

**Metro**Los Angeles County  
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metro.net**SYSTEM SAFETY AND OPERATIONS COMMITTEE  
MAY 16, 2013****SUBJECT: INVENTORY OPTIMIZATION SYSTEM****ACTION: APPROVE CONTRACT AWARD****RECOMMENDATION**

Award a 12-month, firm fixed price contract PS63502839 with Oniqua MRO Analytics to develop and implement an Inventory Optimization System (IOS). This award is for a contract not-to-exceed \$1,173,734, inclusive of sales tax.

**ISSUE**

Metro maintains 20 warehouses throughout LA County to provide inventory and parts to maintain over 250 railcars, 2,200 buses and 20 operating facilities. Currently, the Materiel Planning staff use spreadsheets and various data extracts to manually forecast and calculate optimal inventory quantities to procure and maintain at each warehouse across Metro. The current manual process is very cumbersome and forecasting is limited.

The IOS system will automate the inventory review process resulting in improved inventory levels, reduced surplus and overall cost savings.

**DISCUSSION**

Metro's inventory is complex and unique. Efficient and effective management of the 17,500 active materials used to maintain the bus and rail assets is essential.

In 2008, Metro tested a "Proof-of-Concept" software package at four warehouses with over 1,400 inventory items. During the test period, Metro realized monetary savings of over \$4,000,000 by reducing the inventories maintained. These savings were achieved with no impact to material availability and the results were sustained over time.

This approved capital project will implement the system to all storerooms. This enterprise-wide solution will be configured to handle the complexity of Metro's material catalog and will be scalable to the needs of the entire operation.

## Cost-Benefit Analysis

The project budget is \$1.5M and based on the "Proof-of-Concept" test inventory reductions of \$2M per year are expected with a return on investment of 1.69 years.

## DETERMINATION OF SAFETY IMPACT

Availability of inventory material to repair bus and rail cars is part of the preventive maintenance program and is essential for the safety of our patrons and employees.

## FINANCIAL IMPACT

Funding of \$250,000 is included in the FY13 budget in cost center 6330 (Inventory Management), project 207114 (Inventory Optimization System), account 50316 (Professional Services).

Since this is a multi-year project, it will be the responsibility of the cost center manager and the Chief Administrative Services Officer to ensure funds are budgeted in future years.

## Impact to Budget

The source of funds for this project is from Transportation Development Act – Article 4. No other sources were considered as these funds have been identified for this project.

## ALTERNATIVES CONSIDERED

Continue manual forecasting and order point calculation currently being done by the Materiel Management at Metro. However, based on past history, inventory levels will increase.

## NEXT STEPS

The Inventory Optimization Software will be procured within 30 days of contract approval. System implementation and integration activities will commence within two weeks of contract approval. Initial installation, testing and configuration will take 6 months, with a fully developed system ready to optimize inventory within a year.

## ATTACHMENT

A. Procurement Summary

Prepared by: Eric O'Connor, Project Manager  
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*Michelle Lopes Caldwell*

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Michelle Lopes Caldwell  
Chief Administrative Services Officer

*Arthur T. Leahy*

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Arthur T. Leahy  
Chief Executive Officer

**PROCUREMENT SUMMARY**  
**INVENTORY OPTIMIZATION SYSTEM (IOS)**

1.	Contract Number: PS63502839	
2.	Recommended Vendor: Oniqua, Inc.	
3.	Type of Procurement (check one): <input type="checkbox"/> IFB <input checked="" type="checkbox"/> RFP <input type="checkbox"/> RFP-A&E <input type="checkbox"/> Non-Competitive <input type="checkbox"/> Modification <input type="checkbox"/> Task Order	
4.	Procurement Dates:	
	A. Issued: February 13, 2012	
	B. Advertised/Publicized: February 15, 2012	
	C. Pre-proposal/Pre-Bid Conference: February 28, 2012	
	D. Proposals/Bids Due: April 19, 2012	
	E. Pre-Qualification Completed: April 26, 2012	
	F. Conflict of Interest Form Submitted to Ethics: April 6, 2012	
	G. Protest Period End Date: May 2, 2013	
5.	Solicitations Picked up/Downloaded: 93	Bids/Proposals Received: 4
6.	Contract Administrator: Mark Lu	Telephone Number: 213-922-4689
7.	Project Manager: Eric O'Connor	Telephone Number: 213-922-5712

**A. Procurement Background**

This Board action is to award a contract to Oniqua, Inc., to acquire and implement an Inventory Optimization System (IOS) that will successfully and seamlessly interface with Maintenance and Material Management System (M3). The IOS will provide Metro staff with replenishment calculations for all material items held in inventory across the agency.

The RFP was issued in accordance with Metro's Acquisition Policy and the contract type is a Firm Fixed Price (FFP). One amendment was issued during the solicitation phase of this RFP.

- Amendment No. 1 was issued on March 23, 2012 to extend the proposal due date from April 5, 2012 to April 19, 2012.

A Pre-Proposal meeting was held on February 28, 2012. Fifty-seven questions were asked during and after the pre-proposal meeting. A memorandum was issued on March 16, 2012 to answer those questions. A total of four proposals were received on April 19, 2012.

## **B. Evaluation of Proposals/Bids**

A total of four proposers responded to this solicitation. The solicitation was a standard Request for Proposal utilizing explicit factors in compliance with Metro's procurement policies and procedures. A Source Selection Committee (SSC) consisting of Metro Staff (purchasing, Materiel, and ITS departments) was convened and conducted a comprehensive technical evaluation of the proposals received.

The proposals were evaluated based on the following evaluation criteria and weights:

- |  |     |
|--|-----|
| • Technical Solution                             | 37% |
| • Qualifications and Experience                  | 7%  |
| • Past Performance and Project Management Skills | 4%  |
| • Service Methodology                            | 7%  |
| • IOS Demonstration/User Interface               | 10% |
| • Price  | 25% |
| • Small Business Enterprise Program              | 10% |

The evaluation criteria are appropriate and consistent with criteria developed for other, similar IT and system-type of procurements. Several factors were considered when developing these weights, giving the greatest importance to the technical solution, ease of implementation, and integration into Metro's environment.

Of the four proposals received, one of the four proposals was deemed technically non-responsive because it did not meet the technical requirements listed in the Statement of Work in the RFP and it did not provide the mandatory certifications.

During the months of July and August, the evaluation committee met and interviewed the remaining three Proposers. Each firm's project managers and key team members had an opportunity to present each team's qualifications, demonstrate their solution, and respond to Metro's committee's questions. In general, each team's presentation addressed the requirements of the IOS RFP, experience with similar implementations, and their understanding of the technical requirements associated with the project.

Of the three proposals evaluated, two were determined to be within the competitive range. The two firms within the competitive range are listed below in alphabetical order:

1. IBM
2. Oniqua, Inc.

### **Qualifications Summary of Firms Within the Competitive Range:**

**IBM** - The proposed solution was an enterprise-wide expansion of the pilot program used to gain acceptance of the inventory optimization concept and its viability at Metro. IBM's enterprise-wide solution provides a forecaster or material planner with advanced skills that would be used to optimize inventory. The IBM project team is well known to Metro from the pilot program. IBM executed the pilot program on-time and within budget.

**Oniqua** - The proposed solution included a core product that was feature-rich and can be configured to meet the complexities of Metro's maintenance, repair, and operations (MRO) environment.

The proposed solution could be interfaced with Metro's M3 system and includes configurable lists that could streamline the process of reviewing and revising order points before releasing them back to M3. This is a key feature that would allow the Metro users to keep up with the high volume of activities needed to optimize inventory.

The proposed solution emphasizes the uniqueness and complexity of MRO implementations and it was clear they understood the need for maximum fit, form, and functionality from their product.

Based on the evaluated scores listed below, Oniqua, Inc., is the highest rated, lowest priced proposer and is recommended for award.

1	FIRM	Average Score	Factor Weight	Weighted Average Score	Rank
2	<b>IBM</b>				
3	Technical Solution	90.28	37.00%	33.40	
4	Qualification and Experience	79.60	7.00%	5.57	
5	Past Performance / Project management Skill	80.88	4.00%	3.24	
6	Service Methodology	68.82	7.00%	4.82	
7	User Interface	76.84	10.00%	7.68	
8	Price	83.64	25.00%	20.91	
9	Small Business Enterprise Program	50.00	10.00%	5.00	
10	<b>Total</b>		<b>100.00%</b>	<b>80.62</b>	<b>2</b>
11	<b>Oniqua</b>				
12	Technical Solution	88.19	37.00%	32.63	
13	Qualification and Experience	96.29	7.00%	6.74	
14	Past Performance / Project management Skill	83.65	4.00%	3.35	
15	Service Methodology	77.72	7.00%	5.44	
16	User Interface	97.23	10.00%	9.72	
17	Price	100	25.00%	25.00	
18	Small Business Enterprise Program	0.00	10.00%	0.00	
19	<b>Total</b>		<b>100.00%</b>	<b>82.88</b>	<b>1</b>

### C. Cost/Price Analysis

The two remaining firms were requested to provide Best and Final offers (BAFO). Oniqua's price is determined to be fair and reasonable based on adequate price competition and estimate.

	Proposer Name	Initial Proposal Amount	BAFO Amount	Independent Cost Estimate
1.	IBM	\$1,692,017	\$1,403,414	\$1,000,000
2.	Oniqua	\$1,408,359	\$1,173,734	\$1,000,000

**D. Background on Recommended Contractor**

The recommended firm, Oniqua Incorporated, located in Denver, Colorado, has been in business for 22 years and is a leader in the field of Maintenance, Repair, and Operations (MRO) analytics. Oniqua has clients in the mining, oil and gas, utilities, and public transportation industries. Oniqua Analytics Solution (OAS) is currently being used by Orange County Transportation Authority, ConocoPhillips, British Petroleum, Hawaiian Electric, and other leading companies in the world.

The Oniqua project team is partnering with Turnpoint Solutions who has previous experience with Metro on other IT projects. The other team member, Kambrian Corporation, is a SBE certified firm who has successfully completed other Metro's IT hardware and software projects.

**E. Small Business Participation**

The Diversity and Economic Opportunity Department (DEOD) established a 15% Small Business Enterprise (SBE) goal for this solicitation. Oniqua Incorporated made a 3.2% SBE commitment. Oniqua did not meet the SBE goal, and therefore did not receive preference points in the evaluation. Achieving the SBE goal is not a condition of award nor is it an issue of responsiveness.

<b>SMALL BUSINESS GOAL</b>	<b>SBE 15%</b>	<b>SMALL BUSINESS COMMITMENT</b>	<b>SBE 3.2%</b>
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	<b>DBE/SBE Subcontractors</b>	<b>% Committed</b>
1.	Kambrian Corporation	3.2%
	<b>Total Commitment</b>	<b>3.2%</b>