



METROPOLITAN
TRANSPORTATION
COMMISSION

Agenda Item 5b
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Memorandum

TO: Operations Committee

DATE: May 5, 2017

FR: Deputy Executive Director, Operations

W. I. 1221

RE: Contract Change Order – Five Year Operation and Maintenance Extension: Cubic Transportation Systems, Inc. (Cubic) (\$25,000,000)

Background

Staff briefed this Committee last month on plans to procure a Next Generation Clipper® (C2) system. Based on the current schedule, a Next Generation Clipper® vendor would be selected in late 2018 and would then begin design of a new system. Transition from the existing Clipper® system to a new system would begin in late 2020.

The existing Clipper® contract with Cubic Transportation Systems, Inc. (“Cubic”) ends in November 2019. At the request of the Clipper® Executive Board, Clipper® staff have negotiated a change order to the existing contract with Cubic to extend the operation and maintenance (O&M) for up to five years in order to assure a smooth customer transition to C2. The \$25M annual cost of this change order is equivalent to the operating costs paid today (slightly more than \$2M per month). The Cubic contract extension is for a maximum of five years and could be terminated earlier, as detailed below.

Scope of Work

The proposed contract change order has the following key terms:

- An extension of the current O&M term beginning November 3, 2019 of not less than two and up to five years;
- MTC retains the right to terminate the contract for convenience at any time, by written notice, per the existing, federally-required clause in the current Clipper® Contract;
- If MTC provides at least one year advance notice of termination, Cubic’s termination cost recovery is limited to early rent termination costs;
- No change in existing O&M requirements or payment terms for the first two years of the extension;
- The remaining years (Years 3-5), if any, to be paid for on a Time & Materials (T&M), capped at the monthly average cost of the first year extension, plus any rent increases beyond Cubic’s current lease term;

- Key Performance Indicators (KPIs) will continue in full force as long as the current scope of work remains intact; after that, only those KPIs related to specific O&M services to be performed by Cubic in their entirety will be subject to KPIs;
- Cubic agrees to reasonably cooperate in good faith with the C2 Contractor in the event of a transition; and
- Cubic will maintain the system in a state of good repair pursuant to the current Contract during year one and any additional year performed under the current contract terms, after which asset replacement will be paid for by MTC, unless caused by Contractor's failure to perform maintenance.

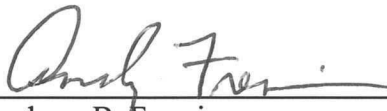
The proposed contract extension would be a sole source contract change order, based on Cubic's unique capability to perform the C1 O&M work on the existing system.

Cubic is neither a disadvantaged business enterprise nor a small business enterprise and currently has no subcontractors.

This item was approved by the Clipper® Executive Board on April 17, 2017.

Recommendation

Staff recommends that the Committee authorize the Executive Director or his designated representative to negotiate and enter into a contract change order with Cubic for services as described in this memorandum, in an amount not to exceed \$25,000,000 per year, subject to inclusion in each fiscal year's budget.



Andrew B. Fremier

SH:ck

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REQUEST FOR COMMITTEE APPROVAL

Summary of Proposed Contract Change Order

Work Item No.: 320-1221

Contractor: Cubic Transportation Systems, Inc.
San Diego, CA

Work Project Title: Five Year Operation and Maintenance (O&M) Extension

Purpose of Amendment: Extend the Operation and Maintenance under the current Clipper® Contract for up to five years past the current November 2019 expiration date

Brief Scope of Work: Continued current Clipper® Contract Operations and Maintenance for up to five years, as needed to transition from C1 to C2

Project Cost Not to Exceed: \$25,000,000/year (this Change Order)

Funding Source: Participating Operator funds, STP, CMAQ, STA, STP Exchange, Regional Measure 2 Operating, LCTOP, other bridge toll revenue (if available)

Fiscal Impact: Funds subject to availability in each FY MTC agency budget. Participating Operators will cover a portion of the costs per the Clipper® Amended and Restated Memorandum of Understanding.

Motion by Committee: That the Executive Director or his designee is authorized to negotiate and enter into a contract change order with Cubic Transportation Systems, Inc. for the purposes described herein and in the Executive Director's memorandum dated May 5, 2017; and that the Chief Financial Officer is authorized to set aside \$25,000,000 annually for such contract, subject to inclusion in each fiscal year's budget.

Operations Committee:

Dave Cortese, Chair

Approved: Date: May 12, 2017