



Agenda Item No. 2.b.

To: Finance-Auditing Committee/Committee of the Whole  
Meeting of November 20, 2008

From: Marvin Miller, Business System Implementation Manager  
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Subject: **AUTHORIZE BUDGET ADJUSTMENT(S) AND/OR TRANSFER(S)**  
**c) BUDGET INCREASE IN THE FY 08/09 DISTRICT DIVISION**  
**CAPITAL BUDGET RELATIVE TO REQUEST FOR PROPOSALS**  
**NO. 2008-MD-2, ASSET AND VEHICLE FLUID MANAGEMENT**  
**SYSTEMS**

### **Recommendation**

This matter is being presented to the Finance-Auditing Committee to receive the Committee's concurrence for a budget increase relative to Request for Proposals (RFP) No. 2008-MD-2, *Asset and Vehicle Fluid Management Systems*:

The Building and Operating Committee recommends that the Board of Directors approve the following actions relative to RFP No. 2008-MD-2:

1. Authorize award of RFP No. 2008-MD-2, *Asset and Vehicle Fluid Management Systems* to IBM Global Business Services, a unit of IBM Corporation of Armonk, New York, in the amount of \$3,262,318 for a two-year contract;
2. Authorize a contingency fund in the amount of \$327,000, equal to 10% of the contract award; and
3. Authorize a capital budget increase for this project in the amount of \$2,398,000 to be funded with \$234,334 Federal Transit Administration grant funds and \$2,163,666 Proposition 1-B grant funds, subject to the concurrence of the Finance-Auditing Committee at its meeting of November 20, 2008,

with the understanding that this project is included in the FY 08/09 District Division Capital Budget at a total cost of \$2,600,000 and with the further understanding that 100% grant funding has been programmed and/or secured to fully fund this project at the estimated total cost of \$4,998,000, which includes consultant and staff expenses.

## **Background**

In December 2003, the Board of Directors awarded Sungard/Bi-Tech and Spear Technologies a combined contract to implement an information technology system for the District under Contract No. 2003-D-1, *Financial Management System and Other Related Items*. The District has implemented all the major Sungard/Bi-Tech modules, as well as the Spear Materials module. The Spear Maintenance module has yet to be implemented. Spear Technologies has now undergone multiple buyouts, and most of the original Spear employees have left the company, including the consultant implementation team assigned to the District.

Due to the uncertainties surrounding Spear Technologies, the District determined it would pursue an alternate method of undertaking the maintenance management project. At its meeting of October 12, 2007, the Board of Directors, acting pursuant to state legislation that allows for qualitative factors, in addition to price, to be used to procure specialized technology equipment, authorized a competitive negotiations process for the procurement and implementation of a combined Asset Management System and Vehicle Fluid Management System. When fully implemented, this system will automate much of the tracking and recording of maintenance operations for Bus revenue vehicles, Ferry revenue vessels, District non-revenue vehicles and facilities, and major repair projects of the Golden Gate Bridge structure.

Benefits the District can expect from this project, include the following:

- All open preventive and repair work orders can be viewed by vehicle number, providing the opportunity to consolidate work to be performed on a particular vehicle into a single scheduled repair event. Performing all inspection and repair activities at one time results in lower operating expenses per vehicle, increased fleet utilization, increased equipment availability, reduced downtime, improved safety, decreased deadhead movement between satellite garages to the central maintenance facility for repairs, and labor efficiencies, thereby reducing overtime.
- Under the District's manual paper-driven system, it is likely that vehicles are inspected more than once at separate facilities before the paperwork catches up. Redundant inspections will be eliminated as work orders will be closed electronically when the work is completed and eliminated from the list of open work orders for a vehicle.
- Preventive maintenance inspections linked to vehicle mileage or engine hours will be conducted with improved timeliness as vehicle mileage or engine hours are captured in real time when the vehicle is fueled. Improving the timeliness of inspections contributes to a reduction in the number of vehicle breakdowns, improvement in vehicle life, and improved compliance with federal and state regulations.
- The complete repair history of a vehicle is available on-line for review by vehicle, vehicle component system, and mechanic, and will help identify any patterns of vehicles repeatedly repaired for the same problem. Analysis of vehicle component repair history will also contribute to making better decisions when configuring new vehicle purchases, such as specifying the inclusion of Detroit vs. Cummins engines.
- Extensive on-line query and analysis of vehicle and fleet repair, fuel and fluid usage, and performance cost trends are available. Repair, performance, and cost trend analysis can lead

to improved fuel usage, reduced maintenance expense, identification of defects common to a fleet, and improved supervisory productivity.

- The District's warranty recovery process is a manual, labor-intensive process. Individual component warranties on a new vehicle may vary from 1 to 5 years. The manual process makes it very difficult for the District to track and recover individual component warranty claims. Individual component warranties are separately tracked in the new system, leading to the opportunity for a significant increase in warranty claims recovery.
- The system helps calculate material reorder points, optimal vendor lot sizes, and safety stock, which can contribute to a reduction in inventory and, more accurate inventory counts to better assure that replacement parts are either already available or ordered in time to support necessary maintenance or overhaul.
- The system provides for identifying all parts/components that make up a vehicle. With this capability, when a fleet is obsoleted, the District can readily identify associated obsolete materials, resulting in a reduction in inventory carrying value.
- Material needs are part of a repair or inspection work order. When the work order is opened, the storeroom can be immediately notified of the need for certain materials, and required stock can be pulled by the storeroom attendant before the mechanic arrives to pick up the material, thereby increasing labor productivity.

On January 29, 2008, the District issued RFP No. 2008-MD-2, *Asset and Vehicle Fluid Management Systems*. The RFP was posted on the District's website and notice of the RFP was sent to 44 potential proposers. The proposal submission deadline date was March 18, 2008. Four proposals were received, and of these, the following three met the minimum requirements of the RFP:

- IBM Global Business Services, a unit of IBM Corporation
- Maximus, Inc.
- Ultramain Systems, Inc.

A selection committee consisting of Bus, Ferry, Bridge and Finance staff reviewed the proposals. The District's selection committee interviewed all three firms and evaluated and ranked the firms based on the submitted proposals, oral interview presentations, and client references. The selection criteria were as follows:

1.	Proposed System and Approach	35%
2.	Qualifications and Experience of Firm	20%
3.	Qualifications and Experience of Team	15%
4.	Price	20%
5.	Maintenance, Support and Warranty	10%

IBM Global Business Services' original price proposal was the lowest received – approximately \$3.5 million (the final price, as indicated below, is now even lower). The next lowest price, from Maximus, was approximately \$3.9 million. Ultramain Systems did not provide a fixed price proposal, making it difficult to compare its price proposal to the other firms. In addition, its

technical approach, qualifications and experience were such that even had it been the lowest fixed-price proposal, it would not have been the highest overall ranked proposer.

The selection committee determined that IBM Global Business Services was the highest-ranked proposer. Not only is its price the lowest, but its proposed software is best suited for the District's needs because it is significantly configurable and utilizes the latest web-based technologies. In particular, two significant benefits of the IBM Global Business Services System are: 1) each operating division will be able to view an inventory and orderable parts list made up of only the parts used within that operating division, and 2) the purchasing and inventory modules will replace the shared vendor (Spear and Sungard) purchasing system in place today.

No specific Disadvantaged Business Enterprise (DBE) goal was established for this contract. However, the firms were urged to obtain DBE participation and were required to document their activities in the solicitation and selection of subcontractors to ensure that this process was carried out in a nondiscriminatory manner. The DBE Program Administrator has determined that IBM Global Business Services has complied with the DBE requirements applicable to this contract. At this time, no DBE participation is anticipated during the execution of this contract.

District staff has reviewed the cost proposal from IBM Global Business Services and has negotiated the scope of work and cost, to arrive at the amount of \$3,262,318. Not only is IBM Global Business Services' proposed System more robust than other proposals, but it was also the lowest priced, assuring the District that adequate price competition was present. In addition, staff has determined that IBM Global Business Services' hourly rates are comparable to the industry standard. Under the District's policy and applicable federal regulations, staff therefore determined that IBM Global Business Services' price is fair and reasonable.

### **Fiscal Impact**

This project is included in the FY 08/09 District Division Capital Budget at a total cost of \$2,600,000. A capital budget increase in the amount of \$2,398,000 funded with \$234,334 Federal Transit Administration grant funds and \$2,163,666 Proposition 1-B grant funds, is required to fully fund this project at the proposed budget of \$4,998,000. The total project will be 100% grant funded as follows: \$2,834,334 Federal Transit Administration grant funds and \$2,163,666 Proposition 1-B grant funds. The detailed budget for this project is as follows:

<b><u>BUDGET ITEM</u></b>	<b><u>COST</u></b>
IBM Global Business Services (RFP No. 2008-MD-2)	\$3,262,318
RFP No. 2008-MD-2 Contingency (10%)	\$327,000
Equipment (Computers/Kiosks) not a part of the IBM Maximo contract	\$249,000
Support Services (Consultants)	\$349,100
Administration (Staff)	\$725,000
Indirect Cost Allocation Program	\$25,600
Miscellaneous, including sales tax	\$59,982
<b>TOTAL PROJECT COST</b>	<b>\$4,998,000</b>

The contract with IBM Global Business Services includes one year of software maintenance support. Starting with the FY 09/10 operating budget, additional charges for software maintenance support will apply. These charges are capped by calendar year as follows:

<b>Year</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Amount</b>	\$62,860	\$66,003	\$69,304	\$72,769

The contract with IBM Global Business Services includes a one year hardware warranty. The District may also exercise an option to purchase an extended hardware warranty for the fuel management components. If so, the FY 09/10 operating budget will be increased by \$47,000. Each additional year is subject to a 5% cost-of-living increase.