



Metro

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**OPERATIONS COMMITTEE
MARCH 15, 2007**

**SUBJECT: FY08 REGIONAL REBUILD CENTER (RRC) ENGINE
REPLACEMENT PROGRAM**

ACTION: ESTABLISH LIFE-OF- PROJECT BUDGET

RECOMMENDATION

Authorize the Chief Executive Officer to:

- A. Establish a life of project budget for the FY08 RRC Engine Replacement Program Capital project #203015 in the amount of \$11,000,000.
- B. Approve the addition of 16 full-time equivalents (FTEs) to the FY08 budget to cost centers 3441, 3442, and 3443 (Central Maintenance) and 2 FTEs to cost center 6350 (Logistics) for the RRC Engine Replacement Program.

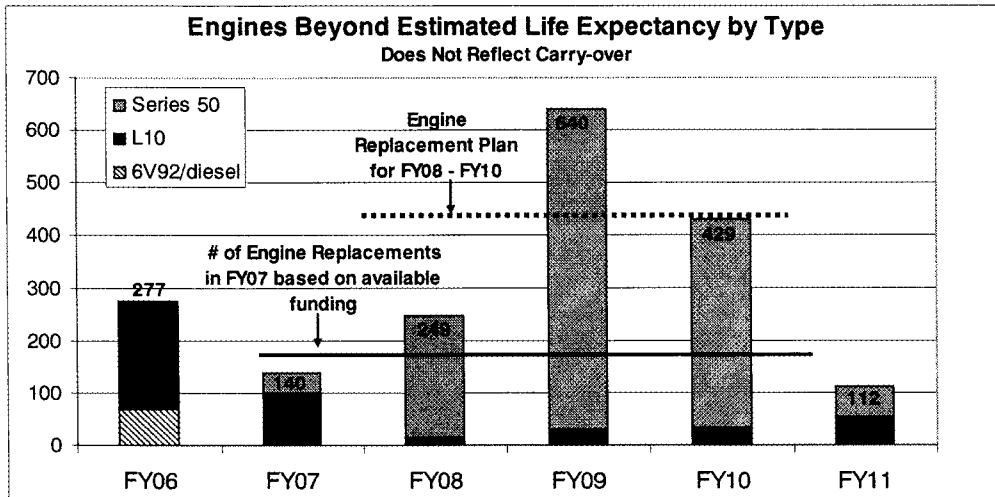
RATIONALE

Metro staff analysis indicates that in FY08 bus engines will begin failing at a rate considerably higher than Bus Maintenance's current replacement ability. A total of 1,249 buses were procured between the years of 1999 – 2001 and it is estimated that the engines from these buses, in addition to 69 other buses purchased before 1999 or after 2001, will begin to fail in the next three years.

Metro bus procurement contracts, in accordance with the American Public Transportation Association recommendations, specify that the bus engine must be free from defects for five years or 300,000 miles. The average mileage used to estimate failures of the Series 50 CNG engine to be replaced is 350,000; however engines may run beyond that point and some will fail earlier. The estimate for a failure is based on engine problems already encountered by Metro and other transit agencies. For example, South Coast Area Transit has a fleet of 46 buses that run the Series 50 CNG engine and they have had 6 failures at the following mileages: 259k, 300k, 341k, 331k, and 389k.

A pro-active approach to replacing engines prior to failure is a common method used by large transit agencies and is not indicative of a lack of maintenance.

The graph and table below represent the estimated engine failures by type for each fiscal year. In FY08, the number of engines estimated to fail exceeds the amount of engines that Central Maintenance can replace based on the FY07 budget. Without increased funding, the number of buses above the solid line on the graph in FY08, FY09 and FY10 will be out of service due to failed engines.



	FY08	FY09	FY10
Estimated Failures	249	640	429
Current Budget Level for Engine Replacements	170	170	170
Buses Out of Service	79	470	259
% of fleet	3.1%	18.6%	10.3%
Proposed Plan	420	429	435

Requested funding for the RRC Engine Replacement is based on the amount of labor hours and parts required by Central Maintenance to remove, assemble and install 170 engine packages. A scope of work will detail each task involved in the RRC Engine Replacement program ensuring that unless there is a significant fluctuation in the cost of parts, the proposed budget will be expended in full in FY08.

In Central Maintenance, an additional 16 FTEs will be required to complete the project objective of 170 engine replacements including mechanics and an equipment maintenance supervisor.

Inventory Management will also require two FTEs to manage the increased workload of the RRC Engine Replacement program. The stock clerk positions will receive, process, kit, issue, deliver and account for inventory disbursements from the central warehouse to production shops.

In January 2005, the Board adopted the FY06 Financial Standards, which require that all capital projects with expenditures greater than \$5 million be approved by the Board separate

from Metro's annual budget approval process. The RRC Engine Replacement Program will be a recurring project within Metro's annual budget.

FINANCIAL IMPACT

Funding for capital project #203015 will be included in the FY08 budget in cost center number 3500. This capital project has been approved by the Executive Capital Investment committee and is proposed to be funded in the FY08 capital program with local funds.

In FY08, \$8.9 million will be allocated for parts/materials and contingency; \$2.1 million will be allocated for labor. A detailed financial plan is included in Attachment A.

ALTERNATIVES CONSIDERED

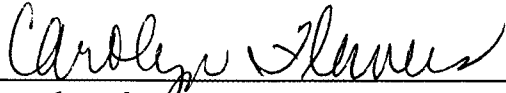
Failing to proceed with the RRC Engine Replacement Program could negatively impact the performance and reliability of Metro buses. Without replacement engines, buses will begin to fail forcing them to be removed from operation for repair, thereby impacting service.

Postponing the RRC Engine Replacement Program until FY09 or beyond will result in the need for additional FTEs and will increase the probability of buses being removed from service.

ATTACHMENTS

- A. Capital Project Funding Plan

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Interim Chief Operations Officer



Roger Snoble
Chief Executive Officer

FY08 RRC ENGINE REPLACEMENT (CP 203015)

Sources of funds (\$millions)	FY07	FY08	FY09	FY10	FY11	FY12	Total
FY08 CP Local Funds		11.000					11.000
							0.000
							0.000
							0.000
							0.000
							0.000
Total	0	11.000	0	0	0	0	11.000

Uses of funds (\$millions)	FY07	FY08	FY09	FY10	FY11	FY12	Total
Acquisition							0.000
Pro Services							0.000
Labor		2.126					2.126
Parts/Material		8.741					8.741
Contingency		0.133					0.133
Total	0	11.000	0.000	0.000	0.000	0.000	11.000

