



**SPECIAL BOARD MEETING
SEPTEMBER 22, 2005**

SUBJECT: BUSES FOR CONSENT DECREE

**ACTION: ESTABLISH LIFE-OF-PROJECT BUDGETS FOR BUS PROCUREMENTS
AND EXERCISE OPTION FOR ARTICULATED BUSES**

RECOMMENDATION

Authorize the Chief Executive Officer to:

- A. Exercise Contract Option No. 1 to Contract No. OP33200646 with North American Bus Industries (NABI) to purchase 94 additional sixty-foot Compressed Natural Gas (CNG) high capacity articulated buses in the amount not to exceed \$79,091,314 including the cost of fareboxes and ATMS radio system, increasing the Total Contract Value from \$140,543,517 to not to exceed \$219,634,831, inclusive of sales tax.
- B. Establish a life-of-project budget of \$83,000,000 for the purchase of the 94 sixty-foot CNG high capacity articulated buses described in Attachment A.
- C. Authorize staff to negotiate and execute modifications for this procurement up to the amount not to exceed \$2,000,000, for a total contract value not to exceed \$221,634,831.
- D. Establish a life-of-project budget of \$4,602,625 for the purchase of up to six hybrid transit buses.

RATIONALE

In January 2004, the Special Master directed Metro to purchase 145 buses to relieve overcrowding and an additional 381 replacement buses, a total of 526 buses (or 40 seat equivalent buses). In April 2005, in a separate ruling, the Special Master directed Metro to order an additional 134 buses (or 40 seat equivalent buses) to support the expanded Metro Rapid Program. The two Special Master orders combined equal 660 buses (or 40 seat equivalent buses).

Since these two orders were issued, Metro purchased 300 high capacity buses and 75 forty-foot buses (collectively the equivalent of 475 forty-seat buses). The two actions before the Board today exceed the 660 bus requirements identified in the last two orders of the Special Master.

The 94 articulated buses, the six hybrid buses, and the 100 forty five foot buses (to be considered in a separate recommendation) are consistent with Metro's bus procurement plans as submitted to the FTA and the Special Master.

For the articulated buses, contract OP33200646 is a fixed-unit rate contract for the purchase of 200 sixty-foot low-floor CNG high capacity articulated transit buses that was awarded on February 27, 2003. The buses in the base order of this contract are being delivered in 2005 and 2006. The contract contains options for up to 400 additional buses. Exercising a contract option for 94 new 60-foot CNG high capacity articulated buses from North American Bus Industries helps ensure that Metro has sufficient quantities of new vehicles available to comply with the final Consent Decree ruling on overcrowding.

For the hybrid buses, the Advanced Transit Vehicle Consortium (ATVC) has federal funding available to purchase six hybrid buses for demonstration and testing purposes, and these buses would be made available to LA Metro for normal revenue service operations. If Metro were to provide the local match funds necessary to purchase these vehicles, ATVC could complete the acquisition of these six 40' hybrid vehicles for an amount not to exceed \$4.6 million. This represents a \$1.5 million savings to Metro's capital budget. While some other properties are obtaining forty-foot gasoline hybrid buses, none of those properties have similar operating profiles such as our level of service and severe operating conditions. The purchase would also give Metro hands-on experience with developmental hybrid technologies that may be necessary to meet future emission requirements.

IMPACTS TO OTHER CONTRACTS

Staff will exercise a contract option in contract OP33201516 with First Transit Inc. for an amount not to exceed \$175,000 to provide on-site bus inspection services for these new articulated vehicles.

FINANCIAL IMPACT

Funding for the 94 articulated buses will be included in the FY07 budget under project number, 201030. The identified funding includes \$47.3 million in Prop C 40% discretionary funding, and the remainder is a combination of federal and local funds programmed to Metro through the Short Range Transit Plan. The attached funding plan is provided as a management guide, however, the CEO retains the authority to substitute funding and modify the cash flow as required to meet project needs.

Funding for the Advanced Transit Vehicle Consortium's six hybrid transit buses, CP 200044 is comprised of \$1.6 million of CMAQ funds awarded through the call for projects in 2001, \$2 million in 5307 funds awarded through the Bus Operators Subcommittee (BOS), and \$1 million in Prop C 40% discretionary funds to be programmed in the FY07 budget. The attached funding plan is provided as a management guide, however, the CEO retains the authority to substitute funding and modify the cash flow as required to meet project needs.

It will be the responsibility of the cost center manager and Deputy Chief Executive Officer to budget these projects in the FY07 Capital Program in cost center 3320 Vehicle Technology.

ALTERNATIVES CONSIDERED

Staff considered solely purchasing 60' buses to comply with the Special Master's orders. However, purchasing 45' buses is expected to generate capital cost savings over solely buying 60' buses.

Staff considered initiating a new procurement solely for 45' buses, however, given the slower production rate of composite vehicles, it is unlikely that a vendor could provide enough 45' vehicles in time to guarantee buses were here to meet specific deadlines for the 2004 and 2005 Special Master orders. Staff also believes that there are immediate operational needs for both 45' and 60' buses.


Staff considered purchasing only conventional buses and no hybrid vehicles. This alternative is not recommended because ATVC's funding is only eligible for the purchase of hybrid buses. By providing funds to ATVC and reducing the number of articulated buses being purchased, Metro will realize the same amount of capacity, but save a total of \$1.5 million in capital costs by using ATVC funds for 80% of the hybrid vehicle costs.

Staff considered purchasing independently fareboxes and radios and having staff install this equipment when the buses arrived in Los Angeles. This is not recommended because having equipment installed locally is likely to increase the time it takes to get these buses released for revenue service.

ATTACHMENTS

- A Procurement Summary
- A-1 Procurement History
- A-2 List of Subcontractors
- B Funding Plan for Articulated Buses
- C Funding Plan for Hybrid Buses
- D Breakdown of Additional Buses and Seating Capacity

Prepared by: Richard Hunt, General Manager, San Fernando Valley Sector
John Drayton, Manager of Vehicle Technology



John B. Catoe, Jr.
Deputy Chief Executive Officer



Roger Snoble
Chief Executive Officer

**BOARD REPORT ATTACHMENT A
PROCUREMENT SUMMARY**

**EXERCISE OPTION FOR 94 LOW-FLOOR SIXTY-FOOT CNG HIGH CAPACITY
ARTICULATED TRANSIT BUSES**

1.	Contract Number: OP33200646		
2.	Recommended Vendor: North American Bus Industries		
3.	Cost/Price Analysis Information:		
	A. Bid/Proposed Price: NA	Recommended Price: Not to Exceed \$79,091,314 (Including fareboxes or ATMS radios)	
	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: August 1, 2005		
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> Not applicable
	B. Evaluation Methodology: Describe Methodology Details that are in Attachment C-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: Margaret E. Merhoff	Telephone Number: 922-1073	
11.	Project Manager: John Drayton	Telephone Number: 922-5882	

**BOARD REPORT ATTACHMENT A-1
PROCUREMENT HISTORY**

**EXERCISE OPTION FOR 94 LOW-FLOOR SIXTY-FOOT CNG HIGH CAPACITY
ARTICULATED TRANSIT BUSES**

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 500 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 low floor CNG buses for Metro and is currently producing the remainder of 100 composite 45-foot CNG buses, and 200 sixty-foot articulated 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, and is developing a Parts Distribution Location at that facility. The company is publicly traded on the Hungarian Stock Exchange and is well capitalized. There is a low financial or performance risk with this company.

B. Procurement Background

On June 14, 2002, IFB No. OP33200646 was issued and advertised. Three 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 400 additional CNG vehicles. The options are valid until February 27, 2008. 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 60-foot CNG buses since the award of this contract. The original pricing of \$632,914 per vehicle was determined to be reasonable based on a price analysis. During the period since the contract award, the PPI has increased 12.94% or \$81,884 per bus. Based on the PPI increase, the price for each option bus will total \$714,798, not including approved modifications, delivery and sales tax. This pricing was compared to a recent bid that NABI made to the Los Angeles World Airport for six CNG articulated vehicles. The bid price was approximately \$659,014 including delivery.

However, the Metro bus is designed for intercity transit instead of airport use. As such, there are significantly more seats that are manufactured from stainless steel and the bus

design includes stainless steel side panels, rapid change window guards and other features required for graffiti prevention. Along with normal prices increase, a 10% increase was recently issued for all steel products. Thus, the proposed PPI pricing of \$714,798 for each Metro bus is considered reasonable. This figure does not include the estimated cost for the provision and installation of the fareboxes and ATMS radio system, delivery, sales tax, or other previously approved contract modifications. When those figures are included, the price of each bus will total \$841,396.95 per vehicle or \$79,091,314 for the 94 vehicles.

The Diversity & Economic Opportunity Department did not recommend a Disadvantaged Business Enterprise (DBE) participation goal for this bus procurement. 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 \$841,396.95 per vehicle has been determined to be fair and reasonable based upon price analysis derived from comparable historical pricing for similar buses and equipment.

**BOARD REPORT ATTACHMENT A-2
LIST OF PRIME CONTRACTORS AND SUBCONTRACTORS**

**EXERCISE OPTION FOR 94 LOW-FLOOR SIXTY-FOOT CNG HIGH CAPACITY
ARTICULATED TRANSIT BUSES**

Prime Contractor: North American Bus Industries

Subcontractor(s): FAB Industries

FUNDING PLAN FOR ARTICULATED BUSES

94 Articulated Bus Purchase CP 201030

Sources of funds (\$millions)	FY06	FY07	FY08	FY09	FY10	Total
CMAQ- Federal		\$28,400,000				\$28,400,000
Clean Fuel 5309-Federal		7,300,000				7,300,000
Proposition C 40% Discretionary		43,150,000	4,150,000			47,300,000
Total	0	\$78,850,000	\$4,150,000	0	0	\$83,000,000

Uses of funds (\$millions)	FY06	FY07	FY08	FY09	FY10	Total
Acquisition		\$78,050,000	\$3,900,000			\$81,950,000
Professional Services		300,000	100,000			400,000
Labor		500,000	150,000			650,000
Total	0	\$78,850,000	\$4,150,000	0	0	\$83,000,000

FUNDING PLAN FOR HYBRID BUSES

6 ATV Hybrid Bus Purchase CP 200044

Sources of funds (\$millions)	FY06	FY07	FY08	FY09	Total
CFP CMAQ- Federal		\$1,602,625			\$1,602,625
BOS Section 5307 15% Federal		2,000,000			2,000,000
Proposition C 40% Discretionary		1,000,000			1,000,000
Total		\$4,602,625			\$4,602,625

Uses of funds (\$millions)	FY06	FY07	FY08	FY09	Total
Acquisition		\$3,752,625			\$3,752,625
Professional Services		100,000			100,000
Labor/travel		150,000			150,000
Contingency		300,000			300,000
Fareboxes and Radios		300,000			300,000
Total	0	\$4,602,625	0	0	\$4,602,625

ATTACHMENT D

A. Breakdown of New Bus Purchasing Elements of Special Master's 2004 and 2005 Orders:

ELEMENT	STATUS
A. Purchase and Place Into Service 145 New Buses (or equivalent) by June 30, 2005 ¹	Complete. Metro added the equivalent of 5,800 new passenger seats.
B. Procure a total of 381 Replacement Buses (or equivalent) between FY03 and FY07. ²	Underway. Requires addition of 381 buses and 15,240 passenger seats by June 30, 2007.
C. Add 134 New Buses. ³	New.
Total: 660 New Buses (40' Equivalents)	In total, acquisition of at least 660 new 40' buses, or equivalent (at least 26,400 total passenger seats).

B. Breakdown of 660 New Bus Equivalents:

Bus Type	Notes	Quantity	Seats/Bus	Total Seats Added	40' Equivalents
40' Buses	Delivered 2005	75	40	3,000	75
60' Artic	Delivered 2005	30	57	1,710	43
45' Compo Bus	Delivery 2004-2005	100	46	4,600	115
60' Artics	Delivery 2005-2006	170	57	9,690	242
S/T 2005 Buses		375		19,000	475

60' Artics	New contract option	94	57	5,358	134
40' Hybrids	New, via ATVC	6	40	240	6
45' Buses	New procurement ⁴	100	46	4,600	115
S/T New Orders		200		10,198	255
Total New Buses⁵		575		29,198	730

¹ Special Master's Order dated January 12, 2004, page 72, item 3.

² Special Master's Order dated January 12, 2004, page 72, item 2.

³ Special Master's Order dated April 15, 2005, page 28.

⁴ See Board Report 45' Buses for Consent Decree.

⁵ This total reflects all additional new buses that were purchased and the pending buses to be authorized by this Board action since Special Masters January 12, 2004 Order.

