

**Board Report**

File #: 2018-0114, **File Type:** Contract**Agenda Number:** 29.

REVISED
SYSTEM SAFETY, SECURITY AND OPERATIONS COMMITTEE
MAY 17, 2018

**SUBJECT: P3010, LIGHT RAIL VEHICLE PROCUREMENT
CONTRACT KINKISHARYO****ACTION: APPROVE RECOMMENDATION****RECOMMENDATION**

APPROVE a Modification to Contract No. P3010 with Kinkisharyo International, LLC for four (4) Request for Changes (RFC); RFC No. 1 Addition of Back-up Train Operator Display for a firm fixed price of \$1,589,240, RFC No. 2 Addition of Color Route ID to Exterior Signs for a firm fixed price of \$1,715,638, RFC No. 3 Addition of Exterior Rear View Mirrors for a firm fixed price of \$1,122,336, and RFC No. 6 Addition of Interior Route Information Signs for a firm fixed price of \$1,260,476, all for a combined firm fixed amount of \$5,687,690, increasing the total Contract value from \$914,667,177 to \$920,354,867. The contract increase is within the Life of Project Budget.

ISSUE

During the exercise of the P3010 Base Order contract, Metro issued 11 Request for Changes (RFCs) to Kinkisharyo (KI) to enhance vehicle performance and passenger experience. Contract Modifications for the 11 RFCs were successfully executed and implemented on the Base Order vehicles. To maintain consistency in fleet configuration, staff recommends applying the previously approved changes to the remaining 157 Option Light Rail Vehicles (LRV). These four RFCs exceed the Chief Executive Officer's delegated negotiating authority of \$1,000,000, so staff is requesting Board approval for Contract Modification Authority.

DISCUSSION

In April 2012, the P3010 LRV contract, for a base order of 78 LRVs, was awarded to Kinkisharyo. The contract includes four options for an additional 157 LRVs which were subsequently awarded. To date, KI is delivering safe, reliable, and maintainable vehicles on time and within budget.

To maintain consistency in fleet configuration, staff recommends applying the previously approved changes to the remaining 157 Option LRVs to enhance vehicle performance and passenger experience. Metro staff is requesting Board approval of the following four RFC's which exceed Metro's Chief Executive Officer's delegated negotiating authority of \$1,000,000:

- 1) RFC No. 1: Addition of back-up Train Operator Display (TOD). This change allows for safe and uninterrupted operation in the event that the primary TOD fails.
- 2) RFC No. 2. Add Color Route ID to Exterior Signs. This change enhances the passenger experience by facilitating recognition of the Metro line.
- 3) RFC No. 3: Installation of Exterior Rear View Mirrors. This change allows for safe and uninterrupted operation in the event the exterior rear view cameras fail.
- 4) RFC No. 6: Addition of Interior Route Information Signs. This change allows for 4 monitors (2 per LRV half) to be mounted in select locations for display of route information and service announcements.

Application of these changes is required to ensure a consistent fleet configuration and preserve enhanced levels of vehicle performance and passenger experience. Additionally, application of these changes will have no impact to project schedule and is within the remaining contingency of the Life of Project budget.

Metro staff is finalizing negotiations with KI on seven remaining RFC's. Most of the remaining changes are expected to be approved under staff delegated authority. Any RFCs that exceed Metro's CEO's \$1,000,000 negotiating authority will be presented to the Board for approval.

Based on staff's review of all cost elements, fact finding, and negotiations, it is recommended to proceed with the Contract Modification further described in Attachment A.

As further described in Attachment C, the current contract with KI includes a Disadvantaged Business Enterprise (DBE) participation goal that is monitored directly through the FTA's Transit Vehicle Manufacturer program, and a U.S. Employment Program commitment of wages and benefits resulting from new job creation monitored by Metro. KI has met and exceeded Metro's U.S. Employment Program Contract commitment of creating \$98 million in wages and benefits for new workers supporting our P3010 program. KI has met that commitment two years earlier than required and has currently created \$101.8 million in wages and benefits for new workers. KI's estimate for new workers at Contract award was 250 new hires. Thus far KI and its suppliers have hired over 600 new workers nationwide, including more than 450 new workers in Los Angeles County.

DETERMINATION OF SAFETY IMPACT

This board action will not have an impact to safety; however, it does enhance vehicle performance and passenger experience.

FINANCIAL IMPACT

Adoption of the recommendation to approve the 4 RFC's will increase the contract price by \$5,687,690, from \$914,667,177 to \$920,354,867. This amount is within the P3010 project LOP of \$972,000,000. Funding for these changes as outlined are included in the FY19 budget in Cost Center 3043 - Strategic Vehicle and Infrastructure Delivery, Account 53105 - Acquisition of Revenue Vehicle, Project 206035 - P3010 LRV Project including options.

Since this is a multi-year contract, the Cost Center manager and Project Manager will ensure that the balance of funds are budgeted in future years, including all options exercised.

Impact to Budget

The current source of funds for this action is Measure R, Federal STIP, and Proposition A Bonds. These funding sources maximize allowable fund use given funding provisions.

ALTERNATIVES CONSIDERED

Should the Board choose not to approve staff's recommendation for the changes recommended in actions A through D, above, Metro operations will be required to support two different fleet configurations with different levels of performance and passengers will be subjected to vehicles with different levels of amenities. This alternative is not recommended as it will add additional burden to Metro Operations and passengers will be subjected to different levels of service.

NEXT STEPS

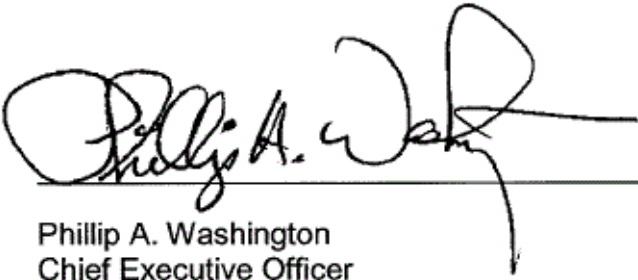
Upon Board approval, staff will execute RFC Nos. 1, 2, 3, and 6, proceed with implementation of the changes outlined above, and continue delivery of the P3010 option order vehicles.

ATTACHMENTS

- Attachment A - Procurement Summary
- Attachment B - Contract Modification Authority (CMA) Summary
- Attachment C - DEOD Summary - **REVISED**

Prepared by: Annie Yang, Sr. Director of Rail Vehicle Acquisition, (213) 922-3254
Wayne Okubo, Director of Contract Administration, (213) 922-7466
Stephanie Kaping, Manager of Administration & Financial Services, (213) 418-3278
Jesus Montes, Senior Executive Officer, Vehicle Acquisition, (213) 418-3277

Reviewed by: James T. Gallagher, Chief Operations Officer, (213) 418-3108
Debra Avila, Chief Vendor/Contract Management Officer, (213) 418-3051



Phillip A. Washington
Chief Executive Officer

PROCUREMENT SUMMARY
P3010 LIGHT RAIL VEHICLES

1.	Contract Number: P3010		
2.	Contractor: Kinkisharyo International LLC		
3.	Mod. Work Description: The Contractor will perform configuration changes to the 157 Option LRVs that were performed on the 78 Base LRVs to maintain vehicle configuration consistency. These configurations changes are : a) RFC No. 1 - Addition of Back-up Train Operator Display for \$1,589,239.96 b) RFC No. 2 - Addition of Color Route ID to Exterior Signs for \$1,715,638.35 c) RFC No. 3 - Addition of Exterior Rear View Mirrors for \$1,122,336.10 d) RFC No. 6 - Addition of Interior Route Information Signs for \$1,260,476.01		
4.	Contract Work Description: New Light Rail Vehicles		
5.	The following data is current as of: 4/2018		
6.	Contract Completion Status		Financial Status
	Contract Awarded:	4/2012	Contract Award Amount: \$890,142,275, inclusive of Options 1 through 4.
	Notice to Proceed (NTP):	8/2012	Total of Modifications Approved: 29
	Original Complete Date:	2/2017 (Base only)	Pending Modifications (including this action): 1
	Current Est. Complete Date:	6/2021 (including options)	Current Contract Value (with this action): \$920,354,867
7.	Contract Administrator: Wayne Okubo		Telephone Number: (213) 922-7466
8.	Project Manager: Jason Yaw		Telephone Number: (213) 922-3325

A. Procurement Background

This Board Action is to approve Contract Modification No. 30 for vehicle configuration changes on the 157 Option light rail vehicles.

This Contract Modification will be processed in accordance with Metro's Acquisition Policy and the contract type is a firm fixed price.

In April 2012, Contract No. P3010 was awarded to Kinkisharyo International LLC., in the firm fixed price amount of \$299,061,827, for the manufacturing and delivery of 78 light rail vehicles (LRV) for the base contract buy. The Board also authorized the CEO to negotiate and award up to four Contract Options totaling \$591,080,448 for up to 157 additional LRVs. These four options were executed in August 14, 2013 (Options 1 and 4) and July 31, 2015 (Options 2 and 3).

This Contract Modification is to enable KI to perform configuration changes to the 157 Option LRVs that were performed on the 78 Base LRVs to maintain vehicle configuration consistency.

B. Cost/Price Analysis

The recommended price has been determined to be fair and reasonable based upon MAS audit, independent cost estimates, cost analysis, technical evaluation, fact finding, and negotiations.

RFC No. 1. The Metro ICE underestimated values for installation labor and materials resulting in the 15% differential.

RFC No. 2. Initial proposal omitted cost elements for escalation, test equipment, and spares, discovered during fact finding, resulting in the higher negotiated amount.

	Proposal Amount	Metro ICE	Negotiated Amount
RFC 1	\$1,660,487	\$1,348,630	\$1,589,240
RFC 2	\$1,602,248	\$2,165,658	\$1,715,638
RFC 3	\$1,149,620	\$1,169,150	\$1,122,336
RFC 6	\$1,299,400	\$2,548,424	\$1,260,476
TOTAL	\$5,711,755	\$7,231,862	\$5,687,690

CONTRACT MODIFICATION AUTHORITY (CMA) SUMMARY

P3010 LIGHT RAIL VEHICLES

Contract Modification No.	Description	Status	Estimated Cost
N/A	Award Base Contract	Approved	\$ 299,061,827.00
1	Modify SP-27 US Employment Plan, Section B – New FTE Positions	Executed	\$ 0.00
2	Exercise Contract Option No. 1 for \$104,428,419 and Option No. 4 for \$261,893,225 and Period of Performance	Executed	\$ 336,321,644.00
3	Revise Period of Performance to include 30 days retooling period after delivery of last car on prior order	Executed	\$ 0.00
4	Modify applicable commercial Specs and Technical Specs for Request for Change No. 9 LED on Recording Cameras. Increase Contract Amount for the Base Buy by \$120,362.19	Executed	\$ 120,362.19
5	Modify Applicable Commercial Specs and Technical Specs for Request for Change No.10 - Door Close Operator Alert. Increase Contract Amount for the Base Buy by \$74,763.06	Executed	\$ 74,763.06
6	Modify Applicable Commercial Specs and Technical Specs for Request for Change No.11 Train Operator Log In. Increase Contract Amount for the Base Buy by \$253,955.52	Executed	\$ 253,955.52
7	Modify Applicable Commercial and Technical specs for RFC No. 14 for revising car number to four digits	Executed	\$ 0.00
8	Modify Applicable Commercial and Technical specs for RFC No. 1 for the addition of a backup train operator display	Executed	\$ 861,695.00
9	Modify Applicable Commercial and Technical specs for RFC No. 8 Location for Emergency Tool Enclosures	Executed	\$ 0.00
10	Deleted	Not Executed	\$ 0.00
11	Exterior Rear View Mirrors	Executed	\$ 677,317.00
12	Sandbox Location	Executed	\$ 548,242.00
13	RFC No. 13 - Adding Graphic Display	Executed	\$ 355,848.00
14	Revised Invoice Procedures	Executed	\$ 0.00
15	RFC No. 2 - Exterior route signs with color ID	Executed	\$ 1,206,791.85
16	RFC No. 6 - Interior Route Information Signs	Executed	\$ 1,274,944.00
17	Escalation Increase in accordance with CP-09 entitled "Option Prices and	Executed	\$ 6,534,165.00

ATTACHMENT B

	Adjustment” for Option 1 and Option 4		
18	Exercise of Contract Options 2 and 3	Executed	\$ 224,758,804
19	Addition of Interior Route Information Signs – Design Change	Executed	\$ 169,146.00
20	Cab Console – Door Control	Executed	\$ 194,439.00
21	Vehicle Scale Model	Executed	-\$ 75,000.00
22	Escalation Increase in accordance with CP-09 entitled “Option Prices and Adjustment” for Option 2 and Option 3	Executed	\$ 11,651,376.00
23	Transport of three LRVS (No. 1003, 1014, and 1016)	Executed	\$ 30,647.00
24	Windshield wipers and brake cut out skirt openings	Executed	\$ 248,892.03
25	Revision of SP-04 entitled “Approved Subcontractors and Suppliers” list	Executed	\$ 0.00
26	Extension of Time Base Contract from 53 to 56 months	Executed	\$ 0.00
27	Transport of 19 railcars from Monrovia to Green Line	Executed	\$ 205,571.00
28	Modification of CP-02. Modification changes the percentage for the Conditional Acceptance and Final Acceptance Milestones	Executed	\$ 0.00
29	Crenshaw Line Tie-In Support	Executed	\$ 191,747.16
30	Award RFC No. 1 for Addition of Train Operator, RFC No. 2 for Color Route ID, RFC No. 3 for Addition of exterior rear view mirrors, and RFC No. 6 for Interior route information signs	Recommended for Approval	\$5,687,690.42
	Subtotal – Negotiated and In Process Changes		\$914,667,177.16
	Subtotal – Negotiated and Recommended for Approval		\$0.00
	Subtotal — Negotiated but Not Executed, Recommended Approval for CEO to negotiate and execute (Pending)		\$5,687,690.42
	Total Estimated Modifications Including Pending Changes		\$621,293,040.58
	Prior CMA Authorized by the Board (CMA 10% of aggregate amount of original award plus Options 1-4)		\$89,014,227.10
	Increased CMA requested		\$0.00
	Total CMA including this action		\$12,027,051.58
	Remaining CMA for Future Changes		\$76,987,175.52

DEOD SUMMARY

P3010 LIGHT RAIL VEHICLES

A. Small Business Participation

Kinkisharyo International, LLC is a Transit Vehicle Manufacturer (TVM) and is on the Federal Transit Administration's (FTA) list of eligible TVMs with an Disadvantaged Business Enterprise (DBE) overall goal methodology, in compliance with 49 Code of Federal Regulations (CFR) Part 26.49(a)(1). TVMs submit overall DBE goals and report participation directly to FTA. As such, Kinkisharyo International, LLC reported that it submitted its overall DBE goal of 2.3% to FTA for FY18. On May 4, 2018, Kinkisharyo confirmed that it reported 6.8% DBE participation from April 1, 2017 to September 30, 2017 in its last semi-annual report to FTA.

B. Living Wage and Service Contract Worker Retention Policy Applicability

The Living Wage / Service Contract Worker Retention Program is not applicable to this Contract.

C. Prevailing Wage Applicability

Prevailing wage is not applicable to this Contract.

D. Project Labor Agreement/Construction Careers Policy

Project Labor Agreement/Construction Careers Policy is not applicable to this Contract.

E. United States Employment Plan Program (USEP)

United States Employment Plan Program is applicable on this contract. Staff has been monitoring progress on all USEP commitments, including the contractual commitment in creating employment opportunities in the U.S. The Contractor Kinkisharyo has currently created over 600 new jobs nationwide, including 450 in Los Angeles County to support this project, totaling \$101.8 million ~~\$66,247,128~~ in new wages and benefits through the last Quarterly reporting period, January 2018.