

**REPORTS**

**Item No. 1                    Approval of Contract Extension No. 1, for the Supply and Delivery of Heavy-Duty 40 Ft. Low-Floor Transit Buses, Bid Opportunity 631-2014**

**WINNIPEG PUBLIC SERVICE RECOMMENDATION:**

1.        That a contract with New Flyer Industries Canada ULC for the Supply and Delivery of Heavy-duty 40 ft. Low-floor Transit Buses be extended for the period of February 18, 2016 to February 17, 2017 in the amount of \$15,980,797.91 GST and MRST extra as applicable.
2.        That the Director of Transit be authorized to issue a purchase order for 30 Heavy-Duty 40 Ft. Low Floor Transit Buses in the amount of \$15,980,797.91, GST and MRST extra as applicable.
3.        That the proper officers of the City do all things necessary to implement the intent of the foregoing.

**Agenda – Standing Policy Committee on Infrastructure Renewal and Public Works – June 28, 2016**

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On May 31, 2016, the Standing Policy Committee on Infrastructure Renewal and Public Works laid over the matter to its meeting on June 28, 2016.

## ADMINISTRATIVE REPORT

**Title:** Approval of Contract Extension No. 1, for the Supply and Delivery of Heavy-Duty 40 Ft. Low-Floor Transit Buses, Bid Opportunity 631-2014

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

### AUTHORIZATION

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

### RECOMMENDATIONS

1. That a contract with New Flyer Industries Canada ULC for the Supply and Delivery of Heavy-duty 40 ft. Low-floor Transit Buses be extended for the period of February 18, 2016 to February 17, 2017 in the amount of \$15,980,797.91 GST and MRST extra as applicable.
2. That the Director of Transit be authorized to issue a purchase order for 30 Heavy-Duty 40 Ft. Low Floor Transit Buses in the amount of \$15,980,797.91, GST and MRST extra as applicable.
3. That the proper officers of the City do all things necessary to implement the intent of the foregoing.

### REASON FOR THE REPORT

As the total amount to be paid by the City pursuant to the contract exceeds \$5 Million, the Standing Policy Committee on Infrastructure Renewal and Public Works may approve the award of contract pursuant to the Materials Management Policy as there are sufficient funds in an approved budget.

### EXECUTIVE SUMMARY

A purchase of new buses, for 2017 delivery, is required for the following reasons;

- Purchase of buses are necessary to accommodate fleet replacement
- Delaying bus purchases may compromise the overall fleet status
- 2017 emission system components have been reworked and this purchase will provide Transit the opportunity to examine the performance of the new system

### IMPLICATIONS OF THE RECOMMENDATIONS

#### Financial Implications

- (X) Within approved capital 2015 and 2016 budget

Due to a large increase in the price per bus, caused by changes in the Canadian dollar relative to the US dollar and reflected in the Statistics Canada Monthly Industrial Product Price Index, bus purchase costs are higher than previously anticipated. The 2015 capital project anticipated only a 5% increase in the price per bus compared to the 13.45%. The 2016 capital project, approved on March 22, 2016, assumed a 10% increase in the price over the 2015 assumed cost.

## HISTORY

The Winnipeg Transit Bus Replacement Program requires annual replacement of buses to maintain safe, efficient and reliable service. The 30 buses ordered in 2016, under contract 631-2014, will replace unserviceable buses through to the end of 2017.

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. The used Calgary buses purchased in 2016 will allow Transit to retire buses that are passed their serviceable life and expand the fleet by approximately 10 buses.

Further to increased service demands, Transit is also seeking to maintain an increased spare bus ratio to best provide efficient public transportation and meet potential future challenges.

Fleet numbers ending the identified year;

- 2014 - 582
- 2015 - 625
- 2016 - 635 (projected)
- 2017 - 635 (projected)

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 March 23, 2016, a letter was sent to the contractor by the contract administrator requesting to exercise the option of the first mutually agreed upon one (1) year extension of Bid Opportunity 631-2014, in accordance with Clause D2.1 of the Bid Opportunity. The extension would be under the same terms and conditions of Bid Opportunity 631-2014 and would be the first one (1) year extension for the period of February 18, 2016 until February 17, 2017.

On April 25, 2016, the contractor, New Flyer Industries Canada ULC, replied and agreed to the 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 % calculated based on the price adjustments allowed for in D2.2. The delivery of these buses will be subject to a mutually agreed upon time-frame beginning in 2017.

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 \$532,693.26 plus GST and MRST. This is an increase of 13.45% over the price for the previous order of 58 buses placed in 2014.

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.

**FINANCIAL IMPACT**

**Financial Impact Statement**

Date: **May 26, 2016**

**Project Name: First Year of Program 2016**

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	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021 and Beyond</u>
<b>Capital</b>						
Capital Expenditures Required	\$ -	\$ 17,259,262	\$ -	\$ -	\$ -	\$ -
Less: Existing Budgeted Costs	-	17,259,262	-	-	-	-
Additional Capital Budget Required	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Funding Sources:</b>						
Debt - Internal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt - External	-	-	-	-	-	-
Grants <a href="#">(Enter Description Here)</a>	-	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-	-
Other - <a href="#">Enter Description Here</a>	-	-	-	-	-	-
Total Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Additional Capital Budget Required	<u>\$ -</u>					
Total Additional Debt Required	<u>\$ -</u>					
<b>Current Expenditures/Revenues</b>						
Direct Costs	\$ -	\$ -	\$ 376,303	\$ 522,858	\$ 687,345	\$ 1,196,644
Less: Incremental Revenue/Recovery	-	242,220	188,151	261,429	343,673	598,322
Net Cost/(Benefit)	\$ -	\$ (242,220)	\$ 188,152	\$ 261,429	\$ 343,672	\$ 598,322
Less: Existing Budget Amounts	-	(242,220)	188,152	261,429	343,672	598,322
Net Budget Adjustment Required	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (0)</u>

**Additional Comments: Capital expenditures reflect award amount of \$15,980,797.80 plus 8% PST. Amount will be funded by the 2016 and 2017 Transit Buses capital project and will be delivered in 2017. Direct costs reflect incremental bus parts and salary costs anticipated with increasing to the fleet the number of buses with stringent emission control standards. Incremental salary costs have been added to the Transit department's operating budget. 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 and provincial cost sharing of the increased operating expenses at 50%.**

original signed by \_\_\_\_\_  
 Tanis Yanchishyn, CPA, CA  
 Manager of Finance and Administration

## CONSULTATION

### In preparing this report there was consultation with:

Legal Services Department, (as to legal issues)  
Materials Management Division, Corporate Finance Department

## 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:	May 26, 2016
File No.	631-2014