



August 10, 2017

To: Transit Committee

From: Darrell Johnson, Chief Executive Officer

Subject: Amendment to Agreement for the Purchase of Leased Coach Operator Relief Vehicles

Overview

On May 25, 2012, the Board of Directors approved a five-year agreement with Enterprise Fleet Management to lease 30 compressed natural gas powered Honda Civic vehicles. An amendment to the existing contract is necessary to add funds to purchase the vehicles at the end of the five-year lease, which terminates on October 31, 2017.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute Amendment No. 1 to Agreement No. C-2-1414 between the Orange County Transportation Authority and Enterprise Fleet Management, in the amount of \$173,150, for the purchase of 25 compressed natural gas Honda Civic vehicles at the end of the five-year lease. The amendment will increase the maximum obligation of the agreement to a total contract value of \$959,264.

Discussion

The Orange County Transportation Authority (OCTA) operates and maintains a fleet of 60, 2012 compressed natural gas (CNG) Honda Civic vehicles for a variety of business purposes. Forty-seven of these vehicles are assigned to the two directly-operated bases to accommodate coach operator shift relief. The practice of meeting the bus in service for operator relief is essential to keeping bus service active, while minimizing cost and reducing revenue vehicle deadhead time and miles. Eight vehicles are used to support OCTA's guaranteed ride home program and other business purposes. The remaining five vehicles will be turned in at the end of the lease. These vehicles are no longer needed due to the changes in bus service.

A staggered procurement approach was implemented for the procurement of these vehicles. The first procurement of 30 CNG Honda Civic vehicles in fiscal year (FY) 2011-12 was a lease agreement. The second procurement transaction of 30 additional CNG Honda Civic vehicles in FY 2012-13 was a purchase agreement. The current lease with Enterprise Fleet Management (Enterprise) provides a provision to purchase the vehicles with a fixed Reduced Book Value (RBV).

Procurement Approach

On May 25, 2012, the Board of Directors (Board) approved a contract for an open-ended lease of 30 CNG Honda Civic vehicles that included the option to purchase the vehicles at the end of the lease. This procurement was originally handled in accordance with OCTA Board-approved policies and procedures for the purchase of goods and services. The original agreement was awarded on a competitive basis.

The five-year lease on these vehicles will terminate on October 31, 2017. Through a cost and price analysis, staff has determined that a buyout of the current lease is the most cost-effective option.

Staff compared the potential costs of purchasing new vehicles versus leasing a new fleet of comparable vehicles. The costs for lease and purchase scenarios were compared to the cost of buying out the lease for the current fleet. Based on the analysis, it was determined that the cost to buyout the leased vehicles was significantly less than a new lease or purchase option.

Purchase price for a used 2012 CNG Honda Civic:
 $\$11,500/\text{each} \times 25 = \$287,500$

Purchase price for Hyundai Elantra SE:
 $\$15,701/\text{each} \times 25 = \$392,525$

Estimated lease buyout for 2017 Toyota Corolla LE:
 $\$18,835/\text{each} \times 25 = \$470,875$

Lease buyout under present contract with Enterprise for CNG Honda Civic:
 $\$6,926/\text{each} \times 25 = \$173,150$

The decision to buyout 25 of the 30 leased vehicles is also operationally effective because the vehicles have relatively low average mileage (63,000 miles), are in excellent working condition, and have a significant amount of useful life remaining; therefore, a lease buyout is the most cost-effective alternative.

OCTA's Maintenance Department is also trained on repairing the CNG Honda engines and has the labor force and expertise to perform maintenance on the vehicles. Finally, the fuel system for the CNG vehicles has a 15-year warranty, which means Honda has to continue to support the CNG fuel system until the year 2027. Five of the 30 vehicles will be returned at the end of the lease.

Staff recommends the purchase of the vehicles from the lease for the fixed RBV of \$6,926 per car for a total of \$173,150.

The sales tax, in the amount of \$13,420, will be paid to the Department of Motor Vehicles when the retitling of the vehicles occurs. The sales tax is included in the adopted FY 2017-18 budget. The proposed Amendment No. 1 requests the approval to purchase the vehicles.

Fiscal Impact

The project was approved in OCTA's FY 2017-18 Budget, Transit Division, Account 2159-9025-D2113-02R, and is funded through the local transportation fund.

Summary

Staff requests Board approval for the Chief Executive Officer to negotiate and execute Amendment No. 1 to Agreement No. C-2-1414 with Enterprise Fleet Management, in the amount of \$173,150, to purchase 25 CNG powered Honda Civic vehicles at the end of the five-year lease, bringing the total contract value to \$959,264.

Attachment

- A. Enterprise Fleet Management Agreement No. C-2-1414 Fact Sheet

Prepared by:



Cliff Thorne
Department Manager, Maintenance
714-560-5975

Approved by:



Sue Zuhlke
Director of Maintenance and Motor
Services
714-560-5574



Meena Katakia
Manager, Contracts Administration
and Materials Management
714-560-5694