

Date: December 9, 2015

To: Board of Directors

From: Neil McFarlane *Neil McFarlane*

Subject: RESOLUTION 15-12-68 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING A CONTRACT WITH CUMMINS INC. FOR THE PURCHASE OF REPLACEMENT BUS ENGINES

1. Purpose of Item

The purpose of this item is to request that the TriMet Board of Directors (“Board”) adopt a resolution authorizing the General Manager to execute a contract with Cummins Inc. (“Cummins”) for the purchase of replacement bus engines.

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

Cummins engines power most of TriMet's fixed route bus fleet. Many engines are due for replacement over the next five years. The proposed contract will furnish 209 new inventoried replacement engines, as required for the next five years, 2016 through 2020. TriMet's current contract with Cummins for replacement bus engines, authorized by the Board on September 22, 2010, will expire on December 31, 2015.

Engine replacement is a key element of TriMet's bus maintenance program. TriMet contracts with engine suppliers to furnish engine rebuild kits and/or replacement engines to Bus Maintenance department mechanics. Replaced engine components or entire replaced engines are returned to the engine suppliers for credits against contract payments. Depending on the

engine characteristics, rebuilding or replacement is required at 350,000 to 400,000 miles, which corresponds to approximately 7 to 8 years of use for TriMet's buses. TriMet maintains its buses for normal life cycle replacement at 15 to 16 years, corresponding to 1 or 2 engine replacements for each bus over its life. The engine replacement program, together with predictive maintenance, inspection schedules, and oil analysis, minimizes risks for engine failure and associated loss of engine blocks, crankshafts, and engine sub-components.

The proposed contract with Cummins is for a contract period of five (5) years. TriMet will be given a \$6,795 credit for each engine (core) returned; reflecting a return rate of 28% to 40%, depending on engine type, to exchange a replaced engine for a new engine. Estimated contract quantities and costs for the 5-year contract period are \$4,370,189, for 209 engines plus a 5% upcharge for future unanticipated costs accrued during catastrophic failure or EPA mandated engine modifications. The estimated contract cost allows for inflationary cost adjustments for contract years two through five. Total contract costs will be based on the agency's actual requirements.

6. Procurement Process

This is a sole-source contract. Cummins, located in Portland, Oregon is the only certified warranty dealer for Cummins engines in the Portland metropolitan area. All buses to receive replacement engines under this program were originally equipped with Cummins engines. Cummins is currently the only supplier of diesel bus engines in America.

Staff has reviewed Cummins' pricing for the proposed contract and determined it to be fair, reasonable, and within market/industry standards. Staff considers the performance of Cummins during the course of past contracts to be excellent, based on responsiveness, technical expertise, experience, continuity of warranty recovery, personnel training, and the reliability of products procured.

7. Diversity

The proposed contract includes TriMet and Federal Transit Administration nondiscrimination, equal employment opportunity ("EEO"), and disadvantaged business enterprise ("DBE") provisions. The workforce diversity of Cummins in Portland, Oregon is 9.4% minority and 17.4% female. The replacement bus engines are manufactured by Cummins. Cummins commitment to diversity has been recognized by the publication *DiversityInc*, which named Cummins to its list of the Top 50 Companies for Diversity for a ninth consecutive year in 2015; and for the 10th consecutive year, Cummins was awarded a perfect score in the 2015 Corporate Equality Index by the Human Rights Campaign.

8. Financial/Budget Impact

Replacement bus engines purchased under this contract will be placed in TriMet's Stores department inventory. When the Bus Maintenance department draws the engines out of Stores, Bus Maintenance's Materials & Services budget will be charged. The annual funding requirements for the proposed contract are thereby included in TriMet's annual Adopted Budget, as a Materials & Services expense under the Bus Maintenance department budget.

9. **Impact if Not Approved**

The Board has the option to either adopt or not adopt the Resolution. However, staff has determined that purchasing replacement engines is the most cost-effective and reliable approach for re-powering TriMet's buses, and believes that pricing of the negotiated contract with Cummins, the sole supplier, is fair and reasonable. Therefore, adoption of the Resolution is the only recommended option.

RESOLUTION 15-12-68

RESOLUTION OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING A CONTRACT WITH CUMMINS INC. FOR THE PURCHASE OF REPLACEMENT BUS ENGINES

WHEREAS, TriMet has authority under ORS 267.000 to enter into a 5-year contract with Cummins Inc. for the purchase of replacement bus engines ("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: December 9, 2015

Presiding Officer

Attest:

Recording Secretary

Approved as to Legal Sufficiency:



Legal Department