

**Board Report**

File #: 2015-1699, **File Type:** Contract

Agenda Number: 38.

**SYSTEM SAFETY, SECURITY AND OPERATIONS COMMITTEE
JANUARY 21, 2016**

SUBJECT: ACCELERATE FEDERAL FUNDING FOR FY16 TO SUPPORT THE 900 FORTY-FOOT BUS ACQUISITION PROJECT

ACTION: APPROVE FY16 BUDGET AMENDMENT OF \$42.9 MILLION

RECOMMENDATION

APPROVE the FY16 budget amendment of \$42,900,000 for the **acceleration of FTA Section 5307 Federal Funding for FY16 to support the 900 Bus Acquisition** (project 201056).

ISSUE

The FY16 Budget for \$5.568B was approved at the May 21, 2015 Board meeting, which included \$97.5M for the 900 Forty Foot Bus Acquisition project. Staff anticipated that bus delivery for the 350 bus option would occur through FY17 and the project would be completed within the adopted Life of Project (LOP) Budget of \$503.4 million.

DISCUSSION

The Contract delivery requirement for the 900 Bus Buy Contract is 8 buses per week for both the 550 Base buy and the 350 Option buy. Due to agency financial constraints in FY16, New Flyer agreed to reduce the weekly delivery rate of the Option buy buses from 8 buses per week to between 5-6 buses per week for the duration of production. At the current rate of production, New Flyer will deliver approximately 257 buses during FY16.

As part of the 900 Bus Buy Contract, New Flyer made a commitment to create new jobs under the U.S. Employment Program. Included in New Flyer's U.S. Employment Program was a commitment to employ approximately 50 new workers to perform final assembly work on Metro buses at its manufacturing facility in Ontario, CA. During negotiations for the 350 Bus Option, New Flyer agreed to reduce the delivery rate from 8 buses per week to 5-6 buses per week without impact to their U.S. Employment Program commitment. If Metro were to reduce the delivery rate to below 5-6 buses per week it will have a negative impact on the U.S. Employment Program that could lead to layoffs at New Flyer's Ontario, CA facility.

On May 21, 2015, the Board adopted the FY16 budget which included a \$97.5 million budget for the 900 Bus Acquisition project. On September 17, 2015 the System Safety, Security and Operations Committee approved item 64 (Attachment A) which requested approval for a safety related retrofit for

operator barriers and live video monitors on remaining New Flyer buses and price escalation for the 350 Bus Option. On September 24, 2015, the Board approved item 64 on consent. This increased the LOP by \$3.7 million from \$503.4 million to \$507.1 million. This approval further increased the FY16 budget from \$97.5 million to \$101.1 million.

In parallel with the September Board report, staff was investigating the opportunity to accelerate FTA Section 5307 Federal Funding to support accelerated delivery of the 350 bus buy option. At this time, staff is prepared to accelerate the federal funding for delivery of the remaining 350 Option buses. There is no impact to the \$507.1 million Life of Project budget with this plan. If this action is approved, the FY16 budget for the 900 Bus Acquisition Project (201056) will be increased by \$42.9 million from the last Board adopted FY16 budget of \$101.1 million to \$144.0 million.

Financial Impact

If this action is approved, the additional FY16 funding would be programmed into Capital Project No. 201056 - 900 Forty-Foot Bus Procurement; Cost Center 3320 - Vehicle Technology; and Account 53105 - Acquisition of Vehicles. This action does not impact the adopted LOP.

Since this a multi-year project, the Project Manager and Chief Operations Officer would be responsible for budgeting project costs in future fiscal years.

Impact to Budget

This project is funded by Federal Funding sources: CMAQ, FTA Sections 5307, 5309 and 5339. It is also funded by Local Funding sources: Prop 1B, Proposition C 40%, Measure 35% Bus Capital and TDA 4. The funding source details are included in this report found in Attachment B. These funding sources are eligible for this project as well as activities supporting Bus and Rail Operations. This action does not impact the project funding sources other than to accelerate a portion of the Federal 5307 Funding from FY17 into FY16. No other funds have been considered.

NEXT STEPS

Upon approval, staff will proceed with the necessary administrative steps to enact an increase to the FY16 Budget to \$144.0 million for this project. Project staff will ensure delivery of the buses in conjunction with this funding acceleration.

ATTACHMENTS

Attachment A - Item #64 Board Report from 9/17/15

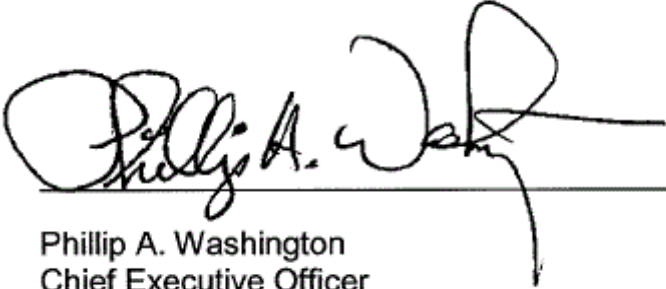
Attachment B - Sources and Uses Table

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