



March 9, 2017

To: Transit Committee

From: Darrell Johnson, Chief Executive Officer 

Subject: Sole Source Agreement for Warranty and Non-Warranty Cummins Engine Services

Overview

The Orange County Transportation Authority operates a fleet of fixed-route compressed natural gas buses equipped with the Cummins 8.9 Liter ISL-G engine. With the purchase of new buses and the repowering of buses with new engines, approximately 94 percent of the engines in the fleet will be under warranty over the next five years. As a result, an agreement is needed for expenses associated with warranty and non-warranty repairs that are not to be covered such as travel time, mileage, parts, and labor. Since there is only one manufacturer with engines certified by the State of California for use in transit buses, a sole source agreement is required.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute Purchase Order No. C-6-1605 between the Orange County Transportation Authority and Cummins Pacific, LLC, in the amount of \$750,000, for warranty and non-warranty engine services, effective May 1, 2017 through April 30, 2022.

Discussion

The Orange County Transportation Authority (OCTA) purchased 299 New Flyer of America, Inc. (New Flyer) 40-foot compressed natural gas (CNG)-powered buses that were delivered in 2007 and 2008. The engines in these buses have either been replaced or are in the process of being replaced with Cummins 8.9 Liter ISL-G engines which will be under warranty. In 2013, OCTA purchased 20 New Flyer 60-foot CNG-powered buses which included a two-year base warranty, plus a three-year extended warranty on the engines. In 2014, OCTA ordered 157 New Flyer 40-foot CNG-powered buses that are equipped with Cummins 8.9 Liter ISL-G engines. These buses will be covered under

warranty as well. In 2016, 16 New Flyer 60-foot CNG-powered buses were delivered with a two-year base warranty on the engines.

Under the two-year base engine warranty, Cummins Pacific, LLC (Cummins) will pay for defective parts and labor, as well as associated parts needed to complete the repair. Incidentals covered include towing, mileage, mechanic travel, and lodging. The purchase order will cover items that may need to be replaced as part of the normal repair but are not covered under the base warranty, such as lubricants and non-warranty parts. Under the extended warranty period, incidentals such as towing, mileage, mechanic travel, and lodging are not covered. The purchase order will also cover these costs.

This purchase order will provide on-call response with fully-equipped (parts and diagnostic equipment) service trucks and personnel to perform the work needed on OCTA property. In most cases, buses are repaired the same day, minimizing downtime. Additionally, OCTA has the option to send buses via tow-truck to Cummins in Downey to expedite major repairs.

Staff is recommending award of a purchase order for warranty and non-warranty related services for a five-year period through April 30, 2022.

Procurement Approach

This procurement was handled in accordance with OCTA Board of Directors (Board)-approved procurement policies and procedures for a sole source procurement.

Cummins is the only direct supplier for servicing and repairing Cummins engines in California. Any Cummins authorized dealer would have difficulty competing on the pricing and availability of Cummins parts with Cummins. Therefore, a sole source procurement is utilized.

The purchase order (PO) is a time and expense contract on an as-needed basis with no guaranteed usage for OCTA's requirements of non-warranty Cummins engine services, which covers the labor at \$138 per hour and non-warranty parts at 25 percent off of Cummins List Price, as well as incidental costs for items under extended warranty period. This PO also covers normal repair not covered under the base warranty such as lubricants. Cummins' proposal was reviewed by staff from the Contracts Administration and Materials Management department (CAMP) and the Transit Division to ensure compliance with the contract terms and conditions, as well as the technical requirements.

In accordance with OCTA procurement policies and procedures, a sole source procurement over \$50,000 requires OCTA's Internal Audit Department (IA) to conduct a price review. IA compared the pricing with other agencies, noting that the proposed hourly labor rate is consistent with the rate that Cummins charges other agencies. As recommended by IA, CAMM will use the audit findings as the basis of negotiations with Cummins for the additional engine down charge and mileage rate.

Fiscal Impact

The project was approved in the OCTA Fiscal Year 2016-17 Budget, Transit Division, Maintenance Department, Accounts 2162-7613-D2108-2QK, and 2168-7613-D2108-2RY, and is funded through the Local Transportation Fund.


Summary

Based on the information provided, staff recommends the Board authorize the Chief Executive Officer to negotiate and execute Purchase Order No. C-6-1605 with Cummins Pacific, LLC, in the amount of \$750,000, for warranty and non-warranty Cummins engine services, effective May 1, 2017 through April 30, 2022.


Attachment


None.

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