



Agenda Item No. 4

To: Building and Operating Committee/Committee of the Whole Meeting of December 17, 2009

From: James P. Swindler, Deputy General Manager, Ferry Transit Division  
Christian N. Stark, Marine Projects Manager, Ferry Transit Division  
Celia G. Kupersmith, General Manager

Subject: **AUTHORIZE EXECUTION OF SOLE SOURCE CONTRACT NO. 2010-FT-14, PARTS AND SERVICES FOR OVERHAUL OF THE MAIN PROPULSION EQUIPMENT FOR THE SPAULDING FERRIES, TO VALLEY POWER SYSTEMS, INC.**

**Recommendation**

The Building and Operating Committee recommends that the Board of Directors authorize execution of sole source Contract No. 2010-FT-14, *Parts and Services for the Overhaul of Main Propulsion Equipment for Spaulding Ferries*, to Valley Power Systems, Inc. (VPSI) of Hayward, California in the amount of \$517,169.29, subject to receipt from the Federal Transit Administration (FTA) of a waiver from the Buy America Regulation, with the understanding that requisite funds are available in the FY 09/10 Ferry Transit Division Capital Budget.

**Summary**

The engines on the District's three Spaulding class vessels, *M.S. Marin*, *M.S. San Francisco*, and *M.S. Sonoma* have been in service since 2002 and are in need of a regularly scheduled major mid-life required overhaul. The required overhaul was started in FY 08/09 with the most critical portions of the project completed first. The balance of the project now has to be completed in order to ensure reliable operation of the engines until their replacement that is expected in 2013. The work remaining in the overhaul includes, among other things, the removal and replacement of the following components:

- Turbochargers
- Fuel injectors, injector cups, o-rings, check valves and fuel pipes
- Starter motors
- Cooling water to sea water heat exchangers
- Low temp and high temp cooling water pumps
- Factory exchange high pressure fuel pump with core exchange

The engines in question are Detroit Diesel/MTU series 4000 marine diesel engines. After researching the engine supply and parts industry, District Staff has confirmed that MTU factory parts are the only ones available for these engines. There are no known aftermarket parts manufacturers for the engines. MTU does not allow competition between dealerships and VPSI is the sole distributor of MTU factory parts in the District's region.

It is also critical that the installation of the parts be performed by a factory-authorized dealership in order to obtain a warranty on both parts and labor in addition to the MTU factory warranty on any progressive damage. The MTU progressive damage warranty will cover the total loss of an engine if the failure was due to a MTU factory part installed by a factory-certified mechanic from a factory-authorized dealership. Given the enormous costs involved with the complete replacement of an engine, using a factory-authorized dealership to install the manufacturer's parts significantly reduces risk to the District.

This scope of work on the six engines has been quoted by Valley Power Systems, Inc (VPSI) of Hayward, CA for a total of \$517,169.29 including parts, labor, and sales tax. Staff has determined that the price quoted by VPSI is fair and reasonable. The quote was analyzed in relation to internal estimates and work performed by other engine manufacturers.

In accordance with the above analysis, 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. In addition, State law permits an exception from the competitive bidding requirement when such a process would be unavailing and not in a public agency's best interests. Because Valley Power is uniquely able to provide the necessary work, a competitive bidding process would serve no useful purpose here.

Because the necessary parts are only manufactured in Germany, a waiver from the FTA Buy America Regulation will be required. The District has applied for such a waiver and award of a contract to VPSI will be conditioned upon receipt of the waiver.

### **Fiscal Impact**

This project is included in the FY 09/10 Ferry Transit Division Capital Budget at a total cost of \$620,000.00 and is funded with 80% Federal Transit Administration and 20% Districts funds. This budget includes other main propulsion overhaul items in addition to the major engine overhaul that is the subject of this staff report. Sufficient funds are available to support the award of this Contract.