

**Board Report**

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**File #:** 2018-0226, **File Type:** Contract**Agenda Number:** 28.

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**SYSTEM SAFETY, SECURITY AND OPERATIONS COMMITTEE  
JUNE 21, 2018****SUBJECT: P3010, LIGHT RAIL VEHICLE PROCUREMENT  
CONTRACT KINKISHARYO****ACTION: APPROVE RECOMMENDATION****RECOMMENDATION**

APPROVE Modification No. 32 to Contract No. P3010 with Kinkisharyo International, LLC for two Request for Changes (RFC): RFC No. 7 to revise the sandbox location for a firm fixed price of \$2,551,782.56, and RFC No. 19 to add reflective decal labels for a firm fixed price of \$1,123,644.61, for a combined firm fixed amount of \$3,675,427.17, increasing the total Contract value from \$920,964,842.19 to \$924,640,269.36. The Contract increase is within the Life of Project Budget.

**ISSUE**

During the exercise of the P3010 Base Order contract, Metro issued 11 RFCs to Kinkisharyo International LLC (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 (LRVs). These two 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 KI. 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 two (2) RFC's:

- 1) RFC No. 7: Revise Sandbox Location. This change permits maintenance staff the option to either fill the sandbox manually or automatically using a pressurized nozzle system from Metro's cleaning platforms.

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- 2) RFC No. 19: Add Reflective Decals. The addition of reflective decal on the exterior vehicle provides more visibility of approaching trains to passengers and pedestrians, and therefore enhances the safety requirements as detailed in 49 CFR Part 659 - Rail Fixed Guideway Systems; State Safety Oversight.

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.

KI is on the Federal Transit Administration's (FTA) list of eligible Transit Vehicle Manufacturers (TVM). In compliance with 49 Code of Federal Regulations (CFR) Part 26.49(a)(1), KI established an overall goal of 2.3% and reports DBE participation directly to the FTA. Per the reports shared by KI, they reported 6.8% from April 1, 2017 to September 30, 2017. In previous fiscal years they reported 26.5% in FY2016, 16.85% in FY2015, and 18.5% in FY2014. As KI reports directly to the FTA, these values are not subject to Metro review.

Based on staff's review, it is recommended to proceed with the two Contract Modifications described in Attachment A.

### **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 two RFC's will increase the Contract price by \$3,675,427.17, from \$920,964,842.19 to \$924,640,269.36. 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 FY19 source of funds for this action are, Federal Congestion Mitigation and Air Quality (CMAQ) and Proposition A. 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 action A 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

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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**

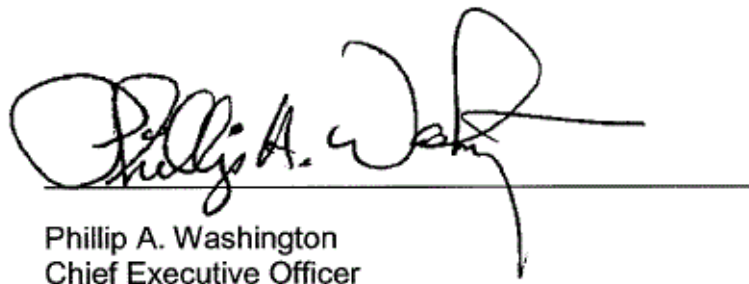
If this item is approved, staff will proceed with implementation of the changes outlined above and continue delivery of the P3010 option order vehicles.

**ATTACHMENTS**

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

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Phillip A. Washington  
Chief Executive Officer

## PROCUREMENT SUMMARY

## P3010 LIGHT RAIL VEHICLE

1.	<b>Contract Number:</b> P3010		
2.	<b>Contractor:</b> Kinkisharyo, International LLC		
3.	<b>Mod. Work Description:</b> 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. 7 – Relocation of Sandbox for \$2,551,782.56 b) RFC No. 19 – Addition of Reflective Decals for \$1,123,644.61		
4.	<b>Contract Work Description:</b> New Light Rail Vehicles		
5.	<b>The following data is current as of:</b> 5/2018		
6.	<b>Contract Completion Status</b>		<b>Financial Status</b>
	<b>Contract Awarded:</b>	4/2012	<b>Contract Award Amount:</b> \$890,142,275, inclusive of Options 1 through 4.
	<b>Notice to Proceed (NTP):</b>	8/2012	<b>Total of Modifications Approved:</b> 31
	<b>Original Complete Date:</b>	2/2017 (Base only)	<b>Pending Modifications (including this action):</b> 1
	<b>Current Est. Complete Date:</b>	6/2021 (including Options)	<b>Current Contract Value (with this action):</b> \$924,640,269.36
7.	<b>Contract Administrator:</b> Wayne Okubo		<b>Telephone Number:</b> (213) 922-7466
8.	<b>Project Manager:</b> Jason Yaw		<b>Telephone Number:</b> (213) 922-3325

**A. Procurement Background**

This Board Action is to approve Modification No. 32 to Contract No. P3010 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. (KI) 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 (Option 1 and 4) and July 31, 2015 (Option 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. 7. The Metro ICE underestimated values for installation labor and materials resulting in a 52% differential in the negotiated price. The additional labor and material costs incurred by the KI were supported by additional Contractor documentation and corroborating technical analysis.

	<b>Proposal Amount</b>	<b>Metro ICE</b>	<b>Negotiated Amount</b>
RFC 7	\$2,744,457	\$1,670,480	\$2,551,783
RFC 19	\$1,175,836	\$1,263,945	\$1,123,644
<b>TOTAL</b>	<b>\$3,920,293</b>	<b>\$2,934,425</b>	<b>\$3,675,427</b>

**ATTACHMENT B**

**CONTRACT MODIFICATION AUTHORITY (CMA) SUMMARY**

**P3010 LIGHT RAIL VEHICLES**

<b>Contract Modification No.</b>	<b>Description</b>	<b>Status</b>	<b>Estimated Cost</b>
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	\$ 366,321,644.00
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 Adjustment" for Option 1 and Option 4	Executed	\$	6,534,165.00
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	RFC #19 Reflective Labels for 78 Base LRV's	Executed	\$	609,974.61
31	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	Executed	\$	5,687,690.42
32	Award RFC #7 for Sandbox Relocation and RFC# 19 Reflective Labels, on 157 LRVs Options 1-4	Recommended for Approval	\$	3,675,427.17
	Subtotal – Negotiated and In Process Changes			\$924,640,269.36
	Subtotal – Negotiated and Recommended for Approval			\$0.00
	Subtotal — Negotiated but Not Executed, Recommended Approval for CEO to negotiate and execute (Pending)			\$3,675,427.17
	Total Estimated Modifications Including Pending Changes			\$625,578,442.36

	<b>Prior CMA Authorized by the Board (CMA 10% of aggregate amount of original award plus Options 1-4)</b>	<b>\$89,014,227.10</b>
	<b>Increased CMA requested</b>	<b>\$0.00</b>
	<b>Total CMA including this action</b>	<b>\$16,312,453.36</b>
	<b>Remaining CMA for Future Changes</b>	<b>\$72,701,773.74</b>



**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 a Disadvantaged Business Enterprise (DBE) overall goal methodology, in compliance with 49 Code of Federal Regulations (CFR) Section 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 and Service Contract Worker Retention Program is not applicable to this Contract. Rolling stock solicitations are not one of the covered contract types in Metro's Living Wage and Service Contract Worker Retention Policy Applicability.

**C. Prevailing Wage Applicability**

Prevailing wage is not applicable to the manufacturing of light rail vehicles.

**D. Project Labor Agreement/Construction Careers Policy**

Project Labor Agreement/Construction Careers Policy is not applicable to this Contract. Project Labor Agreement/Construction Careers Policy is applicable only to construction contracts that have a construction related value in excess of \$2.5 million.

**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 to support this project, totaling \$66,247,128 in new wages and benefits through the last Quarterly reporting period, January 2018.