

**Board Report**

File #: 2016-0931, **File Type:** Contract**Agenda Number:** 32

**SYSTEM SAFETY, SECURITY AND OPERATIONS COMMITTEE
JANUARY 19, 2017****SUBJECT: ENGINE OIL****ACTION: AWARD CONTRACT FOR ENGINE OIL****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to award a two year, indefinite delivery/indefinite quantity Contract No. VM67502000 for **engine oil to Rosemead Oil Products, Incorporated**, the lowest responsive and responsible bidder for a not to exceed amount of \$805,281 inclusive of sales tax for the base year, and not-to-exceed amount of \$821,569 inclusive of sales tax for a one year option, for a total contract amount of \$1,626,850, subject to resolution of protest(s), if any.

ISSUE

This procurement is for the acquisition of engine oil which is required for maintaining the safe and reliable operation of the Metro's bus fleet. Award of Contract will ensure that operating divisions have adequate inventory to maintain the buses in accordance with Metro's maintenance standards and engine oil that is in full compliance with Cummins Engine Standard (CES) 20085.

DISCUSSION

The engine oil under this procurement is needed throughout Metro to maintain and service its Compressed Natural Gas (CNG) bus fleet. The engine oil is changed out periodically in accordance with the engine manufacturer's preventive maintenance program requirements.

The Contract to be awarded is an Indefinite Delivery, Indefinite Quantity agreement in which Metro commits to order up to a minimum specified quantity for a specific duration of time, but there is no obligation or commitment for Metro to order all of the engine oil that may be anticipated. The bid quantities are estimates only, with deliveries to be ordered and released as required.

Engine oil will be purchased, maintained in inventory and managed by Material Management. As the engine oil is issued, the appropriate budget project numbers and accounts will be charged.

DETERMINATION OF SAFETY IMPACT

Award of contract will ensure that all operating divisions and Central Maintenance have adequate inventory to maintain the CNG buses according to Metro Maintenance standards and in accordance

with Metro's engine oil chemical property standards.

FINANCIAL IMPACT

The five (5) month funding of \$335,533 for CNG engine oil is included in the FY17 budget in multiple cost centers under project 306002 Operations Maintenance under line item 50406, Lubricant-Revenue Equipment.

Since this is a multi-year contract cost center manager and Chief Operations Officer will be accountable for budgeting the cost in future fiscal years.

Impact to Budget

The source of funds for this action will come from the Enterprise operating fund. The source of funds will come from Federal, State and local funding sources including sales tax and fares that are eligible for Bus and Rail Operating Projects. These funding sources will maximize the use of funds for these activities.

ALTERNATIVES CONSIDERED

The alternative is to not award the contract and procure engine oil on the open market at a lower cost. However, this imposes an undue level of risk of not having a pre-qualified engine oil supplier readily available to deliver engine oil in full compliance with Metro's engine oil chemical property standards.

NEXT STEPS

Metro's requirements for engine oils will be fulfilled under the provisions of the contract.

ATTACHMENTS

Attachment A - Procurement Summary

Attachment B - DEOD Summary

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