



November 8, 2018

To: Transit Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Amendment to the the Agreement with First Transit, Inc., for the Provision of Contracted Fixed-Route Service

Overview

On March 23, 2015, the Orange County Transportation Authority Board of Directors approved an agreement with First Transit, Inc., for the management and operation of contracted fixed-route, Stationlink, and express bus services. Several amendments have been made to this agreement expanding the scope of work to include providing iShuttle services and additional Measure M, Project V-funded circulators on behalf of cities. The initial term of the agreement will expire on May 31, 2019. An amendment to exercise the first two-year option term of the contract is necessary to continue providing these services through May 31, 2021.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute Amendment No. 8 to Agreement No. C-4-1737 between the Orange County Transportation Authority and First Transit, Inc., in the amount of \$87,126,726, to exercise the first two-year option term to provide contracted fixed-route services through May 31, 2021, increasing the maximum obligation of the agreement to a total contract value of \$236,026,978.

Discussion

The Orange County Transportation Authority (OCTA) Board of Directors (Board) awarded a contract to First Transit, Inc., (First Transit) to provide management, operations, and vehicle maintenance of contracted fixed-route (CFR) service in March 2015. First Transit began operating the service in June 2015, following the transition from the prior contractor. The original agreement was for an initial term of four years, with two, two-year option terms. The contract reimbursement structure includes both a fixed-rate and variable rate that are estimated based

on an assumed number of revenue vehicle hours to be operated during each year of the contract.

The contract has been amended three times to expand the scope of services provided by First Transit. In May 2016, at the request of the City of Irvine (City), the Board approved an amendment to transition the management, operation, and vehicle maintenance of the iShuttle service from the City to OCTA. Additional amendments were subsequently approved by the Board in November 2016 and June 2018 to further expand the scope of work to expand the iShuttle service and include providing Measure M, Project V-funded community circulators on behalf of the cities of Mission Viejo and Westminster (subsequently terminated).

OCTA utilizes contract transportation services to help achieve financial sustainability goals by controlling costs, while providing the maximum level of safe, reliable, and efficient service. To further this goal, OCTA has incrementally increased the amount of service provided by a contractor from 28 percent in March 2015 to 40 percent in June 2016.

During the initial four-year term of the agreement, it is estimated that OCTA will save approximately \$55.7 million by utilizing a contractor as opposed to directly operating the service. The proposed two-year option term will result in an additional savings to OCTA of approximately \$27.8 million vs. in-house operation of the service.

As part of the agreement, First Transit must comply with specified performance metrics. Similar to OCTA's directly-operated services, these metrics track safety, courtesy, and reliability, which includes miles between road calls (MBRC) and on-time performance (OTP). On a quarterly basis, the Operations Division reports to the Board a summary of CFR performance including these metrics.

Safety

Safety is measured by the number of miles traveled between accidents. First Transit has consistently exceeded the performance goal of no more than one accident per 100,000 total miles traveled. First Transit has averaged no more than one accident per 250,200 total miles traveled through the fourth quarter of fiscal year (FY) 2017-18.

Courtesy

Courtesy is measured by the number of valid customer complaints received per 7,000 boardings. With the exception of the first quarter of performance ending in September 2016, First Transit has exceeded the standard. Overall performance

in this area has been good, with an average of one valid customer complaint received for every 9,127 boardings through the fourth quarter of FY 2017-18.

Reliability

Both service reliability and vehicle reliability are measured. For service reliability, the on-time performance metric is used. For vehicle reliability, MBRC are measured. These two standards have been the most challenging for First Transit to meet during the initial contract term. OCTA staff has worked with First Transit to analyze the causes for underperformance in these two areas and to develop corrective action plans. Through these efforts, First Transit has improved in the last three quarters, with trends moving in a positive direction to meet the performance goals.

The OTP goal is 85 percent. First Transit's performance has fluctuated between a high of 86 percent and a low of 81 percent, with an overall average OTP of 83.5 percent through the fourth quarter of FY 2017-18. First Transit has taken significant steps to improve OTP in an effort to meet or exceed the goal. These measures have included manager-level route review, driver retraining, and other measures.

The MBRC has seen a steady improvement over the last 12 months, but has yet to meet the performance standard of one road call per 12,000 miles traveled. First Transit closed the fourth quarter of FY 2017-18 reporting 8,710 MBRC. This is a marked improvement from the prior year. The performance from each of the two bases operated by First Transit varies dramatically, with the Anaheim base regularly meeting or exceeding the MBRC standard, while the Irvine base has performed significantly below the standard. First Transit is taking proactive measures to remedy this poor performance by reworking the management structure, providing refresher and expanded training for mechanical forces, and evaluating the overall maintenance practices.

To further assist with the service improvement efforts, a number of changes were made to the First Transit management team beginning in late 2017 and continuing into 2018. These changes occurred both locally and for the First Transit executive team. In September 2017, a new Chief Operating Officer was named nationally. In late 2017, a new General Manager was assigned to the OCTA local management team. In July 2018, a new Senior Vice President was assigned to the Western Region. All of the key personnel for the local team have been replaced in the last year. With changes to the senior management team, the local First Transit management team has had additional corporate resources available on-site to address on-time performance and vehicle maintenance. In addition, First Transit has enhanced their coach operator

recruitment program, providing incentives to hire and retain coach operators and mechanics, and adding administrative staff to ensure the appropriate amount of oversight is in place for daily operations.

Throughout the initial term of this agreement, First Transit has provided safe and courteous service. While the OTP and MBRC standards have not been routinely met, First Transit has taken several proactive steps to remedy performance in these two areas, and the results are reflected in the positive trends and increased overall performance. Consistent with the contract terms, performance penalties and incentives have been assessed based on performance. The current agreement expires May 31, 2019. To maintain continuity of service and continue to control cost while providing the maximum level of service, an amendment is necessary to exercise the first two-year option term to extend the current agreement through May 31, 2021.

Procurement Approach

This procurement was handled in accordance with OCTA Board-approved policies and procedures for professional and technical services. On March 23, 2015, the Board approved a contract with First Transit for a four-year initial term with two, two-year option terms in the amount of \$143,487,171, from June 1, 2015 through May 31, 2019. The original agreement was awarded on a competitive basis and was previously amended as described in Attachment A.

The proposed Amendment No. 8 is to exercise the first two-year option term of the agreement through May 31, 2021. Amending this agreement will increase the maximum cumulative obligation by \$87,126,726, bringing the total contract value to \$236,026,978, which will allow continued management, operation and vehicle maintenance of contracted fixed-route service for two additional years.

Fiscal Impact

Funding for this project will be included in OCTA's Proposed FY 2019-20, Operations Division Budget.

Summary

Staff requests Board authorization for the Chief Executive Officer to negotiate and execute Amendment No. 8 to Agreement No. C-4-1737 between OCTA and First Transit in the amount of \$87,126,726, to exercise the first two-year option term to provide contracted fixed-route services through May 31, 2021.

Attachment

- A. First Transit, Inc., Agreement No. C-4-1737 Fact Sheet

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