 2021
Placement: Consent
Estimated Time: N/A

FROM: Matt Horn, Public Works Director
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SUBJECT: AUTHORIZE AMENDMENT NUMBER 4 TO THE TRANSIT OPERATIONS & MAINTENANCE CONTRACT WITH FIRST TRANSIT INC.

RECOMMENDATION

Authorize the Mayor to execute Amendment No. 4 to the Transit Operations & Maintenance Agreement with First transit Inc. to extend the term until June 30, 2022 at the agreed upon and negotiated rate not to exceed \$2,883,946.

DISCUSSION

Background

The City of San Luis Obispo operates a fixed-route public transit system within City limits and the California Polytechnic State University (Cal Poly) campus. Vehicle operations and maintenance have been outsourced and provided by third-party vendors since the 1990s. Throughout this time the City has continued to use various vendors/contractors to perform these duties and often does multi-year contracts with potential one-year extensions as allowed by the Federal Transit Administration (FTA).

On June 16, 2015, the City Council approved the award of the Transit Operations and Maintenance contract to First Transit Inc. who was deemed to be the "best in value" vendor of the seven considered. The recommendation for the award came at the end of a successful Request for Proposal process where multiple vendors submitted proposals for this work and a competitive process arrived at the vendor that was deemed most appropriate to conduct the services. This contract called for a base four-year contract term with the potential for an additional three extensions in one-year increments. Thus far it has been beneficial for the City to exercise the first of the three possible extensions. Recommendations for exercising an extension are based on several factors including vendor performance, market indicators, and strategic operational benefits.

Per the existing contract there are several key performance indicators (KPIs) with associated liquidated damages and incentives. These KPIs are designed to gauge the performance of the vendor. The City has a high standard for the expected level of service and the vendor has satisfactorily met these standards with improvements in safety, reliability, and on-time performance.

The vendor has also demonstrated to be responsive and adapted to change to improve transit services offered based upon community needs.

Another consideration for recommending an extension are market indicators such as competitive pricing that may be available if a new RFP process were undertaken. This is usually somewhat offset by the additional costs for completing the RFP process and the lost time due to this additional work. Current pricing for the SLO Transit services is in line with current industry standards and the negotiated amounts are consistent with similar contracts.

The negotiated price with the vendor, in a not exceed amount is consistent with the Transit Fund's Fiscal Year 2021-22 forecast. With projected federal funds as part of various pandemic "rescue efforts" there should be sufficient revenue to cover these costs as ridership returns to pre-pandemic levels.

The extension will also have strategic operational benefits. Staff is currently in negotiations with Cal Poly University for a new transit service agreement. Additionally, the impacts of electrification of the fleet will have impacts on operations and having a better understanding of the same before issuing an RFP will be important.

Previous Council or Advisory Body Action

City Council has previously approved exercising other contract amendments including exercising the first of three possible extensions.

- On June 16, 2015, the City entered into an Agreement with Vendor for Transit Operations & Maintenance.
- On April 5, 2018, the City and Contractor entered into an Amendment to Agreement No. 1, amending the scope of services to reflect changes in Revenue Service Hours as a result of the implementation of Short-Range Transit Plan.
- On January 8, 2019, the City and Vendor entered into an Amendment to Agreement No. 2, amending the scope of services to reflect the pass-thru purchase of an Automatic Vehicle Location System.
- On March 3, 2020 the City exercise the first of three possible extensions Amendment to Agreement No. 3 of the 2016 Transit Operations & Maintenance contract with First Transit Inc.

Policy Context

The City' adopted Financial Management Manual states that contract's greater than \$100,000 fall under the purview of City Council for approval (page 46).

Public Engagement

At the May 4, 2021 City Council meeting, the public will have the opportunity to provide comment as part of the item. The public will also have an opportunity to submit letters or speak during Public Comment for this agenda item.

ENVIRONMENTAL REVIEW

The California Environmental Quality Act does not apply to the recommended action in this report, because the action does not constitute a “Project” under CEQA Guidelines Sec. 15378.

FISCAL IMPACT

Budgeted: Yes
Funding Identified: Yes

Budget Year: 2021-22

Fiscal Analysis:

Funding Sources	Current FY Cost	Annualized On-going Cost	Total Project Cost
Transit Fund	\$576,790		
State	\$1,153,578		
Federal	\$1,153,578		
Fees			
Other:			
Total	\$2,883,946		

At First Transit Inc.'s request to the City, negotiations commenced in the Fall of 2020. Negotiations have brought down the initial request from a 7% increase to 3% for FY 2021-22. The additional costs requested by First Transit are largely attributable to the increased cost for maintaining an older fleet with 50% of the vehicles past their federally approved “useful-life”, the State mandated increase to minimum wages, increased costs for drivers’ wages, and increased cost for insurance. The total contract value of \$2,883,946, is in line with the projected FY 2021-22 costs and revenue projections.

ALTERNATIVES

Deny the extension request and direct staff to go out to bid. This not recommended as any new long-term contract will take a significant work effort at this time and may not result in any cost savings and likely cannot be completed in a time for fiscal year end.

Attachments:

- a - First Transit Amendment to Agreement No. 4 to Extend Contract
- b - COUNCIL READING FILE - First Transit Operation Contract - June 2016