



Metro

Los Angeles County
Metropolitan Transportation Authority

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OP10

**OPERATIONS COMMITTEE
June 16, 2011**

SUBJECT: PURCHASE REPLACEMENT BUSES

**ACTION: ESTABLISH LIFE-OF-PROJECT BUDGET FOR UP TO 100 NEW
COMPO BUSES**

RECOMMENDATION

Authorize the Chief Executive Officer to:

- A. Establish a life-of-project budget for the purchase of up to 100 Compressed Natural Gas (CNG) composite buses for the FY12 capital program including project contingency in the amount of \$70,430,000 (See Attachment B Funding Plan).
- B. Negotiate and execute Contract Option No. 2 to Contract OP33202082 with North American Bus Industries (NABI), to purchase up to 100 CNG high capacity composite buses for the price not to exceed \$67,500,000, increasing the total contract value from \$258,693,126 to \$326,193,126 inclusive of sales tax.
- C. Negotiate and execute modifications for this procurement in an amount not to exceed \$1,000,000, increasing the Total Contract Value from \$326,193,126 to \$327,193,126.
- D. Amend the FY12 budget to include \$70.4 million in cost center #3320, project #201055, 100 Compo Bus Replacements.

ISSUE

MTA was awarded a Prop 1B State and Local Partnership grant for \$34 million which is scheduled to expire in July 2011. The scope of work for the grant is to purchase high-capacity clean-fuel buses. Subsequent to receiving the grant, MTA determined that the highest need for replacement buses is conventional 40 foot buses, not high-capacity buses. MTA has requested California Transportation Commission (CTC) approval to extend the grant to for 6-9 months while we complete the procurement recently approved by the Board. If the CTC denies the request for a grant extension, this action establishes the budget authority necessary to proceed with the purchase of replacement buses as described in the original grant request.

DISCUSSION

Contract OP33202082 is a fixed-unit rate contract for the purchase of 45' CNG high capacity transit buses that was awarded on April 24, 2008. The base award for this contract was for 260 buses with options for up to 1,000 buses. To date Metro has exercised additional option quantities for Compo-buses under this contract account for a total of 132 buses, but these option buses must be exercised before May 2013.

On June 11, 2011, the California Transit Commission (CTC) notified Metro that they did not recommend an extension for \$33.989 million of state funding that was expected to be used for an upcoming RFP for 700 forty-foot CNG buses in FY12-15. This money had originally been granted for 45' Compo-buses, and this CTC action eliminates any further options for reprogramming these funds to a future 40' bus buy. The only available option for using these funds is to exercise this option for 45' buses.

Many of the original 45' Compo- buses purchased in 2004 are approaching 300,000 miles and aside from some accident damage, there have not been structural issues or defects with these vehicles. Metro is in the process of receiving the last of the 392 Compo-buses ordered to date, and these buses are being used to replace local service buses that operate throughout Los Angeles County. Compo-buses have proven to be both durable and economical to operate. The vehicle structure is stronger than a conventional steel frame vehicle and comes with an extended 18 year structural warranty (a standard bus structural warranty is 12 years). In terms of reliability, our new Compo-buses are currently the most reliable bus series in Metro's fleet – since January they have been averaging more than twice as many miles between roadcall as the rest of Metro bus fleet¹. Finally, Compo-buses provide 15-20% more passenger capacity than standard 40' buses. On a life cycle cost basis it is expected that these new Compo buses are expected to be among the most reliable and cost effective transit vehicles in Metro's bus fleet.

FINANCIAL IMPACT

Upon approval funding for the this project will be included in the FY12 capital program budget under project number 201055, 100 CNG 45 Foot Composite Buses, in cost center 3320, Vehicle Technology, Account 53105 – Vehicle Acquisition.

Impact on Bus and Rail Operating and Capital Budget

The Prop 1B grant funds are only eligible for purchasing buses. MTA will be required to provide local matching funds for 50% of the value of this contract, most likely Transportation Development Act Article 4. The matching funds are eligible for all bus operating and capital purposes. No other source of matching funds was considered

¹ Based on data being tracked for FTA and the National Transit Database. Since January 1, 2010, new Compo buses have been averaging 9,300 miles between roadcall while the fleet average for this period has been 3,400 miles between roadcall.

because these funds are programmed for bus replacements in the approved MTA Long Range Transportation Plan.

ALTERNATIVES CONSIDERED

The only alternative for this item is to not purchase these 45' vehicles. If a contract for these 45' buses is not executed by July 1, 2011, the \$33,989,000 in state funding allocated for this purchase will revert back to the state.

ATTACHMENTS

- A. Procurement Summary
- B. Funding Plan for 45' Compo Buses

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PROCUREMENT SUMMARY

PURCHASE BUSES WITH STIMULOUS FUNDING

1.	Contract Number: OP33202082		
2.	Recommended Vendor: North American Bus Industries		
3.	Cost/Price Analysis Information:		
	A. Bid/Proposed Price: NA	Recommended Price: Not to Exceed \$67,500,000 (Including sales tax)	
	B. Details of Significant Variances are in Attachment: NA		
4.	Contract Type: Fixed Unit Rate		
5.	Procurement Dates:		
	A. Issued: NA		
	B. Advertised: NA		
	C. Pre-proposal Conference: NA		
	D. Proposals Due: NA		
	E. Pre-Qualification Completed: NA		
	F. Conflict of Interest Form Submitted to Ethics: February 23, 2008		
6.	Small Business Participation:		
	A. Bid/Proposal Goal: 0%	Date Small Business Evaluation Completed: Not applicable	
7.	Invitation for Bid/Request for Proposal Data:		
	Notifications Sent: NA	Bids/Proposals Picked up: NA	Bids/Proposals Received: NA
8.	Evaluation Information:		
	A. Bidders/Proposers Names: NA	<u>Bid/Proposal Amount:</u> NA	<u>Best and Final Offer Amount:</u> NA
	B. Evaluation Methodology: Describe Methodology Details that are in Attachment A-1		
9.	Protest Information:		
	A. Protest Period End Date: NA		
	B. Protest Receipt Date: NA		
	C. Disposition of Protest Date: NA		
10.	Contract Administration Mgr: Joe Marzano	Telephone Number: 922-7014	
11.	Project Manager: John Drayton	Telephone Number: 922-5882	

PURCHASE BUSES WITH STIMULOUS FUNDING

A. Background on Contractor

North American Bus Industries (NABI) was established in 1992. It has manufacturing facilities in Budapest and Kaposvar, Hungary; and Anniston, Alabama. NABI currently produces approximately 700 buses per year, and has the production capacity to produce approximately 1000 buses per year. Its production capabilities include 30 – 60-foot steel-frame buses, and 30 – 45 foot composite buses.

NABI has previously delivered 875 40-foot CNG buses for Metro. The firm also produced 100 composite structure 45-foot CNG buses and 391 sixty-foot articulated CNG buses for Metro. They are now producing 260 additional 45-foot composite structure CNG buses for Metro. Bus quality and reliability have been very good. In addition, the company has produced buses for many other major transit agencies. NABI has a local support-services facility in Ontario, CA. In early 2006, NABI was acquired by Cerberus Capital Management, L.P., a U.S.-based private equity fund. Subsequently, NABI purchased Optima Bus Corporation and Cerberus most recently purchased Blue Bird Corporation, another transit bus manufacturer. The company is well capitalized and there is a low financial or performance risk with this company.

B. Procurement Background

On November 9, 2007, IFB No. OP33202082 was issued and advertised. Two proposals were received. As a result of the technical and price evaluation, the resulting contract was awarded to NABI. The contract contains options for up to 740 additional CNG vehicles. The options are valid until June 2, 2013. To be able to exercise the option without it being considered a sole source, Metro must consider option pricing when an award is made. In this case, the pricing for option buses is based on the increase or decrease in the Producer Price Index for Bus and Truck Bodies (PPI) that occurred since the contract award. The use of the PPI complies with the option pricing requirement as all submitted pricing would be treated in the same manner.

As required by Metro's Procurement Policy, staff must also determine that the option pricing is reasonable. It was determined that no additional orders have been placed for similar 45-foot CNG buses since the award of this contract. The original pricing of \$597,475 per vehicle was determined to be reasonable based on a price analysis. During the seven month period since the contract award, the PPI has increased 2.16% or \$12,934 per bus. Based on the PPI increase, the base price for each option bus will total \$610,409 not including approved modifications, delivery and sales tax which appears to be reasonable.

The Diversity & Economic Opportunity Department did not recommend a Disadvantaged Business Enterprise (DBE) participation goal for this bus procurement. The Federal Transit Administration (FTA) requires that each Transit Vehicle Manufacturer (TVM) submit for approval an annual percentage overall goal. The TVM goal is based on the amount of federal funding to be received by the TVM for transit vehicle contracts during the fiscal year. In compliance with 49 CFR Part 26.49, TVMs report directly to FTA. Therefore, compliance with the DBE requirements is monitored at the federal level.

C. Evaluation of Proposals

Not applicable.

D. Cost/Price Analysis Explanation of Variances

The recommended increase of not to exceed \$610,409 per vehicle has been determined to be fair and reasonable based upon price analysis from the original procurement.

FUNDING PLAN FOR 45' COMPO BUSES

Bus Purchase CP 201052 (FY11), CP 201053 (FY12)

Sources of funds (\$millions)	FY12	FY13	Total
CMAQ			
Clean Fuel 5309			
PC 40%			
TDA4			
FTA Grant			
CA State CTC Funding			
Total	70,430,000		70,430,000

Uses of funds (\$millions)	FY12	FY13	Total
Acquisition	67,500,000		67,500,000
Pro Services	200,000		200,000
Labor	500,000		500,000
Travel	230,000		230,000
Spare Parts	1,000,000		1,000,000
Contingency	1,000,000		1,000,000
Total	70,430,000		70,430,000