

Date: July 27, 2016

To: Board of Directors

From: Neil McFarlane *Neil McFarlane*

Subject: RESOLUTION 16-07-50 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING A CONTRACT WITH GILLIG LLC FOR PURCHASE OF FIXED ROUTE BUSES FOR FLEET REPLACEMENT AND SERVICE EXPANSION

1. Purpose of Item

The purpose of this item is to request that the TriMet Board of Directors (“Board”) authorize the General Manager to execute a contract with Gillig LLC (“Gillig”) for purchase of fixed route buses for fleet replacement and service expansion.

2. Type of Agenda Item

- Initial Contract
- Contract Modification
- Other _____

3. Reason for Board Action

Board authorization is required for all goods or services contracts obligating TriMet to pay in excess of \$500,000.

4. Type of Action:

- Resolution
- Ordinance 1st Reading
- Ordinance 2nd Reading
- Other _____

5. Background

The Board authorized TriMet’s current bus procurement contract in September 2013 for purchase of up to 262 fixed route buses. Completed and scheduled deliveries under the current contract, which is with Gillig, are as follows:

TriMet Fiscal Year	FY15	FY16	FY17	FY18	FY19	Total
Deliveries	30*	77 + 4 hybrid	50	57	44	262

* another 30 buses were also delivered in FY15 under the preceding bus procurement contract.

The small number of urban transit bus manufacturers for the United States market have order backlogs of approximately 2 years. TriMet decided to solicit for its next bus purchase contract in early 2016 to have a successor contract in place by mid-2016 to provide for continuing annual deliveries of buses when the current contract ends.

Regular annual replacement of about 1/16 of TriMet's fleet is needed to sustain a desired average fleet age of about 8 years as an asset management best practice. In addition to regular bus replacement, TriMet is committed to annually expand service, as reflected by the Board's September 2015 action to amend the TriMet payroll tax rates over 10 years. The rate increase will fund growth in TriMet service consistent with the Portland area's Regional Transportation Plan. Therefore, TriMet needs to have successive bus procurement contracts in place to ensure deliveries of buses every year in quantities that simultaneously replace and expand the bus fleet.

The term of the proposed contract provides for buses to be delivered between FYs 2019-2023. TriMet must order all buses within five years of the effective date of the contract to comply with federal contracting law, (49 USC 5325(e)(1)(A)), which prohibits a transit agency from entering into a multi-year contract for buses with options exceeding five (5) years after the date of the original contract. This requirement ensures that transit agencies regularly resolicit the bus manufacturing market for their bus purchases.

The last delivery of buses under TriMet's current bus procurement contract is a FY2019 delivery of 44 buses. TriMet needs more than 44 buses to be delivered in FY2019 because of the pace of annual service expansion committed by the September, 2015 payroll tax increment. Generally, in each fiscal year from FY2017 onward, TriMet needs to receive 44 to 46 buses for replacement (i.e., about 1/16 of the fleet to be replaced annually), plus about 17 to 25 buses for service expansion. Therefore, the FY2019 first delivery under this new contract, which comprises the "minimum order" of the contract, is for 33 buses. The combined FY2019 orders of 44 buses under the current contract, and 33 buses under the proposed contract, mean that TriMet is planning to receive a total of 77 buses in FY2019.

By receiving 77 buses in FY2019, TriMet seeks to "catch up" on the smaller FY2017 and FY2018 deliveries under the current contract of 50 and 57 buses, respectively. Following the Board's September 2015 payroll tax increment action, TriMet sought to increase the FY2017 and FY2018 orders under its current bus procurement contract, which until then had been set at 43 buses for each of those two years (i.e., replacement buses only and no buses to accommodate expansion). Gillig increased order quantities for FY2017 and FY2018 to 50 and 57 buses respectively, which were the maximum increases it could accommodate due to abutting scheduled orders committed to other transit agencies. The FY2019 order under the current contract is limited to 44 buses by the total quantity of 262 under the current contract.

Given the above considerations for the FY2019 initial order for the new contract, and TriMet's annual needs for replacement and expansion buses after FY2019, staff determined the following quantities of buses for the new contract procurement:

	Prior Contract	New Contract		
	FY2019	FY2019 Initial Order	FYs2020-2023 Options, up to:	Totals up to:
40' diesel	44	33	249	282
40' hybrid			8	8
30' diesel			10	10
60' articulated diesel (for Powell - Division BRT project)			48	48
Totals	44	33	315	348

Buses delivered to TriMet under the proposed contract will include: low floor design, air conditioning, automatic stop announcements and displays, interior and exterior CCTV cameras, electric engine cooling, and the latest emission reduction technology. Each delivery of buses ordered under the contract will include the latest refinements in safety-related features. Safety, Training, and Bus Maintenance staff, working with the Bus Operator Continuous Improvement Team, will review design details for each bus order. Examples of safety-related improvements included on recent bus deliveries from this process include the location of controls and visual annunciators, operator seat adjustability, steering wheel size, anti-glare film on the operator's road side glass, and mobility ramp improvements.

6. Procurement Process

On February 10, 2016, TriMet issued a Request for Proposals (“RFP”) for a new multi-year bus procurement. The RFP requested respondents offer technical and price proposals for each type of bus: 40' diesel, 40' hybrid, 30' diesel, and 60' articulated diesel. This approach provided TriMet the opportunity to award multiple contracts if the best technical and price proposals for the different types of buses resulted from different proposers.

On April 20, 2016, TriMet received two (2) proposals in response to the RFP from New Flyer Industries (“New Flyer”), and from Gillig, which are the leading transit bus manufacturers in the United States today. A Source Evaluation Committee (“SEC”) comprised of TriMet staff evaluated the proposers’ qualifications and resources, including: experience, past performance, financial resources, engineering and service support resources, organizational diversity, and DBE utilization; and the proposers' technical capabilities, including: design and operating characteristics, life-cycle cost, delivery timeliness, and service support plan.

Of concern to the SEC was that the two proposers did not propose for each bus type:

	40' diesel	40' hybrid	30' diesel	60' articulated diesel
New Flyer	X	X		X
Gillig	X	X	X	

New Flyer did not propose on the 30' diesel bus type, and Gillig did not propose on the 60' articulated diesel bus type. This caused the SEC to review with TriMet Service Planning staff whether those two bus types could be removed from the solicitation when requesting Best and Final Offers (“BAFOs”), in anticipation that re-soliciting those types of buses in the future might result in multiple proposers and better competition. This review resulted in a recommendation, approved by the General Manager, to remove those two bus types when BAFOs were requested, for the following reasons:

- 60' articulated diesel: In April 2016, the timeline for the Powell-Division BRT project was shifted by one year, with delivery of articulated buses needed at the end of 2020,

instead of at the end of 2019. Therefore, a TriMet resolicitation at the beginning of 2018 for articulated buses will still be timely for the BRT project, and by then, proposals from more than one manufacturer are anticipated. In addition, TriMet is interested in the potential for electric articulated buses to be available in the next several years, and a resolicitation at the beginning of 2018 may be able to seek that type of bus.

- 30' diesel: Service Planning staff determined that TriMet's current fleet of 22 30' diesel buses is adequate to meet service needs for routes which require 30' buses, at least through 2020. Therefore, a TriMet resolicitation for BRT articulated buses at the beginning of 2018 could include 30' buses as well, if an increase is needed in TriMet's 30' bus fleet after 2020.

On June 2, 2016, TriMet issued a request for BAFOs for 40' diesel and 40' hybrid buses. Responses were received June 9, 2016. The SEC determined the proposal submitted by Gillig to be the most responsive to the evaluation criteria set forth in the RFP, for both the 40' diesel and 40' hybrid bus types:

Evaluation Criteria	Available Points	Gillig LLC	New Flyer Industries
40' Diesel Buses			
Qualifications and Resources of the Proposer	10	10.00	6.25
Technical Capabilities	45	36.52	28.03
Price Score	45	45.00	43.03
Total	100	91.52	77.31
Proposal Price (for 282 40' diesel buses; 179 as replacement buses, and 103 as expansion buses)		\$ 143,250,412	\$ 149,811,834
40' Hybrid Buses			
Qualifications and Resources of the Proposer	10	10.00	6.25
Technical Capabilities	45	36.19	29.44
Price Score	45	45.00	42.37
Total	100	91.19	78.06
Proposal Price (for 8 40' hybrid buses)		\$ 6,255,566	\$ 6,644,226
Total Proposal Price (for 282 40' diesel buses and 8 40' hybrid buses)		\$149,505,978	\$156,456,060

Gillig's price for each bus type compares closely to staff's independent cost estimates ("ICE"), shown below. These per-bus amounts include training, special tools, and test equipment associated with each bus delivery, but do not include optional spare components and optional extended warranties:

	40' diesel <i>replacement</i> * bus	40' diesel <i>expansion</i> * bus	40' hybrid bus
Gillig per-bus price	\$ 478,907.41	\$ 496,048.30	\$ 743,656.25
ICE per-bus estimate	\$ 483,559.00	\$ 501,243.00	\$ 741,081.00

* A *replacement* bus comes without a radio, operator's mobile data terminal ("MDT"), and communications computer; those components are removed from buses being replaced, and are re-installed on the newly-delivered buses.

* An *expansion* bus (including the 40' hybrids) includes those components when delivered by the manufacturer. Separately, TriMet provides fareboxes, ticket printers, and Hop Fastpass card readers for all newly-delivered buses.

The total proposed contract prices shown above include pricing for optional spare components and optional extended warranties, which are in addition to the per-bus prices.

All dollar figures shown above are in current, 2016 dollars. The contract includes a price escalation provision, based on a specific Producer Price Index pertaining to truck and bus production.

This Resolution requests that the Board authorize the General Manager to execute the contract with Gillig and issue the first-year order for 33 diesel buses (FY2019), and, at his discretion, issue option year orders two through five (FYs2020-2023), subject to available resources and annual budget approvals. Execution of the contract and future options are contingent upon successful pre-award audits as required to ensure compliance with FTA Buy America provisions.

Over the past 20 years, Gillig has delivered nearly 25,000 buses to more than 300 U.S. transit agencies and other customers, including in our local area with TriMet and C-TRAN. TriMet's experience with Gillig under TriMet's current bus procurement contract and references from other agencies are both favorable.

7. Diversity

Gillig manufactures all of its buses at one location in Hayward, CA, and does not subcontract manufacturing of its buses. Gillig submitted TriMet's required workforce diversity form, reflecting 821 total employees, 70% minority and 9.3% female.

FTA regulations regarding participation by Disadvantaged Business Enterprises ("DBEs") in FTA-assisted programs (49 CFR Part 26) require transit vehicle manufacturers to certify compliance with Section 49 of Part 26, to be eligible to bid or propose on FTA-assisted transit vehicle procurements. Section 49 requires transit vehicle manufacturers to submit directly to FTA a DBE participation goal for FTA approval. Gillig's current FTA-approved DBE participation goal is 2.5%. Individual transit agencies have no role in this FTA process.

8. Financial/Budget Impact

Bus purchases under the proposed contract will be funded from a combination of federal and state grants, available operating resources, and bond proceeds. The funding mix for each bus order will vary, and will be part of the budget process for each fiscal year. TriMet will always pursue grant funding opportunities to reduce the amount of revenue bonds needed. Separate Board approval is required before any additional revenue bonds may be issued.

9. Impact if Not Approved

TriMet could suspend or defer bus purchases, but has determined that this is not a recommended option in light of bus replacement and service expansion needs. TriMet has determined that a 15 to 16-year bus replacement life cycle is optimal, and that regular annual replacement of about 1/16 of the fleet (sustaining an average fleet age of about 8 years) is proper asset management for its bus fleet. TriMet is also committed to annually expand service to meet the transit needs of the growing Portland area. Taken together, TriMet needs to have a successor bus procurement contract in place to ensure deliveries of buses every year, in quantities which simultaneously replace and expand the bus fleet.

TriMet could re-solicit for this contract, but is unlikely to get either a better product or better pricing.

RESOLUTION 16-07-50

RESOLUTION OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING A CONTRACT WITH GILLIG LLC FOR PURCHASE OF FIXED ROUTE BUSES FOR FLEET REPLACEMENT AND SERVICE EXPANSION

WHEREAS, TriMet has authority under ORS 267.200 to enter into a contract with Gillig LLC for purchase of fixed route buses for fleet replacement and service expansion (“Contract”); and

WHEREAS, the total amount of the Contract shall exceed \$500,000; and

WHEREAS, the TriMet Board of Directors (“Board”), by Resolution dated November 25, 2009, adopted a Statement of Policies requiring the Board to approve goods and services contracts obligating TriMet to pay in excess of \$500,000;

NOW, THEREFORE, BE IT RESOLVED:

1. That the Contract shall be in conformance with applicable laws.
2. That the General Manager is authorized to execute the Contract.

Dated: July 27, 2016

Presiding Officer

Attest:

Recording Secretary

Approved as to Legal Sufficiency:



Legal Department