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Agenda

MEETING OF THE METROPOLITAN TRANSIT SYSTEM EXECUTIVE COMMITTEE

June 14, 2012

Executive Conference Room
Immediately following Audit Oversight Committee Meeting

ACTION RECOMMENDED

- A. ROLL CALL
- B. APPROVAL OF MINUTES - May 10, 2012 Approve
- C. COMMITTEE DISCUSSION ITEMS
 - 1. Trolley Renewal Project Update (Wayne Terry and John Haggerty of SANDAG) Receive
Action would receive a report for information.
- D. REVIEW OF DRAFT JUNE 21, 2012, BOARD AGENDA
- E. REVIEW OF SANDAG TRANSPORTATION COMMITTEE AGENDA Possible
Action
Review of SANDAG Transportation Committee Agenda and discussion regarding any items pertaining to MTS, San Diego Transit Corporation, or San Diego Trolley, Inc. Relevant excerpts will be provided during the meeting.
- F. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS
- G. PUBLIC COMMENTS
- H. NEXT MEETING DATE: July 12, 2012
- I. ADJOURNMENT

Please SILENCE electronics
during the meeting

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Metropolitan Transit System (MTS) is a California public agency comprised of San Diego Transit Corp., San Diego Trolley, Inc., San Diego and Arizona Eastern Railway Company (nonprofit public benefit corporations), and San Diego Vintage Trolley, Inc., a 501(c)(3) nonprofit corporation, in cooperation with Chula Vista Transit. MTS is the taxicab administrator for seven cities. MTS member agencies include the cities of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, San Diego, Santee, and the County of San Diego.



MEETING OF THE EXECUTIVE COMMITTEE FOR THE
METROPOLITAN TRANSIT SYSTEM (MTS)
1255 Imperial Avenue, Suite 1000
San Diego, CA 92101

May 10, 2012

DRAFT MINUTES

A. ROLL CALL

Chairman Mathis called the Executive Committee meeting to order at 9:00 a.m. A roll call sheet listing Executive Committee member attendance is attached.

B. APPROVAL OF MINUTES

Mr. Young moved for approval of the minutes of the April 12, 2012, MTS Executive Committee meeting. Mr. Minto seconded the motion, and the vote was 5 to 0 in favor.

C. COMMITTEE DISCUSSION ITEMS

1. Trolley Rehabilitation Project Update

John Haggerty of the San Diego Association of Governments (SANDAG) gave the Executive Committee an update on the Trolley Rehabilitation Project. He provided an update of the station construction schedule for the Blue and Orange Line Improvement Corridor. He talked about the budget and total expended dollars stating that 24% of the total budget has been expended thus far. He talked about the project status in terms of design, construction, and completion. Mr. Haggerty went on to show before-and-after photographs of the 12th & Imperial Station, the Gaslamp Quarter Station, the Convention Center Station, and the Santa Fe Depot Station rehabilitation work.

Mr. Haggerty gave an update on the Blue Line Crossovers and Signaling Project. He provided pictures of the retaining wall being built near Main Street.

Mr. Haggerty talked about the work taking place at Orange Line stations. He provided pictures of the station shelter installation and platform improvements in progress at the 47th Street Station, Encanto/62nd Street Station, and the Massachusetts Avenue Station. He also showed pictures of the platform improvements in progress at the Lemon Grove Depot Station and the track replacement work taking place at the Euclid Avenue Station.

Mr. Haggerty stated that 30 new light rail vehicles have been delivered from the plant at this time. He explained that an additional vehicle procurement was discussed at the Independent Taxpayers Oversight Committee (ITOC) yesterday and that the item will go to the Transportation Advisory Committee and SANDAG Board for approval.

Action Taken

Mr. Ovrom moved to receive a report for information. Mr. Minto seconded the motion, and the vote was 5 to 0 in favor.

2. City/Park Streetcar Feasibility Study Update and Final Report

Denis Desmond, Senior Transportation Planner, gave the Committee a final report on the City/Park Streetcar Feasibility Study. He explained that MTS received a Caltrans planning grant last year to study the feasibility of constructing and operating a streetcar line between Downtown San Diego and Balboa Park. He explained the purpose of the study and stated that there had been public participation including a Stakeholders Steering Committee.

Mr. Desmond provided an aerial view of the proposed alignment, which include in-street/mixed-flow alignment, future light rail transit right-of-way, class 2 bicycle facility, pedestrian enhancements, and retention of the existing landscaped median. He then introduced Jeff Howard of Parsons-Brinkerhoff who explained that 5 different alignment options were identified and scored. Mr. Howard provided a concept drawing to articulate the 5 options and showed a drawing of the highest-scoring concept. He talked about the Interstate-5 Bridge that would most likely need to be rebuilt and the Balboa Park Pedestrian Bridge that may also require a rebuild. He discussed the different types of vehicles that could be used as streetcars and provided photographs of options.

Mr. Desmond talked about the service concept and estimated costs associated with service. He discussed possible financing options and the estimated time line once the project is identified.

Discussion ensued by the Committee members regarding the high cost of service associated with the streetcar project and possible ideas for lowering the costs of service per passenger.

Action Taken

Mr. Ovrom moved to receive a report for information. Mr. Minto seconded the motion, and the vote was 5 to 0 in favor.

3. Master Concessionaire – Gaslamp Quarter Station Vendor Services

Paul Jablonski, Chief Executive Officer, gave the Committee an overview of the Master Concessionaire, Kobey-Bricehouse, LLC (MC) vendor service contract. He explained that currently vendors service 13 stations providing revenue of \$385,000 annually, but revenue would increase by approximately \$312,000 annually if the proposal to have three (3) individual vendor kiosks located at the Gaslamp Quarter Station is approved. He explained that the kiosks vary in size and shape from roughly 530 square feet to 960 square feet. He explained further that the costs for designing, constructing, and managing the vendors would be incurred by the MC.

Discussion ensued by the Committee members regarding the proposed design concepts and potential opposition from other stakeholders in the Gaslamp Quarter.

Action Taken

Mr. Minto moved to receive a report for information. Mr. Ovrom seconded the motion, and the vote was 5 to 0 in favor.

4. Newsracks on MTS-Owned/Controlled Property

Sharon Cooney, Chief of Staff, talked to the Committee about the regulation of newsracks on MTS-owned property. She explained that MTS does not currently have a policy regulating newsrack placement and the dissemination of print material on its property. She talked about current experiences with newracks and the difficulties associated with installing and removing them, often causing damage to MTS property.

Ms. Cooney explained that Board Policy 61 has been created to address newsracks. Some specifics of the Policy 61 include: requiring a permit before placing a newsrack on MTS property; placement of newsracks in specified locations - keeping passenger safety in mind; newsracks would not be placed in fare-paid zones; a requirement that newracks comply with installation and maintenance standards; and removal of newracks for cause.

Mr. Roberts directed staff to re-examine the proposed fees for removal, storage, and disposal to ensure costs are recovered.

Peter Warner – Mr. Warner commented that a solution might be to put groups of newsracks into an enclosure to prevent them from being vandalized.

Action Taken

Mr. Roberts moved to forward a recommendation to the Board of Directors to approve a policy to regulate newsracks on MTS-owned/controlled property. Mr. Minto seconded the motion, and the vote was 5 to 0 in favor.

5. Palomar Street and Palm Avenue Transit Stations – Potential Site Development

Tim Allison, Manager of Real Estate Assets, talked to the Committee about a potential development at the Palomar Street and Palm Avenue Transit Stations. He explained that Chelsea Investment Corporation, the Managing Developer Partner, has proposed an affordable-housing development (89-unit) at both the Palomar Street Trolley Station and the Palm Avenue Trolley Station. He presented a photograph of the Palomar Street Station and explained that the development is within the City of Chula Vista redevelopment project area, is 5.01 acres with 310 total parking spaces, 4 bus bays, and includes an SDG&E easement.

Mr. Allison presented a photograph of the Palm Avenue Station and stated that the development is located within the City of San Diego, is 3.96 acres with a total of 488 parking spaces, has bus stops on adjacent streets, and an SDTI storage yard. He presented an aerial view of the vicinity area and provided renderings of the potential site development. He stated that the developments would position MTS to have projects ready to compete for public financing programs for transit-oriented development considering most require the project to have agency/developer agreements in place.

Action Taken

Mr. Minto moved to receive a report on the property. Mr. Roberts seconded the motion, and the vote was 4 to 0 in favor with Mr. Young absent for the vote.

D. REVIEW OF DRAFT MAY 17, 2012, JOINT BOARD AGENDA

Recommended Consent Items

6. San Diego and Arizona Eastern (SD&AE) Railway Company Quarterly Reports

Action would receive the San Diego and Imperial Valley (SD&IV) Railroad, Pacific Southwest Railway Museum Association (Museum), and Carrizo Gorge Railway, Inc. (Carrizo) quarterly reports for information.

7. Unallocated Transportation Development Act Funds for Transit-Related Projects (Santee Trolley Square Clock Tower)

Action would approve the use of \$100,000 in unallocated Transportation Development Act (TDA) funds currently held by the County of San Diego for new display panels and a controller computer for the City of Santee's Clock Tower at Santee Trolley Square.

8. Investment Report - March 2012

Action would receive a report for information.

9. Assignment of Carrizo Gorge Railway, Inc. Operating Rights to Pacific Imperial Railroad (PIR) Railway, Inc.

Action would approve Amendment No. 3 of the Carrizo Gorge Railway, Inc. (CZRY) 2002 Operating Agreement (MTDB Doc. No. S200-02-194) assigning CZRY's rights and obligations to Pacific Imperial Railroad (PIR) Railway, Inc.

10. Insurance Brokerage and Consulting Services Contract

Action would authorize the CEO to award MTS Doc. No. G1397.0-12 to Alliant Insurance Services, Inc. for insurance brokerage and consulting services effective July 1, 2012.

11. Purchase of Blank Compass Cards

Action would authorize the CEO to execute a contract to purchase smart card fare Media.

12. Internal Audit Report on SDTI Revenue Management

Action would receive an internal audit report on San Diego Trolley, Inc. (SDTI) revenue management.

13. Internal Audit Report on Information Technology–Network Access/Security

Action would receive an internal audit report on Information Technology (IT)–Network Access/Security for information.

14. Exercise Option to Purchase One Light Rail Vehicle from Siemens Industry, Inc.

Action would authorize the CEO to exercise an option for one additional SD-8 light rail vehicle (LRV) under MTS Doc. No. L0914.0-10.

There was no additional discussion of the recommended Consent Items.

E. **REVIEW OF SANDAG TRANSPORTATION COMMITTEE AGENDA**

There was no SANDAG Transportation Committee agenda discussion.

F. **COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS**

There was no Committee Member Communications and Other Business discussion.

C. **COMMITTEE DISCUSSION ITEMS Continued (*Taken Out of Order*)**

The Executive Committee convened to Closed Session at 10:46 a.m.

6. **CLOSED SESSION – CONFERENCE WITH REAL PROPERTY NEGOTIATORS**

Pursuant to California Government Code Section 54956.8

Property: Rail Court, San Diego, California (Assessor Parcel No. 667-020-80);

Agency Negotiators: Karen Landers, General Counsel; Tim Allison, Manager of Real Estate Assets; Paul Jablonski, Chief Executive Officer;

Negotiating Parties: SYPS, LLC;

Under Negotiation: Price and Terms of Payment

The Executive Committee reconvened to Open Session at 11:27 a.m.

Oral Report of Final Actions Taken in Closed Session:

Karen Landers, MTS General Counsel, reported that the Committee received a report and gave direction to staff.

G. **PUBLIC COMMENTS**

There were no Public Comments.

H. **NEXT MEETING DATE**

The next Executive Committee meeting is scheduled for June 14, 2012, at 9:00 a.m. in the Executive Committee Conference Room.

I. **ADJOURNMENT**

Chairman Mathis adjourned the meeting at 11:28 a.m.

Chairman

Attachment: A. Roll Call Sheet

**EXECUTIVE COMMITTEE
METROPOLITAN TRANSIT SYSTEM**

ROLL CALL

MEETING OF (DATE) May 10, 2012

CALL TO ORDER (TIME) 9:00 AM

RECESS _____

RECONVENE _____

CLOSED SESSION 10:46 AM

RECONVENE 11:27 AM

ADJOURN 11:28 AM

BOARD MEMBER	(Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
YOUNG	<input checked="" type="checkbox"/> (Gloria) <input type="checkbox"/>		
MATHIS	<input checked="" type="checkbox"/>		
OVROM	<input checked="" type="checkbox"/> (Bragg) <input type="checkbox"/>		
ROBERTS	<input checked="" type="checkbox"/> (Cox) <input type="checkbox"/>		
MINTO	<input checked="" type="checkbox"/> (Cunningham) <input type="checkbox"/>		
Transportation Committee Rep Slot (Mathis)			

SIGNED BY OFFICE OF THE CLERK OF THE BOARD:

Valerie Vizkelet

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL:

[Signature]



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Agenda Item No. C1

MEETING OF THE METROPOLITAN TRANSIT SYSTEM EXECUTIVE COMMITTEE

June 14, 2012

SUBJECT:

TROLLEY RENEWAL PROJECT UPDATE (WAYNE TERRY AND JOHN HAGGERTY
OF SANDAG)

RECOMMENDATION:

That the Executive Committee receive a report for information.

Budget Impact

None.

DISCUSSION:

The Trolley Renewal Project is a system-wide rehabilitation and upgrade of the existing Trolley system. The project includes the purchase of new low floor vehicles, the rehabilitation and retrofit of stations and transit centers throughout the system, new crossovers and upgraded signaling, replacement of the overhead catenary wire, track work and rail replacement, slope repair, and traction power substation replacement and rehabilitation. Construction and infrastructure work is currently underway in downtown San Diego and on the Orange and Blue Lines. Staff will provide an update.

A handwritten signature in black ink, appearing to read 'Paul C. Jablonski', is written over a horizontal line.

Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Wayne Terry, 619.595.4906, wayne.terry@sdmts.com





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DRAFT

Agenda

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

June 21, 2012

9:00 a.m.

James R. Mills Building
Board Meeting Room, 10th Floor
1255 Imperial Avenue, San Diego

This information will be made available in alternative formats upon request. To request an agenda in an alternative format, please call the Clerk of the Board at least five working days prior to the meeting to ensure availability. Assistive Listening Devices (ALDs) are available from the Clerk of the Board/Assistant Clerk of the Board prior to the meeting and are to be returned at the end of the meeting.

ACTION RECOMMENDED

1. Roll Call
2. Approval of Minutes - May 17, 2012
3. Public Comments - Limited to five speakers with three minutes per speaker. Others will be heard after Board Discussion items. If you have a report to present, please give your copies to the Clerk of the Board.

Approve

Please SILENCE electronics
during the meeting

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CONSENT ITEMS

- | | | |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| 6. | <u>Investment Report - April 2012</u>
Action would receive a report for information. | Receive |
| 7. | <u>Batteries for Buses and Automobiles - Contract Awards</u>
Action would authorize the Chief Executive Officer (CEO) to: (1) execute MTS Doc. No. B0571.0-12 with Battery Systems, Inc. for a three-year base contract with two 1-year options for the procurement of bus and automotive batteries for Groups A and B; (2) execute MTS Doc. No. B0587.0-12 with New Flyer Industries for a three-year base contract with two 1-year options for the procurement of bus and automotive batteries for Group C; and (3) exercise each option year at the CEO's discretion. | Approve |
| 8. | <u>Towing Services for Buses and Nonrevenue Vehicles - Contract Award</u>
Action would authorize the CEO to: (1) execute MTS Doc. No. B0573.0-12 with Star Towing for a three-year base contract with 2 one-year options for the procurement of towing services for buses and nonrevenue vehicles; and (2) exercise each option year at his discretion. | Approve |
| 9. | <u>Internal Audit Report - Payroll Operations</u>
Action would receive an internal audit report on payroll operations. | Receive |
| 10. | <u>Internal Audit Report - Procurement Regulatory Compliance</u>
Action would receive an internal audit report on Procurement Department regulatory compliance. | Receive |
| 11. | <u>Increased Authorization for Legal Services - Law Offices of David C. Skyer</u>
Action would authorize the CEO to execute MTS Doc. No. G1423.1-12 with the Law Offices of David C. Skyer for current and future legal expenses throughout FY 2013. | Approve |
| 12. | <u>Softchoice Microsoft Enterprise Agreement - Contract Renewal</u>
Action would authorize the CEO to execute MTS Doc. No. G1477.0-12 with Softchoice for Microsoft Enterprise Agreement licensing for a five-year period. | Approve |
| 13. | <u>UTC Superloop Bus Stop Maintenance Program - Contract Award</u>
Action would authorize the CEO to: (1) execute MTS Doc. No. B0572.0-12 for a one-year base contract with 2 six-month options with ISS Facility Services, Inc. for maintenance services at the new UTC SuperLoop bus stops; and (2) exercise each option period at his discretion. | Approve |
| 14. | <u>GIRO, Inc. Regional Scheduling System (RSS) - Contract Amendment</u>
Action would authorize the CEO to execute MTS Doc. No. G0856.18-03 with GIRO, Inc. to fund the HASTUS Maintenance and Service Support Agreement for the Regional Scheduling System (RSS) from July 1, 2012, through June 30, 2013. | Approve |

CLOSED SESSION

- | | | |
|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| 24. | a. CLOSED SESSION - CONFERENCE WITH LEGAL COUNSEL EXISTING LITIGATION Pursuant to California Government Code Section 54956.9(a):
<u>L.C. Douglas WCAB Case Number ADJ3098621</u> | Possible
Action |
| | b. CLOSED SESSION - CONFERENCE WITH LEGAL COUNSEL EXISTING LITIGATION Pursuant to California Government Code Section 54956.9(a):
<u>Twyla Kaneakua WCAB Case Number ADJ7249281</u> | Possible
Action |
| | <u>Oral Report of Final Actions Taken in Closed Session</u> | |

NOTICED PUBLIC HEARINGS

- | | | |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| 25. | <u>FY 2013 Budget - Public Hearing and Adoption</u>
Action would: (1) hold a public hearing, receive testimony, and review and comment on the fiscal year 2013 budget information presented in the report; and (2) enact Resolution No. 12-10 adopting the operating and capital budget for MTS and approving the operating budgets for San Diego Transit Corporation (SDTC), San Diego Trolley, Inc. (SDTI), MTS Contract Services, Chula Vista Transit, and the Coronado Ferry. | Enact/
Adopt |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|

DISCUSSION ITEMS

30. None.

REPORT ITEMS

- | | | |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| 45. | <u>City/Park Streetcar Feasibility Study Update and Final Report (Denis Desmond and Sharon Cooney)</u>
Action would receive a report for information and provide comments. | Receive |
| 46. | <u>Service Performance Monitoring Report for July 2011 through March 2012 (Devin Braun)</u>
Action would receive a report for information. | Receive |
| 47. | <u>Operations Budget Status Report for April 2012 (Mike Thompson)</u>
Action would receive an MTS operations budget status report for April 2012. | Receive |
| 60. | <u>Chairman's Report</u> | Information |
| 61. | <u>Audit Oversight Committee Chairman's Report</u> | Information |
| 62. | <u>Chief Executive Officer's Report</u> | Information |
| 63. | <u>Board Member Communications</u> | |

- 64. Additional Public Comments Not on the Agenda
If the limit of 5 speakers is exceeded under No. 3 (Public Comments) on this agenda, additional speakers will be taken at this time. If you have a report to present, please furnish a copy to the Clerk of the Board. Subjects of previous hearings or agenda items may not again be addressed under Public Comments.
- 65. Next Meeting Date: July 19, 2012
- 66. Adjournment



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Agenda Item No. 6

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

June 21, 2012

**Draft for
Executive Committee
Review Date: 6/14/12**

SUBJECT:

INVESTMENT REPORT – APRIL 2012

RECOMMENDATION:

That the Board of Directors receive a report for information.

Budget Impact

None.

DISCUSSION:

Attachment A comprises a report of MTS investments as of April 2012. The combined total of all investments has increased from \$174.9 million to \$176.2 million in the current month. This \$1.3 million increase is due normal variations in the timing of operational payments and receipts.

The first column provides details about investments restricted for capital improvement projects and debt service, the majority of which are related to the 1995 lease and leaseback transactions. The funds restricted for debt service are structured investments with fixed returns that will not vary with market fluctuations if held to maturity. These investments are held in trust and will not be liquidated in advance of the scheduled maturities. The second column, unrestricted investments, reports the working capital for MTS operations allowing for employee payroll and vendors' goods and services.

A handwritten signature in black ink, appearing to read 'Paul C. Jablonski', is written over a horizontal line.

Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Tom Lynch, 619.557.4538, tom.lynch@sdmts.com

Attachment: A. Investment Report for April 2012

**San Diego Metropolitan Transit System
Investment Report
April 30, 2012**

	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>	Average rate of return
Cash and Cash Equivalents				
Bank of America - concentration sweep account	\$ 3,811,522	\$ 16,860,927	\$ 20,672,449	0.00%
Total Cash and Cash Equivalents	<u>3,811,522</u>	<u>16,860,927</u>	<u>20,672,449</u>	
Cash - Restricted for Capital Support				
US Bank - retention trust account	5,153,282	-	5,153,282	N/A *
Local Agency Investment Fund (LAIF) Proposition 1B TSGP grant funds	<u>5,238,624</u>	<u>-</u>	<u>5,238,624</u>	0.37%
Total Cash - Restricted for Capital Support	<u>10,391,906</u>	<u>-</u>	<u>10,391,906</u>	
Investments - Working Capital				
Local Agency Investment Fund (LAIF) San Diego County Investment Pool	<u>-</u>	<u>23,502,169</u>	<u>23,502,169</u>	0.37%
	<u>-</u>	<u>692,223</u>	<u>692,223</u>	
Total Investments - Working Capital	<u>-</u>	<u>24,194,392</u>	<u>24,194,392</u>	
Investments - Restricted for Debt Service				
US Bank - Treasury Strips - market value (Par value \$39,474,000)	38,901,595	-	38,901,595	
Rabobank - Payment Undertaking Agreement	<u>82,053,636</u>	<u>-</u>	<u>82,053,636</u>	7.69%
Total Investments Restricted for Debt Service	<u>120,955,231</u>	<u>-</u>	<u>120,955,231</u>	
Total cash and investments	<u>\$ 135,158,659</u>	<u>\$ 41,055,319</u>	<u>\$ 176,213,978</u>	

N/A * - Per trust agreements, interest earned on retention account is allocated to trust beneficiary (contractor)



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Agenda Item No. 7

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

June 21, 2012

**Draft for
Executive Committee
Review Date: 6/14/12**

SUBJECT:

BATTERIES FOR BUSES AND AUTOMOBILES – CONTRACT AWARDS

RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to:

1. execute MTS Doc. No. B0571.0-12 with Battery Systems, Inc. for a three-year base contract with two 1-year options (in substantially the same form as Attachment A) for the procurement of bus and automotive batteries for Groups A and B;
2. execute MTS Doc. No. B0587.0-12 with New Flyer Industries for a three-year base contract with two 1-year options (in substantially the same form as Attachment B) for the procurement of bus and automotive batteries for Group C; and
3. exercise each option year at the CEO's discretion.

Budget Impact

1. MTS Doc. No. B0571.0-12 for Groups A and B would not exceed as follows:

Group A:	Years 1-5:	Subtotal:	\$424,047.50
		Tax:	<u>\$ 32,863.68</u>
		Grand Total:	\$456,911.18

Group B:	Years 1-5:	Subtotal:	\$61,945.00
		Tax:	<u>\$ 4,800.74</u>
		Grand Total:	\$66,745.74

2. MTS Doc. No. B0587.0-12 for Group C would not exceed as follows:

Group C:	Years 1-5:	Sub-Total:	\$55,898.40
		Tax:	<u>\$ 4,332.13</u>
		Grand Total:	\$60,230.53



The funding for this contract would be allocated under the MTS Bus Maintenance operation budget (312/322-54510), which uses 80% federal funds and 20% local funds. Sales tax is calculated based on a 7.75% California sales tax. If the sales tax rate changes, the contract and budget amounts will be adjusted accordingly.

DISCUSSION:

MTS Policy No. 52 governing procurement of goods and services requires a formal competitive-bid process for procurements exceeding \$100,000.

An Invitation for Bids (IFB) to provide batteries for buses and automobiles was issued on March 1, 2012. Bids were opened on April 26, 2012, and a total of eight bids were received. Four of the eight bidders were determined to be responsive, and the other four were nonresponsive (see Bid Summary - Attachment C).

Battery Systems, Inc. and New Flyer Industries were determined to be the lowest responsive and responsible bidders; therefore, staff is recommending that contracts be awarded to both Battery Systems, Inc. and New Flyer Industries to provide batteries for the buses and automobiles. The contracts would be for three years with two 1-year options effective July 1, 2012.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Ray Thompson, 619.238.0100, Ext. 6504, ray.thompson@sdmts.com

Attachments: A. Draft MTS Doc. No. B0571.0-12 with Battery Systems, Inc. (Groups A & B)
B. Draft MTS Doc. No. B0587.0-12 with New Flyer Industries (Group C)
C. Bid Summary

ATTACHMENT A

DRAFTSTANDARD PROCUREMENT AGREEMENT
FOR
BATTERIES FOR BUSES & AUTOMOBILESB0571.0-12
CONTRACT NUMBEROPS 960.6
FILE/PO NUMBER(S)

THIS AGREEMENT is entered into this _____ day of _____ 2012, in the state of California by and between San Diego Metropolitan Transit System ("MTS"), a California public agency, and the following contractor, hereinafter referred to as "Contractor":

Name: Battery Systems, Inc.Address: 9530 Chesapeake Dr., Ste. 504Form of Business: Corporation
(Corporation, Partnership, Sole Proprietor, etc.)San Diego, CA 92123Telephone: 714-709-6676Authorized person to sign contracts: William SidesRegion Manager

Name

Title

The attached Standard Conditions are part of this agreement. The Contractor agrees to furnish to MTS materials, as follows:

Bus and automobile batteries, as specified in the Technical Specifications, Contractor's Bids, Standard Conditions Procurement, and the Federal Requirements.

This contract shall be for up to a five-year period (3-year base with two 1-year options). Base period shall be from July 1, 2012, through June 30, 2015. Option years 1 and 2 are exercisable at MTS's sole discretion, which shall be effective July 1, 2015, through June 30, 2017.

The total amount of this contract shall not exceed \$311,173.92 for the 3-year base period, including all applicable sales taxes at 7.75%.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM	CONTRACTOR AUTHORIZATION
By: _____ Paul C. Jablonski, Chief Executive Officer	Firm: _____
Approved as to form:	By: _____ Signature
By: _____ Office of General Counsel	Title: _____

AMOUNT ENCUMBERED	BUDGET ITEM	FISCAL YEAR
<u>\$311,173.92</u>	<u>312/322-54510</u>	<u>FY 13-FY 15</u>

By: _____
Chief Financial Officer

(_____ total pages, each bearing contract number)

ATTACHMENT B

DRAFTSTANDARD PROCUREMENT AGREEMENT
FOR
BATTERIES FOR BUSES & AUTOMOBILES**B0587.0-12**
CONTRACT NUMBEROPS 960.6
FILE/PO NUMBER(S)

THIS AGREEMENT is entered into this _____ day of _____ 2012, in the state of California by and between San Diego Metropolitan Transit System ("MTS"), a California public agency, and the following contractor, hereinafter referred to as "Contractor":

Name: New Flyer Industries CanadaAddress: 25 DeBaets StreetForm of Business: Corporation
(Corporation, Partnership, Sole Proprietor, etc.)Winnipeg, Manitoba, Canada R25G5Telephone: 800-665-2637Authorized person to sign contracts: Ian SmartE.V.P. Aftermarket

Name

Title

The attached Standard Conditions are part of this agreement. The Contractor agrees to furnish to MTS materials, as follows:

Bus and automobile batteries, as specified in the Technical Specifications, Contractor's Bids, Standard Conditions Procurement, and the Federal Requirements.

This contract shall be for up to a five-year period (3-year base with two 1-year options). Base period shall be from July 1, 2012, through June 30, 2015. Option years 1 and 2 are exercisable at MTS's sole discretion, which shall be effective July 1, 2015, through June 30, 2017.

The total amount of this contract shall not exceed \$27,584.00 for the 3-year base period, including all applicable sales taxes at 7.75%.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM	CONTRACTOR AUTHORIZATION
By: _____ Paul C. Jablonski, Chief Executive Officer	Firm: _____
Approved as to form:	By: _____ Signature
By: _____ Office of General Counsel	Title: _____

AMOUNT ENCUMBERED	BUDGET ITEM	FISCAL YEAR
<u>\$27,584.00</u>	<u>312/322-54510</u>	<u>FY 13-FY 15</u>

By: _____
Chief Financial Officer

(_____ total pages, each bearing contract number)

GROUP A - 12 Volt - Year 1: 7/1/12 - 6/30/13

			Battery Systems, Inc.	
Item #	Battery Description	Qty.	Unit Price	Ext. Price
1	B.C.I. Group 31 (taxable):	10	\$ 70.00	\$ 700.00
3	B.C.I. Group 8D (taxable):	600	\$ 145.00	\$ 87,000.00
5	B.C.I. Group 75 (taxable):	5	\$ 50.00	\$ 250.00
7	B.C.I. Group 78 (taxable):	5	\$ 55.00	\$ 275.00
Sub-Total (Lines #'s 1, 3, 5, & 7) - Taxable:				\$ 88,225.00
CA Sales Tax of 7.75%:				\$ 6,837.44
GROUP A - TOTAL AMOUNT FOR YEAR ONE (1):				\$ 95,062.44

GROUP A - 12 Volt - Year 2: 7/1/13 - 6/30/14

			Battery Systems, Inc.	
Item #	Battery Description	Qty.	Unit Price	Ext. Price
1	B.C.I. Group 31 (taxable):	10	\$ 70.00	\$ 700.00
3	B.C.I. Group 8D (taxable):	575	\$ 145.00	\$ 87,000.00
5	B.C.I. Group 75 (taxable):	5	\$ 50.00	\$ 250.00
7	B.C.I. Group 78 (taxable):	5	\$ 55.00	\$ 275.00
Sub-Total (Lines #'s 1, 3, 5, & 7) - Taxable:				\$ 88,225.00
CA Sales Tax of 7.75%:				\$ 6,837.44
GROUP A - TOTAL AMOUNT FOR YEAR TWO (2):				\$ 95,062.44

GROUP A - 12 Volt - Year 3: 7/1/14 - 6/30/15

			Battery Systems Inc.	
Item #	Battery Description	Qty.	Unit Price	Ext. Price
1	B.C.I. Group 31 (taxable):	10	\$ 73.50	\$ 735.00
3	B.C.I. Group 8D (taxable):	550	\$ 152.25	\$ 83,737.50
5	B.C.I. Group 75 (taxable):	5	\$ 53.00	\$ 265.00
7	B.C.I. Group 78 (taxable):	5	\$ 58.00	\$ 290.00
Sub-Total (Lines #'s 1, 3, 5, & 7) - Taxable:				\$ 85,027.50
CA Sales Tax of 7.75%:				\$ 6,589.63
GROUP A - TOTAL AMOUNT FOR YEAR THREE (3):				\$ 91,617.13

Sub-Total: Yrs. 1-3 \$ 261,477.50
 Tax \$ 20,264.51
 Total Yrs. 1-3 \$ 281,742.01

GROUP A - 12 Volt - Year 4-Opt. Yr. 1: 7/1/15 - 6/30/16

			Battery Systems Inc.	
Item #	Battery Description	Qty.	Unit Price	Ext. Price
1	B.C.I. Group 31 (taxable):	10	\$ 77.00	\$ 770.00
3	B.C.I. Group 8D (taxable):	500	\$ 160.00	\$ 80,000.00
5	B.C.I. Group 75 (taxable):	5	\$ 55.00	\$ 275.00
7	B.C.I. Group 78 (taxable):	5	\$ 61.00	\$ 305.00
Sub-Total (Lines #'s 1, 3, 5, & 7) - Taxable:				\$ 81,350.00
CA Sales Tax of 7.75%:				\$ 6,304.63
GROUP A - TOTAL AMOUNT FOR YEAR FOUR (4) - Opt. Yr. 1:				\$ 87,654.63

GROUP A - 12 Volt - Year 5-Opt. Yr. 2: 7/1/16 - 6/30/17

			Battery Systems Inc.	
Item #	Battery Description	Qty.	Unit Price	Ext. Price
1	B.C.I. Group 31 (taxable):	10	\$ 81.00	\$ 810.00
3	B.C.I. Group 8D (taxable):	475	\$ 168.00	\$ 79,800.00
5	B.C.I. Group 75 (taxable):	5	\$ 58.00	\$ 290.00
7	B.C.I. Group 78 (taxable):	5	\$ 64.00	\$ 320.00
Sub-Total (Lines #'s 1, 3, 5, & 7) - Taxable:				\$ 81,220.00
CA Sales Tax of 7.75%:				\$ 6,294.55
GROUP A - TOTAL AMOUNT FOR YEAR FIVE (5) - Opt. Yr. 2:				\$ 87,514.55

Sub-Total Opt Yrs. 4 & \$ 189,885.00
 Tax: \$ 12,599.18
 Total Opt Yrs. 4 & 5: \$ 202,484.18

GRAND TOTALS - GROUP A		Battery Systems Inc.	
Total Year 1 (7/1/12 - 6/30/13):		\$	95,062.44
Total Year 2 (7/1/13 - 6/30/14):		\$	95,062.44
Total Year 3 (7/1/14 - 6/30/15):		\$	91,617.13
Total Base Years 1 - 3 Including CA Sales Tax:		\$	281,742.01
Total Year 4 - Opt. Yr. 1: (7/1/15 - 6/30/16):		\$	87,654.63
Total Year 5 - Opt. Yr. 2 (7/1/16 - 6/30/17):		\$	87,514.55
GRAND TOTALS-INCLUDING CA SALES TAX - GROUP A:		\$	456,911.18

GROUP B - 31 AGM Odyssey PC2150 - Year 1: 7/1/12 - 6/30/13			Battery Systems Inc.	
Item #	Battery Description	Qty.	Unit Price	Ext. Price
1	B.C.I. Group 31 AGM- (taxable):	25	\$ 255.00	\$ 6,375.00
Sub-Total (Line # 1) - Taxable:				\$ 6,375.00
CA Sales Tax of 7.75%:				\$ 494.06
GROUP A - TOTAL AMOUNT FOR YEAR ONE (1):				\$ 6,869.06

GROUP B - 31 AGM Odyssey PC2150 - Year 2: 7/1/13 - 6/30/14			Battery Systems Inc.	
Item #	Battery Description	Qty.	Unit Price	Ext. Price
1	B.C.I. Group 31 AGM (taxable):	35	\$ 255.00	\$ 8,925.00
Sub-Total (Line # 1) - Taxable:				\$ 8,925.00
CA Sales Tax of 7.75%:				\$ 691.69
GROUP A - TOTAL AMOUNT FOR YEAR TWO (2):				\$ 9,616.69

GROUP B - 31 AGM Odyssey PC2150 - Year 3: 7/1/14 - 6/30/15			Battery Systems Inc.	
Item #	Battery Description	Qty.	Unit Price	Ext. Price
1	B.C.I. Group 31 AGM (taxable):	45	\$ 267.00	\$ 12,015.00
Sub-Total (Line # 1) - Taxable:				\$ 12,015.00
CA Sales Tax of 7.75%:				\$ 931.16
GROUP A - TOTAL AMOUNT FOR YEAR THREE (3):				\$ 12,946.16

Sub-total Yrs. 1-3: \$ 27,315.00
 Tax: \$ 2,116.91
 Total Base Yrs. 1-3: \$ 29,431.91

GROUP B - 31 AGM Odyssey PC2150 - Year 4 - Opt. Yr. 1: 7/1/15 - 6/30/16			Battery Systems Inc.	
Item #	Battery Description	Qty.	Unit Price	Ext. Price
1	B.C.I. Group 31 AGM-Min.48Mo. Warranty-1 Yr.Free Replacement (taxable):	55	\$ 281.00	\$ 15,455.00
Sub-Total (Line # 1) - Taxable:				\$ 15,455.00
CA Sales Tax of 7.75%:				\$ 1,197.76
GROUP A - TOTAL AMOUNT FOR YEAR FOUR (4) - OPT. YR. 1:				\$ 16,652.76

GROUP B - 31 AGM Odyssey PC2150 - Year 5 - Opt. Yr. 2: 7/1/16 - 6/30/17			Battery Systems Inc.	
Item #	Battery Description	Qty.	Unit Price	Ext. Price
1	B.C.I. Group 31 AGM (taxable):	65	\$ 295.00	\$ 19,175.00
Sub-Total (Line # 1) - Taxable:				\$ 19,175.00
CA Sales Tax of 7.75%:				\$ 1,486.06
GROUP A - TOTAL AMOUNT FOR YEAR FIVE (5) - OPT. YR. 2:				\$ 20,661.06

Sub-total Opt. Yrs. 4 & 5: \$ 34,630.00
 Tax: \$ 2,683.83
 Total Opt. Yrs 4 & 5: \$ 37,313.83

GRAND TOTALS - GROUP B		Battery Systems Inc.	
Total Year 1 (7/1/12 - 6/30/13):		\$	6,869.06
Total Year 2 (7/1/13 - 6/30/14):		\$	9,616.69
Total Year 3 (7/1/14 - 6/30/15):		\$	12,946.16
Total Base Years 1 - 3 Including CA Sales Tax:		\$	29,431.91
Total Year 4 - Opt. Yr. 1: (7/1/15 - 6/30/16):		\$	16,652.76
Total Year 5 - Opt. Yr. 2 (7/1/16 - 6/30/17):		\$	20,661.06
GRAND TOTALS-INCLUDING CA SALES TAX - GROUP B:		\$	66,745.74

SUB-TOTALS GROUPS A & B - BASE YEARS 1-3: \$ 288,792.50
 CA SALES TAX - BASE YEARS 1-3: \$ 22,381.42
 GRAND TOTAL BASE YEARS 1-3: \$ 311,173.92

SUB-TOTALS GROUPS A & B - OPT. YRS. 4-5: \$ 224,515.00
 CA SALES TAX - OPT. YRS. 4-5: \$ 15,283.00
 GRAND TOTAL OPT. YRS. 4-5: \$ 239,798.00

GRAND TOTAL CONTRACT FOR YEARS 1-5: \$ 550,971.92

GROUP C - 31 AGM Trojan Trans. ST100-Year 1-7/1/12 - 6/30/13

			New Flyer	
Item #	Battery Description	Qty.	Unit Price	Ext. Price
1	B.C.I. Group 31 AGM (taxable):	25	\$ 239.51	\$ 5,987.75
Sub-Total (Line # 1) - Taxable:			\$	5,987.75
CA Sales Tax of 7.75%:			\$	464.05
GROUP A - TOTAL AMOUNT FOR YEAR ONE (1):			\$	6,451.80

GROUP C - 31 AGM Trojan Trans. ST100-Year 2-7/1/13 - 6/30/14

			New Flyer	
Item #	Battery Description	Qty.	Unit Price	Ext. Price
1	B.C.I. Group 31 AGM (taxable):	35	\$ 243.10	\$ 8,508.50
Sub-Total (Line # 1) - Taxable:			\$	8,508.50
CA Sales Tax of 7.75%:			\$	659.41
GROUP A - TOTAL AMOUNT FOR YEAR TWO (2):			\$	9,167.91

GROUP C - 31 AGM Trojan Trans. ST100-Year 3-7/1/14 - 6/30/15

			New Flyer	
Item #	Battery Description	Qty.	Unit Price	Ext. Price
1	B.C.I. Group 31 AGM (taxable):	45	\$ 246.75	\$ 11,103.75
Sub-Total (Line # 1) - Taxable:			\$	11,103.75
CA Sales Tax of 7.75%:			\$	860.54
GROUP A - TOTAL AMOUNT FOR YEAR THREE (3):			\$	11,964.29

Sub-Total: Yrs. 1-3: \$ 25,600.00
 Tax: \$ 1,984.00
 Total Yrs. 1-3: \$ 27,584.00

GROUP C - 31 AGM Trojan Trans. ST100-Year 4-Opt. Yr. 1 - 7/1/15 - 6/30/16

			New Flyer	
Item #	Battery Description	Qty.	Unit Price	Ext. Price
1	B.C.I. Group 31 AGM Min. 48 Mo. Warranty-4 Yr. Free Replacement (taxable):	55	\$ 250.45	\$ 13,774.75
Sub-Total (Line # 1) - Taxable:			\$	13,774.75
CA Sales Tax of 7.75%:			\$	1,067.54
GROUP A - TOTAL AMOUNT FOR YEAR THREE (3):			\$	14,842.29

GROUP C - 31 AGM Trojan Trans. ST100-Year 5-Opt. Yr. 2 - 7/1/16 - 6/30/17

			New Flyer	
Item #	Battery Description	Qty.	Unit Price	Ext. Price
1	B.C.I. Group 31 AGM (taxable):	65	\$ 254.21	\$ 16,523.65
Sub-Total (Line # 1) - Taxable:			\$	16,523.65
CA Sales Tax of 7.75%:			\$	1,280.58
GROUP A - TOTAL AMOUNT FOR YEAR THREE (3):			\$	17,804.23

Sub-Total Opt Yrs 4 & 5: \$ 30,298.40
 Tax: \$ 2,348.13
 Total Opt Yrs. 4 & 5: \$ 32,646.53

GRAND TOTALS - GROUP C		New Flyer	
Total Year 1 (7/1/12 - 6/30/13):		\$	6,451.80
Total Year 2 (7/1/13 - 6/30/14):		\$	9,167.91
Total Year 3 (7/1/14 - 6/30/15):		\$	11,964.29
Total Year 4 - Opt. Yr. 1: (7/1/15 - 6/30/16):		\$	14,842.29
Total Year 5 - Opt. Yr. 2 (7/1/16 - 6/30/17):		\$	17,804.23
GRAND TOTALS - GROUP B:		\$	60,230.53

SUB-TOTAL C: \$ 55,898.40
 CA SALES TAX: \$ 4,332.13
 GRAND TOTALS: \$ 60,230.53

ATTACHMENT C

GRAND TOTALS FOR ALL GROUPS - BATTERIES FOR BUSES AUTOMOBILES - 2012

GRAND TOTALS - GROUP A	Battery Systems Inc.
Total Year 1 (7/1/12 - 6/30/13):	\$ 95,062.44
Total Year 2 (7/1/13 - 6/30/14):	\$ 95,062.44
Total Year 3 (7/1/14 - 6/30/15):	\$ 91,617.13
Sub-Total Base Years (CA sales tax included):	\$ 281,742.01
Total Year 4 - Opt. Yr. 1: (7/1/15 - 6/30/16):	\$ 87,654.63
Total Year 5 - Opt. Yr. 2 (7/1/16 - 6/30/17):	\$ 87,514.55
GRAND TOTALS-CA SALES TAX INCLUDED - GROUP A:	\$ 456,911.19

GRAND TOTALS - GROUP B	Battery Systems Inc.
Total Year 1 (7/1/12 - 6/30/13):	\$ 6,869.06
Total Year 2 (7/1/13 - 6/30/14):	\$ 9,616.69
Total Year 3 (7/1/14 - 6/30/15):	\$ 12,946.16
Sub-Total Base Years (CA sales tax included):	\$ 29,431.91
Total Year 4 - Opt. Yr. 1: (7/1/15 - 6/30/16):	\$ 16,652.76
Total Year 5 - Opt. Yr. 2 (7/1/16 - 6/30/17):	\$ 20,661.06
GRAND TOTALS-CA SALES TAX INCLUDED - GROUP B:	\$ 66,745.73

GRAND TOTALS - GROUP C	New Flyer
Total Year 1 (7/1/12 - 6/30/13):	\$ 6,451.80
Total Year 2 (7/1/13 - 6/30/14):	\$ 9,167.91
Total Year 3 (7/1/14 - 6/30/15):	\$ 11,964.29
Sub-Total Base Years (CA sales tax included):	\$ 27,584.00
Total Year 4 - Opt. Yr. 1: (7/1/15 - 6/30/16):	\$ 14,842.29
Total Year 5 - Opt. Yr. 2 (7/1/16 - 6/30/17):	\$ 17,804.23
GRAND TOTALS-CA SALES TAX INCLUDED - GROUP C:	\$ 60,230.52

GRAND TOTAL BY GROUPS:

Group A - Battery Systems:	\$ 456,911.19
Group B - Battery Systems:	\$ 66,745.73
	\$ 523,656.92
Group C - New Flyer Industries:	\$ 60,230.52
GRAND TOTAL OF CONTRACTS:	\$ 583,887.44



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Agenda Item No. 8

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

June 21, 2012

**Draft for
Executive Committee
Review Date: 6/14/12**

SUBJECT:

**TOWING SERVICES FOR BUSES AND NONREVENUE VEHICLES - CONTRACT
AWARD**

RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to:

1. execute MTS Doc. No. B0573.0-12 (in substantially the same form as Attachment A) with Star Towing for a three-year base contract with 2 one-year options for the procurement of towing services for buses and nonrevenue vehicles; and
2. exercise each option year at his discretion.

Budget Impact

The contract would not exceed \$122,435.00 for the base period and \$83,525.00 for the 2 one-year options for a grand total of \$205,960.00 (as shown below). The funding for this contract would be allocated under the MTS Bus Operations budget (312-53610), which includes federal funds.

Fiscal Year 2013 = \$39,985.00
Fiscal Year 2014 = \$40,850.00
Fiscal Year 2015 = \$41,600.00
Fiscal Year 2016 = \$41,600.00
Fiscal Year 2017 = \$41,925.00
Grand Total = \$205,960.00

DISCUSSION:

MTS Policy No. 52, Section 52.2, B (iv) (Governing Procurement of Goods and Services) requires a formal competitive-bid process for procurements exceeding \$100,000.

An Invitation for Bids (IFB) to provide towing services for buses and nonrevenue vehicles was issued on March 1, 2012. Bids were opened on May 24, 2012 and a total of three

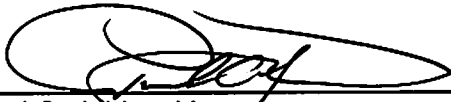


bids were received. All three bidders were determined to be responsive. Bid totals were as follows:

Star Towing	= \$205,960.00
Road One Towing	= \$220,250.00
Angelo's Towing	= \$226,000.00

Star Towing was determined to be the lowest responsive and responsible bidder. MTS staff is recommending that a contract be awarded to Star Towing for three base years with 2 one-year options effective July 1, 2012.

The contracts establish a per-tow price for each vehicle and assume an estimated number of tows per year (the total number of tows charged from June 2011 to June 2012 is 158). Costs would be billed based on the number of tows actually requested.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Jerry Stafford, 619.238.0100, Ext. 6603, jerry.stafford@sdmts.com

Attachment: A. Draft MTS Doc. No. B0573.0-12

ATTACHMENT A

DRAFT

**STANDARD PROCUREMENT AGREEMENT
FOR
TOWING SERVICES FOR BUSES & NON-REVENUE VEHICLES**

B0573.0-12 CONTRACT NUMBER OPS 960.2 FILE/PO NUMBER(S)

THIS AGREEMENT is entered into this _____ day of _____ 2012, in the state of California by and between San Diego Metropolitan Transit System ("MTS"), a California public agency, and the following contractor, hereinafter referred to as "Contractor":

Name: Starrue, Inc. dba Star Towing. Address: 8060 Armour Street

Form of Business: Corporation San Diego, CA 92111
(Corporation, Partnership, Sole Proprietor, etc.)

Telephone: 858-573-8700

Authorized person to sign contracts: Reza Sakhavat General Manager
Name Title

The attached Standard Conditions are part of this agreement. The Contractor agrees to furnish to MTS services, as follows:

Towing Services as specified in the Scope of Work, Star Towing's Pricing Proposal, in accordance with the MTS Standard Services Agreement including the Standard Conditions, Services, and the Federal Requirements.

The base term of the contract shall be from July 1, 2012, through June 30, 2015. Option Years, if exercised by MTS, shall be from July 1, 2015 – June 30, 2015 and July 1, 2016 – June 30, 2017.

The total contract amount shall not exceed \$122,435.00 for the three-year base period and \$83,525.00 for the 2 option years, for a grand total of \$205,960.00, without the express written consent of MTS.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM	CONTRACTOR AUTHORIZATION
By: _____ Paul C. Jablonski, Chief Executive Officer	Firm: _____
Approved as to form:	By: _____ Signature
By: _____ Office of General Counsel	Title: _____

AMOUNT ENCUMBERED	BUDGET ITEM	FISCAL YEAR
\$39,985.00	312/53610	FY 13
\$40,850.00	312/53610	FY 14
\$41,600.00	312/53610	FY 15
Grand Total \$122,435.00		

By: _____
Chief Financial Officer

(_____ total pages, each bearing contract number)



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Agenda Item No. 9

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

June 21, 2012

**Draft for
Executive Committee
Review Date: 6/14/12**

SUBJECT:

INTERNAL AUDIT REPORT - PAYROLL OPERATIONS

RECOMMENDATION:

That the Board of Directors receive an internal audit report on payroll operations.

Budget Impact

None.

DISCUSSION:

During February/March 2012, the MTS Internal Auditor performed a review of Payroll operations. As a result of this review, three low-priority findings and recommendations were made for Management's consideration. Management has reviewed the recommendations and is taking action to address the issues identified.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Daniel Madzellan; 619.595.4920; daniel.madzellan@sdmts.com

Attachment: A. Audit Report – Payroll Operations



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Att. A, AI 9, 6/21/12

Memorandum

DATE: 5/7/2012

TO: Emma Aguilera, Maureen Bell, and Tom Lynch – Payroll/Finance
Brendan Shannon – Human Resources

FROM: Daniel Madzelan

SUBJECT: Audit Report – Payroll

EXECUTIVE SUMMARY:

Audit Objectives and Scope:

The objective of the audit was to provide an independent evaluation of the Payroll Department's internal control environment, focusing on:

1. Adequacy of existing controls in achieving goals and objectives of the Department, as well as the Organization;
2. Compliance with existing policies and procedures; and
3. Overall efficiency and effectiveness of current operating procedures.

The pervasive business risk for payroll operations is not accurately processing or not accurately recording activities/events. Given the risk associated with payroll, the audit scope focused on six areas of operations:

1. General Controls - Segregation of duties, data security/employee privacy, and existing operating policies and procedures.
2. New Employee Hires: Ensuring new hires were legitimate, properly authorized and accurately recorded in the payroll system in a timely manner.
3. Termination of Employees: Ensuring proper recording and processing of terminated employees in the payroll system.
4. Processing Payroll Adjustments: Ensuring adjustments (salary, withholdings, and time) were properly authorized and accurately processed in a timely manner.
5. Payroll Processing and Disbursements: Ensuring legitimate employees are paid in accordance with approved wage rates/union contracts; and that payroll is accurately calculated and recorded for services reported as being performed. Testing also included analysis on the preparation, reviews, and authorizations of payroll files for processing.
6. Complete/Accurate Recording of Payroll Activities in GL: Ensuring accurate, complete, and timely processing of payroll data in GL accounts.

The time period reviewed was September 2011 through January 2012.

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Metropolitan Transit System (MTS) is a California public agency comprised of San Diego Transit Corp., San Diego Trolley, Inc., San Diego and Arizona Eastern Railway Company (nonprofit public benefit corporations), and San Diego Vintage Trolley, Inc., a 501(c)(3) nonprofit corporation, in cooperation with Chula Vista Transit. MTS is the taxicab administrator for seven cities.

MTS member agencies include the cities of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, San Diego, Santee, and the County of San Diego. A-1

Audit Results:

Based on testing procedures performed Audit concluded the overall internal controls governing payroll operations were working as designed and producing the intended outcomes. Audit did identify some minor opportunities for enhancing existing internal control procedures, as well as other observations for Management's awareness. Other observations documented do not specifically require any action by Management, but Audit concluded disclosure of these observations in this report was appropriate. Actionable findings are as follows:

High Priority Findings:

- No findings considered high priority.

Medium Priority Findings:

- No findings considered high priority.

Low Priority Findings:

- **Terminated Employees with Accrued Benefit Balances in ADP:** Audit examined a total of 12 employees, or approximately 15% of population hired during the period under review. Based on the random sample, three (3) employees still had accrued benefit balances (annual leave, vacation, or sick leave) reflected in their ADP profiles. There is no significant risk, both in terms of financial or control risk, with this finding. However, implementing control activities and monitoring procedures for these events going forward is recommended.
- **Processing Payroll Related Adjustments:** The Assistant Payroll Manager communicated to Audit that there is the ability to delete information in an employee's ADP profile. The specific example presented to Audit was in relation to a mandatory deduction, which was no longer necessary when the employee transferred. The best operating practice within ADP to process such a change would be to insert a row and input an end date for the deduction. However, in this case the deduction was deleted from the employee's ADP profile. While detective controls properly identified the events, attempting to implement preventive controls or enhancing existing manual controls is advisable.
- **General Controls – Current operations involve procedures consistent with segregation of duties issues:** With respect to SMT payroll (MTS employees) one individual is responsible for data input in ADP, submitting payroll files to ADP for processing, as well as distributing actual paychecks. Allowing an individual to perform all three procedures is a general indicator of a segregation of duty issue.

However, Payroll Management does have compensating controls in place that mitigate risks associated with the allowing one person to perform all three procedures discussed above. The evidence reviewed by Audit indicated the compensating controls are working as designed and intended, thereby reducing risks to acceptable levels.

Audit did conclude that the current compensating controls could be enhanced by creating and maintaining documentation that establishes a tangible time line of payroll processing activities.

There was also one event where miscommunication between Payroll and Bus Maintenance resulted in an employee being overcompensated during a reporting period. Payroll corrected the issue on the payroll period subsequent to Audit identifying the event. This finding was similar in nature to previous audit findings. Given Audit could not provide a specific recommendation for Management to address the finding; Audit included this as an Other Audit Observation in this report.

Subsequent pages of this report contain details regarding audit findings documented above, additional audit observations for management, as well as definitions of Audit Priority Findings.

Background:

Personnel expenses, labor and fringe, represent nearly half of the total expenditures of MTS's operating budget. Accordingly, a strong system of controls is necessary to ensure accurate processing and recording of personnel expenses.

The Payroll Department is under the direction of the Finance Department but is closely associated with the Human Resources Department. The Payroll Department consists of four employees; a Payroll Manager, an Assistant Payroll Manager, and two Payroll Coordinators. Beginning in June 2011, ADP processes all organizational payrolls. Prior to June, there were two different systems used to process payrolls, ADP and the Ellipse System. There are four distinct payroll groups processed within ADP, as shown below. Payrolls are processed bi-weekly, with the exception of pensions, which are processed monthly.

1. BUS – Transit Management, Operators, Mechanics, and Clerical
2. TRO – Trolley Management, Operators, Mechanics, Code Inspection, and Clerical.
3. SMT – MTS Employees.
4. PEN – Employee Pensions

Operator time, both BUS and TRO, are recorded in the Hastus system, which interfaces with ADP. Mechanics time, both BUS and TRO, are recorded in the Stromberg system, which interfaces with ADP. All management and clerical staff use manual time sheets to record their time. Payroll staff is responsible for inputting manual timesheet data into ADP.

Report Distribution:

Paul Jablonski, Cliff Telfer, Karen Landers, Jeff Stumbo – MTS

AUDIT FINDINGS AND MANAGEMENT ACTION PLANS:

Finding/Observation: Terminated Employees with Accrued Benefit Balances in ADP:

Audit examined a total of 12 employees, or approximately 15% of population terminated during the period under review (Sept 2011 – Jan 2012). There were two Trolley employees that had accrued benefit balances remaining in their ADP profiles; summarized as follows:

- Employee #1 - 2.46 hours of Sick Leave; wage rate of \$17.07; thus records indicate a liability of \$41.99
- Employee #2 – -7.8 hours of Annual Leave, wage rate of \$39.92, thus records suggest an overpayment of \$311.38 upon their termination.

Based on additional evidence reviewed, both terminations and final compensation paid, which included accrued benefit balances were properly issued in accordance with MTS and Union Contractual terms. The accrued balances reflected in ADP were likely caused due to the timing of when the terminations were performed within ADP and automatic accruals generated by ADP.

There was one Bus employee that had an accrued benefit balance remaining in their ADP profile; summarized as follows:

- 52.5 hours of Sick Leave; wage rate of \$26.73, thus records indicate a liability of \$1,403.33.

Based on additional evidence reviewed, under the terms of the Union agreement the employee was not entitled to receive payment for accrued sick leave upon their termination. Since there was no payout for accrued sick leave, the system still reflected their accrued balance. Evidence indicated the employee was properly terminated and compensated for all regular hours worked prior to termination.

Evidence does not indicate there is any significant financial risk with these events. The events are primarily system driven and not the result of active/manual controls. However, given the sample size and inconsistency rate (25%), evidence does suggest these are not isolated events and require Management's attention.

Finding Priority Rating:

Low Priority Finding

Audit Recommendation:

Audit recommends Payroll Management generate reports listing terminated employees who have accrued benefit balances remaining in their ADP profiles. Once reports are generated, Payroll Management should adjust the accrued balances of these employees as necessary.

Additionally, reports will provide Payroll Management with the total population of terminated employees with accrued benefit balances, which will allow Management to implement control activities and monitoring procedures for these events going forward.

Management Response/Action Plan:

Reports for terminated employees with leave balances are already created in the system and the Payroll Manager will run this report quarterly and perform necessary adjustments to clear accrued benefit balances. Payroll Manager will ensure that at fiscal year end the report is clean and there are no accrued benefit balances for terminated employees. Reports will be given to Accounting to record all the leave accruals as of fiscal year end.

Management Estimated Action Plan Completion Date:

The will be completed by June 30, 2012.

Finding/Observation: Processing Payroll Related Adjustments:

The Assistant Payroll Manager communicated, as well as provided evidence, to Audit that there is the ability to delete information within an employee's ADP profile.

The specific example provided to Audit was a Trolley employee who transferred to MTS. Certain deductions were no longer applicable to this employee because of the transfer. The best operating practice within ADP to process such a change would be to insert a row and input an end date for the deduction. This would preserve the history of the deduction within the employee's profile. In this instance, the deduction was deleted from the employee's profile, thus removing the history of the employee having the deduction withheld. Review of ADP history indicated a Payroll Coordinator performed the deletion.

Finding Priority Rating:

Low Priority Finding

Audit Recommendation:

While detective controls properly identified the events in a timely manner, preventive controls would be a stronger alternative to have in place. Thus, Audit would recommend reviewing system access rights to determine if the ability to delete information within an employee's ADP profile can be restricted to Management employees only.

If implementing a system/automated control cannot occur, Payroll Management should formally document in their policies and communicate to Payroll Coordinators they are not authorized to delete any information within an employee's ADP profile. If deleting information is necessary, the Payroll Manager or Assistant Payroll Manager should approve and or perform the procedure.

Management Response/Action Plan:

Payroll Management will communicate to Payroll Coordinators that they are not authorized to delete any information within an employee's ADP profile. This will be part of their payroll procedures and processes. The HR Manager is the system administrator for the EV5 system. HR Manager and Payroll Manager need to hold a meeting to identify employees that need to have access to delete information within the ADP system and to restrict certain employees abilities to delete information to the employee records.

Management Estimated Action Plan Completion Date:

The new payroll procedure will be communicated to Payroll Coordinators by May 31, 2012. HR Manager and Payroll Manager are planning to meet in June to evaluate current employee access rights within ADP. The goal would be to make any necessary adjustments to employee access right prior to the end of the fiscal year.

Finding/Observation: General Controls – Current operations involve procedures consistent with segregation of duties issues:

Different payroll staff members have varying responsibilities for preparing payroll files for BUS and TRO. Thus, no one individual is responsible for data input, submitting payroll files to ADP for processing, and distributing actual payroll checks.

With respect to MTS (SMT) payroll, one Payroll Coordinator is responsible for data input into ADP, submission of the payroll files to ADP for processing, and is responsible for distributing payroll checks to employees once processed by ADP. Allowing staff members the responsibilities for all three operations is a common indicator of a segregation of duty issue.

There are two compensating controls in place. First, the Payroll Manager performs analytical reviews of the payroll batch files prior to submission to ADP. Payroll Coordinators process any adjustments identified by the Payroll Manager as part of her reviews. Submission of payroll files for processing occurs only when the Payroll Manager authorizes the Coordinator to submit the files. ADP has reporting available to track these events, including the date and time of each event.

Second, the Payroll Manager reviews the payroll registers actually processed against the preliminary batch files (preview files) approved to ensure reported totals are in agreement. This review confirms no changes were made to the files authorized for processing subsequent to her approval.

Audit evaluated the compensating controls and found them to be effective in addressing the potential segregation of duty issues.

Finding Priority Rating:

Low Priority Finding

Audit Recommendation:

As an enhancement to the compensating controls, Audit recommends the Payroll Manager electronically communicate her approval to the Payroll Coordinators. This would provide stronger evidence of Management's authorization for submitting payrolls for processing. Additionally, it would create a visible time line of all activities performed during the course of submitting payroll files to ADP for actual processing; thereby providing more evidence to support adherence with current operating procedures.

Management Response/Action Plan:

The Payroll Manager will send an email to the Payroll Coordinators as an approval to accept and process the payroll every pay period. A screen shot of the time the payroll is processed and the person submitting the payroll will also be printed as evidence to support the new process.

Management Estimated Action Plan Completion Date:

The action plan will be completed by June 30, 2012.

OTHER AUDIT OBSERVATIONS:

Processing Existing Employees Payroll – Miscommunication Resulting in Overpayment:

Audit examined a total of 15 active employees, 5 employee each from SMT, TRO, and BUS payroll registries and tested the validity and accuracy of the payroll processed for each individual during the pay periods occurring in January 2012.

Audit discovered one Bus employee was overpaid during the pay period ending 1/14/12. (Gross wage overpayment equaled \$203). The cause of the overpayment was miscommunication between Payroll, a Department Manager, and the employee's direct supervisor (foreman). The Department Manager requested Payroll make an adjustment to an employee's payroll related to the Christmas Holiday not properly reported in the previous time period. However, the employee's direct supervisor attempted to correct this issue on his own during the next payroll processing period. Thus, there was a duplication of the Holiday reported within the payroll register. Payroll contacted the manager and was working on recovering the overpayment.

Previous audit reports indicated there had been issues with SDTC/BUS and properly entering Holiday time. Audit reviewed other employees within this Department and found no evidence of any other overpayments. Further, there was evidence indicating Payroll does have controls in place to search for and identify potential overpayments. However, in this circumstance, Management's reviews did not identify the overpayment.

- While these events are not unusual, there is no specific recommendation Audit can provide Management. Residual risks around these events/activities, assessed by Audit, are considered at acceptable levels at this point in time.

General Indicator of Segregation of Duties Issues:

HR employees are responsible for populating information in ADP that can impact payroll data, such as employee wage rates. Audit observed that Payroll personnel also have the ability to change employee wage rates. Allowing HR and Payroll personnel similar access rights within the payroll module is a general indicator of a segregation of duty issue.

- Through observation and examination, HR employees do not have access in ADP to the module for preparing/processing payroll transactions. Additionally, there is a compensating control whereby a member of HR, outside of the data entry process, reviews all changes made to employee wages. All evidence reviewed indicated wage changes were performed by HR and not by members of Payroll. Thus, there is was no evidence reviewed to indicate any significant risks with the current operating procedures.

Payroll Manager Processing Adjustments:

Through inquiry, Payroll Manager stated she performs adjustments related to wage garnishments within ADP. Given the Payroll Manager serves as the reviewer of employee change reports, which documents all changes made in ADP to employee profiles during a bi-weekly period, the Payroll Manager in these instances would serve as both the initiator and reviewer. Audit did not consider this specific practice as increasing risk. However, there is residual risk that the Payroll Manager could be making other adjustments in ADP without independent review given she has system access to perform such changes.

- There was no evidence based on tested population where the Payroll Manager processed any other adjustments other than wage garnishments. As such, Audit concluded residual risks regarding these practices are at acceptable levels at this point in time.

Employee Data – Privacy and Security:

Payroll employees operate in open areas of MTS offices. Audit also noticed that the Payroll Manager's office door did not have a lock, where office doors in the HR section of the building did have locks. These observations represent inherent risk with respect to the protection of private employee information (i.e. private information could be left on a desk unattended or unsecured).

General Controls – Policies and Procedures:

There were significant changes to operations not reflected in the Financial Procedure Manual. Currently, updates to the Financial Procedures Manuals occur on an annual basis.

- Audit would encourage Management to update Financial Procedures Manual in interim periods if there are significant changes in operational procedures during the course of a fiscal year. This would aid in developing and communicating new controls procedures and expectations in real time to employees.

AUDIT FINDINGS RATINGS DEFINITIONS:

High Priority Finding	<p>Immediate management attention is required. This is a serious internal control that if not mitigated could lead to:</p> <ul style="list-style-type: none">• Significant financial losses;• Serious violation of corporate strategies, policies, or values,• Reputational damage• Significant adverse regulatory impact (loss of operating licenses, material fines).
Medium Priority Finding	<p>Timely management attention is required. This is an internal control that if not mitigated could lead to:</p> <ul style="list-style-type: none">• Financial losses,• Loss of control, non-compliance with departmental policies or procedures,• Adverse regulatory impact.
Low Priority Finding	<p>Routine management attention is warranted. This is an internal control or risk issue which may lead to improvement in the quality or efficiencies of the organization or process.</p>



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Agenda Item No. 10

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

June 21, 2012

**Draft for
Executive Committee
Review Date: 6/14/12**

SUBJECT:

INTERNAL AUDIT REPORT - PROCUREMENT REGULATORY COMPLIANCE

RECOMMENDATION:

That the Board of Directors receive an internal audit report on Procurement Department regulatory compliance.

Budget Impact

None.

DISCUSSION:

During April 2012, the MTS Internal Auditor performed a review of Procurement Department operations focusing on regulatory compliance. As a result of this review, eight findings and recommendations were made for Management's consideration. Management has reviewed the recommendations and is taking action to address the issues identified.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Daniel Madzellan; 619.595.4920; daniel.madzellan@sdmts.com

Attachment: A. Audit Report – Procurement Regulatory Compliance



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Att. A, AI 10, 6/21/12

Memorandum

DATE: 5/22/2012
TO: Ernesto DeGuzman
FROM: Daniel Madzellan
SUBJECT: Audit Report – Procurement: Regulatory Compliance Review

EXECUTIVE SUMMARY:

Background:

Regulations require the FTA to ensure grantees that receive and utilize federal assistance due so prudently and in compliance with all applicable requirements. To carry out this responsibility the FTA has established an oversight framework that is comprised of grantee self - certifications, annual single audits conducted in accordance with OMB Circular A-133, and FTA oversight reviews, including Procurement System Reviews (PSRs). A PSR consists of three phases:

- Assessment Phase
- Contract Review Phase
- Reporting Phase

The Assessment Phase establishes an understanding of the grantee's procurement system environment and assesses the grantee's procurement system risk. The Contract Review Phase assesses the grantee's compliance with FTA Circular 4220.1F and other applicable regulations through reviews of procurement files. The Reporting Phase communicates the results of the review.

MTS last underwent a formal PSR in May 2007. Overall, MTS was in compliance with the fifty six (56) required elements governing procurement activities and administrating transit related projects. The report did identify areas needing improvement. At the time of the last review, the statutory requirements governing procurements were contained in FTA Circular 4220.1E. In November 2008, the FTA issued Circular 4220.1F, cancelling Circular 4220.1E. The new Circular did not materially change the required 56 elements.

Audit Objectives and Scope:

The objective was to perform an independent assessment of procurement operations to provide reasonable assurance MTS is in continued compliance with Circular 4220.1F. Audit utilized the same procurement review checklists utilized by the FTA to perform the assessment.

The audit was a hybrid of assurance and consulting activities, as documented with Institute of Internal Audit (IIA) Professional Standards. The projects/contracts selected for review were done in coordination with the Procurement Manager. The primary selection criteria for projects/contracts were those utilizing the most federal funding. A

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Metropolitan Transit System (MTS) is a California public agency comprised of San Diego Transit Corp., San Diego Trolley, Inc., San Diego and Arizona Eastern Railway Company (nonprofit public benefit corporations), and San Diego Vintage Trolley, Inc., a 501(c)(3) nonprofit corporation, in cooperation with Chula Vista Transit. MTS is the taxicab administrator for seven cities. MTS member agencies include the cities of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, San Diego, Santee, and the County of San Diego.



secondary selection criterion, based on Procurement Manager's professional experiences, were those projects/contracts that often receive greater scrutiny from FTA officials when performing PSRs.

Once selected, Audit performed independent reviews of the master procurement files for compliance with required elements. Below are the specific projects and contracts reviewed:

MTS Project Number	Project Name	Contracts Reviewed	Total Funding	Federal Funding
11189	High Capacity Buses*	G1183.0-08 B0507.0-08	~ \$20.6M	~ \$16.46M
11310	Bus Replacement*	G1101.7-07	~ \$19.6M	~ \$15.5M
11239	40ft CNG Low Floor Buses*	G1101.0-07	~ \$51.9M	~ \$13.4M
11272	SBMF- Land Acquisition	B0559.0-11 G1246.0-09 G1274.0-09 G1274.1-09 G1274.2-09 B0542.0-011 B0516.0-09	~ \$9.2M	~ \$5.5M
11280	MTS CNG Station Improvements**	PWB127.0-10 B0537.0-10	~ \$6.01M	~ \$4.4M
11306	Para-Transit Vehicles*	B0539.0-11 B0539.0-11	~ \$3.87M	~ \$3.1M
11251	LRV Gearbox Overhaul	L0900.0-09	~ \$2.25M	~ \$1.8M

* These projects were bus procurements. As such, Audit completed supplemental review checklists for Pre-Award and Post Delivery Requirements in accordance with Circular 4220.1F.

** This project included construction services, as well as Architect and Engineering Services. As such, Audit completed supplemental review checklists for these types of services as part of their review in accordance with Circular 4220.1F.

The projects/contracts reviewed consisted of all major types of procurements with the exception of micro-purchases (those less than \$3,000). Thus, population reviewed included at least one request for proposal (RFP), Invitations for Bid (IFB) (or Sealed Bids), Sole Source Award, Small Purchases, and Piggybacking.

The audit did not include specific reviews of the six (6) system wide procurement elements required by the Circular. However, the nature of the reviews performed on individual procurements indirectly provided assurance these elements are in place and operating as designed and intended. The 6 systems wide elements are:

1. Written Standards of Conduct
2. Contract Administration

3. Written Protest Procedures
4. Pre-qualification System
5. Procedures for Ensuring Most Efficient and Economic Purchase
6. Procurement Policies and Procedures

At the time the audit commenced, the Procurement Manager was in the process of reviewing and updating internal policies and procedures. Procurement Manager agreed to address findings within this report as part of that project.

Disclaimer: MTS Internal Auditor is not a trained professional in FTA procurement system reviews. In Audit's opinion, the language of certain elements was not always specific or clear, leaving room for subjectivity. Therefore, it is probable a different reviewer could reach a different conclusion based on their interpretation of the elements and documentation contained within procurement master files. In fact, Audit reached different conclusions on required elements for project #11189 than the individual who completed the same review checklist for that project.

Audit Results:

Consistent with results from the 2007 PSR, the overall evidence does support general compliance with required elements based on the individual types of procurements. The audit did identify project/contract files that were missing documentation necessary support compliance with required elements. Audit concluded there is the need to re-assess current operating procedures, as evidence indicated not all procedures were working as designed or intended.

The subsequent pages of this report contain the audit findings, by priority ranking, Audit's recommendations, Management's responses/action plans, as well as estimated completion dates for corrective actions. Most of the recommendations are general in nature to allow Management more flexibility in determining the best course of action to take based on their professional experience.

Audit concluded none of the findings were high priority. There were six (6) medium priority findings. Audit assigned medium rankings to findings where there was insufficient evidence to support compliance with required elements for the specific type of procurement. There were two (2) low priority findings. Audit assigned low rankings to findings that did not directly result in non-compliance with required elements, but were areas where operations can improve.

Report Distribution:

Paul Jablonski, Cliff Telfer, and Karen Landers – MTS

AUDIT FINDINGS, RECOMMENDATIONS, and MANAGEMENT RESPONSE/ACTION PLANS:

Medium Priority Finding #1: Standard Checklists for RFP/IFB Procurements Not Working as Designed or Intended.

Audit observed the use of a standard checklist for completing and reviewing RFP/IFB related procurements. The checklist contained both FTA compliance required elements, as well as MTS internal procedures. Based on the evidence, the checklist is not working as designed or intended. Among the deficiencies noted:

- The checklist establishes a list of folders for inclusion within RFP/IFB master procurements files. Accordingly, Audit's expectation was that each folder would include the requisite supporting documentation. Audit consistently discovered folders that did not include any documentation. In nearly all cases, the referenced documentation was included within the master procurement file, just not within the specified folder.

For example, the master procurement files for Contract No. PWB127.0-10 – Capital Project No. 11280 had twelve (12) empty folders. The empty folders observed were:

1. Contract Folder:
2. Contract Officer's Determination of Contractor's Responsiveness & Responsibility
3. Contract Amendments:
4. Determination of Fair and Reasonable Price
5. Insurance Certification:
6. Liquidated Damages Determination
7. Notice to Proceed
8. Bid History Form/Selection Data
9. Bid Responses or Proposals/Bid Form/Bond
10. Rationale for Method of Procurement
11. Protests
12. Procurement Summary

Similarly, MTS Contract No. L0900.0-09 - Capital Project No.11251 had ten (10) empty folders.

1. Independent Cost Estimate
2. Liquidated Damages Determination
3. Bidders List
4. Contract Officer's Determination of Contractors Responsiveness & Responsibility.
5. Determination of Fair and Reasonable Price
6. Evaluation/Negotiation Forms, etc.
7. PIF Form or Purchase Requisition
8. Rationale for Method of Procurement:
9. Addenda and Contract Amendments
10. Best and Final Offer:

NOTE: Rationale for Method of Procurement, Determination of Contractors Responsiveness & Responsibility, and Determination of Fair and Reasonable Price are elements listed on the FTA's PSR review checklists. Based on interpretation of the required elements and documentation within the master procurement files, Audit concluded there was sufficient documentation to support compliance with these elements. However, this determination is subjective and a different reviewer could reach a different assessment.

- There were inconsistencies between the preparer/reviewer commentary on the standard checklist and the contents of the procurements files. For example, the checklist would indicate the preparer/reviewer observed specific documents in files as evidenced by listing a date of completion and comments on the checklist. However, Audit was not always able to locate the document the preparer/reviewer stated they observed, i.e. ICE documentation discussed below. Conversely, there were documents included in folders of the procurement files not identified by the preparer/reviewer on the checklist
- There were instances where the contract/project procurement manager did not sign or date the checklist indicating his/her review or approval of the master file contents.
- For Capital Project #11251, Audit did not identify the final version of the IFB in the procurement files.

Utilizing a standard checklist is a well-designed operational procedure for ensuring and verifying compliance with both external and internal requirements.

Recommendation:

In general, Audit would recommend Procurement Management re-assess their existing checklist and operating procedures, evaluating if there is a more effective and efficient manner by which completion of these checklists can be achieved.

More specifically, Procurement Management needs to re-assess and implement stronger operational review procedures. Among the procedures Management could implement is a requirement that the preparer of the checklist include commentary for each folder listed on the checklist. The commentary could be as simple as Folder Contains Required Documentation. Also, all folders listed on the checklist should include the date the preparer reviewed and attested to the completeness of the folder. The reviewer of the completed checklist should assess the document as incomplete if all folders listed do not contain commentary and a date of review.

A second possibility is to implement a review procedure utilizing the PSR standard checklist. Such a process could help ensure required FTA procurement elements are assessed as part of master procurement files reviews.

Management Response/Action Plans:

Procurement Management agrees with the audit finding. As a long term solution Procurement Management proposes the reclassification of the current Contracts Specialist position to a Contract Analyst position to handle solicitation and contract documentation quality control at the production stage. The formal request for reclassification is in progress and will be submitted to senior management for approval by May 30, 2012. MTS Policy 52 will be revised to specifically call out additional forms and checklists necessary to document compliance with statutes and regulations.

Estimated Completion Date

By June 30, 2012 for implementation at start of the next fiscal year.

Medium Priority Finding #2: Procurement File Determined to be for Architect & Engineering Services Contained Evidence Price Was a Qualification Factor, Which is Not Compliant with FTA Guidelines.

Contract B0537.0-10 (total contract amount \$29,592) for capital project #11280 was awarded to Fuel Solutions, Inc. The Procurement Manager concluded the scope of work likely met the criteria to be classified as Architect and Engineering (A&E) Services. Under FTA Circular 4220.1F, VI, 3.f.(3), grantees should evaluate proposer's qualifications and exclude price as an evaluation factor. The procurement files contained analysis listing each proposer's priced bids. Fuel Solutions was in fact the lowest bidder. Thus, there is circumstantial evidence suggesting price was an evaluation factor used in awarding this contract.

Audit and Procurement Manager spoke with General Counsel regarding the issue. The matter was referred to the MTS Law Clerk for further analysis to determine if the scope of work awarded to Fuel Solutions did meet the criteria for A&E services, and whether MTS might be in violation of Circular 4220.1F for this procurement.

MTS Law Clerk concluded the services provided by Fuel Solutions would be considered A&E. Accordingly, if pricing was as an evaluation factor as evidence suggests, this would result in noncompliance with FTA requirements for this procurement.

Recommendation:

No specific recommendations. As an agency, MTS rarely engages in A&E procurements, which is likely the cause for this event. Thus, in general terms, Procurement Management should look to adopt procedures addressing how procurements related to A&E will be handled going forward in the rare instances these services need to be procured.

Management Response/Action Plans:

Procurement Management agrees. Policy 52, specifically section 52.2.E will be revised to align MTS' policy and procedures relative to the acquisition of A and E services with current statutory (49 USC 5325.b and 49 USC 11) and regulatory parameters, and the recommendations of the FTA Circular 4220.1F.

Estimated Completion Date:

By June 30, 2012 for implementation at the start of the next fiscal year.

Medium Priority Finding #3: Procurement Files Lacking Evidence of Independent Cost Estimates (ICE).

With the exceptions of micro purchases and piggybacking all procurements require completing an Independent Cost Estimate (ICE). Based on master procurement files reviewed, three (3) projects/contracts did not include direct evidence of an ICE. The projects/contracts identified were:

- Capital Project #11280 – Contract B0537.0-10
- Capital Project #11189 – Contract B0507.0-08
- Capital Project #11251 – Contract L0900.0-09

This was also a finding during the May 2007 PSR, where twelve (12) of the thirty (30) procurement files lacked sufficient evidence supporting completion of an ICE. Management's response to the PSR on this issue was as follows:

For small procurements, an ICE will be required before the Procurement Manager signs the purchase order and provided to the Vendor. For large procurements, MTS has created a Procurement Initiation Form (PIF) that requires approval prior to placing the procurement onto the procurement project list. The PIF includes the requirement for an ICE.

Evidence observed by Audit would indicate the PIF form, as the designed control for compliance, is not working as intended given evidence continued to demonstrate insufficient documentary evidence supporting the performance of an ICE.

Recommendation:

Standardizing the actual format of the ICE is not feasible. ICEs could come from external parties via a letter or be internally generated on a spreadsheet. However, Audit would recommend developing a standardized memo for documenting the results of ICEs. The memo could simply state the cost estimate for the project and how the estimate was developed. The memo could then be filed in the master procurement file with the actual ICE analysis received or performed.

Management Response/Action Plans:

Management agrees with the finding. Staff will review the FTA Best Practices Procurement Manual and reach out to peer agencies for their best practices ICE documentation practices. The results of this research will serve as the basis for an internal ICE form template or memo template. The review of the adequacy of solicitation and contract file documentation will be made part of the duties of the new Contract Analyst position (see Management Response to Finding #1).

Estimated Completion Date:

By June 2012 for implementation in the first quarter of the next fiscal year.

Medium Priority Finding #4: Procurement File Lacking Evidence of Solicitation to Potential Bidders.

Contract B0507.0-08 – Capital Project #11189 was to procure services for In-Plant Inspections, Pre-Design Inspections, and Post Delivery Audit Services for the buses procured. The method of procurement was an RFP. There were five (5) organizations identified who were to receive the RFP. Only one organization submitted a bid and ultimately received the contract after negotiations.

Procurement files provided contained no direct evidence to support the RFP solicitation was actually sent to all 5 organizations identified as potential bidders. Other procurement files included the email correspondence or proof of direct mailing as evidence. Thus, Audit could not be certain that all bidders identified actually received the RFP. Accordingly, there is the risk this procurement could be assessed as a non-competitive bid/sole source award, which is not an appropriate method of procurement for these services.

Recommendation:

Bid solicitations are part of the standard checklist discussed above and required documentation for procurement files. In this case, the evidence would again indicate the review of the procurement file was ineffective, as this omission was not identified.

As such, Audit's recommendation for this finding is similar to that listed for **Medium Priority Finding #1**. Procurement Management needs to assess and implement stronger operating and review procedures to ensure checklists are working as designed and intended.

Management Response/Action Plans:

Management agrees with the finding and will include a long term response to this finding in the duties of the Contract Analyst position covered in the response to Finding #1.

Estimated Completion Date:

By June 30, 2012.

Medium Priority Finding #5: Piggybacking Bus Procurement Files Missing Documentation to Support Compliance with Required Elements.

Two projects (#11189 and #11306) were piggyback procurements. Piggybacking is the post-award use of a contractual document/process that allows someone who was not contemplated in the original procurement to purchase the same supplies/equipment through that original document/process.

One of the required elements of a piggyback procurement is to evaluate the bids/proposals of the procurement and include a copy of the analysis in the procurement file. For project #11189 there was a completed piggyback review checklist form included in the master procurement file indicating necessary documents were provided to MTS and the analysis was performed. Audit could not locate the analysis or supporting documentation in the master procurement file. As such, Audit concluded that this element was not met for this procurement.

With respect to the completed piggyback review checklist, there was no way to determine who from MTS completed the form (not signed by individual who performed the review). Further, there was no evidence there was an independent review of the completed checklist. Finally, in Audit's opinion, the commentary included by preparer of the Checklist was inadequate; primarily stating the documents were received and reviewed. The supporting documents in the procurement files were not clearly labeled or identifiable.

Recommendation:

Audit would recommend that internal procedures for piggybacking procurements require documents to be labeled in the master procurement file consistent with the required elements specified on the review checklist. If the files are received and stored electronically the electronic files should be named in such a manner that they are easily mapped to required piggyback procurement elements as documented on the review checklist.

Audit would also recommend that the preparer of the review checklist date, print, and sign their name to serve as evidence as to whom performed the review. Additionally, Management may consider having an individual who was not the preparer of the checklist attest to the accuracy and validity of the assertions of the completed checklist.

Management Response/Action Plans:

Procurement Management agrees and will include reviews of solicitation and contract document files in the duties of the new Contracts Analyst position.

Estimated Completion Date

By June 30, 2012.

Medium Priority Finding #6: Piggybacking Bus Procurement Files Lacking Supporting Documentation for Pre-Award and Post Delivery Review Requirements in Accordance with Buy America Provisions.

Bus procurements require Pre-Award and Post Delivery Reviews in accordance with Buy America provisions. Audit observed that bus master procurement files contained memos from the previous MTS Internal Auditor attesting to compliance with Pre-Award and Post Delivery requirements. However, for project #11189, there was no direct evidence, aside from the letters, to support the compliance conclusion for the Pre-Award portion of the review. The file did not include documents showing the 60 percent domestic content requirement or the FMVSS certification letters.

As documented above, there was a completed piggyback review checklist within the master file. The checklist indicated receipt and review of all required documentation for compliance with piggybacking procurements. There was no direct evidence indicating who from MTS completed the checklist. In Audit's opinion the commentary on the checklist was inadequate, primarily stating all documents were received and reviewed.

Recommendation:

Audit would recommend internal procedures require documentation showing compliance with Pre-Award and Post Delivery Reviews be included in the master files, along with MTS Internal Auditor's certification memos. The supporting documentation should be clearly labeled and identifiable in the master file, whether the master file is maintained via hard copy documents or electronically.

Audit would also recommend that the preparer of the review checklist date, print, and sign their name to serve as evidence as to whom performed the review. Additionally, Management may consider having an individual who was not the preparer of the checklist attest to the accuracy and validity of the assertions of the completed checklist.

Management Response/Action Plans:

The long term correction for this Finding will be included in the duties of the new Contracts Analyst position (see Management Response to Finding #1).

Estimated Completion Date

By June 30, 2012

Low Priority Finding #1: Determination of Liquidated Damages.

There were three projects (#11239, #11310, and #11280) that had liquidated damage provisions in the RFP/contract award. The assessment rate in the RFP/contract was \$250 per day. There was no analysis as to how this amount was determined.

As noted above in **Medium Priority Finding #1**, there were master procurement files that had liquidated damages determination folders with no information/documentation contained in the folder.

Audit concluded there were two possibilities for what this folder might have represented: 1) the folder could have contained an analysis of how the liquidated damages assessments, if applicable, were determined for the contract, or 2) the folder could contain analysis as to the amount of damages sought by MTS in the event the damage provision became applicable based on contractor performance.

The procurement element in the PSR checklists addressing Liquidated Damages, #49) [FTA C 4220.1F, IV, 2.b.(6)(b) 1)] states:

This contract contains liquidated damages provisions and the assessment for damages is specified in the contract at a specific rate per day for each day of overrun in contract time. If this contract does not contain liquidated damages provisions, the elements is N/A.

Thus, evidence reviewed does not indicate non-compliance with this required procurement element, as damages did specify a rate per day of overrun. However, the evidence does indicate that liquidated damages determinations are not being properly included in the procurement files as required by internal MTS policies.

Recommendation:

Audit's recommendation for this finding is similar to that listed for **Medium Priority Finding #1**. Procurement Management needs to assess and implement stronger operating and review procedures to ensure checklists are working as designed and intended.

Management Response/Action Plans:

The long term correction for this Finding will be included in the duties of the new Contracts Analyst position (see Management Response to Finding #1).

Estimated Completion Date

By June 30, 2012

Low Priority Finding #2: Document Retention and Evidence Quality Standards:

In general terms, evidence to support compliance should be sufficient, reliable, relevant, and useful. The procurement files, as assessed by Audit, contained information or documents that did not meet some of these general standards.

For example, there were numerous drafts and edited versions of RRP's and IFB's along with the final version of the document distributed to potential bidders maintained in the master procurement files. Audit's opinion is that retaining these revised versions in the master files was not relevant or useful information for retention in the master files once the final version is distributed.

With regards to sufficiency of evidence, sufficient information is factual, adequate, and convincing so that a prudent informed person would reach the same conclusion. Based on the nature of some the documentation contained in the files, Audit had to use their professional judgment in determining if the documentation was sufficient to comply with the required procurement elements. As noted in the disclaimer, subjectivity increases the risks of false assurance as to the overall compliance with both external and internal policies and procedures.

Recommendation:

As part of the Procurement Manager's assessment of internal policies and procedures, Audit would recommend assessing the current document standards regarding the sufficiency, relevance, reliability, and usefulness. While standardization of documents or information is not feasible given individual procurements are unique, stronger standards regarding retention and quality of the evidence should be determined and communicated to procurement personnel. This could help reduce the likelihood of reviewers reaching different conclusions regarding compliance with required procurement elements.

Management Response/Action Plans:

The long term correction for this Finding will be included in the duties of the new Contracts Analyst position (see Management Response to Finding #1).

Estimated Completion Date:

By June 30, 2012

AUDIT FINDINGS RATINGS DEFINITIONS:

High Priority Finding	Immediate management attention is required. This is a serious internal control that if not mitigated could lead to: <ul style="list-style-type: none">• Significant financial losses;• Serious violation of corporate strategies, policies, or values,• Reputational damage• Significant adverse regulatory impact (loss of operating licenses, material fines).
Medium Priority Finding	Timely management attention is required. This is an internal control that if not mitigated could lead to: <ul style="list-style-type: none">• Financial losses,• Loss of control, non-compliance with departmental policies or procedures,• Adverse regulatory impact.
Low Priority Finding	Routine management attention is warranted. This is an internal control or risk issue which may lead to improvement in the quality or efficiencies of the organization or process.



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Agenda Item No. 11

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

June 21, 2012

**Draft for
Executive Committee
Review Date: 6/14/12**

SUBJECT:

INCREASED AUTHORIZATION FOR LEGAL SERVICES – LAW OFFICES OF
DAVID C. SKYER

RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. G1423.1-12 (Attachment A) with the Law Offices of David C. Skyer for current and future legal expenses throughout FY 2013.

Budget Impact

This contract amendment would increase the full contract value with the Law Offices of David C. Skyer from \$95,000 to \$230,000. The recommended \$135,000 contract increase has been programmed in the FY 2013 budget.

DISCUSSION:

Pursuant to Board Policy No. 52 (Procurement of Goods and Services), the CEO may enter into contracts with service providers for up to \$100,000. The Board must approve all agreements in excess of \$100,000.


On December 8, 2011, the Board established a panel of qualified law firms to assist MTS, San Diego Trolley, Inc. (SDTI), and San Diego Transit Corporation (SDTC) with various legal matters on an as-needed basis. Thereafter, MTS began contracting with 15 of the approved law firms for designated amounts depending on current and anticipated needs.



An initial contract was established with the Law Offices of David C. Skyer on December 21, 2011, in the amount of \$95,000. There is currently \$25,255 remaining of the initial contract amount, which is anticipated to be exhausted in the near future on a case headed to trial.

David Skyer has successfully represented and defended MTS, San Diego Transit Corporation, and San Diego Trolley, Inc. in numerous tort liability matters over the past several years. During FY 2012, Mr. Skyer has handled a total of four cases for the agencies—two of which have gone to jury trial.

Therefore, staff is requesting Board approval of MTS Doc. No. G1423.1-12 (Attachment A) with the Law Offices of David C. Skyer for legal services.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Susan Lockwood, 619.557.4502 susan.lockwood@sdmts.com

Attachment: A. Draft MTS Doc. No. G1423.1-12

DRAFT

June 21, 2012

MTS Doc. No. G1423.1-12
LEG 491 (PC 50633)

Mr. David C. Skyer
Attorney
David C. Skyer, APC
401 West A Street, Suite 1740
San Diego, CA 92101-7994

Dear Mr. Skyer:

Subject: AMENDMENT NO. 1 TO MTS DOC. NO. G1423.0-12; LEGAL SERVICES – GENERAL
AND TORT LIABILITY

This shall serve as Amendment No. 1 to our agreement for legal services as further described below.

STATEMENT OF WORK

Pursuant to the Scope of Work of MTS RFP No. G1389.0-11, David C. Skyer, APC agrees to continue to represent and defend MTS, San Diego Transit Corporation, and San Diego Trolley, Inc. in tort liability matters in accordance with the terms and conditions as stated on MTS Doc. No. G1423.0-12.

SCHEDULE

There is no change to the term of this agreement.

PAYMENT

This contract amendment shall authorize additional costs not to exceed \$135,000 for legal services. The total value of this contract (including this amendment) shall be in the amount of \$230,000. This amount shall not be exceeded without written approval from MTS.

Please sign and return the copy marked "original" to the Contracts Specialist at MTS. All other terms and conditions shall remain the same and in effect. Retain the other copy for your records.

Sincerely,

Agreed:

Paul C. Jablonski
Chief Executive Officer

David C. Skyer, Attorney
David C. Skyer, APC

Date: _____

cc: S. Lockwood
C. Aquino
Procurement File



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Agenda Item No. 12

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

June 21, 2012

**Draft for
Executive Committee
Review Date: 6/14/12**

SUBJECT:

SOFTCHOICE MICROSOFT ENTERPRISE AGREEMENT - CONTRACT RENEWAL

RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. G1477.0-12 (in substantially the same format as Attachment A) with Softchoice for Microsoft Enterprise Agreement licensing for a five-year period.

Budget Impact

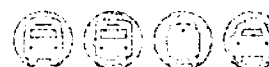
The not-to-exceed amount of \$363,174.35 would be funded by Project Code 50661-53910 and would provide support coverage for a five-year period.

DISCUSSION:


Background

In July 2009, MTS entered into a three-year agreement for Microsoft product licensing with Dell Corporation based on the County of Riverside (CCISDA) Microsoft Enterprise License Agreement. This Agreement provides MTS users with the necessary Microsoft software upgrade, maintenance, and support services for this period. The County of Riverside Agreement was awarded through a formal competitive bid process and was specifically developed for the use of public/governmental agencies to reap the best pricing benefit based on the total volumes of Microsoft licenses for the numerous agencies that are party to the County of Riverside Agreement. That Agreement expires on June 30, 2012.

In May 2012, MTS obtained quotes from 3 Microsoft Large Account Resellers (LARs) who are qualified to provide pricing for Microsoft Enterprise Agreement Licensing under the County of Riverside (CCISDA) Agreement. MTS requested pricing for a three-year term for this Microsoft Enterprise Agreement renewal.



The lowest of these quotes was Softchoice at \$363,174.35. Staff conducted a cost analysis comparing Softchoice's bid pricing with MTS' Independent Cost Estimate (ICE), and the current online market pricing. Based on the analysis, it was determined that Softchoice's price is fair and reasonable. Therefore, pursuant to MTS policy, staff recommends award of MTS Doc. No. G1477.0-12 to Softchoice for Microsoft Enterprise Agreement licensing for a five-year period.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Stevan White, 619.238.0100, Ext. 6412, stevan.white@sdmts.com

JUNE21-12.12.SOFTCHOICE MICROSOFT ENT AGMT.RATKINSON

Attachment: A. Draft Agreement for Softchoice (MTS Doc. No. G1477.0-12)

STANDARD PROCUREMENT AGREEMENT

G1477.0-12
 CONTRACT NUMBER
 OPS 960.2
 FILE NUMBER(S)

THIS AGREEMENT is entered into this _____ day of _____ 2012, in the State of California by and between San Diego Metropolitan Transit System, a California public agency, and the following, hereinafter referred to as "Contractor":

Name: Softchoice Address: 314 W. Superior Street Suite 301

Form of Business: Corporation Chicago, IL 60654
 (Corporation, partnership, sole proprietor, etc.)

Telephone: 312.655.9772

Authorized person to sign contracts: Cara Ross Academic & Government Account Manager
 Name Title

The attached Standard Conditions are part of this Agreement. The Contractor agrees to furnish to MTS services and materials, as follows:

Microsoft Enterprise Agreement Licensing per MTS's requirements, Softchoice's quote dated May 16, 2012 in accordance with the Standard Procurement Agreement, including the Standard Conditions Procurement. If there are inconsistencies between the Contract Documents, the following order of precedence will govern the interpretation of this contract:

1. The terms and conditions of the County of Riverside (CCIDSA) Agreement except to the extent that paragraph 10 conflicts with the California Public Records Act, the conflicting provisions shall not apply, the Microsoft Enterprise Enrollment, and the Microsoft Enterprise Signature form.
2. Standard Procurement Agreement, including the Standard Conditions Procurement.

Total expenditures for this contract shall not exceed \$363,174.35. Payment terms shall be net 30 days from invoice approval date. This contract shall remain in effect for five full years (July 1, 2012, through June 30, 2017).

SAN DIEGO METROPOLITAN TRANSIT SYSTEM		CONTRACTOR AUTHORIZATION
By: _____ Chief Executive Officer		Firm: _____
Approved as to form:		By: _____ Signature
By: _____ Office of General Counsel		Title: _____
AMOUNT ENCUMBERED	BUDGET ITEM	FISCAL YEAR
\$363,174.35	50661-53910	13-17

By: _____ Chief Financial Officer Date

(___ total pages, each bearing contract number)



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Agenda Item No. 13

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

June 21, 2012

**Draft for
Executive Committee
Review Date: 6/14/12**

SUBJECT:

UTC SUPERLOOP BUS STOP MAINTENANCE PROGRAM - CONTRACT AWARD

RECOMMENDATION:

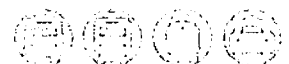
That the Board of Directors authorize the Chief Executive Officer (CEO) to:

1. execute MTS Doc. No. B0572.0-12 (in substantially the same form as Attachment A) for a one-year base contract with 2 six-month options with ISS Facility Services, Inc. for maintenance services at the new UTC SuperLoop bus stops; and
2. exercise each option period at his discretion.

Budget Impact

The funding for this contract would be allocated under the MTS Contract Services budget (53920-840), which is funded through local (TransNet) funding under a Memorandum of Understanding with the San Diego Association of Governments (SANDAG). The following dollar amounts represent the not-to-exceed amounts.

Fiscal Year 2013	= \$100,458.94
Option Period 1, FY 2014	= \$ 51,877.22
Option Period 2, FY 2014	= \$ 51,877.22
Grand Total	= \$204,213.38



DISCUSSION:

MTS Policy No. 52, Section 52.2, C (iii) (Governing Procurement of Goods and Services) requires a formal competitive process for procurements exceeding \$100,000.

A Request for Proposals (RFP) to provide bus stop maintenance services for the UTC SuperLoop bus stops was issued on March 2, 2012. A preproposal meeting was held for interested parties on March 15, 2012, and followed with a written question-and-answer period. On April 17, 2012, MTS received 5 proposals, all of which were determined to be responsive. Proposers were: Aztec Janitorial, ISS Facility Services, JPerez Associates, Prizm Janitorial, and T&T Janitorial.

An evaluation committee consisting of members from MTS Contract Services and Transportation Planning met several times during the evaluation process to score initial proposals and obtain and evaluate additional information as needed.

Evaluation criteria consisted of the following with respective points out of a total score of 100 points:

Cost and Price	= 30 Possible Points
Qualifications of the Firm or Individual	= 30 Possible Points
Work Plan	= 30 Possible Points
<u>Staffing, Firm Organization, and Management Plan</u>	<u>= 10 Possible Points</u>
TOTAL	= 100 Points

Of those 5 proposers, MTS selected 3 firms to negotiate with and requested Best and Final Offers (BAFOs) from all 3 (indicated with an asterisk before their names).

Evaluation Criteria Scoring Summary is as follows:

T&T Janitorial	=	33.0
Aztec Janitorial	=	56.0
*JPerez Associates	=	68.7
*Prizm Janitorial	=	74.3
*ISS Facility Services	=	79.7


After evaluating the proposals and conducting interviews of the top-ranked firms, the committee proposed that ISS Facility Services, Inc. be awarded the contract to provide bus stop maintenance services as outlined in the RFP Scope of Work. Services are recommended to commence on or after July 1, 2012, pending turnover of the bus stops from SANDAG to MTS.

The contract would be awarded for one year with 2 six-month options. The reason for the short contract period is to allow for finalization of the remaining phases of new bus stops as well as bus rapid transit station bus stops. The intention is to conduct a new procurement to include all of those stations in approximately the next year.

It should be noted that ISS proposed, as a value-added element, a janitorial software system that tracks tasks, allows MTS project management to access the Web-based application via office computer or smart phone, and allows ISS crews to attach photos of

site conditions as requested or to report such things as graffiti tagging. ISS vehicles are also equipped with GPS tracking that enables ISS to provide MTS with reports regarding route movement and time spent at each station. MTS staff believes this value-added technology will provide invaluable information to understand the time and effort required at each location to better understand future needs and costs to maintain bus stops.

Therefore, MTS staff is recommending that MTS Doc. No. B0572.0-12 be awarded to ISS Facility Services, Inc. for a one-year base contract with 2 six-month options (to be exercised at the CEO's discretion) effective July 1, 2012.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Beverly Neff, 619.238.0100, Ext. 7037, Beverly.neff@sdmts.com

Attachment: A. Draft MTS Doc. No. B0572.0-12

ATTACHMENT A

DRAFT

**STANDARD PROCUREMENT AGREEMENT
FOR
UTC SUPERLOOP BUS STOP MAINTENANCE PROGRAM**

**B0572.0-12
CONTRACT NUMBER**

**OPS 920.2
FILE/PO NUMBER(S)**

THIS AGREEMENT is entered into this _____ day of _____ 2012, in the state of California by and between San Diego Metropolitan Transit System ("MTS"), a California public agency, and the following, hereinafter referred to as "Contractor":

Name: ISS Facility Services, Inc.Address: 7250 Engineer Rd., Ste. DForm of Business: Corporation
(Corporation, Partnership, Sole Proprietor, etc.)San Diego, CA 92111Telephone: 858-565-7600

Authorized person to sign contracts: Victor Hoffmeister General Manager
Name Title

The attached Standard Conditions are part of this agreement. The Contractor agrees to furnish to MTS services, as follows:

Bus Stop Cleaning, Power Washing, Maintenance and Repair, and Emergency Services as specified in the Scope of Work (attached as Exhibit A), ISS Facility Service's Pricing Proposal (attached as Exhibit B), and in accordance with the MTS Standard Services Agreement including the Standard Conditions, Services (attached as Exhibit C).

The base term of the contract shall begin on July 1, 2012, and end on June 30, 2013. Option periods, if exercised by MTS, shall be from July 1, 2013 - December 31, 2013 and January 1, 2014 - June 30, 2014, respectively. Such optional service periods may be exercised individually, all at once, or not at all, at MTS's sole determination and dependent upon the Contractor's satisfactory performance of the requirements of this Agreement.

Total contract amount shall not exceed \$100,458.94 for the base period and \$103,754.44 for the option periods, if exercised by MTS, for a grand total of \$204,213.38.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM		CONTRACTOR AUTHORIZATION
By: _____ Paul C. Jablonski, Chief Executive Officer		Firm: _____
Approved as to form:		By: _____ Signature
By: _____ Office of General Counsel		Title: _____
AMOUNT ENCUMBERED \$100,458.94	BUDGET ITEM 53920-840	FISCAL YEAR FY 13
By: _____ Chief Financial Officer		

(_____ total pages, each bearing contract number)



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Agenda Item No. 14

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

June 21, 2012

**Draft for
Executive Committee
Review Date: 6/14/12**

SUBJECT:

GIRO, INC. REGIONAL SCHEDULING SYSTEM (RSS) – CONTRACT AMENDMENT

RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. G0856.18-03 (in substantially the same form as Attachment A) with GIRO, Inc. to fund the HASTUS Maintenance and Service Support Agreement for the Regional Scheduling System (RSS) from July 1, 2012, through June 30, 2013.

Budget Impact

The amount of Amendment No. 18 (MTS Doc. No. G0856.18-03) would not exceed \$143,447.00. Funding for Amendment No. 18 would be paid by MTS and North County Transit District (NCTD) operating funds.

MTS's share of the cost of Amendment No. 18 would be funded through MTS Project Code 53910 in the amount of \$126,049.31; NCTD's share of the support agreement would be \$17,397.69.

Costs are split for the support agreement based on the breakout below:

<u>Phase 1-Scheduling</u>	<u>Phase 2-Bid</u>	<u>Phase 5-¹ATP</u>	<u>Phase 3 ²DDAM</u>
MTS - \$53,592.53	MTS - \$4,044.72	MTS - \$2,962.76	MTS - \$52,150.30
NCTD - \$15,385.91	NCTD - \$1,161.20	NCTD - \$850.58	

MTS - \$13,299.00 annual bank of 13 development days

¹ Analyse des Temps de Parcours (run times analysis)

² Daily Driver Assignment Management



DISCUSSION:

The RSS is a regional fixed-bus route and rail-scheduling system. The system provides the regional transit agencies with the necessary tools to build efficient timetables and vehicle and crew schedules for bus and rail operations. It also supports operator bid processing and aids the physical dispatching of bus drivers and train operators.

On January 10, 2002, the Board authorized staff to procure an RSS using a competitive, negotiated procurement process. In August 2003, a contract was awarded to GIRO, Inc. The original contract value was \$1,834,275.00; MTS's share of the cost was \$1,525,893.00, and NCTD's share of the cost was \$308,382.00.

Amendment No. 18

Amendment No. 18 to Doc. No. G0856.0-03 with GIRO, Inc. (for an amount not to exceed \$143,447.00) would provide MTS and NCTD with continued maintenance support coverage for the RSS, including technical and end-user e-mail and telephone support, corrections to software defects, one update to the geographical data, and a bank of 13 development days for required changes for the period from July 1, 2012, to June 30, 2013.

The adjusted amount of the contract would be \$2,886,679.00 with an MTS cost share of \$2,478,916.31 and an NCTD cost share of \$407,762.69.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Stevan White, 619.238.0100, Ext. 6412, stevan.white@sdmts.com

Attachments: A. GIRO Amendment (MTS Doc No. G0856.18-03)
B. GIRO Support Renewal Letter dated 2/23/12

DRAFT

June 21, 2012

MTS Doc. No. G0856.18-03
CIP 10940 (PC 53910)

Mr. Daniel Dubuc
Administration Director
GIRO, Inc.
75 Rue du Port-Royal East, Suite 500
Montreal (Quebec)
CANADA H3L 3T1

Dear Mr. Dubuc:

Subject: AMENDMENT NO. 18 TO MTS DOC. NO. G0856.0-03; HASTUS MAINTENANCE AND
SUPPORT CONTRACT – JULY 1, 2012, THROUGH JUNE 30, 2013

This shall serve as Amendment No. 18 to MTS Doc. No. G0856.0-03 for the HASTUS maintenance and support contract at a fee of \$143,447.00 US. The shared maintenance cost is based on MTS Doc. No. G0856.0-03 between North County Transit District (NCTD) and MTS, and costs will be split for the maintenance support based on the breakout below.

<u>Phase 1-Scheduling</u>	<u>Phase 2-Bid</u>	<u>Phase 5-ATP</u>	<u>Phase 3 DDAM</u>
MTS - \$53,592.53	MTS - \$4,044.72	MTS - \$2,962.76	MTS - \$52,150.30
NCTD - \$15,385.91	NCTD - \$1,161.20	NCTD - \$850.58	

MTS - \$13,299.00 annual bank of 13 development days

SCHEDULE

This Amendment shall remain in effect from July 1, 2012, through June 30, 2013.

SCOPE OF SERVICES

No changes to the Scope of Services.

PAYMENT

Payment shall be based on actual costs not to exceed the maintenance support contract amount of \$143,447.00 without prior written approval from MTS. The total value of this contract, including all amendments, shall not exceed \$2,886,679.00 US.

All previous conditions remain in effect. If you agree with the above, please sign below and return the document marked "original" to the Contracts Specialist at MTS. The other copy is for your records.

Sincerely,

Accepted:

Paul C. Jablonski
Chief Executive Officer

Daniel Dubuc
GIRO, Inc.

Date



February 23, 2012

Mr. Stevan White
Interim CTO
MTS
1255 Imperial Avenue, Suite 1000
San Diego, CA
USA 92101-7490

Dear Mr. White:

The renewal date of the *HASTUS-Vehicle*, *HASTUS-Crew*, *CrewOpt*, *Minbus*, *HASTUS-Roster*, *Geo*, *Bid*, *RosterPlus*, *HASTUS-DDAM*, *HASTUS-ATP*, and *HASTOP* version 2003 support and maintenance contract is July 1, 2012. As stipulated in the existing contract, we are taking this opportunity to advise you of the conditions for renewal.

As in the past, the contract includes unlimited telephone and electronic mail support, and the correction of errors plus thirteen (13) days of modifications. It also gives you access to new versions at a significantly reduced licence cost. For these services, the fees are \$143,197 US, an increase of 4% over last year to cover increased operating costs. Year 2012 escrow annual fees come in addition for an amount of \$250 US. Please be advised that as of February 23, 2012 the balance in your bank of modification days is fifteen (15) days.

We accept to invoice the annual maintenance fee to SANDAG as follows: 50% on July 1, 2012 and 50% on January 1, 2013.

According to our records, you are licensed to use our software for a maximum of 700 peak vehicles. We would appreciate it if you would send us in writing the number of peak vehicles now used at your transit commission.

We hope that these renewal conditions meet with your approval and want to assure you of our continued commitment to offering MTS the best possible service. Please feel free to call me if you require any further information.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel Dubuc", with a stylized flourish extending from the end.

Daniel Dubuc
Director, Finances
daniel.dubuc@giro.ca

DD:ND