TO: Chairman Smedberg and the VRE Operations Board
FROM: Doug Allen
DATE: October 18, 2013
RE: Maintenance and Custodial Services for VRE Facilities

Background

VRE has provided routine maintenance and custodial services at most VRE stations and yards through one or more contracts with private companies since service began in 1992, except for those instances in which VDOT, the local jurisdiction or some other entity has maintenance responsibility. Until 2009, the maintenance and custodial services were covered under a single contract with terms typically spanning five years. The decision to separate the custodial and maintenance scope of work into two distinct contracts was based on VRE’s previous experience with procuring these services and the need to solicit more competition and obtain higher levels of service.

In general, the custodial contract covers daily trash collection, cleaning of stations and station amenities, power washing parking garages, lawn and tree maintenance, pest control, gutter cleaning and snow removal. As VRE has expanded facilities over the years, the scope of this contract has grown accordingly.

The maintenance contract covers preventative maintenance on the various building systems related to stations and the two layover yards. This contract requires expertise in heavy electrical systems (such as wayside power), HVAC maintenance, plumbing and fire

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protection systems, elevator troubleshooting and maintenance, standby generator maintenance, lighting maintenance, communication systems, and environmental remediation. The maintenance contractor typically uses subcontractors to perform many of the required services, under their oversight and management. As the VRE facilities have aged, the cost of maintenance has grown as well.

Both contracts include a fixed fee for established ongoing services and also allow for additional services to be performed on a task order basis. The custodial contract is primarily based on a fixed fee, with small blanket task orders, while the maintenance contract utilizes more significant task orders. There are two types of task orders that are typically issued under these contracts:

**Blanket task orders:** These are task orders that cover work that cannot be priced upfront, such as electrical or plumbing repair services, but that are expected to occur each year. The cost is handled on a time and materials basis utilizing pre-established labor rates and material handling costs, with an established “Not to Exceed” amount for each type of service. Blanket task orders allow VRE to respond quickly and complete repairs without compromising safety or impacting service. Most of these tasks are in the scope of the maintenance contract, and represent the bulk of work done under this contract.

**Other task orders:** These are task orders that cover work that can be priced prior to performing the work but occur only as required, such as specific repairs, replacement of systems or small construction projects. Typical examples are cleaning drainage structures or ditches around stations, restriping parking lots, station painting, concrete repairs, signage, and roof replacement.

**Prior Custodial and Maintenance Procurements**

On July 6, 2004, VRE advertised a Request for Proposals (RFP) for facility maintenance and management services. The scope of work for the solicitation included the award of a single contract for daily custodial services, winter weather services maintenance and repair services.

On August 6, 2004, two proposals were received from NV Enterprises and D & L Contractors. The proposals from both contractors were thoroughly evaluated and NV Enterprises was determined to be the most responsive and responsible contractor based on the evaluation criteria included in the solicitation.

Upon the Operations Board approval in August 2004, a contract was awarded to NV Enterprises for one year with the option to extend for four additional one-year periods.

On June 24, 2009, with the five year term of the contract executed in 2004 coming to an end, VRE advertised an RFP for custodial services and facilities maintenance services.
In an effort to obtain greater competition and to attract more interest from contractors, the solicitation was structured such that two contracts would be awarded, one for custodial services and a second contract for facilities maintenance services. VRE developed a list of twelve prospective contractors to receive notification of the solicitation. Additionally, a two-day advertisement was placed in the Washington Post. Proposals were subsequently due on July 31, 2009.

A single proposal from NV Enterprises was received in response to the custodial services portion of the RFP and a single proposal from NV Enterprises was also received for the facilities maintenance services portion of the RFP. Following evaluation processes and authorization from the Operations Board, two contracts were ultimately awarded to NV Enterprises, with a beginning date of November 1, 2009. The initial term for both contracts was for one year with the option to extend for four additional one-year periods. Because of concerns raised by the Operations Board in October 2012, the third option year was renewed for only six months, until May 1, 2013, so that a new procurement could be initiated.

**Current Custodial and Maintenance Contracts**

On February 21, 2013 VRE advertised an RFP to again establish two contracts: one to perform custodial and landscaping services and the second to perform maintenance services for VRE facilities. Notification was sent to fifteen companies.

As part of the solicitation process, VRE conducted an optional pre-proposal meeting to provide prospective contractors with an overview of the scope of work for both the custodial and maintenance services contracts. The meeting also afforded interested contractors the opportunity to ask questions about any aspect of the contracts and scope of work. Seven firms attended the meeting conducted at the VRE offices. Proposals were received on March 22, 2013.

In response to the **custodial** services portion of the RFP, VRE received four proposals from the following firms: Alianza Building Services; Drummac; Fresh Air Duct Cleaning; and NV Enterprises.

In response to the **maintenance** services portion of the RFP, VRE received a single proposal from NV Enterprises. In light of the limited response for maintenance services, and as a standard practice when a single bid or proposal is received, VRE immediately reached out to the contractors on the solicitation mailing list to conduct a survey to understand why each firm elected not to submit a proposal to provide maintenance services. The responses received from the survey included the following explanations:

- The timing of VRE’s solicitation coincided with other on-going projects, so the company was not able to submit a proposal to VRE that was up to their standards.
- They were unable to meet the requirement for the contractor’s license.
• The company was not large enough and thus did not have the financial resources necessary to obtain the required payment and performance bonds.

• VRE facilities are not centrally located, but rather are spread out over several counties and are too far from the company’s headquarters.

• The company is only interested in performing work as a subcontractor for one specific discipline, and is not able to perform or supervise the other required services.

In light of the fact that only a single proposal was received, VRE considered re-advertising the solicitation in an attempt to solicit more competition. However, it was ultimately decided that the result would in all likelihood be the same for this contract.

The scope of work for custodial and landscaping services elicited a greater response because a larger number of firms possess the necessary capability to provide or oversee all required services. The number of general construction services companies that are capable of providing or managing all trades related to facility maintenance including expertise in highly specialized electrical systems and experience in working around a railroad environment is limited. The VRE system is comprised of 18 stations in various jurisdictions which makes this work less attractive for potential contractors that typically focus on areas local to them.

**Review of Proposals**

Both proposals were reviewed by technical evaluation teams comprised of three VRE staff members, based on predetermined criteria as outlined in the RFP. The evaluation process was also closely monitored by VRE contract administration staff in order to assure that the evaluation was conducted in accord with all requirements.

For the custodial and landscaping contract, an initial evaluation was performed to determine the shortlist of companies to be interviewed. In this instance, all four companies were interviewed. After the interviews, the evaluations were completed with a numeric score ranking each company. The firm selected by the evaluation committee was Fresh Air Duct Cleaning, the company that had provided custodial services as a subcontractor since November 2012.

For the maintenance contract, the single proposal submitted by NV Enterprises was thoroughly assessed by the evaluation committee. A reference check, financial analysis and cost/price analysis were conducted to ensure that NV Enterprises was both responsible and responsive to all elements of the solicitation.
**Contract Costs and Price Reasonableness**

The contract with Fresh Air Duct Cleaning for custodial and landscaping services was authorized at a not to exceed amount of $1.7M for the initial one year period. This amount includes the following components:

- A flat fee of $1,032,000 paid in equal monthly installments to provide required ongoing cleaning, trash removal and grounds maintenance services, based on the cost proposal submitted by Fresh Air. The scope of work will be amended as necessary to address custodial needs associated with the Spotsylvania Station once this facility becomes operational.

- An amount not to exceed $668,000 for winter weather services, provided on a time and materials basis, and for task orders for specific identified work projects that are priced prior to the issuance of the task order. This amount was included based on the cost of these combined services in prior years.

The contract with NV Enterprises for maintenance services was authorized at a not to exceed amount of $1.1M for the initial one year period. This amount includes the following components:

- A flat fee of $56,173 for the initial one year period paid in equal monthly installment for routine preventive maintenance services. This amount was less than VRE’s initial cost estimate for these services.

- Funds for expected task order work on an as needed basis to address electrical, plumbing, HVAC, generator and elevator repairs and maintenance, with pricing based on billing rates for various trades submitted as part of the procurement process. The blanket task orders established at the beginning of the contract year total approximately $300,000.

- The remaining contract amount of approximately $750,000 are available for additional task order services, priced prior to the issuance of the task order, for a variety of tasks such as replacement of utility poles or electrical cables, re-grading, or concrete repairs.

**Payment to Prime Contractor**

As described above, much of the work done under the maintenance contract and previously done under the custodial contract was performed by subcontractors. As in all such circumstances, VRE’s contractual arrangement is with the prime contractor and payment is made to this entity. Once payment is received from VRE, it is the responsibility of the prime contractor, such as NV Enterprises, to pay all of its subcontractors. VRE does not pay any subcontractors directly. Pursuant to the invoice criteria for these contracts, NV Enterprises was required to submit copies of all subcontractors’ invoices.
In addition, VRE requires the prime contractor to submit for approval a list of subcontractors and their required signed certifications/contracts and contact information. During the period of performance, the contractor shall not substitute subcontractors and/or key personnel without the written approval of VRE.

**Other Procurement Options Moving Forward**

The base year of the two current contracts expires on May 1, 2014. If the Operations Board would like to consider alternatives to exercising the first of the four option years for one or both contracts at that time, some approaches are outlined below.

1. *Separate scope of work into smaller contracts:* Contracts can be established based on location and/or specific discipline. This approach will require extensive administrative and procurement effort to perform and maintain. Furthermore, oversight and coordination of several contractors may require an increase to staff resources, since one person currently handles all facilities, and depending on contractors’ own abilities, the quality of service might not be uniform throughout the system. Whether further subdivision of the maintenance scope of work would increase contractor interest would not be known until proposals were received.

2. *Bring services in-house:* This approach has been considered previously by VRE staff, but further analysis would need to be done to establish the costs and benefits of this approach. Startup of this type of service will require substantial hiring and training efforts.

3. *Services by jurisdictions:* This method would require each jurisdiction to provide custodial and maintenance services for their respective station(s). Currently, some facilities have a shared maintenance approach with jurisdictions. This approach can be expanded to all stations, but would be a shift of the costs and responsibility to the jurisdictions in which the stations are located. VRE staff would need to continue to play a coordination and liaison role.

4. *Include responsibilities in the scope of work for the operations and maintenance contract:* Currently the operations and maintenance contract with Keolis provides a similar scope of services for the maintenance facilities at the VRE yards. VRE might recognize synergies in combining some of these services with the yard maintenance services.