



Agenda Item No. 4

TO: Building and Operating Committee/Committee of the Whole
Meeting of November 20, 2008

FROM: James P. Swindler, Deputy General Manager, Ferry Division
Celia G. Kupersmith, General Manager

SUBJECT: **APPROVE ACTIONS RELATIVE TO THE SOLE SOURCE
PROCUREMENT OF MARINE DIESEL ENGINES FOR THE M/V DEL
NORTE**

Recommendation:

The Building and Operating Committee recommends that the Board of Directors approve the following actions relative to the M/V Del Norte:

1. Award a Sole Source Procurement of four MTU 12V4000M60 marine diesel engines and installation support services for the M/V Del Norte to Pacific Power Products of Kent, Washington in the amount of \$1,388,604.00; and,
2. Authorize a contingency budget of \$130,000.00 to cover sales tax, travel expenses and any unanticipated procurement costs,

with the understanding that this project is included in the FY 08/09 Ferry Division Capital Budget and sufficient funds are available to support this award.

Summary:

The M/V Del Norte was built in 1997 and has accumulated close to 30,000 hours of service on its main diesel engines and no longer meets current EPA emissions regulations. Given these conditions, the District applied for and has received a State Carl Moyer grant to repower the M/V Del Norte. The Carl Moyer program provides funds to replace older marine diesel engines with new engines meeting current EPA standards. The District now needs to repower the M/V Del Norte with new MTU 12V4000M60 engines. The District has repowered the M/V Mendocino with the same type of engine.

District staff has reviewed all available engine types and has concluded that the MTU 12V4000M60 engine is the only engine currently available that both meets the District's power rating requirements and also satisfies current California Air Resources Board emissions standards. This conclusion is confirmed by the fact that when repowering the M/V Mendocino last year, the District utilized a competitive process for the procurement of these engines and

there were no approved equals for the MTU engine. The similarity of the 12V4000M60 engine to other engines installed in the District's fleet will lower the Districts overhead burden and eliminate any additional operator and maintenance staff training requirements. Finally, use of the MTU 12V4000M60 engine is a condition of the Carl Moyer grant that will fund this procurement.

MTU ordinarily does not allow distributors to compete with each other, and allows buyers to purchase engines only from a single authorized regional distributor. The MTU distributor in the District's territory, Valley Power Systems, Inc. of San Leandro, is in a protracted labor dispute. To avoid District entanglement in this labor dispute, MTU authorized the District to procure engines, and associated installation support services, from Pacific Power Products of Kent, Washington instead of from Valley Power Systems.

The total cost to purchase the engines and installation support services from Pacific Power Products is \$1,388,604.00. This price is approximately 18% more than the price the District paid for identical engines last year. However, that price was locked in pursuant to a quote received by the District in December of 2006. The current price was quoted by Pacific Power in September of 2008. Between December, 2006 and September, 2008 the Consumer Price Index has risen from 201.8 to 218.78, or 16.98%. The District has also compared the price for this procurement to that charged recently by Pacific Power Products to other customers and has determined that the price it is getting is fair and reasonable.

Because only a single engine type is possible, and because the engine is only available from a single source, Staff, with concurrence of the District's Attorney, has determined that this procurement meets the requirement for a sole source procurement as set forth in the District's Procurement Manual and consistent with federal regulations.

Fiscal Impact

This project is included in the FY 08/09 Ferry Division Capital Budget at a total cost of \$3,500,000 and is funded with \$3,173,854 Carl Moyer Program grant funds and \$326,146 Federal Transit Administration grant funds. The estimated total cost to implement this project is as follows:

Engine Purchase and Installation Support	\$1,388,604
Engine Contingency	\$130,000
Engine Installation + 10% Contingency	\$1,760,000
Generator Purchase and Installation	\$133,000
Construction Admin. (District Staff)	\$75,000
Miscellaneous	\$13,396
TOTAL COST	<hr/> \$3,500,000