



November 14, 2024

To: Transit Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Amendment to the Agreement for Contracted Fixed-Route Bus Services

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Overview

On March 13, 2023, the Orange County Transportation Authority Board of Directors approved an agreement with Keolis Transit Services, LLC to provide the management, operation, and maintenance of contracted fixed-route bus services. An amendment is necessary to address service-related elements including reimbursement of additional maintenance costs, a maintenance software system with support equipment and labor, and to revise certain performance standards within the agreement.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute Amendment No. 3 to Agreement C-2-2578 between the Orange County Transportation Authority and Keolis Transit Services, LLC, in the amount of \$2,217,968, to allow reimbursement of additional maintenance costs, a maintenance software system with support equipment and labor, and to revise certain performance standards within the agreement.

Discussion

In 2009, the Orange County Transportation Authority (OCTA) began to use a third-party contractor for the management, operation, and maintenance of a portion of the fixed-route bus service. By assigning a portion of the OC Bus service to a third-party contractor as a cost-saving measure, OCTA is able to provide additional bus service throughout the County in a financially sustainable manner. The amount of service operated by the contractor has varied but has always been less than 40 percent of the total OC Bus service. On March 9, 2023, the Board of Directors (Board) approved the selection of Keolis Transit Services, LLC (Keolis) as the firm to provide the contracted fixed-route bus service.

Under the agreement with Keolis, the projected fleet mix specified the total number of fixed-route buses which included specified numbers of buses manufactured by New Flyer in 2007/2008 and 2016, as well as buses manufactured by Gillig in 2022/2023. The agreement further specified the timeframe in which the older buses would be replaced by newer buses. According to the agreement to operate and maintain OC Bus service, Keolis is responsible for the operation and maintenance of these assigned buses at the Anaheim and Irvine Sand Canyon bus bases.

The contract required that Keolis use OCTA's new INFOR/Hexagon Enterprise Asset Management (EAM) maintenance software system to be provided by OCTA. The system would be used to record, monitor, and report on all revenue vehicle maintenance, inspections, parts utilization, fueling, and repair activities, as well as for inventory and work order tracking, reporting, and analysis.

Due to various factors, the fleet mix and new EAM system were not provided as projected and planned by OCTA. As previously presented to the Board, delivery and acceptance of the 2022/2023 Gillig fixed-route buses were delayed. As transit manufacturers recovered from the impacts of the pandemic, they were challenged with delays in delivery of parts and materials. Once Gillig was able to begin delivery of buses, a series of design corrections were identified and required of Gillig by OCTA that caused further delays. In addition, OCTA has worked with the INFOR/Hexagon contractor to ensure a smooth transition of asset management systems, and delays have occurred such that implementation of the software system remains in process.

On August 29, 2023, consistent with the terms of the contract, Keolis formally requested financial relief to cover the additional costs associated with the maintenance of a fleet mix older than anticipated and for provision of its own maintenance software system with support equipment and labor.

Reimbursement for Incremental Maintenance Costs: Under the terms of the agreement, maintenance costs are included as part of the variable rate, which assumes the contractor would operate the service with the blended fleet, as noted above to include buses manufactured in three different years. However, due to the delay in introducing the Gillig buses into the fleet, the contractor was forced to use the older buses for longer than anticipated. OCTA has evaluated the actual costs associated with the maintenance of the 2007/2008 and the 2016 New Flyer buses, and the 2022/2023 Gillig buses. The incremental additional costs per mile (CPM) to maintain the older vehicle series compared to the cost of maintaining the fleet as proposed in the agreement were validated by OCTA and are listed below:

- Older New Flyer bus series (bus year 2007/2008) maintenance costs versus costs to maintain the newer New Flyer bus series (bus year 2016) is an additional cost of \$0.30 per mile;
- Older New Flyer bus series (bus year 2007/2008) maintenance costs versus costs to maintain the Gillig bus series (bus year 2022/2023) is an additional cost of \$0.68 per mile; and
- New Flyer bus series (2016) maintenance costs versus costs to maintain the Gillig bus series (bus year 2022/2023) is an additional cost of \$0.38 per mile.

The rates were then applied to the actual miles run by each bus that remained in the fleet mix longer than projected, postponing incorporation of newer buses into the fleet (Attachment B). The comparison was done for the fleet mix proportion projected to exist at the start of the contract in June 2023 and adjusted for the fleet mix proportion that was anticipated to be in place by January 2024.

Delivery, implementation of design changes, and acceptance of the Gillig bus order are complete. In June 2024, the older 2007/2008 New Flyer buses began to be transferred out and replaced with newer 2016 New Flyer buses, and in September 2024, the first 2022/2023 Gillig buses began to be transferred into the contracted fixed-route fleet. As the transfer of newer buses and removal of older buses continues, the monthly reimbursement amount will decrease accordingly.

Reimbursement of the incremental additional maintenance costs using the above noted CPM rates equate to an initial payment of \$932,553 for the period of June 11, 2023, through June 30, 2024. The CPM rates shall not be the basis for any subsequent requests for additional payment or fixed or variable rate adjustments. The reimbursement will continue to be paid based on the above noted CPM rates until the fleet mix proportion becomes normalized (consistent with the contract). Achieving the fleet mix proportion projected in the contract is scheduled to be completed by June 30, 2025. The amount of CPM potential reimbursement for the period of June 11, 2023, through June 30, 2025, is approximately \$1,545,094.

Maintenance Computer Software, Equipment, and Labor Reimbursement: The second reimbursement requested is for the maintenance software, equipment tied to use of the software (i.e., barcode printers and scanners), and associated labor costs incurred by Keolis once it became clear the INFOR/Hexagon EAM

maintenance software system would not be available for use by Keolis at the start of the contract. These costs were unanticipated but were necessities for Keolis to perform the maintenance duties required of them in the contract.

Reimbursement of verified actual costs associated with the maintenance software, equipment, and labor costs tied to use of the software is requested for the period from April 24, 2023 (Notice to Proceed) through such time that OCTA can complete implementation of its EAM system and incorporate Keolis maintenance activities as planned in the contract, or until an alternative solution can be implemented. Pending final implementation of OCTA's EAM, the maximum reimbursement will be \$672,874 for the base term of the contract. Staff anticipates that the OCTA EAM will be fully implemented in August 2025. The breakdown of the maximum reimbursement costs is:

Maintenance software licenses for up to four years:	\$ 81,178
Equipment (barcode printers and scanners):	\$ 4,930
<u>Labor:</u>	<u>\$ 586,766</u>
TOTAL Computer Software Reimbursement:	\$ 672,874

Performance Standards Revisions: To clarify application of penalties and incentives, the following changes are recommended:

- The Valid Complaint standard is no more than one valid complaint per 20,000 boardings. Currently, the penalty is \$100 per valid complaint more than the standard; the proposed penalty would assess \$50 for each valid complaint that was preventable and remove the incentive. Applying the penalty to all valid, preventable complaints, instead of just those exceeding a required ratio, encourages the contractor to eliminate complaints they are responsible for. If they fail to reduce these complaints, they will incur penalties every month, regardless of meeting the complaint ratio. The penalty per complaint is based on the total penalties from the first year divided by the number of valid, preventable complaints from that year.
- Clarify the Preventive Maintenance standard and penalty are applicable to all required maintenance inspections.
- The Data Probe standard remains that all buses are to be probed after they have returned from revenue service or before the vehicle is removed from service for maintenance. However, the Data Probe penalty will be revised to include a two percent margin to account for operational reasons that a data probe may be missed.

- Increase the Road Supervisor Coverage penalty from \$500 to \$1,000 per occurrence. The penalty increase is to be applied retroactively to the start of the contract, to offset the previously approved removal of Route Coverage penalty of \$1,000 per occurrence.

Procurement Approach

The original procurement was handled in accordance with OCTA's Board-approved policies and procedures for professional and technical services. On March 13, 2023, the Board approved the award of Agreement No. C-2-2578 with Keolis for a four-year initial term with two, two-year option terms, in the amount of \$286,286,201, to provide the management, operation, and maintenance of the contracted fixed-route bus services. The original agreement was awarded on a competitive basis and was previously amended, as described in Attachment A.

The proposed Amendment No. 3 to Agreement No. C-2-2578, in the amount of \$2,217,968, can be absorbed in the contract balance requiring no increase to the maximum cumulative payment obligation. The rates used to assess the amount of incremental additional maintenance costs are based on a cost analysis validated by OCTA staff using actual maintenance costs available from OCTA maintenance records of similar model year vehicles. Prior to payment, OCTA will complete verification of the maintenance software, associated equipment, and labor costs submitted by Keolis for reimbursement.

Fiscal Impact

Funds for this service are included in the Operations Division within the services and supplies line item as part of the OCTA Fiscal Year 2024-25 Budget. This expense will be funded through a combination of Federal Transit Administration Section 5307 grant funding and local transportation funds.

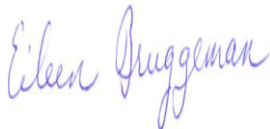
Summary

Staff requests Board of Directors' approval to authorize the Chief Executive Officer to negotiate and execute Amendment No. 3 to Agreement No. C-2-2578 between the Orange County Transportation Authority and Keolis Transit Services, LLC, in the amount of \$2,217,968, to allow reimbursement of additional maintenance costs and for a maintenance software system with support equipment and labor, as well as to revise the performance standards provision.

Attachments

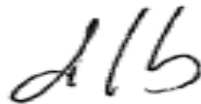
- A. Keolis Transit Services, LLC Agreement No. C-2-2578 Fact Sheet
- B. Cost Per Mile Reimbursement

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