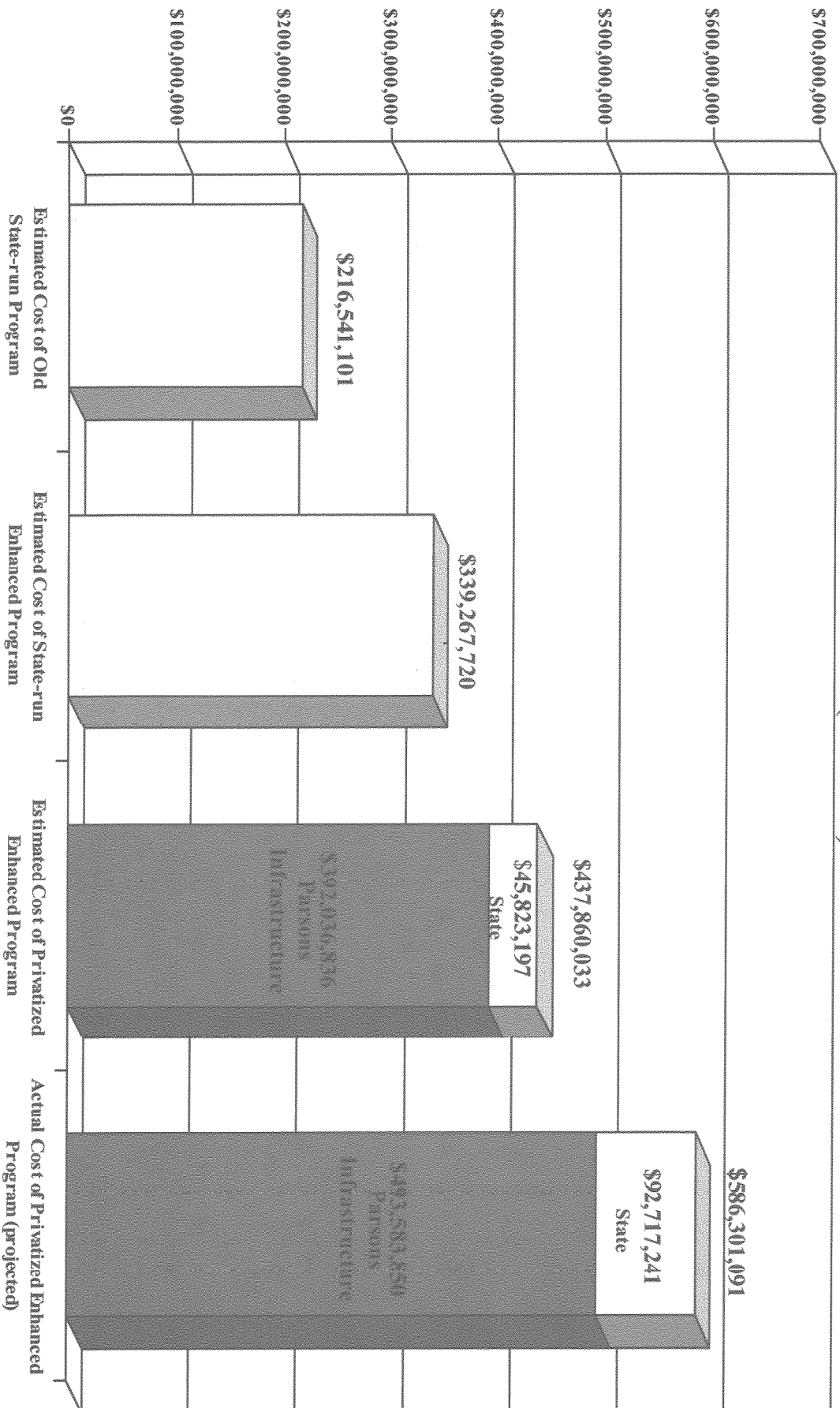


APPENDIX

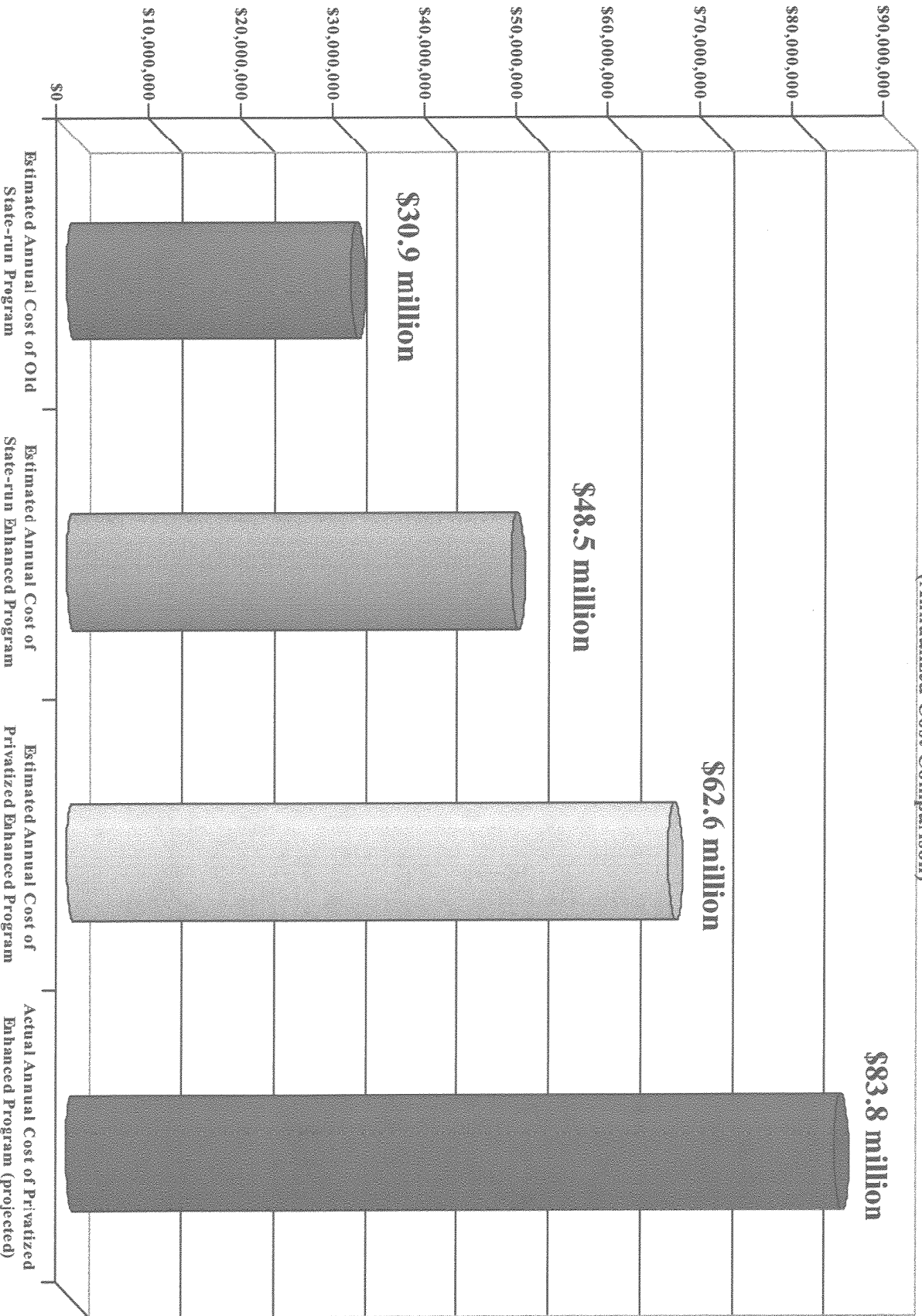
Inspection/Maintenance Program Cost Comparison

(1998-2005)



Inspection/Maintenance Program

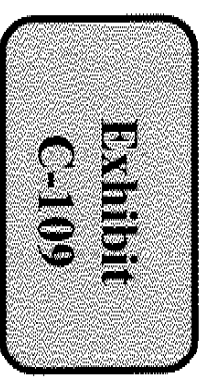
(Annualized Cost Comparison)





Timeline of Key Events

- 08/28/97 – State’s “Postmortem” Meetings with Vendors
- 10/16/97 – Pre-Proposal Vendors Meeting for 2nd RFP
- 12/10/97 – Meeting between PI&TG and DMV Director Kammin
- 02/17/98 – Meeting between PI&TG and Gary Mariano
- 02/18/98 – RFP#2 Issued
- 03/10/98 – Pre-Bid Conference RFP#2
- 06/12/98 – Proposal Due Date RFP#2
- 06/22/98 – PI&TG’s Oral Presentation
- **06/23/98 – Mtg. between Roger Bodman & DOT Commissioner Haley***
- 07/29/98 – Senate Legislative Oversight Committee Hearings
- 08/07/98 – Contract Signed with PI&TG

*Meeting occurred between 6/12/98 and 6/23/98



MEMORANDUM

To: Mel Brown  Date: 02/25/98⁹⁸
From: Phil Morris  Phone: 6183
Subject: New Jersey Project Strategy

OPPORTUNITY DESCRIPTION

1. Customer

The customer for this project will be the State of New Jersey, Division of Motor Vehicles, Department of Transportation. The RFP will be developed in coordination with the Department of Environmental Protection as the responsible department for air quality planning, permitting and monitoring. The contract will be issued by the Department of the Treasury.

2. Location of Project

This project will be located throughout the State of New Jersey.

3. Executing Organization

The Office of Mobile Sources located in Pasadena will be the primary point of contact, with support from the PTG Newark office and the PIT Boston office. Tom Peters will be the principal-in-charge.

4. Key Dates

The RFP was released February 20. Date for prebid conference is March 10. Proposals will be due May 12, contract execution expected in July, 1998. Operation of state facilities by new contractor expected to begin in October, 1998.

5. Project Description

The project will be the complete design, facility renovation, test system upgrade, and operation of an existing state operated centralized safety and emission testing program, and the management of the Private Inspection Facility(PIF) program. PIF's are local service stations.

6. Scope

**Exhibit
C-51**

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The present program consists of a safety inspection and two-speed idle test. The State now operates a 35 station network of facilities with a total of 84 test lanes where the inspections are free. This system is augmented by 3000 privately run inspection facilities(PIF's) that charge a fee for the inspection. Historically 70% go to the state inspection stations, and 30% go to private stations. The state intends to renovate its facilities, upgrade the safety inspection systems, install single mode ASM emission test equipment and convert to a biennial inspection program. Outreach to the private sector with subsidies for equipment upgrade, data management, and public relations campaigns are part of the scope of work. Contract term will be for seven years with options for up to two more years.

7. Scope Concerns

Preliminary review of the RFP has not surfaced any real scope of work concerns. However, bids for either design, build, operate and maintain(DBOM) and/or design build(DB) are options in the RFP as well as continued state operation of the system as is.

8. Commercial Basis

The contract will be for seven years. The state will reimburse capital expenditures, and will guarantee contractor will test 60% of the vehicle fleet. Payment will be monthly lump sum payments from the state to the contractor. Payments will be escalated in accordance with the CPI. The enforcement method will be registration denial to those vehicle owners that do not have their vehicle tested on a biennial basis. Revenue will also derive from payments from PIF's for access to the data transmission network. New Jersey has approximately 5.4 million registered vehicles. The State estimates that there will be a total of about 1.4 million inspections or re-inspections per year based upon a biennial testing program.

9. Commercial Special Features

A performance bond for the DB portion will be equal to its value will be required. For operations, a bond equal to 25% of the annual cost is required. Other than that only normal insurance and business licenses are required.

10. Contract Concerns

A preliminary reading of the RFP did not surface any concerns. The state has indicated great flexibility on contract terms.

11. Value

The latest estimate of the contract value is \$500 million. The PES share is expected to be about \$375 million with \$75 million GPS.

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12. Project Funding

Project funding could come from Parsons with the state reimbursing capital costs. The state will fund from funds generated by vehicle registration fees, federal CMAQ funds and will be dependent upon annual appropriations.

CAPTURE FACTORS

13. Parsons Experience with Customer

PTG and Parsons ES have started to win contracts in New Jersey in the last year. PTG contracts are with the highway and rail agencies of NJDOT of which DMV is a part.

Most Recent Customer Contact

December 10, 1997, proposed project manager, Larry Sherwood, our New Jersey lobbyist, a MCI representative and I met with Dick Kamin, Director, Motor Vehicle Services as follow-up to my letter of October 29 which contained several suggestions and recommendations for the RFP. Most all of our suggestions have been incorporated into the RFP. A meeting was held on February 17 with Gary Mariano who drafted to RFP.

15. Selection Criteria

Yet to be determined, however highly likely to be best value score when using technical ability and cost. Political connections are important.

16. Local/Political Concerns

This is a controversial program that was a minor issue in the last gubernatorial election. The Program has seen a number of delays and EPA has started the sanction clock December 15, 1997. It is a long established program, so the issue of public acceptance is much more manageable. Large highly visible procurements such as this have a strong political spin in New Jersey. Union influence must be dealt with as well as conflicts on approach between the DOT commissioner(favors DBOM), and the commissioner for Treasury(DB). Two lobbyists have been retained. Frank Holman, former state chair of the Republican party, and Roger Bodman, former commissioner of Labor, and Commissioner of the DOT.

17. Competition

Possibly Envirotest and Gordon-Darby. Testcom is a remote possibility.

PARSONS INFRASTRUCTURE & TECHNOLOGY GROUP, INC

18. Discriminators / Key Themes

"New Jersey and Parsons, the Perfect Partners"

- Provide the total solution
- Retrofit in less than a year
- Mount an effective PR campaign
- Devote the resources to get the job done
- Partner with the Private Inspection Facilities.

19. PM and Other Key Personnel

Larry Sherwood is the leading candidate to be project manager because of his excellent rapport and reputation with key decision makers. John Beall and Lee Husson would be deputies for operations and start-up respectively. Other key personnel would come from other team members.

20. Teaming Arrangements

Principal team members would be Parsons ES as prime and MCI as subcontractor. Other subcontractors would be Protectair for PIF outreach and equipment integration, a local PR firm and a local contractor.

OPPORTUNITY VALUE

21. Cost of Obtaining Contract

Total cost of obtaining contract :

Lobbyists	\$45,000
Proposal	\$147,000
Presentation	\$15,000
Contract Negotiations	\$10,000
Total	\$217,000

22. Probable Parsons GPS / Obtaining Contract Cost Ratio

Probable GPS / Obtaining Contract Cost Ratio = 345 / 1

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23. Pricing Summary

This cost estimate will be treated as a lump sum. We will obtain cost quotes for equipment and for facility renovation from vendors. Labor costs will assume an I&M type corporation as source of staffing. Firm bids will also be obtained from teaming partners.

24. Other Relevant Information

We have been tracking this prospect for nearly a year and have worked extensively with state staff. We have had considerable success in influencing their decisions particularly since their prior contracting approach was an utter failure and embarrassed the state. We have received constant encouragement behind the scenes and are now extremely well positioned.

Njstrat.rtf



State of New Jersey
 DEPARTMENT OF THE TREASURY
 GENERAL SERVICES ADMINISTRATION
 CN-039
 TRENTON NJ 08625-0039

CHRISTINE TODD WHITMAN
 Governor

BRIAN W. CLYMER
 State Treasurer
 GEORGE M. GROSS, JR.
 Administrator

October 4, 1995

MEMORANDUM

TO: WILLIAM J. HOFFMAN
 PLANNING OFFICE
 DIVISION OF MOTOR VEHICLES

FROM: LANA J. SIMS *Lana J. Sims*
 DIRECTOR
 DIVISION OF PURCHASE AND PROPERTY

SUBJECT: PROPOSED SCHEDULE FOR THE ENHANCED
 INSPECTION/MAINTENANCE PROGRAM
 ("CLEAN AIR") PROCUREMENT

In response reply to:

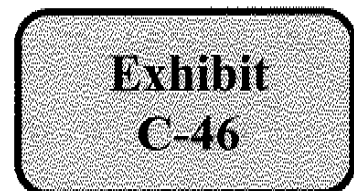
- OFFICE OF THE ADMINISTRATOR
 CN-039
 Trenton NJ 08625-0039
 609-292-4330
- BUILDING AND CONSTRUCTION
 CN-235
 Trenton NJ 08625-0235
 609-292-4724
- CENTRAL SERVICES
 CN-039
 Trenton NJ 08625-0039
 (609) 777-1788
- FACILITIES MANAGEMENT
 CN-202
 Trenton NJ 08625-0202
 (609) 777-4403
- LEASING OPERATIONS
 CN-229
 Trenton NJ 08625-0229
 (609) 984-0876
- PURCHASE AND PROPERTY
 CN-230
 Trenton NJ 08625-0230
 (609) 292-4886
- REAL PROPERTY MANAGEMENT
 CN-226
 Trenton NJ 08625-0226
 (609) 292-9694
- RISK MANAGEMENT
 CN-420
 Trenton NJ 08625-0620
 (609) 984-7294

I would like to acknowledge the establishment of a schedule for this procurement. As you are aware, John Kennedy of the Purchase Bureau has been in consultation with Ken Stevenson of your staff in reviewing the elements and time frames contained in the schedule. I have attached a copy of this schedule to this memorandum for your reference.

I understand the critical nature of this project, and I am firmly committed to meeting this schedule. As questions and issues arise during the procurement process, please contact me immediately and I will do everything in my power to see that the process is kept moving smoothly and expeditiously. It is my goal to establish a contract for these services by the specified date with as few complications from the process as possible.

We must now produce the Request for Qualification document and begin this initial step as soon as possible. Please contact me and I will meet with you at your earliest convenience in order to get this portion of the procurement under way.

Please be aware that this project is now in the procurement process, and as such, it is more critical than ever to ensure that there is no interaction between State personnel and potential vendors for these services. This applies not only to those who are directly involved with the procurement, but also to MVS management and support staff as well. Interaction of this nature, no matter



How harmless it may seem, can undermine the equal footing of potential bidders and, ultimately, the entire procurement process. I do not want to see the State miss the implementation date simply because someone damaged the process by speaking with a potential bidder. For the protection of your agency, and the procurement itself, no calls or inquiries of any nature regarding this project are to be handled by MVS, but must be forwarded to the Purchase Bureau. Thank you for working with us to protect the procurement process.

I look forward to working with you and your staff in bringing about a successful and timely implementation of this project and anticipate hearing from you shortly.

c: James A. Archibald
David Mortimer
C. Richard Kamin
John J. Kennedy

ECONOMIC ANALYSIS
ENHANCED INSPECTION AND MAINTENANCE PROGRAM

STATUTORY PROVISIONS RELATED TO A CONTRACT FOR THE ENHANCED INSPECTION AND MAINTENANCE PROGRAM

P.L. 1995, Chapter 112 provides for three options for implementation of the Enhanced Inspection and Maintenance Program as follows:

- 1) Assign to the State the full responsibility for the design, construction, renovation, equipment, establishment, maintenance, and operation of official inspection facilities and other aspects of the inspection and maintenance program, including safety inspections;
- 2) Enter into a contract or contracts with a private contractor or contractors for the design, construction, renovation, equipment, establishment, maintenance, and operation of official inspection facilities and other aspects of the inspection and maintenance program, including safety inspections; or
- 3) Assign to the State partial responsibility and enter into a contract or contracts with a private contractor or contractors for the remaining responsibility for the design, construction, renovation, equipment, establishment, maintenance, and operation of official inspection facilities and other aspects of the inspection and maintenance program, including safety inspections.

The Treasurer shall choose one of the options pursuant to this subsection based on a determination of the best interests of the citizens of New Jersey. At least seven business days prior to the award of a contract that includes the operation or maintenance of an official inspection facility pursuant to this section, the State Treasurer shall issue a notice of intent to award the contract and shall submit to the Legislature the notice of intent and a report describing the option chosen, which shall include an economic analysis of the three options listed in this subsection with respect to the operation or maintenance portion of the contract.

In addition, P.L. 1995, Chapter 112 requires that all qualified full-time employees whose employment with the division is terminated as a result of contracting for operations and maintenance of the official inspection facilities shall be offered full-time employment.

FACTORS AFFECTING THE CHOICE OF OPTIONS

The Request for Proposals was structured to allow private contractors the flexibility to bid for official inspection facility maintenance and operation, if desired. The State would decide, based on these bids, whether maintenance and operation is best performed by a private contractor or by the State.

With regard to Option 1 above, the Departments of Transportation, Treasury, and Environmental Protection determined almost immediately that there must be a contractor involved in design, construction, renovation, equipment and establishment of official inspection facilities. The State simply lacks the staff for this type of construction project. Construction projects are generally handled by contractors. Furthermore, a contractor is able to mobilize more quickly than the state. Accordingly, Option 1 above was not feasible.

Since the State will retain responsibility for other aspects of the inspection and maintenance program such as monitoring the private inspection facilities, licensing private inspection facilities

and emission inspectors, registering emission repair facilities, and developing the curriculum for training repair technicians, Option 2 was not selected. These activities relate to the local garages that are critical to the program for a portion of the inspection volume and the repair of motor vehicles that fail inspection.

Option 3 was chosen since the State will retain partial responsibility for aspects of the inspection and maintenance program. However, no decision with regard to maintenance and operation could be made until costs were compared based on the bids received. Accordingly, the Request For Proposal for the Enhanced Inspection and Maintenance Program allowed a contractor to bid for a Design/Build/Operate/Maintain contract, a Design/Build contract, or both.

RESULTING BID

The State received one Design/Build/Operate/Maintain bid. Parsons Infrastructure and Technology Group (Parsons) bid \$63.2 million to design and build or retrofit a total of 129 inspection lanes. Parsons bid \$24.25 for each Enhanced Emissions Inspection and \$20.61 for each Non-Enhanced Emissions Inspection.

The State received no Design/Build bids.

Parsons Infrastructure & Technology Group will employ technicians who are members of the New Jersey State Motor Vehicle Employees Union Local 518. In fact, Kevin Mattis, President of Local 518 S.E.I.U. wrote a letter to Parsons Infrastructure & Technology Group indicating that if the Design/Build/Operate/Maintain option is selected, "Local 518 strongly supports the selection of Parsons Infrastructure & Technology Group Inc. as the vendor". Local 518 represents most of the impacted personnel in the State's official inspection facilities.

Furthermore, Parsons Infrastructure & Technology Group will meet the statutory requirement to offer employment to all qualified full-time employees.

CONCLUSION

- **The bid received from Parsons Infrastructure and Technology Group is responsive.**

An Evaluation Committee consisting of representatives from the Department of Transportation, Treasury and Environmental Protection found that the Parsons Infrastructure and Technology Group bid was responsive. In fact, the bid received a technical score of 8,005 out of a possible 9,000.

- **Awarding a contract avoids the risk that the State could lose almost \$1 billion in federal transportation funds.**

The State must implement the Enhanced Inspection and Maintenance Program by December 12, 1999 in order to avoid the risk that the EPA Administrator might impose a prohibition, applicable to a nonattainment area on the approval by the Secretary of Transportation, of any projects or the awarding by the Secretary of any grants, under title 23, United States Code, other than projects or grants for safety, public transit, high occupancy vehicles, employee trip

reduction, traffic flow for emission reduction, parking facilities for high occupancy or transit operations, pricing mechanisms or other transportation-related programs that would improve air quality. Essentially, the State risks not being able to allot any federal funds to highway construction and rehabilitation. Almost \$1 billion in federal funds would need to be allocated to limited purposes, severely constraining the Department of Transportation's capital program.

- **The estimated cost to the State of operating the inspection system that Parsons has proposed with State employees would result in a per inspection cost of \$26.32 per inspection, which is higher than the bid received.**

Parsons Enhanced	\$24.25
Parsons Non-Enhanced	\$20.61
State Operation	\$26.32

Information about the estimated state cost per inspection has been shared with representatives of the affected unions. The estimated state costs include salaries, fringe benefits, data processing, equipment maintenance and other operating costs.

- **Seeking to secure a Design/Build bid *again* in order to operate the State inspection lanes with State employees is not a viable alternative.**

The market already indicated that contractors are unwilling to risk bidding for implementation of the Enhanced Inspection and Maintenance Program without control over the workforce. There is a high probability that no Design/Build bid would be received again.

The State must implement the Enhanced Inspection and Maintenance Program by December 12, 1999 or potentially face sanctions impacting up to \$1 billion in federal transportation funds.

- **Finally, all qualified full-time employees will be offered a position with either Parsons Infrastructure and Technology Group or the State.**

Some impacted personnel will be retained by the State for the new In-Terminal School Bus Inspection program. Others will be retained to continue the Road Test program. Still others will be needed to perform specialty inspections, inspector licensing, private inspection facility monitoring and other functions related to the new Enhanced Inspection and Maintenance program.

For all these reasons, the award of a contract to Parsons Infrastructure & Technology Group to Design/Build/Operate/Maintain the Enhanced Inspection and Maintenance program is in the best interests of the citizens of New Jersey.