

City of Mississauga Corporate Report



Date: January 18, 2021

To: Chair and Members of General Committee

From: Geoff Wright, P.Eng, MBA, Commissioner of
Transportation and Works

Originator's files:

Meeting date:
February 10, 2021

Subject

Single Source Contract Extension Award to New Flyer Industries for the Purchase of an Additional (5) Buses, PRC001820, Contract No. 4500510096

Recommendation

1. That the report "Single Source Contract Extension Award to New Flyer Industries for the Purchase of an Additional (5) Buses, PRC001820, Contract No. 4500510096" dated January 18, 2021 from the Commissioner of Transportation and Works be received.
2. That the Purchasing Agent be authorized to extend and increase the value of Contract No. 4500510096 with New Flyer Industries, on a single source basis, to allow for the purchase of an additional five (5) Sixty-Foot Second Generation Hybrid-Electric Buses at an estimated value of \$7,000,000 from PN 19202.

Background

In 2019, MiWay purchased (11) sixty-foot 2nd generation hybrid-electric buses via competitive procurement. Bids were received from the only two bidders, Nova Bus and New Flyer Industries (New Flyer). New Flyer submitted the lowest acceptable bid and was awarded the contract. As of January 11, 2021 all (11) buses have entered into revenue service. These sixty-foot buses were the first ever in Ontario with BAE propulsion technology, and second ever in Canada.

2nd Generation Hybrid-Electric buses have been proven within the transit industry to reduce emissions and increase fuel efficiency compared to 1st Generation Hybrid Electric and clean diesel buses. MiWay has in-depth knowledge and data on 1st Generation Orion Hybrid-Electric buses that produced a 14% fuel savings over conventional clean diesel. 2nd Generation Hybrid-Electric buses will see even greater improvements to fuel economy in comparison to its predecessor. Manufacturer's data suggests a 25% fuel savings and corresponding reduction in GHG's. With the inception of the Climate Change Action Plan (CCAP), MiWay is committed to reducing their carbon footprint by transitioning from diesel-powered buses to hybrid-electric, and eventually zero-emission battery electric and/or hydrogen fuel cell electric buses.

MiWay is seeking Council approval to extend the contract with New Flyer, on a single source basis, to allow for the purchase of an additional five (5) Sixty-Foot 2nd Generation Hybrid-Electric Buses (See Appendix 1 – Statement of Work). This would provide standard and consistency for Sixty-Foot 2nd Generation Hybrid Electric buses and maintain the requirements and specifications of the initial contract. The requested increase is in the estimated amount of \$7,000,000 bringing the total revised contract value from \$14,246,905.69 to \$21,246,905.69. It is beneficial to extend the contract to include this smaller bus order as there is a risk of variability amongst buses within the fleet, which leads to different parts and maintenance requirements. Schedule 'A' item 1(b)(iv) of the Purchasing By-law No. 374-2006 allows for single source contract awards when the solicitation of competitive bids would not be economical to the City. Council approval is required for single source awards having a value of more than \$100,000. Materiel Management has reviewed this report and supports the recommendation from a procurement perspective.

MiWay has also requested \$2,000,000 in the 2021 Capital Budget. Subject to approval, these funds will be used to accommodate the price premium from transitioning from clean diesel to 2nd Generation hybrid-electric buses.

Comments

MiWay's oldest sixty-foot local buses, the 2008 New Flyer fleet currently used at the Malton facility, are experiencing significant reliability issues. The operating costs are rapidly increasing due to powertrain and structural repairs required to meet MTO safety standards. The useful life of a sixty-foot bus is 12 years, therefore these buses have surpassed their expected service life and are now overdue for replacement.

New Flyer has submitted a proposal to significantly discount any new bus orders made in the 1st quarter of 2021. MiWay staff are recommending a single source contract extension award due to expected cost savings, time savings, and early delivery. The key benefits of this recommendation are summarized below:

Bus delivery within 9 months. Bus procurements typically have a 12 to 18 month lead time from tender release to bus delivery. During an average bus procurement cycle, most of the time is dedicated to the tender process, design/production meetings, and inspections. Considering that these buses will have the same specifications as the last bus order (with the exception of the paint color, Orange verses Blue), this process will take a fraction of the time for both MiWay staff and New Flyer staff.

The base price of the buses will cost approximately 4.3% less than the previous order.

New Flyer has offered to waive all inflation factors from the last twelve months (estimated savings of \$31,952 per bus), New Flyer will provide the updated 2021 Cummins engine which has the latest emission standards at no additional cost (estimated savings of \$10,881 per bus),

and New Flyer will provide a further price reduction of \$13,000 per bus, which results in a total savings of \$55,833 per bus.

MiWay will be able to provide higher levels of reliable service delivery. Considering that utilization rate of sixty-foot local buses in Malton is at full capacity, these buses are critical to ensuring sustained service for existing routes. Buses with higher degree of reliability will enable MiWay to operate at a lower spare ratio and prevent routes from being cancelled.

Strategic Plan

2nd Generation Hybrid-Electric is MiWay's "stepping stone" to zero emission and would contribute to two strategic goals: **Move** (Develop Environmental Responsibility) and **Green** (Lead and Encourage Environmentally Responsible Approaches).

Mississauga has been proactive in sustainability and climate change governance for over two decades. This includes joining the FCM Partners for Climate Protection program in 1999, integrating climate change and environmental considerations into the City's Strategic Plan in 2009, developing the City's Living Green Master Plan, integrating climate change considerations into its Official Plan in 2012, and becoming a signatory to the Global Covenant of Mayors for Climate and Energy (coalition of 10,000 Cities) in 2017.

Financial Impact

Council has previously approved the funds in the 2019 Capital Budget to purchase these replacement buses, however the purchase was deferred at the time. There is a total of \$5,921,390 within PN 20201 and PN 19202 combined. MiWay has also requested \$2,000,000 in the 2021 Capital Budget. Subject to approval, these funds will be used to accommodate the price premium for transitioning from diesel buses to hybrid-electric buses. Shown in the table below is the financial breakdown:

Item	Amount
Funds in WIP (PN20201, PN19202)	\$5,921,390
Price Premium PN 19202 (Diesel to Hybrid-Electric)	\$2,000,000
Total Available Funds	\$7,921,390
Estimated Total Cost (\$1,282,173 per bus x 5 buses)	\$6,410,866

The City is awaiting an ICIP funding announcement from the Ministry to replace a large number of buses within the MiWay fleet. The anticipated procurement of these five (5) buses were not within the scope of the bus replacement program application via ICIP funding.

Conclusion

Given the rapidly progressing reliability concerns of the 2008 New Flyer fleet, the immediate replacement of these buses will lead to improved levels of service and operating cost reductions. Therefore, MiWay staff is recommending that the contract with New Flyer be extended on a single source basis to purchase an additional five (5) sixty-foot hybrid-electric buses. This recommendation is made in accordance with Schedule 'A' item 1(b)(iv) of the Purchasing By-law No. 374-2006 which allows for single source contract awards when the solicitation of competitive bids would not be economical to the City.



Geoff Wright, P.Eng, MBA, Commissioner of Transportation and Works

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Appendix 1: Statement of Work