Agenda – Executive Policy Committee – September 12, 2018

Moved by Councillor xxx,

That Rule 10(3) of The Procedure By-law No. 50/2007 be suspended in order that the following item, which was received less than four business days preceding the committee meeting, be considered by Committee.

ADDENDUM REPORTS

Item No. 17 Approval of Contract Extension No. 3, for the Supply and Delivery of Heavy-Duty 60 Ft. Low-Floor Transit Buses, Bid Opportunity 631-2014

STANDING COMMITTEE RECOMMENDATION:

On September 7, 2018, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the recommendation of the Winnipeg Public Service and recommended to the Executive Policy Committee:

1. That the City enter into, execute and deliver extension #3 of a contract for the Supply and Delivery of Heavy Duty Low Floor Transit Buses with New Flyer Industries Canada ULC from February 18th, 2018 to February 17th, 2019, up to an amount of $23,617,076, GST and MRST extra as applicable, and such other agreements as determined necessary by the City Solicitor / Director of Legal Services to implement the intent of the foregoing (the "Ancillary Agreements").

2. That authority be delegated to the Director of Transit to negotiate and approve the terms and conditions of extension #3 of a contract for the Supply and Delivery of Heavy Duty Low Floor Transit Buses with New Flyer Industries Canada ULC from February 18th, 2018 to February 17th, 2019, up to an amount of $23,617,076, GST and MRST extra as applicable, and the Ancillary Agreements, in accordance with this Report and such other terms and conditions deemed necessary by the City Solicitor / Director of Legal Services to protect interests of the City.

3. That the addition of 1.5 Mechanic FTE positions and .5 FTE Body Repairer positions be referred to the 2020 Operating Budget Process.

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

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On September 7, 2018, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the recommendation of the Winnipeg Public Service and forwarded the matter to the Executive Policy Committee.

ADMINISTRATIVE REPORT

Title: Approval of Contract Extension No. 3, for the Supply and Delivery of Heavy-Duty 60 Ft. Low-Floor Transit Buses, Bid Opportunity 631-2014

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

AUTHORIZATION

Author	Department Head	CFO	CAO
G. Kuhl	G. Ewankiw	M. Ruta	D. McNeil

EXECUTIVE SUMMARY

Transit is recommending the purchase of up to 28 Heavy-Duty 60 Ft. Low-Floor Transit Buses under its 2016 adopted capital budget.

Sufficient funding for this award exists in the 2016 Transit buses capital project.

The purchase of 60 Ft. articulated buses is necessary to accommodate fleet replacement, alleviate high passenger loads on several routes, reduce instances of customers being passed up by full buses, and prepare for the opening of Stage 2 of the Southwest Transit-way.

Recommendation 1 in this Report does not appear to correspond to an exception that would allow this recommended procurement under the various trade agreements, but does comply with the City's Materials Management Policy.

RECOMMENDATIONS

1. That the City enter into, execute and deliver extension #3 of a contract for the Supply and Delivery of Heavy Duty Low Floor Transit Buses with New Flyer Industries Canada ULC from February 18th, 2018 to February 17th, 2019, up to an amount of $23,617,076, GST and MRST extra as applicable, and such other agreements as determined necessary by the City Solicitor / Director of Legal Services to implement the intent of the foregoing (the “Ancillary Agreements”).

2. That authority be delegated to the Director of Transit to negotiate and approve the terms and conditions of extension #3 of a contract for the Supply and Delivery of Heavy Duty Low Floor Transit Buses with New Flyer Industries Canada ULC from February 18th, 2018 to February 17th, 2019, up to an amount of $23,617,076, GST and MRST extra as

applicable, and the Ancillary Agreements, in accordance with this Report and such other terms and conditions deemed necessary by the City Solicitor / Director of Legal Services to protect interests of the City.

3. That the addition of 1.5 Mechanic FTE position and .5 FTE Body Repairer position be referred to the 2020 budget process.

4. That the proper officers of the City be authorized do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

As Recommendation 1 of this report does not appear to correspond to an exception that would allow this recommended procurement under the various trade agreements, approval of Executive Policy Committee is required pursuant to section B.1.1 (b) of the Materials Management Policy.

IMPLICATIONS OF THE RECOMMENDATIONS

The purchase of 60 Ft. articulated buses will replace end of life 40 Ft. buses on a one to one basis. The additional 32% passenger capacity will alleviate passenger pass-ups related to full buses.

The purchase of up to twenty eight (28), 60 Ft., articulated buses constitutes a change in work, related to the quantity, of the current bus contract, BO 631-2014.

> *As per D2.4 of BO 631-2014;*
> *The City reserves the right to negotiate with the successful Bidder for the purchase of one (1) sixty-foot articulated diesel transit bus in any of the second, third, fourth, or fifth year of the contract.*

The number and value of buses purchased under this extension #3, Bid Opportunity 631-2014, will remain approximately the same as in previous years.

The additional purchase is necessary to accommodate fleet replacement, alleviate high passenger loads on several routes, reduce instances of customers being passed up by full buses, and prepare for the opening of Stage 2 Southwest Transit-way.

With the extension of the Garage at 421 Osborne Street, Transit is able to accommodate the servicing and repairs on more 60 Ft. buses giving us the opportunity to address the aforementioned service requirements.

The additional 20 Ft. per bus will increase department operating costs for bus parts, fuel, salaries and benefits as the buses require more space and utilize an additional axle, suspension, brakes, hydraulics, articulated joint, seats, windows, joint fabric and material. As well, the buses also operate with a larger engine, transmission, heating and air conditioning system. The additional operating cost implications for the 28 buses are anticipated to be $922 thousand in 2020 (the first full year in operation) and increase thereafter with inflation and age related repairs.

The 1.5 additional FTE Mechanic position and a .5 FTE Body Repairer position will be referred to in the 2020 budget process. In addition, the department monitors bus parts expenditures and will allocate sufficient funding for the estimated bus parts costs through the budget process annually.

Sufficient funding for this award exists in the 2016 Transit buses capital project.

HISTORY/DISCUSSION

The Winnipeg Transit Bus Replacement Program requires annual replacement of buses to maintain safe, efficient and reliable service.

Service demand increases have resulted in fleet expansion from about 545 buses at the beginning of 2011 to 582 buses in 2014. Fifty eight new buses purchased under the 2013 and 2014 Transit Buses Capital Projects allowed fleet expansion to continue, reaching 625 buses by the end of 2015.

Bid Opportunity 631-2014 includes the following provisions:

1. The option to renew the contract on an annual basis for the years 2016 to 2019.
2. Firm unit price for 2015, and subsequent prices to be adjusted based on:
    a. Annual price adjustment for inflation to be no greater than that indicated in Statistics Canada Monthly Industrial Product Price Index CANSIM 33612: Heavy-duty truck manufacturing (V53384949). The price adjustment is calculated as the percentage change in the average of the monthly index within the previous two (2) years.
    b. Price adjustments for government mandated build changes or environmental enhancement to be demonstrably equivalent to or lower than competitor manufacturers, for the class of unit.
    c. Price adjustments for technological improvements to be justifiable on a life cost basis and demonstrably equivalent to or lower than competitor manufacturers, for the class of unit.
3. Provisions are included as follows:
    a. The City shall have no obligation under the Contract to purchase any quantity of any item in excess of its actual operational requirement.

b. The City will have, at its sole discretion, the right to vary the amounts, or to not place an order, in any year if budgets or operational changes occur, or if it is in the best interest of the City to vary the amounts.

Bid Opportunity 631-2014, Supply and Delivery of Heavy-Duty 40 Ft. Low-Floor Transit Buses, closed at 16:00, Wednesday, August 20, 2014 with New Flyer Industries Canada ULC being the successful bidder. At its meeting on September 24, 2014, Council adopted a recommendation to award a contract for the Supply and Delivery of Transit Diesel Buses to New Flyer Industries Limited (now known as New Flyer Industries Canada ULC) for up to a maximum term of 5 years. The contract was awarded on October 1, 2014. The original contract was for the period of seventy-two (72) weeks from date of award. The original contract ran until February 17, 2016. The contract allowed for four (4) mutually agreed upon extensions.

On April 25, 2016, the contractor, New Flyer Industries Canada ULC, agreed to our request of a contract extension of Bid Opportunity 631-2014 for the period of February 18, 2016 until February 17, 2017 with a total price of $15,980,797.91. The price increase was 13.45 %, calculations based on the price adjustments allowed for in D2.2. This bus order delivery was completed in September 2017.

On May 29, 2017, the contractor, New Flyer Industries Canada ULC, agreed to our request of a contract extension of Bid Opportunity 631-2014 for the period of February 18, 2017 until February 17, 2018 with a total price of $40,947,225.75 GST and MRST extra as applicable.

Based on the Statistics Canada Monthly Industrial Product Price Index CANSIM 33612; Heavy-duty truck manufacturing (V53384949), the price per bus for this order will be $545,963.01 plus GST and MRST. This is an increase of approximately 2.2% over the price for the previous order of 30 buses placed in 2016. The delivery of these buses is currently in process, with delivery of the final bus before March 31, 2019.

On May 8, 2018, the contractor, New Flyer Industries Canada ULC, provided a quote, for 60 Ft. Low Floor Buses, in the amount of $843,467 per bus, GST and MRST extra as applicable.

The purchase of 28 buses would be the third one-year contract extension, for the period of February 18, 2018 until February 17, 2019, with a total price of $23,617,076, GST and MRST extra as applicable. The delivery of these buses is subject to a mutually agreed time-frame beginning in March 2019.

The increased purchase would bring the total 60 Ft. articulated bus count to forty-eight (48).

The Transit Department is of the opinion that New Flyer Industries Canada ULC has the necessary resources and experience to perform all of the work in accordance with the requirements of the specifications. If additional funding becomes available during the term of this contract, approval of the orders for additional buses will be in accordance with the

delegated award authorities in the Materials Management Policy and Administrative Standard FM-002.

This procurement is subject to the *Canada European Union Comprehensive Economic and Trade Agreement* (“CETA”) and the *Canadian Free Trade Agreement* (“CFTA”). The CETA and CFTA does not appear to contain an exception that would allow this recommended procurement. In the opinion of the public service, there is a risk a complaint could be brought against The City of Winnipeg pursuant to CETA and CFTA should EPC approve this procurement.

If the Transit Department intends to purchase additional 60 foot articulated buses following this extension it will only do so through a public Bid Opportunity.

FINANCIAL IMPACT

Financial Impact Statement

Date: July 11, 2018

Project Name:

First Year of Program **2019**

Approval of Contract Extension No. 3, for the Supply and Delivery of Heavy-Duty 60 Ft. Low-Floor Transit Buses, Bid Opportunity 631-2014

	2019	2020	2021	2022	2023
Capital					
Capital Expenditures Required	$ 25,506,442	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	25,506,442	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs		$ 922,166	$ 1,000,464	$ 1,020,473	$ 1,040,882
Less: Incremental Revenue/Recovery	550,200				
Net Cost/(Benefit)	$ (550,200)	$ 922,166	$ 1,000,464	$ 1,020,473	$ 1,040,882
Less: Existing Budget Amounts	(550,200)	759,290	834,330	851,017	868,037
Net Budget Adjustment Required	$ -	$ 162,876	$ 166,134	$ 169,456	$ 172,845

Additional Comments:

Capital expenditures reflect award amount of $843,467 per bus totalling $23,617,076 plus 8% MRST based on a purchase of 28 buses. If less buses are ordered costs will be less. Amount will be funded by the 2016 Transit Buses capital project and will be delivered starting in 2019. Direct costs reflect incremental bus parts and salary costs required as a result of larger bus fleet and stringent emission control standards. Incremental salary costs will be referred to the 2020 budget process. Operating budget for bus parts is being monitored annually and any required increases will be requested through the budget process. Incremental revenue reflects interest and administration overheads charged to the capital projects. Net Budget Adjustment reflects the increased salary expenses which will be referred to the 2020 budget process, but award of this contract is not contingent on these resources being appropriated.

original signed by:

Laurie Fisher, CPA, CA

Manager of Finance and Administration

CONSULTATION

This Report has been prepared in consultation with:

Legal Services Department (as to legal issues)

OURWINNIPEG POLICY ALIGNMENT

01-01b Key Directions for the Entire City- Key directions for connecting and expanding our sustainable transportation and infrastructure network.

SUBMITTED BY

Department: Transit
Division: Plant & Equipment
Prepared by: Glen Kuhl, Manager of Plant & Equipment
Date: July 11, 2018
File No: 631-2014