

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST

1390 Market Street, Suite 1150, San Francisco, CA 94102 (415) 552-9292
FAX (415) 252-0461

September 20, 2018

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst



SUBJECT: September 27, 2018 Budget and Finance Committee Meeting

TABLE OF CONTENTS

Item	File		Page
1	18-0851	Agreements - AECOM Technical Services, Inc., Applied Technology & Science, Avila & Associates Consulting Engineers, Inc. - Specialized and Technical Services for Natural Resources and Watershed Management and Monitoring - Not to Exceed \$14,000,000 Each.....	1
2	18-0660	Contract Agreement - Family Service Agency of San Francisco dba Felton Institute - Behavioral Health Services for Children and Families - Not to Exceed \$36,533,164	5
7	18-0899	Contract Approval - Alstom Transportation, Inc. - Vendor Managed Inventory Services - Not to Exceed \$62,456,000.....	10

Item 1 File 18-0851	Department: Public Utilities Commission (PUC)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would authorize the General Manager of the San Francisco Public Utilities Commission to execute contracts with (1) AECOM Technical Services, Inc., (2) Avila and Associates Consulting Engineers, Inc., and (3) Applied Technology and Science, for natural resources technical services, and watershed management and monitoring. • Each contract has a not to exceed amount of \$14,000,000, for a total of \$42,000,000, with a term of ten years, from January 1, 2019 to January 1, 2029. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The Water System Improvement Program (WSIP) is a \$4.8 billion dollar, multi-year capital program to upgrade the San Francisco Public Utilities Commission (SFPUC)'s regional and local water systems. For WSIP to comply with federal and state permits, SFPUC is required to conduct environmental monitoring for minimum of 10 and 20 year periods. • In June 2013, the Board of Supervisors approved a resolution (File 13-0404) authorizing four natural resources technical services and watershed management and monitoring contracts. The Board of Supervisors later retroactively approved amendments to the contracts in April 2018. At that time, SFPUC expected to fully expend the total authorized amount for the contracts after completing the 2018 annual monitoring reports. • In May 2018 the SFPUC issued a Request for Proposals (RFP) for to select new contractors for natural resources technical services, and watershed management and monitoring. The SFPUC decided that (1) AECOM Technical Services, Inc., (2) Avila and Associates Consulting Engineers, Inc., and (3) Applied Technology and Science were the most qualified and highest ranking proposers. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Under the proposed resolution, the SFPUC would enter into three separate contracts, each for a not to exceed \$14,000,000, or a total of up to \$42,000,000 over ten years. However, the SFPUC estimates that the amount will be expended after eight years. • The contracts will be funded from the Water Enterprise revenue and bond funded projects. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • Many of the WSIP monitoring and maintenance mitigation obligations are in perpetuity. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years or (2) requires expenditures of \$10 million or more is subject to Board of Supervisors approval.

BACKGROUND

The Water System Improvement Program (WSIP) is a \$4.8 billion dollar, multi-year capital program to upgrade the San Francisco Public Utilities Commission (SFPUC)'s regional and local water systems. The program consists of 87 projects, 35 local projects located within San Francisco and 52 regional projects spread over seven counties from the Sierra foothills to San Francisco. The current forecasted date to complete the overall WSIP is December 2021. As of August 1, 2018, the WSIP was over 96 percent complete.

For WSIP to comply with federal and state permits, SFPUC is required to conduct environmental monitoring for minimum of 10 and 20 year periods. In June 2013, the Board of Supervisors approved a resolution (File 13-0404) authorizing four natural resources technical services and watershed management and monitoring contracts between SFPUC and CDM Smith/ATS (a joint venture), ICF+Avila (a joint venture), Shaw Environmental and Infrastructure, Inc. (Shaw), and URS Corporation. Each of the contracts was for not to exceed \$5,000,000 and a term of 14 years, expiring June 15, 2027. Subsequently, Shaw discontinued its environmental services in the Bay Area, having provided \$515,000 in services. SFPUC reallocated contract amounts to two of the other three contracts in September 2016. The contract terms for the three remaining contracts did not change.

The reallocation of contract services from Shaw to ICF+Avila and URS was submitted to the Board of Supervisors for retroactive approval in April 2018. At that time, SFPUC also requested approval to amend the contracts with CDM Smith/ATS and URS to increase the contract amounts. The term of the three remaining contracts remained unchanged. The total contract not-to-exceed amount for the four original contracts including contract amendments was \$20,995,000.

At that time, SFPUC expected to fully expend the total authorized amount for the contracts after completing the 2018 annual monitoring reports.

In May 2018 the SFPUC issued a Request for Proposals (RFP) for to select new contractors for natural resources technical services, and watershed management and monitoring. SFPUC determined at the time of the RFP that it would contract with up to three firms.

The SFPUC received proposals from four consultants: (1) AECOM Technical Services, Inc., (2) Avila and Associates Consulting Engineers, Inc., (3) Applied Technology and Science, and (4) H.T. Harvey and Associates. The proposals were evaluated by three panels totaling 9 people, which included staff from the SFPUC and other public agencies.

The proposals were evaluated first based on the written proposal (900 points), and then on the overhead and profit schedule (100 points), for a total of 1000 points. The written proposal

consisted of 850 points for technical work and 50 points for community benefits. Two firms – Applied Technology and Science, and Avila and Associates Consulting Engineers – qualified for the 2 percent Local Business Enterprise (LBE) bonus, applied to contracts with an amount between \$10 and \$20 million (CMD Bonus). The proposals and scores are shown on Table 1 below.

Table 1: Proposals and Scores

Proposer	Technical Written Proposal	Community Benefits	Overheard and Profit	CMD Bonus	Overall Score
AECOM Technical Services, Inc.	812.01	47.85	80.00	0.00	939.86
Applied Technology and Science	743.01	40.93	100.00	17.68	901.61
Avila and Associates Consulting Engineers, Inc.	767.94	47.60	100.00	18.31	933.85
H.T. Harvey and Associates	756.28	31.96	40.00	0.00	828.24

SFPUC decided that (1) AECOM Technical Services, Inc., (2) Avila and Associates Consulting Engineers, Inc., and (3) Applied Technology and Science were the most qualified and highest ranking proposers.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the General Manager of the San Francisco Public Utilities Commission to execute contracts with (1) AECOM Technical Services, Inc., (2) Avila and Associates Consulting Engineers, Inc., and (3) Applied Technology and Science, for natural resources technical services, and watershed management and monitoring. Each contract has a not to exceed amount of \$14,000,000, for a total of \$42,000,000, with a term of ten years, from January 1, 2019 to January 1, 2029.

According to Mr. Scarpulla, these contracts are as-needed. SFPPUC will negotiate with contractors for each task order on the proposed scope of work, number of hours and appropriate staff, timeline and deliverables, up to \$14,000,000 over a ten year term.

FISCAL IMPACT

Under the proposed resolution, the SFPUC would enter into three separate contracts, each for a not to exceed \$14,000,000, or a total of up to \$42,000,000 over ten years. However, the SFPUC estimates that the amount will be expended after eight years, as seen in Table 2 below.

Table 2: Estimated Contract Payments for Monitoring Services

Fiscal Year	Estimated Amount
FY 2018-19	\$5,750,000
FY 2019-20	5,525,000
FY 2020-21	5,525,000
FY 2021-22	5,450,000
FY 2022-23	4,840,000
FY 2023-24	4,765,000
FY 2024-25	4,505,000
FY 2025-26	4,424,000
Contingency (3 percent)	1,216,000
Total	\$42,000,000

According to Mr. Scarpulla, the monitoring work fluctuates depending on weather events, unanticipated habitat management activities, and the achievement of minimum success criteria at restoration sites. The contract is for ten years, as opposed to eight, due to the variability of work in any given year.

Previously, the average annual spending was approximately \$4,000,000 for five years. Under the proposed resolution, the spending will increase initially to \$5,750,000 for FY 2018-19. According to Mr. Scarpulla, SFPUC has completed more WSIP sites, resulting in increased requirements for monitoring, management and reporting. In addition, work that was required was delayed due to the insufficient capacity of the current contracts. This work will now be completed under the proposed contracts.

The contracts will be funded from the Water Enterprise revenue and bond funded projects.

POLICY CONSIDERATION

SFPUC routinely hires consultants to assist with managing and monitoring SFPUC watershed lands, and with meeting the requirements for SFPUC’s permit related mitigation obligations. Habitat restoration efforts and associated reporting are continuing in areas temporarily disturbed by construction, as well as at other locations within the SFPUC watershed lands. Many of the habitat restoration areas have 5- or 10-year performance period monitoring requirements to evaluate whether the restoration efforts are meeting the success criteria outlined in the WSIP environmental permits. The monitoring requirements continue beyond the various 5- or 10-year performance monitoring periods. However, many of the WSIP monitoring and maintenance mitigation obligations are in perpetuity. The monitoring and reporting efforts will reduce in scope after the initial required performance monitoring periods, however the work will continue as outlined in long-term management plans for each restoration site.

RECOMMENDATION

Approve the proposed resolution

Item 2 File 18-0660	Department: Department of Public Health (DPH)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve a new contract between the Department of Public Health (DPH) and Family Service Agency of San Francisco for behavioral health services for children and families in an amount not to exceed \$36,533,164 for a contract term of four years from July 1, 2018 through June 30, 2022, with one five-year option to extend to June 30, 2027. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The Family Service Agency was awarded a contract by DPH following a competitive solicitation in 2017 to provide mental health services to children and families, transitional age youth, and adults and older adults. The Family Service Agency had a prior contract with DPH for these services that expired on December 31, 2017. DPH entered into an interim contract with the Family Service Agency to continue providing services from January 1, 2018 through December 31, 2018 while new contract negotiations were finalized. The term of the interim contract and the term of the proposed new contract include a six-month overlap, but the proposed legislation contains specific language stating that the interim contract will terminate and be replaced by this new contract. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Under the proposed new contract between DPH and the Family Service Agency, the Family Service Agency will provide DPH will support thirteen programs for total annual budget of \$8,154,724. The four year budget of \$36,533,164 is based on annual expenditures of approximately \$8,154,724 and a 12 percent contingency. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • DPH issued 20 competitive solicitations for new behavioral health service contracts between March 2017 and August 2017 to replace the contracts expiring on December 31, 2017. Due to delays in solicitations, awards, and negotiations, DPH was not able to enter into new contracts with the behavioral health service providers by the planned start date of January 1, 2018. In order to continue services, DPH entered into interim contracts for the one-year period between January 1, 2018 through December 31, 2018 with existing behavioral health service providers who had been awarded new contracts through the new solicitation. According to DPH, the Department is undertaking process improvements to address delays in soliciting and awarding future contracts, including filling vacant positions, developing solicitation schedules and issuing solicitations at an earlier date in the process, and coordinating with the Controller's Office to rout contract documents electronically. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed resolution to specify that the approval is retroactive to July 1, 2018. • Approve the proposed resolution as amended. 	

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

BACKGROUND

The Department of Public Health (DPH) solicited for new behavioral health providers between March 2017 and August 2017 for the following services:

1. Children, Youth and Family System of Care, Mental Health Outpatient Treatment Services, and Optional Specialized Mental Health Treatment Services.
2. Mental Health Outpatient Programs for Adult/ Older Adult System of Care
3. Intensive Case Management Full Services Partnerships¹ (FSP) and Non-Full Service Partnerships (Non-FSP) Programs
4. Transition Age Youth System of Care.

The Family Service Agency of San Francisco (doing business as Felton Institute), which proposed services under these four RFPs/RFQs, was one of 39 providers selected to provide services in response to these four RFP/RFQs.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a new contract between the Department of Public Health and Family Service Agency of San Francisco (Family Service Agency) for behavioral health services for children and families in an amount not to exceed \$36,533,164 for a contract term of four years from July 1, 2018 through June 30, 2022, with one five-year option to extend to June 30, 2027.

Interim Contract

The Family Service Agency had a prior contract with DPH for these services that expired on December 31, 2017. Because DPH and the Family Service Agency had not completed negotiations on the new contract when the prior contract expired, DPH entered into an interim contract with the Family Service Agency to continue providing services from January 1, 2018 through December 31, 2018 in the amount of \$7,165,759. According to the contract, the City's Office of Contract Administration approved the interim contract as a sole source contract per Administrative Code Section 21.42.

¹ Full Service Partnership programs are an intensive and comprehensive model of case management based on a client-and family-centered philosophy of doing "whatever it takes" to assist individuals diagnosed with severe mental illness or severe emotional disturbance to lead independent, meaningful, and productive lives.

The term of the interim contract and the term of the proposed new contract overlap for the six month period from July 1, 2018 through December 31, 2018. The proposed legislation contains specific language stating that the interim contract will terminate and be replaced by this new contract, effective the first day of the month following the date that the Controller's Office certifies as to the availability of funds.

Services under Proposed New Contract

According to the contract, the Family Service Agency will provide a variety of services to DPH clients, including:

- Targeted case management: assisting clients to access medical, educational, social, vocational, rehabilitative, and other needed services.
- Mental health services: individual and group therapy and interventions to reduce mental disability and improve functioning, including assessing clients, developing a plan for services, and providing therapy and other services to assist clients.
- Medication support: Prescribing, administering, dispensing, and monitoring the use of medications.
- Crisis intervention: Providing immediate therapeutic response when clients exhibit acute psychiatric symptoms.

FISCAL IMPACT

Under the proposed new contract between DPH and the Family Service Agency, the Family Service Agency will provide DPH will support thirteen programs for total annual budget of \$8,154,724, as shown in Table 1 below.

Table 1: Estimated Annual Contract Budget

Program	Program Budget
Geriatrics West - Older Adult	\$ 1,011,528
Geriatric Services Older Adult Day Support Center	246,616
Geriatric Outpatient Services at Franklin - Older Adult	807,060
Geriatric Outpatient Services at Franklin - Older Adult ICM	404,450
Older Adult Full Service Partnership at Turk	982,826
Adult Care Management	804,726
Adult Full Service Partnership	906,328
Transitional Age Youth Full Service Partnership	596,804
Provider Outpatient Psychiatric Services/Administrative Service Organization	217,238
Prevention and Recovery in Early Psychosis	1,356,802
Full Circle Family Program at Franklin	719,080
Fiscal Intermediary Healing Circle	46,266
Fiscal Intermediary Maternal Child and Adolescent Health	55,000
Total Annual Contract Budget	\$ 8,154,724

The four year budget of \$36,533,164 is based on annual expenditures of approximately \$8,154,724 and a 12 percent contingency, as shown in Table 2 below.

Table 2: Total Contract Budget

Term	Not to Exceed Amount
July 1, 2018 - June 30, 2019	\$ 8,154,724
July 1, 2019 - June 30, 2020	8,154,724
July 1, 2020 - June 30, 2021	8,154,724
July 1, 2021 - June 30, 2022	8,154,724
Subtotal	\$ 32,618,896
12% Contingency	3,914,268
Total	\$ 36,533,164

Funding for the proposed contract comes from State Realignment and General Fund monies.

POLICY CONSIDERATION

In 2010 the Board of Supervisors approved new contracts between DPH and 19 community-based providers² and the University of California San Francisco (UCSF) to provide behavioral

² According to the Budget and Legislative Analyst's report to the December 1, 2010 Budget and Finance Committee meeting, these 19 community-based providers included: Alternative Family Services, Asian American Recovery Services, Baker Places, Bayview Hunters Point Foundation, Central City Hospitality House, Community Awareness and Treatment Services, Community Vocational Enterprises, Conard House, Edgewood Center for Children and Families, Family Service Agency, Haight Ashbury Free Clinics, Hyde Street Community Service, Instituto Familiar de la Raza, Progress Foundation, Richmond Area Multi-Services (RAMS), San Francisco Study Center, Seneca Center,

health services to DPH clients from July 2010 through December 2015. In June 2015, DPH informed the Board of Supervisors of their intention to request two-year contract extensions in order to meet the requirements of the Affordable Care Act, including integrating community based services into DPH's San Francisco Health Network. The Board of Supervisors approved increasing contract amounts and extending contract terms through December 31, 2017 for 17 community-based providers³ and UCSF.

DPH issued 20 competitive solicitations for new behavioral health service contracts between March 2017 and August 2017 to replace the contracts expiring on December 31, 2017⁴. According to Ms. Michelle Ruggels, DPH Director of Business Operations, due to delays in solicitations, awards, and negotiations, DPH was not able to enter into new contracts with the behavioral health service providers selected through the competitive solicitation by the planned start date of January 1, 2018. In order to continue services, DPH entered into interim contracts for the one-year period between January 1, 2018 through December 31, 2018 with existing behavioral health service providers who had been awarded new contracts through the new solicitation.

According to Ms. Ruggels, DPH is undertaking process improvements to address delays in soliciting and awarding future contracts, including filling vacant positions, developing solicitation schedules and issuing solicitations at an earlier date in the process, and coordinating with the Controller's Office to rout contract documents electronically.

RECOMMENDATIONS

1. Amend the proposed resolution to specify that the approval is retroactive to July 1, 2018.
2. Approve the proposed resolution as amended.

Walden House, and Westside Community Mental Health Center. Walden House and Haight Ashbury Free Clinics subsequently combined to form HealthRight360.

³ According to the Budget and Legislative Analyst's reports to the December 2, 2015 and December 9, 2015 Budget and Finance Committee meetings, these 17 community-based providers included: A Better Way, Alternative Family Services, Baker Places, Central City Hospitality House, Community Awareness and Treatment Services, Conard House, Edgewood Center for Children and Families, Family Service Agency, HealthRight360, Hyde Street Community Service, Instituto Familiar de la Raza, Larkin Street Youth Services, Oakes Children's Center, Progress Foundation, Richmond Area Multi-Services (RAMS), Seneca Center, and Westside Community Mental Health Center.

⁴ These 20 solicitations included the four RFPs/RFQ to which the Family Services Agency responded and was awarded a contract.

Item 7 File 18-0899	Department: Municipal Transportation Agency (MTA)
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve a Vendor Managed Inventory (VMI) contract between San Francisco Municipal Transportation Agency (SFMTA) and Alstom Transportation, Inc., for a term of three years and an amount not to exceed \$62,456,000, with two 2-year options to extend. <p>Key Points</p> <ul style="list-style-type: none"> • Because SFMTA's fleet is aging, SFMTA has not always been able to find replacement parts for the LRVs. In 2012, SFMTA initiated a VMI program to streamline the purchasing process for parts and address difficult to obtain parts. • In July 2013, the Board of Supervisors approved a VMI contract with Alstom for a term of two years and an amount not to exceed \$39,158,000, with three one-year options to extend. The three options were exercised, and the contract expired on August 31, 2018. • The VMI program has been highly successful, with a shorter backlog of out-of-stock parts, greater vehicle availability, and less frequent failures. Due to this success, SFMTA conducted a Request for Proposals (RFP) for a new contract to continue the VMI program, and Alstom was deemed the highest scoring responsive and responsible proposer. • The proposed resolution would approve a contract with Alstom for a term of three years and an amount not to exceed \$62,456,000, and two 2-year options to extend. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • The total not-to-exceed amount of the initial three-year contract term is \$62,456,000. If SFMTA decides to exercise the options, the amount would be negotiated at that time. • The contract amount is included in SFTMA's FY 2018-19 and FY 2019-20 operating budgets. <p>Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

BACKGROUND

The San Francisco Municipal Transportation Agency (SFMTA) has a rail fleet of 149 light rail vehicles (LRVs), 39 historic streetcars, and 31 cable cars. Because the fleet is aging, SFMTA has not always been able to find replacement parts for the LRVs.

In 2012, SFMTA initiated a Vendor Managed Inventory (VMI) program to streamline the purchasing process for parts and address difficult to obtain parts. SFMTA conducted a Request for Proposals (RFP), and Alstom Transportation, Inc. was selected as the highest scoring responsive and responsible proposer. In July 2013, the Board of Supervisors approved a contract with Alstom for a term of two years and an amount not to exceed \$39,158,000, with three one-year options to extend (File 13-0743, Resolution 304-13). In September 2015, the Director of Transportation executed the first one-year option to extend the contract through August 2016. In August 2016, the Board of Supervisors approved the two remaining options, extending the contract through August 2018 and increasing the not-to-exceed amount to \$55,198,000 (File 16-0829, Resolution 359-16).

According to Ms. Trinh Nguyen, SFMTA Manager of Contracts and Procurement, the VMI pilot program has been highly successful. Alstom uses reverse engineering to replicate unavailable parts and researches alternative parts that could also be used. VMI program highlights include:

- The number of outstanding purchase requests has declined from above 5,000 to below 1,000.
- SFMTA's out-of-stock rate of 3.54 percent is below the industry standard of 5 percent.
- The daily average car availability has increased from 110 to 122.
- The average distance between failures has increased from 2,964 miles to 5,150 miles.
- The rail fleet is now operating 42 percent more miles, due to greater reliability and availability of cars.

SFMTA's contract with Alstom expired on August 31, 2018. In anticipation of the contract expiration, SFMTA issued an RFP in February 2018, seeking a VMI service provider for a three-year agreement and two 2-year options to extend. SFMTA received two proposals¹, as shown in Table 1 below.

¹ Alstom's proposal included two pricing structures, which were scored separately.

Table 1: Proposals and Scores for VMI Contract

Proposer	Written Proposal Score	Cost Proposal Score	Total Score
Alstom (Pricing Structure 1)	53.2	28.43	81.63
Alstom (Pricing Structure 2)	53.2	29.89	83.09
Siemens	40.4	35.00	75.40

Alstom (with Pricing Structure 2) was deemed the highest scoring responsive and responsible proposer. On September 18, 2018, the SFMTA Board of Directors approved a contract with Alstom for a term of three years and an amount not to exceed \$62,456,000, with two 2-year options to extend.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a contract with Alstom for a term of three years and an amount not to exceed \$62,456,000, and two 2-year options to extend. If SFMTA exercises the options, it would renegotiate pricing with Alstom at that time.

The scope of services of the contract includes project management and oversight, parts, as-needed technical and engineering services, and as-needed parts and services to support collision repairs. Within the project management and oversight component, tasks include:

- Storage and management of approximately two months inventory of parts in Vallejo warehouse;
- IT system to manage supply and demand of materials;
- Forecasting, planning, and purchasing of SFMTA rail materials;
- Vendor management, including quality and warranty management of materials;
- Project management to ensure delivery of agreed service levels; and
- Reporting of service performance.

According to Ms. Nguyen, as-needed technical and engineering services would be determined by task order. SFMTA would issue a request to Alstom, who would provide a cost proposal to complete the task. Task orders would be negotiated and approved by SFMTA before beginning the work. A similar process would be used to determine as-needed parts and services for collision repairs. As shown in the following section, the contract includes an allowance for these potential costs.

FISCAL IMPACT

The total not-to-exceed amount of the initial three-year term of the contract is \$62,456,000. Should SFMTA decide to exercise the options to extend, the amount would be negotiated at that time. The breakdown of not-to-exceed costs is shown in Table 2 below.

Table 2: Breakdown of Alstom Contract Not-To-Exceed Costs

Service	Year 1	Year 2	Year 3	Total
Project Management / Oversight	\$3,060,000	\$3,156,000	\$3,240,000	\$9,456,000
Parts	15,000,000	15,000,000	15,000,000	45,000,000
As-Needed Technical and Engineering Services	Allowance	Allowance	Allowance	3,000,000
As-Needed Parts and Services for Collision Repairs	Allowance	Allowance	Allowance	5,000,000
Total				\$62,456,000

The service fee of \$3,060,000 in the first year is a fixed fee to provide project management, oversight, and administrative of the program and equals approximately 20 percent of the contract cost over the initial three-year term. The service fee increases by an average of 3 percent per year.

The \$15,000,000 annual budget for parts is based on the negotiated price for each listed part and estimated quantities. It also includes additional charges of 5 percent for overhead/profit, 3.5 percent for freight and delivery, 8.5 percent for tax, and a fee of \$450 for each new item added to the contract. According to Ms. Nguyen, SFMTA does not expect to spend the full \$15,000,000 each year.

The funding for the contract is included in SFMTA's FY 2018-19 and FY 2019-20 operating budgets. The total amount budgeted each year for the contract is \$22,500,000.

RECOMMENDATION

Approve the proposed resolution.