



## Board Report

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File #: 2019-0235, File Type: Contract

Agenda Number: 32.

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### OPERATIONS, SAFETY, AND CUSTOMER EXPERIENCE COMMITTEE JUNE 20, 2019

**SUBJECT: ENGINE OIL FOR METRO BUS FLEET**

**ACTION: AUTHORIZE CONTRACT MODIFICATION**

#### **RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to execute Contract Modification No. 7 to Contract No. VM67502000, Engine Oil, with Rosemead Oil Products, Incorporated to provide engine oil for Metro's bus fleet, in the amount of \$252,000, increasing the total Contract value from \$1,789,600 to \$2,041,600.

#### **ISSUE**

Metro's Board approved the award of a Contract in January 2017 to Rosemead Oil to provide engine oil for Metro's bus fleet for a base one year, with a one-year option in the amount of \$1,626,900. Metro exercised its Contract option in March 2018, and a new replacement contract was planned to be awarded by April 2019. However, two replacement contract solicitations have not resulted in successful awards, and an extension to the existing Contract is required to maintain a necessary supply of engine oil for Metro's bus fleet operation.

Staff has twice attempted to procure its engine oil supply service through Metro small business set-aside (SBE) program without success. In November 2018, staff cancelled its first solicitation because the lowest responsive responsible bid was \$500,000 in excess of Metro's Independent Cost Estimate (ICE), thus the bid price was deemed not fair or reasonable. Subsequently, staff issued a second SBE set-aside solicitation in December 2018 and received two bids in March 2019. Unfortunately, both bids were deemed to be non-responsive. To ensure a successful procurement staff will issue a third solicitation to the open engine oil market regardless of bidder size and anticipates an award recommendation will be presented to Metro's Board in September 2019 or sooner.

This recommended Board action will provide sufficient contract funding for engine oil through November 30, 2019 if necessary, while a new procurement is released for competitive bid and a new contract is awarded by September 2019.

#### **BACKGROUND**

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This Board Action is to approve Contract Modification No. 7 issued in support of maintaining the safe and reliable operation of the Metro's bus fleet, ensuring that operating divisions have adequate engine oil inventory to maintain the buses in accordance with Metro's maintenance standards that is in full compliance with Cummins Engine Standard (CES) 20085. Approval of the recommendation will ensure that an adequate supply of engine oil is available to maintain Metro's bus fleet requirements.

### **DISCUSSION**

The engine oil under this procurement is needed throughout Metro to maintain and service its Compressed Natural Gas (CNG) bus fleet. The engine oil is changed out periodically in accordance with the engine manufacturer's preventative maintenance program requirements.

Engine oil will be purchased, maintained in inventory and managed by Material Management. As the engine oil is used, the appropriate budget project numbers and accounts will be charged.

### **DETERMINATION OF SAFETY IMPACT**

Award of the Contract will ensure that all operating divisions and Central Maintenance have adequate inventory to maintain buses according to the bus engine manufacturer guidelines and Metro preventative maintenance program standards. Used engine oil generated in the maintenance of buses at Metro divisions is accumulated in storage tanks. These storage tanks are evacuated in accordance with Department of Toxic Substances Control accumulation regulations. Used oil is then transported by a licensed transporter and recycled at a permitted treatment storage and disposal facility. Used oil shipments and recycling activities are documented on a Uniform Hazardous Waste manifest to ensure the health and safety of residents of our local communities.

### **FINANCIAL IMPACT**

The funding of \$252,000 for engine oil is included in the FY20 budget request under project 306002 Operations Maintenance under line 50406, Lubricant-Revenue Equipment.

#### **Impact to Budget**

The source of funds for this procurement will come from Federal, State and local funding sources that are eligible for Bus and Rail Operating or Capital Projects. These funding sources will maximize the use of funds for these activities.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

The procurement of engine oil supports Strategic Goal 1) Provide high-quality mobility options that enable people to spend less time traveling. Engine oil will maintain the reliability of the bus fleet and ensure that our customers are able to arrive at their destinations without interruption and in accordance with the scheduled services intervals for Metro bus operations.

### **ALTERNATIVES CONSIDERED**

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The alternative not to authorize this contract modification is not recommended. It is imperative that Metro maintains continuity of having engine oil readily available to sustain its high quality bus fleet in order to continue offering the general public at-large safe and reliable transportation services.

**NEXT STEPS**

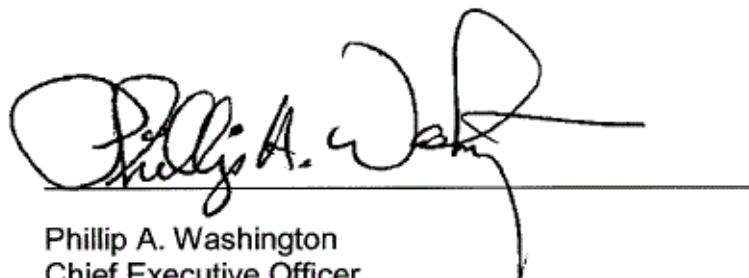
Metro will execute the contract modification to authorize additional funds and a schedule extension for 4.5 months for the continuation of delivery of engine oil through November 2019, while a new procurement is in process with the anticipation of a new contract to be awarded in December 2019.

**ATTACHMENTS**

Attachment A - Procurement Summary  
Attachment B - Contract Modification Order Log  
Attachment C - DEOD Summary

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



Phillip A. Washington  
Chief Executive Officer

**PROCUREMENT SUMMARY**

**ENGINE OIL  
CONTRACT NO. VM67502000**

1.	<b>Contract Number:</b> VM67502000		
2.	<b>Contractor:</b> Rosemead Oil Products, Inc.		
3.	<b>Mod. Work Description:</b> Four Months Schedule Extension & Additional Funds		
4.	<b>Contract Work Description:</b> Engine Oil for Metro Bus Fleet		
5.	<b>The following data is current as of:</b> 4/30/19		
6.	<b>Contract Completion Status</b>		<b>Financial Status</b>
	<b>Contract Awarded:</b>	02/03/17	<b>Contract Award Amount:</b> \$1,626,900
	<b>Notice to Proceed (NTP):</b>	01/30/17	<b>Total of Modifications Approved:</b> 6
	<b>Original Complete Date:</b>	02/02/19	<b>Pending Modifications (including this action):</b> 1
	<b>Current Est. Complete Date:</b>	11/30/19	<b>Current Contract Value (with this action):</b> \$2,041,600
7.	<b>Contract Administrator:</b> Lorretta Norris		<b>Telephone Number:</b> (213) 922-2632
8.	<b>Project Manager:</b> James Pachan		<b>Telephone Number:</b> (213) 922-5804

**A. Procurement Background**

This Board Action is to approve Contract Modification No. 7, issued in support of maintaining the safe and reliable operation of Metro's bus fleet, ensuring that operating divisions have adequate engine oil inventory to maintain the buses in accordance with Metro's maintenance standards that is in full compliance with Cummins Engine Standard (CES) 20085.

Contract Number VM67502000, Item Number 32, was approved by Metro's Board of Directors on January 26, 2017.

Rosemead Oil Products, Inc. (Rosemead) was the lowest responsive and responsible bidder for a not-to-exceed amount of \$805,281 inclusive of sales tax for the base year, and not-to-exceed amount of \$821,569 inclusive of sales tax for a one year option, for a Total Contract Value of \$1,626,850. An indefinite delivery, indefinite quantity (IDIQ) contract was awarded February 3, 2017.

A new replacement contract for VM67502000 was to commence on May 1, 2019. However, the procurement to award a replacement contractor was cancelled because the apparent low and bidder of that solicitation was deemed non-

responsive for not meeting Metro’s Commercial Useful Function (CUF) requirement. As a result, Metro is required to re-compete this acquisition requirement and extend the existing Contract with Rosemead.

To ensure daily bus fleet operations were not interrupted, Metro staff approved Modification No. 6 to extend the contract and utilize its full Contract Modification Authority (CMA) to increase the original Total Contract Value by \$162,700, from \$1,626,900 to \$1,789,600 (Refer to Attachment B – Contract Modification Log).

Contract Modification No. 7 extends bus fleet operations during the re-procurement phase and will be processed in accordance with Metro’s Acquisition Policy. The contract type remains an IDIQ.

Based on Metro’s forecasted usage reports the monthly engine oil burn rate is approximately \$59,100.

**B. Actual Cost Data**

The recommended price extension has been determined to be fair and reasonable based upon the Contractor’s agreement to maintain the existing firm fixed unit rate prices defined in the existing Contract. The existing Contract prices were deemed fair and reasonable based on adequate price competition. The table below reflects actual cost data of engine oil usage during the contract’s terms and the expected cost during the time extension.

<b>Actual Monthly Engine Burn Rate*</b>	<b>Number of Months Additional Service Required</b>	<b>Estimated Mod #7 Amount</b>	<b>Metro ICE</b>
\$59,100	4.25	\$252,000	\$251,175

\*Refer to the 5<sup>th</sup> paragraph above under Procurement Background.

**CONTRACT MODIFICATION CHANGE LOG  
METRO'S ENGINE OIL SUPPLIER/VM67502000**

<b>Mod. No.</b>	<b>Description</b>	<b>Status (Approved or Pending)</b>	<b>Date</b>	<b>\$ Amount</b>
1	No Cost – Administrative Change	Approved	9/18/17	\$0
2	No Cost – Administrative Change	Approved	10/31/17	\$0
3	No Cost – Administrative Change	Approved	8/30/18	\$0
4	Exercised Option (From 2/3/18 – 2/2/19)*	Approved	3/14/18	\$0
5	Extended Contract schedule (From 2/3/19 – 4/30/19)	Approved	12/5/18	\$0
6	Extended Contract schedule (From 5/1/19 to 7/15/19) & Utilized CMA	Approved	3/29/19	\$162,700
7	Extend Contract schedule (From 7/16/19 - 11/30/19) and approve use of additional funds	Pending	Open	\$252,000
	<b>Total CMA:</b>			\$414,700
	<b>Original Contract:</b>			\$1,626,900
	<b>Total:</b>			\$2,041,600

\*The Option amount of \$821,569 is inclusive in the Original Contract amount approved by the BODs.

**DEOD SUMMARY**

**ENGINE OIL  
CONTRACT NO. VM67502000**

**A. Small Business Participation**

Rosemead Oil Products (a subsidiary of Safety-Kleen) made a 5% Disadvantaged Business Enterprise (DBE) commitment. The project is currently 91% complete. Rosemead’s current DBE participation is 0%, representing a 5% shortfall. Rosemead has committed to utilize All Petro Resources on the current modification.

Notwithstanding, Metro Project Managers and Contract Administrators, will work in conjunction with DEOD to ensure that Rosemead is on schedule to meet or exceed its DBE commitment. If Rosemead is not on track to meet its small business commitment, Metro staff will request that Rosemead submit an updated mitigation plan. Additionally, key stakeholders associated with the contract have been provided access to Metro’s tracking and monitoring system to ensure that all parties are actively tracking Small Business progress.

<b>Small Business Commitment</b>	<b>5% DBE</b>	<b>Small Business Participation</b>	<b>0% DBE</b>
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	<b>DBE Contractors</b>	<b>Ethnicity</b>	<b>% Committed</b>	<b>% Participation</b>
1.	All Petro Resources	Hispanic American	5.00%	0%
	<b>Total</b>		<b>5.00%</b>	<b>0%</b>

**B. Living Wage and Service Contract Worker Retention Policy Applicability**

The Living Wage and Service Contract Worker Retention Policy (LW/SCWRP) is not applicable to this contract.

**C. Prevailing Wage Applicability**

Prevailing Wage requirements 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. Project Labor Agreement/Construction Careers Policy is applicable only to construction contracts that have a construction contract value in excess of \$2.5 million.