

Vendor Managed Inventory Contract Extension

The San Francisco Municipal Transportation Agency (SFMTA) proposes to extend—up to the year 2020—an existing Agreement with Alstom Transportation, Inc. for vendor managed inventory (VMI) services, providing rail parts and supplies.

Background

The SFMTA has struggled with parts availability for the aging Rail fleet for an extended period of time. In 2011, we had a significant backlog of outstanding requests to order parts. Delays in receipt of parts had a negative impact on service delivery.

In 2012, the SFMTA initiated a comprehensive approach to improving parts availability for our Transit Maintenance Division. Our comprehensive approach included implementation of the Vendor Managed Inventory pilot for Rail parts.

The VMI pilot created an umbrella contract to streamline the purchasing process for critical parts, provide a mechanism for addressing difficult to obtain parts through reverse engineering and alternate sourcing and improve our parts purchasing planning so that we could purchase the right part at the right time, improve parts availability and reduce inventory.

The pilot was limited in that it affected only 16% of SFMTA Rail parts, covered an initial 2 year period and had three one-year extensions. The SFMTA ensured cost savings in the contract by negotiating a fixed price for 2 years for each part identified in the contract.

The services provided under the pilot included the following:

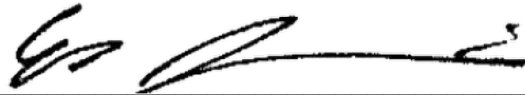
1. Continuous analysis of existing inventory levels and prediction of parts consumption for the Rail Division;
2. Provision of an automated inventory management system and interface with current SFMTA systems;
3. Management and maintenance of a two-month supply of critical parts locally;
4. Delivery of critical parts within 24-hours or face \$1,000/day liquidated damages;
5. Reduction in parts costs over prior fiscal years;
6. Provision of product warranties meeting or exceeding current warranty processes;
7. Provision of engineering support and alternatives for difficult to source parts.

In August 2015, the SFMTA extended the contract for an additional 1 year period, renegotiated the fixed costs for parts identified under the contract and increased the fixed management fee.

SFMTA seeks to further extend said VMI contract and add funding because we believe this contract has been effective by streamlining parts acquisition, improving planning and providing a mechanism for reverse engineering and alternate sourcing of difficult to obtain parts. Overall, there have been quantifiable improvements in parts availability measured by a decline in the number of outstanding

purchase requests, a decline in out of stock rates and an increase in parts consumption. There have also been corresponding service improvements.

Not a "project" pursuant to CEQA as defined in CEQA Guidelines Sections 15060(c) and 15378(b) because the action would not result in a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment.



6/24/2016

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Date

San Francisco Municipal Transportation Agency

