SUBJECT: City of Hamilton/Ministry of Transportation Governance Agreement for the Joint Procurement of 2008 Replacement Conventional Transit (HSR) Buses - (City Wide) - (PW07147)

RECOMMENDATION:

(a) That the City enter into a Governance Agreement with the Province for the Joint Procurement of Replacement Transit Buses for 2008;

(b) That the Mayor and City Clerk be authorized and directed to execute the agreement, in a form satisfactory to the City Solicitor and General Manager of Finance and Corporate Services;

(c) That a copy of the Governance Agreement be forwarded to the Ministry of Transportation upon Council approval;

(d) That in accordance with the requirements of Article III, Item 4 of the Governance Agreement, the Director of Transit be appointed to the Steering Committee, with the Manager of Transit Fleet Maintenance as the alternate;

(e) That the 2008 Capital expenditure for the purchase of 17 replacement Conventional (HSR) Transit Buses at a budgeted cost of $7,493,960 be approved, with the understanding that there is sufficient reserve to fund the full cost of the purchase.

Gerry Davis
Acting General Manager
Public Works
EXECUTIVE SUMMARY:

The City of Hamilton has been offered the opportunity to participate in a joint procurement of 40 foot diesel Transit buses for 2008 with the Province of Ontario and seven other Ontario municipalities. The benefits of the joint procurement include:

- Purchasing new fleet with a secured price;
- Mitigates Operating budget pressures through ensuring delivery of replacement fleet in the scheduled year of replacement;
- Fleet meets the 2007 emission standards that run on Ultra Low Sulphur Diesel and are equipped with Diesel Particulate Filters for low emissions;
- Building on the initiatives undertaken with the Province. Hamilton is a member of the GTTA-Hamilton fare card initiative.

The Governance Agreement (on file with the City Clerk) referred to in recommendation (a) of this report, is a condition to join the Provincial Procurement for Conventional Transit Buses. Under the conditions of the agreement, the Mayor and City Clerk are authorized and directed to execute the “Governance Agreement between Her Majesty the Queen in Right of the Province of Ontario”, represented by the Minister of Transportation for the Province of Ontario and City Of Hamilton related to the opportunity of becoming part of the Provincial Joint Procurement of Transit Buses.

The Province has retained, and provided funding for, the services of an independent fairness commissioner. The fairness commissioner will be a third party observer who provides independent confirmation that the Procurement is open, fair and transparent and complies with the terms and conditions of the RFP and the Ontario procurement policies.

Council has an approved Conventional Transit (HSR) Fleet of 204 buses. This requires a replacement schedule of 17 buses per year. For 2007/08, this program offers procurement of 40 foot, low floor, low emission, diesel buses only.

The Province intends to consider re-issuing a revised tender in 2009 to include 40 foot diesel/electric (hybrid) technology.

BACKGROUND:

The procurement initiative, facilitated by the Ministry of Transportation, now involves seven transit systems; Burlington, York Region, Durham Region, Barrie, London, North Bay, and Orillia. The initiative calls for the joint purchase of 40 foot low emission particulate trap equipped, diesel transit buses for 2008. Other transit systems can participate in the program subject to the terms and conditions of the governance agreement. The terms and conditions of those participating are set out in a governance agreement which is predicated on the following key principles:
• The Ministry, as facilitator, shall use an open and competitive procurement and be in compliance with Ontario Procurement Policies when issuing the Request for Proposal, whereby proposals will be evaluated and the master agreement will be awarded to the bidder with the highest overall score;
• Participation by transit systems in the joint procurement initiative is voluntary, and participants can withdraw up to and including seven (7) calendar days before award of the master agreement by the Steering Committee;
• The procurement will be overseen/managed by the Steering Committee.
• Avoid costs by standardizing the RFP documents including terms and conditions;
• Obtaining more favourable pricing, given order size and standardization of specifications;
• Improving the procurement process in terms of time requirements, time availability, and completeness of the request for proposal document, including bus specifications;
• Providing the opportunity to share resources in dealing with technical (new technology) issues associated with the bus, particularly for medium to smaller systems;
• Providing the opportunity to improve product quality, given potential for vehicle inspection during bus build process;
• Avoid costs and reduce time associated with the bus Procurement process allowing transit systems to focus on core competency;
• Reduce uncertainty for Manufactures through longer production runs, predictability, and performance-based specifications.

**ANALYSIS/RATIONALE:**

An evaluation metric comprised of 22 criteria was developed in 2006 to assist in arriving at the report recommendation. Overall, the 40-foot low floor diesel fleet had the best scores by a substantive margin, the key reasons being:

• lowest risk for the City;
• lowest capital cost;
• most familiar fleet type to the transit users (66% of fleet);
• no associated supplementary capital costs related to facility expansion or hoist purchase;
• no Operator or Fleet Maintenance staff training required;
• meets commitment to 12-year life cycle timing.

It is necessary to receive a firm commitment to the Province, from Council by November 2007, and to have a Purchase Order issued by February 2008. This will ensure delivery of the buses to the City by August 2008.

The window of opportunity to purchase 17 new 40’ Low Floor, Low Emission Diesel powered buses in 2008 is rapidly closing as the manufacturer is currently receiving a higher than expected volume of orders.

Public transit can play an important role in helping Canada meet its commitments to reduce greenhouse gas (GHG) emissions. Canada’s transit industry and millions of individual Canadians believe that there are real opportunities to improve our quality of life and spur innovation. When people choose transit instead of a car, they produce a
much smaller amount of GHG emissions. Public transit also offers a host of secondary benefits, like better urban air quality, that add to its appeal as a tool to help environmental targets.

Canada’s transportation sector emitted 27 percent of national GHG emissions in 1997. About 30 percent of transportation emissions, or 8 percent of national emissions, were from urban passenger travel. But public transit - despite getting millions of Canadians where they need to go each day - caused less than 0.3 percent of our national GHG emissions.

People who travel by public transit create 65 percent fewer GHG emissions than if they travel by car. Even if someone opts for transit just two days out of five, their GHG emissions will be cut by 25 percent. If walking or biking is added to the mix, the reductions are even more significant. Bottom-line, when millions of people make the decision to get out of cars and onto transit it leads to a sizable net reduction in GHG emissions.

**ALTERNATIVES FOR CONSIDERATION:**

That staff be directed to enter into the formal Tender Process.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

Ratification of the Governance Agreement and the recommendations contained in this report results in the City Of Hamilton becoming eligible to participate in the Provincial Joint Procurement of Transit Buses for our 2008 Conventional Transit Bus Purchase.

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<tr>
<th>Financial Analysis - New Flyer, Joint Bus Procurement</th>
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<tbody>
<tr>
<td>Technology</td>
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<td>Model</td>
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<td>Description</td>
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<tr>
<td>Base Unit Price Per Vehicle</td>
</tr>
<tr>
<td>Ontario PST @ 8%</td>
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<tr>
<td>GST @ 7%</td>
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<td>Total Price</td>
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<td>GST Exemption</td>
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<td>Make Ready/Option Costs</td>
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<tr>
<td>Net Capital Cost Per Bus</td>
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<td># of Buses</td>
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<td>Net Gross Total Cost Per Model</td>
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**Funding**

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<tr>
<th>From Reserves as per 2008 Budget</th>
<th>($3,170,089)</th>
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<tr>
<td>Gas Tax - 12 Yr Bus Life (2007+)</td>
<td>($1,322,464)</td>
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<tr>
<td>Total Funding</td>
<td>($7,493,960)</td>
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<tr>
<td><strong>Bus Purchase - Deficit/Surplus (+/-)</strong></td>
<td>$0</td>
</tr>
<tr>
<td>Estimated 2007 Year End HSR Fleet Rsrv</td>
<td>($7,324,093)</td>
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**POLICIES AFFECTING PROPOSAL:**

City of Hamilton entering into a procurement agreement with the Province of Ontario.
City Of Hamilton Policy for Cooperative Purchasing, Policy # 12 Section 4.12 permits co-operative purchasing as follows:

1. The City may participate with other government agencies or public authorities in cooperative acquisition ventures for goods and/or services when it is in the best interest of the City to do so. Such cooperative acquisition ventures shall require the prior written approval of the Manager of Purchasing.

2. The purchasing procedures and policies of the government agency or public authority initiating the procurement process will be followed.

3. The City and each government agency or public authority will issue its own purchase order or contract for their respective Goods and / or Services.

The purchase of low emission diesel powered fleet that meets the increased emission standard for 2007 and are equipped with particulate filters to ensure the lowest tailpipe emissions is in accordance with Public Works Strategic Plan commitment to be a leader in the "greening" of the City.

Purchase of replacement fleet within the capacity of the current capital budget contribution for Transit complies with the Public Works Strategic plan ensuring that work is undertaken at approved service levels with budgets that match.

**RELEVANT CONSULTATION:**

Staff has consulted with the participating municipalities for the 2007 procurement and comments from the Properties contacted include;

- Good performance based contract specifications;
- Delivery schedules adhered to;
- Competitive pricing;
- Avoid costs and reduce time associated with the bus Procurement process;
- Opportunity to improve buying power;
- Access to on site (at manufacturers plant) third party inspection service;
- The opportunity to build on what has been learned i.e. other opportunities for similar initiatives;
- Process was very “pristine”.

Staff has consulted with Corporate Purchasing and Legal. Their comments have been incorporated into this report.

**CITY STRATEGIC COMMITMENT:**

By evaluating the “**Triple Bottom Line**", (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

**Community Well-Being is enhanced.**  ☑ Yes  ☐ No
A Modern fleet adds to the customer acceptance and support of the Transit program. Increased automobile usage contributes to traffic congestion, high number of vehicular and pedestrian accidents.

**Environmental Well-Being is enhanced.**  ☑ Yes  ☐ No
A Low-emission Diesel fleet is recommended to the greatest reasonable extent as an effective and measurable contributor to lower emissions.
Economic Well-Being is enhanced.  ☑ Yes  ☐ No
2008 and future Fleet Maintenance Budget extraordinary cost increases associated with fleet maintenance are mitigated to the greatest extent possible through; the purchase of like vehicles (New Flyer 40’ Low Floor Diesel buses), Diesel buses still represent the most economic technology, and competitive pricing through the Ontario Joint Bus Procurement process.

Does the option you are recommending create value across all three bottom lines?  ☑ Yes  ☐ No

97% of the Fleet will be Low Floor/Accessible. The new Low Emission Diesel engines will meet the more stringent 2007 emission requirements. Diesel buses still represent the most economic Transit technology.

Do the options you are recommending make Hamilton a City of choice for high performance public servants?  ☑ Yes  ☐ No
Staff is engaged. Staff is empowered to be innovative and seek out new ways of doing business.