

**Board Report**

File #: 2021-0592, **File Type:** Contract**Agenda Number:** 19.

**OPERATIONS, SAFETY, AND CUSTOMER EXPERIENCE COMMITTEE
OCTOBER 21, 2021****SUBJECT: AUTOMATED STORAGE AND RETRIEVAL SYSTEM (ASRS) UPGRADE****ACTION: APPROVE CONTRACT AWARD****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to award a single source, 24-month, firm fixed price Contract No. PS76506000 to Dematic Corporation, for a total amount of \$3,396,686, inclusive of sales tax subject to resolution of protest(s), if any.

ISSUE

This procurement will upgrade the Automated Storage and Retrieval System (ASRS) and replace obsolete components that are at the end of their useful life.. The upgraded ASRS will mitigate against the interruption of material and supply flow from the Central Warehouse and Distribution Center to Bus and Rail Storerooms and support Metro's State of Good Repair for on time Metro bus and rail operations.

BACKGROUND

ASRS automates pick up, move, store, and retrieve inventory at the Central Warehouse and Distribution Center. This system consists of Unit Load (pallet sized) and Mini-Load (bin sized) storage and retrieval machines with access to over 42,000 cubicles of storage space. Each storage and retrieval machine has a chassis and a rigid mast with an elevating platform. A shuttle extends in and out of the storage rack opening to pick up or deposit loads on each platform. Along with automated pallet conveyors, these machines automate storage and retrieval of bus and rail parts and supplies, supporting the flow of material from the Central Maintenance Facility to Bus and Rail Storerooms across Metro.

The ASRS system was commissioned in 1986 by HK Systems Incorporated, which Dematic acquired in 2010. Within the last 35 years, ASRS went through several upgrades (2006, 2007, 2013 and 2015) to replace the original components and perform system updates.

ASRS has been successfully maintained and serviced by the OEM and more recently by Metro personnel to achieve 98% uptime. Unfortunately, Unit Load Storage and Retrieval Machine Direct Current (DC) Drives and Motors are no longer manufactured and supported by the OEM, and there

are limited spares for replacements. Shuttles on the Storage and Retrieval machines as well as the pallet conveyors are currently over 35 years old and have never been replaced. As these components are at the end of useful life, any failure would cause a significant risk to Metro.

Operational Impacts in Current State

- Increased maintenance costs for end-of-life ASRS components
- Increased maintenance time for Facilities Maintenance technicians

Foreseeable Risks in Current State

- Inability to efficiently deliver parts to bus and rail facilities
- Inability for bus and rail maintenance technicians to perform preventative maintenance and unplanned maintenance required to keep bus/rail fleet at targeted operational levels
- Loss of inventory control and increased working capital needs agency-wide

DISCUSSION

The ASRS upgrade project will eliminate obsolete parts from the Storage and Retrieval machines and modernize the system for sustainable operation. This project will be executed in multiple phases to minimize cost and transit service impacts.

Phase 1 - Storage and Retrieval Machine (SRM) Control System and Ethernet

Communications - To upgrade the obsolete DC motors and drives in the Unit Load Storage and Retrieval Machines to Alternating Current (AC) Drives and Motors. The Programmable Logic Control (PLC) will work with the new AC motors and drives. The new upgraded ethernet communications will enable remote monitor and troubleshoot the storage and retrieval machines.

Phase 2 - Replacement Shuttles for the six Unit Load Storage and Retrieval Machine - The vendor will design, fabricate, install, and test replacement shuttles for the Unit Load Storage and Retrieval Machines.

Phase 3 - Pallet Conveyor Replacement and Pick-Up and Delivery Stand Photo Eyes - The vendor will replace 19 conveyors that support shipping & receiving and the Mini-Load Storage and Retrieval Machines. Additionally, 75 obsolete photo eyes will be replaced by photo sensors.

Phase 4 - Spare Parts/Accessories Analysis - The vendor will develop a recommended Spare Parts List for the specific scope integrated in phase I, II and III, which will be provided to Metro during the project for future parts consideration.

Dematic is the original equipment manufacturer (OEM) for Metro's ASRS system. They are also responsible for ongoing support and warranty to Metro for this system. The ASRS utilizes Dematic's proprietary components, communication protocol, controls and interface logic between the server and the system components, only the OEM can perform the equipment upgrade and software support; there is no third party option available.

Metro requested the vendor to propose the best overall solutions in the Scope of Work (SOW). Dematic identified the new technology components to replace the items listed on the SOW and provided options on the proposal. Spare Parts Analysis option will replace the phase 4 in SOW to analyze Metro's current spare parts inventory compared to the existing and soon-to-be-upgraded systems in each phase to avoid delay and save time.

DETERMINATION OF SAFETY IMPACT

Unless the system is brought up to current operational standards, the Central Warehouse and Distribution Center may experience long periods of downtime (stoppage of robots and cranes used to retrieve inventory) requiring that the retrieval and storage of parts be performed by staff. Many of these areas have limited access and require extensive climbing and reaching. Prolonged exposure to these conditions could increase the likelihood of injury.

FINANCIAL IMPACT

Funding of \$1,339,133 for phase 1 of this action is included in the Adopted FY22 Budget. This procurement is included within the Life-of-Project budget of \$3,865,000 for the "ASRS Upgrade" (Capital Project 209073). Since this is a multi-year contract, the Cost Center Manager and Executive Officer will be accountable for budgeting the cost in future years, including any option exercised.

Impact to Budget

The source of funds for project is from Transportation Development Act - Article 4. No other sources of funds were considered as these funds have been identified for this project. These funds are available for use on bus and rail operating and capital projects.

EQUITY PLATFORM

The ASRS upgrade project will benefit Metro Transit riders. The project will upgrade the ASRS system using the state-of-the-art technology and bring the system to meet the demand of expanded ridership. The upgraded system will enable on time parts receiving/delivery and accurate inventory control to Metro divisions for timely Buses/Rail cars repair and maintenance. Reliable bus/rail service will ensure riders, have dependable transportation for their daily essential activities. This project will improve Metro bus and rail reliability, reduce unexpected service interruption, and provide better rider experiences. There are no potential harm and barriers anticipated as a result of the proposed action. The project provides a state-of-the-art transit experience for our riders, most of whom are BIPOC and low-income.

A Small Business Enterprise (SBE) goal was not recommended for this non-competitive proprietary

system upgrade project based on the lack of subcontracting opportunities. Dematic Corporation owns the proprietary intellectual property behind the ASRS system, and is the only firm that can perform work on this system.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Improved Customer Information supports Metro Vision 2028 Strategic:

Metro Vision 2028 Plan Goals	Relationship to Project
1. Provide high quality mobility options that enable people to spend less time traveling	1.2 - Optimize the existing system's speed, reliability, and performance by revitalizing and upgrading Metro's transit assets.
5. Provide responsive, accountable and trustworthy governance	5.2 - Metro will exercise good public policy judgment and sound fiscal stewardship

ALTERNATIVES CONSIDERED

Metro does not possess the technical knowledge and/or documentation to support the in-house replacement of components or performing upgrades. The system integrates with Metro's enterprise applications and is considered complex with its own proprietary functions/logic. Any alternative(s) to engage other competitors would require levels of reverse engineering for both the hardware and software interfaces adding significant time to the schedule, the introduction of warranty/performance issues, and unknown additional costs associated with the engineering to be performed. Dematic is the Original Equipment Manufacturer (OEM) and only Dematic is authorized to perform the necessary upgrades effectively and in a timely manner. Introducing a competitor would put Metro at significant risk of project failure and system downtime if the system and processes do not properly function as required, or ultimately fail.

Another alternative is to consider replacing the entire system; however, this will also add significant time to the project, presenting a significant learning curve and training costs, and add considerable financial impact as a new similar system is estimated to be in the \$30 million range.

NEXT STEPS

Upon approval by the Board, staff will execute the contract and the ASRS Upgrade will occur over a twenty-four month period following award.

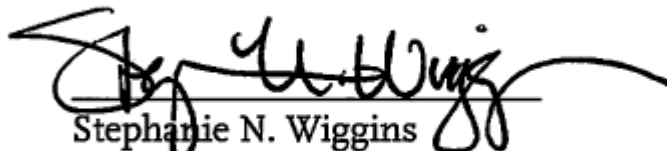
ATTACHMENTS

Attachment A - Procurement Summary

Attachment B - DEOD Summary

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Stephanie N. Wiggins
Chief Executive Officer

PROCUREMENT SUMMARY

AUTOMATED STORAGE AND RETRIEVAL SYSTEM (ASRS) UPGRADE

1.	Contract Number: PS76506000	
2.	Recommended Vendor: Dematic Corporation	
3.	Type of Procurement (check one): <input type="checkbox"/> IFB <input type="checkbox"/> RFP <input type="checkbox"/> RFP-A&E <input checked="" type="checkbox"/> Non-Competitive <input type="checkbox"/> Modification <input type="checkbox"/> Task Order	
4.	Procurement Dates:	
	A. Issued: 05/31/2021	
	B. Advertised/Publicized: N/A	
	C. Pre-proposal/Pre-Bid Conference: N/A	
	D. Proposals/Bids Due: 07/09/2021	
	E. Pre-Qualification Completed: 08/18/2021	
	F. Conflict of Interest Form Submitted to Ethics: 07/09/2021	
	G. Protest Period End Date: N/A	
5.	Solicitations Picked up/Downloaded: 1	Bids/Proposals Received: 1
6.	Contract Administrator: Annie Duong	Telephone Number: (213) 418-3048
7.	Project Manager: Shuyen Lin	Telephone Number: (213) 418-3180

A. Procurement Background

This Board Action is to award a sole source contract to replace the obsolete and end of the useful life components, as well as upgrading the ASRS systems to incorporate the state of art technologies. On May 31, 2021, Metro issued a single source, non-competitive solicitation to Dematic Corporation because of its proprietary system and received a proposal on July 09, 2021.

This sole source procurement was issued in accordance with Metro's Acquisition Policy and the contract type is a Firm Fixed Price.

B. Evaluations of Proposals

This is a single source, non- competitive procurement. A Proposal Evaluation Team (PET) consisting of staff from Metro's Logistics, Transit Operation Systems, and Administrative Business Department conducted a comprehensive technical evaluation of the proposal received. The technical evaluation consisted of reviews of the firm's proposed labor hours, proposed assigned technical personnel and labor categories, and proposed material items and spares. The proposal was found to be technically acceptable.

C. Cost/Price Analysis

The recommended contractor’s price proposal was evaluated in compliance with Metro’s Acquisition Policies and Procedures. Staff conducted a comprehensive evaluation to determine that the final firm fixed price is fair and reasonable based on cost analysis, technical evaluation, fact-finding, clarifications, and negotiations. The contract administrator requested price information from the contractor on its other projects with other government customers. The contractor was able to demonstrate the rate proposed for Metro is the same rate used with other government agencies. Hence, the proposed price is considered fair and reasonable. The final negotiated price is \$3,396,686, inclusive of tax.

	Proposer Name	Proposal Amount	Metro ICE	Negotiated Amount
1.	Dematic Corporation	\$3,398,005	\$3,120,818	\$3,396,686

D. Background on Recommended Contractor

Dematic Corporation, formally HK Systems, Inc. is the original equipment manufacturer of Metro’s Automated Storage and Retrieval System (ASRS) located at Central Maintenance Facility (CMF). Dematic Corporation is a global engineering company that designs, builds, and life cycle supports logistics solutions that optimize material and information flow from receiving to shipping, within the four walls of the factory, warehouse, or distribution center.

Dematic Corporation is one brand under the KION Group of companies and has engineering offices in Asia, Europe, North and South America. The company has manufacturing facilities in USA, Australia, Germany, Italy, and China. During the past 50 years, Dematic has installed 10,000 systems and currently has global revenue of \$1.3 billion. Its clients include JC Penney, Wal-Mart, Anheuser-Bush, and Wells Dairy.

Headquartered in Atlanta, Georgia, Dematic Corporation has been in the business for over 200 years. Dematic Corporation has provided satisfactory work for Metro in the past.

DEOD SUMMARY

AUTOMATED STORAGE AND RETRIEVAL SYSTEM (ASRS) UPGRADE /
PS76506000**A. Small Business Participation**

The Diversity and Economic Opportunity Department (DEOD) did not establish a Small Business Enterprise (SBE) or Disabled Veteran Business Enterprise (DVBE) goal for this solicitation due to the lack of subcontracting opportunities. Dematic Corporation owns the proprietary intellectual property behind the ASRS system and is the only firm that can perform work on this system.

Although an SBE/DVBE goal was not established for this project, Metro will continue to encourage bidders/proposers to outreach to and utilize SBE/DVBE firms, should potential subcontract opportunities become available. Pursuant to the SBE/DVBE Program, if the Prime Contractor utilizes the services of subcontractors, they are expected to afford equal opportunities to SBE/DVBE firms in all subcontracting and supply service areas.

B. Living Wage and Service Contract Worker Retention Policy Applicability

The Living Wage and Service Contract Worker Retention Policy 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. Project Labor Agreement/Construction Careers Policy is applicable only to construction contracts that have a construction contract value in excess of \$2.5 million.