Agenda – Executive Policy Committee – March 14, 2012

Report – Standing Policy Committee on Infrastructure Renewal and Public Works – March 5, 2012 adjourned to March 6, 2012

Item No. 3 Transit Fleet Expansion via Purchase of Pre-Owned Articulated Buses

STANDING COMMITTEE RECOMMENDATION:

On March 6, 2012, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the recommendation of the Winnipeg Public Service and submits the following to Council:

1. That the Transit Department be authorized to purchase 20 pre-owned 60-foot articulated buses from New Flyer Industries Canada ULC at a capital cost of $1,134,200 (i.e. $1,060,000 plus PST), GST extra as applicable, on a single source basis.

2. That the purchase be funded through the 2012 Transit Bus project with additional funding of $1,170,000 allocated from retained earnings and $500,000 allocated from the 2011 Transit Bus project, to fund the acquisition, refurbishment and outfitting of the buses; the acquisition of required maintenance equipment; and the lengthening of bus stops to accommodate the 60-foot articulated buses.

3. That the refurbished articulated buses be introduced into service in 2014, or sooner if possible, and that the increased operating costs for the additional buses ($2,232,500 annually; net $1,166,250 after Provincial share) be referred to the 2013 and 2014 budget processes.

4. That in 2013, the staff establishment for the Transit Department be increased by 20 bus operators, 3 mechanics, and 1 bus servicer for the operation and maintenance of the additional buses.

5. That authorization be granted for expenditures of up to $2,000,000 in 2012 and prior to the adoption of the 2013 Capital Budget as a first charge on the 2013 Transit Building Expansion and Upgrading Project, in accordance with Subsection 288(2) of The City of Winnipeg Charter, to allow for an increase in scope to the Transit Building Replacement/Refurbishment Project.

6. That increased annual funding in the amount of $750,000 to the Transit Buses capital program for the ongoing replacement of articulated buses in 2016 and beyond be referred to the 2013 Capital Budget process.

7. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Agenda – Executive Policy Committee – March 14, 2012

Report – Standing Policy Committee on Infrastructure Renewal and Public Works – March 5, 2012 adjourned to March 6, 2012

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On March 6, 2012, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: **Transit Fleet Expansion via Purchase of Pre-Owned Articulated Buses**

Critical Path: **Standing Policy Committee on Infrastructure Renewal and Public Works – Executive Policy Committee – Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
Dave Wardrop	Dave Wardrop	Mike Ruta	Deepak Joshi COO

RECOMMENDATIONS

1.) That the Transit Department be authorized to purchase 20 pre-owned 60-foot articulated buses from New Flyer Industries Canada ULC at a capital cost of $1,134,200 (ie. $1,060,000 plus PST), GST extra as applicable, on a single source basis.

2.) That the purchase be funded through the 2012 Transit Bus project with additional funding of $1,170,000 allocated from retained earnings and $500,000 allocated from the 2011 Transit Bus project, to fund the acquisition, refurbishment and outfitting of the buses; the acquisition of required maintenance equipment; and the lengthening of bus stops to accommodate the 60-foot articulated buses.

3.) That the refurbished articulated buses be introduced into service in 2014, or sooner if possible, and that the increased operating costs for the additional buses ($2,232,500 annually; net $1,166,250 after Provincial share) be referred to the 2013 and 2014 budget processes.

4.) That in 2013, the staff establishment for the Transit Department be increased by 20 bus operators, 3 mechanics, and 1 bus servicer for the operation and maintenance of the additional buses.

5.) That authorization be granted for expenditures of up to $2,000,000 in 2012 and prior to the adoption of the 2013 Capital Budget as a first charge on the 2013 Transit Building Expansion and Upgrading Project, in accordance with Subsection 288(2) of The City of Winnipeg Charter, to allow for an increase in scope to the Transit Building Replacement/Refurbishment Project.

6.) That increased annual funding in the amount of $750,000 to the Transit Buses capital program for the ongoing replacement of articulated buses in 2016 and beyond be referred to the 2013 Capital Budget process.

REASON FOR THE REPORT

Council approval is required for a first charge for an expenditure of capital funds prior to the adoption of the 2013 Capital Budget and approval is required to appropriate retained earnings.

Council may approve single source negotiations and the award of contract in accordance with the Materials Management Policy.

IMPLICATIONS OF THE RECOMMENDATIONS

Operational Impacts

Current constraints on bus storage and servicing facilities and the need for additional refurbishment and outfitting activities by Winnipeg Transit will not enable placing the articulated units into service prior to 2014, or possibly late 2013 at the earliest. New Flyer Industries Canada ULC ("New Flyer Industries") has agreed to include heated indoor storage in Winnipeg and access to the buses as part of the purchase agreement for a period of two years after delivery. This would provide Winnipeg Transit with the time required to undertake the refurbishing and outfitting work as off-peak, low priority, maintenance work, and would also provide the time required to complete the building facilities expansion underway at the Fort Rouge Transit Base. With the expansion at Fort Rouge and the refurbishment and outfitting of the articulated buses completed, the 20 buses will be placed into regular service.

The operational strategy employed with the expanded fleet would be to dispatch the 60-foot articulated buses during weekday peak periods to augment existing service and alleviate much of the overcrowding and pass-ups that are occurring.

Limiting the operation of these buses to weekday peak periods would help manage future operating costs, provide much needed additional peak capacity to the system, and would limit the annual mileage accumulated on the pre-owned units. The added capacity of 60-foot articulated buses will reduce the need to add extra trips to the schedules of some routes and may free up some standard buses for use elsewhere in the system. Given the pre-owned nature of the articulated buses, a spare bus ratio of 20% would be employed, as opposed to Winnipeg Transit's current spare bus ratio of approximately 11%. Operating 16 articulated buses for 7 hours each weekday could relieve many instances of peak period overcrowding on several of the City's most heavily used routes.

The 60-foot buses will require an increase in scope to the Fort Rouge facilities expansion in order to accommodate larger fleet operations in the near term.

Capital Cost Implications

Proceeding with the purchase of twenty 60-foot articulated buses is expected to result in the following capital costs:

Capital Expense	
Bus Purchase	$1,134,200
Outfitting and Refurb (farebox, surveillance and data/communications systems)	825,800
Shop Equipment (hoists, tools)	110,000

Bus Stop Extensions (to accommodate 3 door 60-foot buses)	150,000
Total Capital Required	$2,220,000

Funding Sources

2011 Transit Buses Capital Project	$ 500,000
2012 Transit Buses Capital Project	550,000
Retained earnings	1,170,000
Total funding available	$2,220,000

To ensure established levels of service are maintained after the articulated buses reach the end of their useful life, funding for one to two articulated buses will also need to be added to the annual bus replacement program commencing in 2016.

In addition to the capital cost implications outlined above, the 60-foot buses will require an increase in scope to the Transit Building Replacement/Refurbishment Project that has been scheduled for construction beginning in 2012. The additional cost of approximately $2 million for this will be accommodated within the capital program for the Transit Building Replacement/Refurbishment, but will require a first call on the 2013 capital budget in order to award the construction contract.

Operating Cost Implications

The financial implications of the additional service proposed are as follows:

Full Time Equivalent Positions

Bus Operators	20
Mechanics	3
Bus Servicers	1
Total FTEs	24

Operating Costs (in approximate 2014 dollars)

Salaries and Benefits	$1,533,000
Bus Parts	234,000
Motive Fuels	528,000
Insurance	25,500
Other	12,000
Total Operating Costs	$2,332,500

The above operating costs would be shared 50% with the Province, resulting in a total annual operating cost to the City of $1,166,250.

HISTORY

In recent years, renewed growth in Transit demand has steadily consumed the current Transit System's capacity to the point where pass-ups and overcrowding have become a frequent occurrence. Ridership growth in excess of the City's population growth rate has become the norm and is expected to continue.

As part of a recent purchase agreement with the City of Ottawa, New Flyer Industries accepted 226 60-foot articulated buses as trade-in vehicles from the City of Ottawa. These buses were built between 2001 and 2004.

Winnipeg Transit has been approached by New Flyer Industries and offered the opportunity to purchase a number of these buses at less than 10% of their $625,000 value as new vehicles. The negotiated purchase price of $53,000 plus PST per vehicle includes delivery to Winnipeg, two years of indoor heated storage, and approximately $11,500 per bus of refurbishment to be undertaken by New Flyer Industries. The offer represents a rare and timely opportunity to undertake substantive and needed fleet expansion in a cost effective manner.

In these circumstances Council may authorize single source negotiations and the award of this recommended contract with New Flyer Industries. B4.1(e) of the Materials Management Policy provides that the solicitation of competitive offers is not required when the cost of solicitation of competitive offers is reasonably anticipated to exceed the benefits thereof, as is the case for this proposed purchase. Similarly, the Agreement for Internal Trade includes a provision permitting sole supplier procurement for the purchase of goods under exceptionally advantageous circumstances such as bankruptcy or receivership, but not for routine purchases. This proposed purchase is not a routine purchase and the price, storage and refurbishment that has been offered by New Flyer Industries is an exceptionally advantageous offer.

New Flyer Industries has agreed to hold our selected units until the end of March. As such, final approval of the purchase must occur prior to this deadline.

FINANCIAL IMPACT

Financial Impact Statement **Date:** January 18, 2012

Project Name: **First Year of Program ::** **2012**

Transit Fleet Expansion via Purchase of Pre-Owned Articulated Buses

	2012	2013	2014	2015	2016
Capital					
Capital Expenditures Required	$ 2,220,000	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	1,050,000	-	-	-	-
Additional Capital Budget Required	$ 1,170,000	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal		$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Retained earnings	1,170,000	-	-	-	-
Total Funding	$ 1,170,000	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ 1,170,000				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ -	$ 375,000	$ 2,332,500	$ 2,379,150	$ 2,426,733
Less: Incremental Revenue/Recovery	-	187,500	1,166,250	1,189,575	1,213,366
Net Cost/(Benefit)	$ -	$ 187,500	$ 1,166,250	$ 1,189,575	$ 1,213,367
Less: Existing Budget Amounts	-	-			-
Net Budget Adjustment Required	$ -	$ 187,500	$ 1,166,250	$ 1,189,575	$ 1,213,367

Additional Comments: Total capital costs related to the purchase of the 20 articulated buses is expected to be $2.22 million including all outfitting costs. Funding is available in the 2011 and 2012 Transit Bus capital projects totalling $1.05 million leaving $1.17 million required to be appropriated from retained earnings in order to make this purchase. Operation of the new articiulated units will begin in late 2013 or early 2014 depending on timing of applicable service change if approved. Timing of the additional operating costs associated with additional service will correspond to the in-service date of the units and will be shared 50% with the Province of Manitoba.

Tanis Yanchishyn, CA
Manager of Finance and Administration

CONSULTATION

In preparing this report there was consultation with:

None

SUBMITTED BY

Department: Transit
Prepared by: D. Wardrop
Date: January 26, 2012