



July 16, 2013

**The Honorable Members of the Board of Supervisors
City and County of San Francisco
1 Dr. Carlton Goodlett Place, Room 244
San Francisco, CA 94102**

Subject: Request for Authority to enter into a contract with Alstom Transportation Inc. for Vendor Managed Inventory (“VMI”) Services

Honorable Members of the Board of Supervisors:

The San Francisco Municipal Transportation Agency (SFMTA) requests that the San Francisco Board of Supervisors authorize the SFMTA to enter into a Contract with Alstom Transportation Inc., to provide vendor managed inventory services to provide rail parts and supplies, in an amount not to exceed \$39,158,000, and for an initial term of two years with an option to extend the term for up to three additional years.

Background

Edwin M. Lee
Mayor

Tom Nolan
Chairman

Cheryl Brinkman
Vice-Chairman

Malcolm Heinicke
Director

Jerry Lee
Director

Joél Ramos
Director

Cristina Rubke
Director

Edward D. Reiskin
*Director of
Transportation*

The SFMTA currently purchases parts and supplies for all SFMTA divisions, including the Transit Division, by issuing competitive bids for every item requested. Both purchasing and payable functions are currently performed by the City’s Office of Contract Administration (OCA) and SFMTA staff. The work has been challenging and often complicated due to the large volume of requests for frequently needed parts and supplies, and difficulty identifying timely sources for certain parts for an aging transit vehicle fleet. The Rail Maintenance Section receives an average of 516 materials requests per month.

SFMTA staff believes this contract will enhance the reliability of the rail fleet because it will streamline parts acquisition and inventory management processes. This contract will enhance opportunities for an uninterrupted supply chain, which in turn will improve service and vehicle reliability.

Staff currently purchasing materials and supplies for the Rail Maintenance Section under this contract will be assigned purchasing duties for other SFMTA Divisions. Storeroom staff will continue to operate in their current capacity. SFMTA staff have met and conferred on several occasions with both Local 21 and SEIU 1021 to assure them that employees will not lose jobs due to this contract.

Staff will evaluate the performance of this contract prior to the end of the second year to determine if the service being provided has been successful. A Performance Measures and Key Performance Index (Exhibit 3 of the agreement) will be used for





this purpose. Some of items that will be measured include:

- Review costs associated with provision of parts, as compared to prior years
- Review performance related to receipt of parts
- 98% fill rate of parts
- 24 hour delivery of critical and high usage parts
- Total number of vehicles held for parts not delivered

SFMTA Board Action

The SFMTA Board of Directors is scheduled to approve this item at its June 16, 2013 meeting, which will authorize the Director of Transportation to execute an Agreement with Alstom Transportation, Inc. for vendor managed inventory (“VMI”) services to provide rail parts and supplies for an initial term of two years with an option to extend the term for up to three additional years at the Director of Transportation’s sole discretion for a total contract amount not to exceed \$39,158,000.

Alternatives Considered

The SFMTA considered hiring additional staff to expedite requests for parts. However, it was determined that this was not a viable option as it would not address the following root causes of the Agency’s inability to obtain parts in a timely manner:

- Parts that are often obsolete and no longer produced and the difficulty or inability to find them.
- Parts from foreign countries, which are not readily available.
- Parts that have long delivery lead times of up to 24 months.
- Parts from smaller vendors that find the City’s purchasing requirements complex and overwhelming and are therefore reluctant to bid, or do not provide timely responses to the SFMTA’s requests for bids.

Additionally, any attempt by the SFMTA to reproduce the technological aspects of the services offered by Alstom would require a significant investment in technology and training. Any potential savings from the investment may not be realized for several years if at all.



Funding Impact

SFMTA estimates that the Project cost, as reflected in the table below, will be \$8,678,000 for the first year and 7,620,000 for each subsequent year.

Project Budget

Expenditure	Cost
One-time Mobilization / Alstom RailSys Maintenance Management Information System (MMIS) with the SFMTA's SHOPS system	\$300,000
One-time Bar-coding Cost for four SFMTA storerooms	\$758,000
Annual Parts Management	\$1,620,000
Annual Estimated Parts Costs (from parts budget)	\$6,000,000
Total Estimated First-year Costs:	\$8,678,000

The estimated cost for each subsequent year is \$7,620,000. However, the Agency anticipates that the actual costs will be less due to increased vendor efficiencies and economies of scale.

Recommendation

The SFMTA requests and recommends that the San Francisco Board of Supervisors authorize the SFMTA, through the Director of Transportation, to enter into a Agreement with Alstom Transportation, Inc. for vendor managed inventory ("VMI") services to provide rail parts and supplies for an initial term of two years with an option to extend the term for up to three additional years at the Director of Transportation's sole discretion for a total contract amount not to exceed \$39,158,000.

Thank you for your consideration of this proposed agreement. Should you have any questions or require more information, please do not hesitate to contact me at any time.

Sincerely,

Edward D. Reiskin
Director of Transportation