



**OPERATIONS COMMITTEE
APRIL 20, 2006**

SUBJECT: HYBRID SEDANS FOR NON-REVENUE FLEET

ACTION: AUTHORITY TO NEGOTIATE AND AWARD

RECOMMENDATION

A. The Board finds that the bid received for forty hybrid sedans under Public Utilities Code section 130232 has been rejected and the hybrid sedans may be purchased at a lower price on the open market.

B. The Board hereby authorizes purchase of the hybrid sedans on the open market pursuant to Public Utilities Code section 130233.

Requires Two-Thirds Vote

C. Authorize the Chief Executive Officer to award a firm fixed price contract to a firm or firms that can offer the best combination of price and delivery schedule for forty hybrid sedans for a firm fixed price/amount not to exceed \$1,080,000 inclusive of sales tax.

ISSUE

The Non-Revenue Department has a requirement for forty hybrid sedans. The sedans are for the replacement of our current vehicles assigned to the CEA fleet. These vehicles are used for operator relief to support the changing of bus drivers while the bus remains on its scheduled line and run. This is a daily activity that is instrumental in supporting our core business. These vehicles replace an existing fleet that exceeds the FTA replacement guidelines, as well as, Metro's six-year/100,000 miles replacement model. When vehicles meet these guidelines, they are identified for replacement and disposed of through salvage per FTA requirements and Metro policy. Metro normally purchases non-revenue vehicles by sealed bidding, however, because of the high desirability of these vehicles, availability is low and attempts to solicit bids in the normal manner have failed.

FINANCIAL IMPACT

Funds for this action are included in the FY06 budget under Cost Center 3434, Non-Revenue Operation, Account Code 53106, and Project 208002 Bus System Support Replacement Non-Revenue Vehicles.

DISCUSSION

On January 9, 2006, Metro issued Invitation for Bid (IFB) No.OP34341804 to supply hybrid sedans. Market research indicated that vehicles of the type Metro requires are in very short supply due to strict allocation by the manufacturers and high demand, and that it was highly unlikely a single dealer could offer the full quantity. The IFB requested bidders to offer as many vehicles as they could and advised that award would be made, first to the low bidder, then to the next low, etc. until the full requirement was met, provided the prices were reasonable. Notwithstanding these provisions, Metro received a single reasonable, responsive bid for a quantity of only one vehicle despite outreach efforts to all major local dealerships. It is therefore necessary to conduct discussions with one or more dealers to attempt to arrive at delivery schedules and prices that would allow Metro to meet its requirements.

A second factor in the discussions arises out of the Federal Energy Policy Act of 2005. Under the Act, buyers of certain hybrid vehicles are entitled to federal income tax credits, unless, as with Metro, the buyer pays no tax. In those cases, the seller may claim the credit, and the benefit of that credit should be reflected in the price Metro pays. There is, however, still widespread confusion in the industry regarding the Act and discussions are necessary to ensure the best pricing available.

Open market purchase, pursuant to Public Utilities Code section 130233, will result in more favorable terms and availability to Metro.

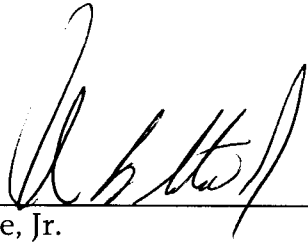
NEXT STEPS

The Contracting Officer will conduct negotiations with as many offerors as may be necessary to fulfill the Metro requirement for hybrid sedans at fair and reasonable prices.

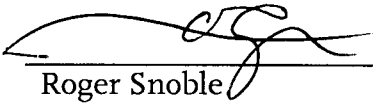
ATTACHMENT(S)

A. Procurement Summary

Prepared by: Harold Torres,
Equipment Maintenance Supervisor



John B. Catoe, Jr.
Deputy Chief Executive Officer



Roger Snoble
Chief Executive Officer

**BOARD REPORT ATTACHMENT A
PROCUREMENT SUMMARY**

HYBRID SEDANS FOR NON-REVENUE FLEET

1.	Contract Number: OP34341804		
2.	Recommended Vendor: None		
3.	Cost/Price Analysis Information:		
	A. Bid/Proposed Price: \$26,584.13	Recommended Price: N/A	
	B. Details of Significant Variances are in Attachment A-1.D		
4.	Contract Type: Firm Fixed Price		
5.	Procurement Dates:		
	A. Issued: January 9, 2006		
	B. Advertised: February 28, 2006		
	C. Pre-bid Conference: N/A		
	D. Bids Due: March 9, 2006		
	E. Pre-Qualification Completed: N/A		
	F. Conflict of Interest Form Submitted to Ethics: N/A		
6.	Small Business Participation:		
	A. Bid/Proposal Goal: 0%	Date Small Business Evaluation Completed: N/A	
	B. Small Business Commitment: N/A		
7.	Invitation for Bid/Request for Proposal Data:		
	Notifications Sent: 12	Bids/Proposals Picked up: 8	Bids/Proposals Received: 1
8.	Evaluation Information:		
	A. Bidders/Proposers Names: Kaiser Brothers	<u>Bid/Proposal Amount:</u> \$26,584.13 (Bid quantity – 1 each)	<u>Best and Final Offer Amount:</u> N/A
	B. Evaluation Methodology: N/A.		
9.	Protest Information:		
	A. Protest Period End Date: April 17, 2006		
	B. Protest Receipt Date: TBD		
	C. Disposition of Protest Date: TBD		
10.	Contract Administrator: Otto Ojong	Telephone Number: 213-922-1454	
11.	Project Manager: Harold Torres	Telephone Number: 562-658-0231	