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Halifax Regional Council
May 10, 2005

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:


Peter Stickings, Acting Director, Real Property and Asset Management

DATE: April 22, 2005

SUBJECT: Purchase - Transit Buses (2005-06 Allotment)

INFORMATION REPORT

ORIGIN

In accordance with HRM's ongoing bus replacement and expansion programs, we have ordered 22 buses under the three-year contract awarded in 2003-04 to New Flyer Industries. The approved 2005-06 Capital Budget includes funds under Capital Project CVD00435 Conventional Bus Replacement and CVD00434 Conventional Bus Expansion to cover this purchase, as detailed in the Budget Implications section of this report.

BACKGROUND

In August 2003 following an RFP process, HRM entered into an agreement with New Flyer Industries to supply conventional 40 foot buses at specified unit prices for a three year period. The agreement was intended to enable HRM to purchase buses as part of its Transit Fleet replacement and expansion program, subject to annual capital budget allocation. The quantity of buses purchased annually would be governed by the corresponding annual budget allocation.

HRM has exercised its option to purchase buses from this agreement for the last two years at favourable unit prices, in accordance with corresponding Capital Budget approvals, including an additional quantity of buses for the BRT service.

DISCUSSION

It is staff's intention to exercise the option of purchasing buses for the third year of the agreement which corresponds to the 2005-06 budget year by purchasing 22 buses (8 expansion and 14 replacement). The agreement outlined a cost for the budget year 2005-06 of \$381,769 per unit before taxes. Through negotiations with New Flyer Industries on pricing and delivery schedules, HRM has not only the ability to order these buses now at \$378,672 (this is a cost reduction of approximately \$3,000 per unit), but also to secure a delivery scheduled for July 2005.

The buses will be configured in the same manner as the last units put into service, namely low floor 40 foot Urban Transit configuration. The reason for the cost reduction is that increased parts cost will be averted and available space on the New Flyer production line can be used to accommodate our order. Production dictates a minimum 16 week line entry; a purchase order and final specifications have been issued to New Flyer in order to secure the July 2005 delivery.

The purchase of the full order of 22 units will not only allow Transit Services to be expanded this year, but also allow Fleet Services to:

- remove 14 buses from service,
- partially rebuild 8 of these units to extend their useful life by five years, and return them to service in 2005-06 to accommodate the UPass requirement.

BUDGET IMPLICATIONS

Based on the negotiated unit price of \$391,657 including net HST for a total of \$8,616,454, funding in the amount of \$3,133,253 is available in the 2005/06 Capital Budget from Capital Account CVD00434 Transit Bus Expansion (for the 8 expansion units), and an additional amount of \$5,483,201 from Capital Account CVD00435 Transit Bus Replacement (for the 14 replacement units) as follows:

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Budget Summary:

Capital Account No. CVD00434 Transit Bus Expansion

Cumulative Unspent Budget	\$ 3,609,439
Less Purchase of 8 buses	<u>\$ 3,133,253</u>
Uncommitted Budget	\$ 476,186

Capital Account No. CVD00435 Transit Bus Replacement

Cumulative Unspent Budget	\$ 5,514,640
Less Purchase of 14 buses	<u>\$ 5,483,201</u>
Uncommitted Budget	\$ 31,439

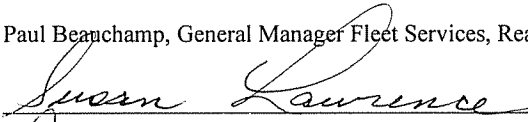
The availability of these funds has been confirmed by Financial Services.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

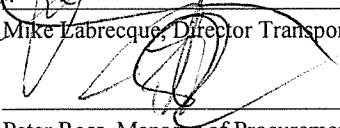
This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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