



## MEMORANDUM

**To:** Erin DeVincent, Procurement Manager  
Financial Services - Purchasing

**From:** Richard Mendoza, Interim Director  
Austin Transportation Department

**Date:** January 9, 2023

**Subject:** Insourcing Analysis for Pena's Traffic Services, LLC Contract (NA210000015)

**PURPOSE:** At the direction of the City Council, the Austin Transportation Department (ATD) was tasked under Resolution 20220901-021 with providing a cost analysis comparison for insourcing continued rental of temporary traffic control devices used in the public right of way for construction and repairs. The analysis examines the opportunity to insource the services versus the current city-wide traffic control contract awarded to Pena's Traffic Services, LLC. City Council only approved a one-year extension option following the cost analysis comparison. The proposed amendment was to extend the existing contract for three additional years beyond the initial contract term expiration date of November 12, 2022.

**Methodology:** ATD has completed an analysis to determine what staffing, assets, and commodities would be required to provide equal services to all City departments. Demand levels of the current contract across all City departments were used in this analysis to establish the service level required. ATD recognized that the current demand for the contract necessitated a 24/7 staffing model given the current contract requirements. Costs are based on current compensation rates within ATD and City benefits, current contracts for traffic control devices, and asset cost estimates from the most recent FY2023 vehicle acquisition process.

ATD was seeking a three-year extension of the current agreement worth \$4.9M or \$1.6M on an annual basis for cost comparative analysis.

**Findings:** Through the course of the analysis, it has been found that the three-year costs to bring the services inhouse substantially exceed the current contract authority of \$4.9M. Below is a three-year analysis of the costs related to creating and administering this new program. Estimated annual costs include proposed permanent full-time positions, staffing equipment, real estate, and traffic control equipment investments. Additionally, one-time costs such as vehicles and arrow/message boards are also accounted for in the estimation.

The total proposed cost estimates for insourcing these services are \$20.5M. By cost comparison, insourcing this operation would cost the City of Austin an additional \$15.6M over the three-year term. Attached is a breakdown of the estimated costs for insource operations.

**Estimated Cost Comparison Difference for Insourcing:**

Cost by Year	Estimated Insourcing Cost	Current Contract Cost	Estimated Difference
Year 1	\$ 8,703,969	\$ 1,640,000	\$ 7,063,969
Year 2	\$ 5,691,246	\$ 1,640,000	\$ 4,051,246
Year 3	\$ 6,130,153	\$ 1,640,000	\$ 4,490,153
<b>Total 3 Year Cost</b>	<b>\$ 20,525,368</b>	<b>\$ 4,920,000</b>	<b>\$ 15,605,368</b>

**Recommendation:** Based on the cost estimates and the variability of demand for these services, ATD's recommendation is to continue outsourcing this contract. The use of this contract is heavily seasonal and tied to special events, construction, development, and other reactive activities with the potential for high variability in demand. These services are also required for when City crews work on the road, or near high traffic areas and when temporary modifications are necessary to divert traffic around the work sites. This will continue to promote efficiency of the departments in their daily duties of maintaining the City's infrastructure and improve response time and safety for the public. The contractor is required to respond in both routine and emergency situations where traffic control is required.

Due to unforeseen circumstances such as pandemics or economic conditions it would be fiscally responsible to continue outsourcing these services to afford the City the ability to effectively react to market conditions as they arise.

**Next Steps:** ATD will seek City Council approval of the proposed additional two years of the existing agreement with Pena' Traffic Services, LLC. before the end of Spring 2023.

**POINT OF CONTACT:** Should you have any questions, please do not hesitate to contact Dan Valbracht, Financial Manager III, at [Dan.Valbracht@austintexas.gov](mailto:Dan.Valbracht@austintexas.gov) or by phone at (512) 974-7901.

cc: Gina Fiandaca, Assistant City Manager  
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