

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: June 8, 2011

SUBJECT: DELEGATION OF AUTHORITY – PROCUREMENT
AUTHORIZATION AMENDMENTS – LOW FLOOR LIGHT RAIL
VEHICLE CONTRACT

ACTION ITEM

RECOMMENDATION

It is recommended that the Commission:

1. Delegate their authority for the approval of Contract Changes/Amendments in accordance with the Authorization for Expenditures and Other Commitments Policy to the Chief General Manager for the expenditure of the remaining Commission approved contract contingency/allowance of \$107,907,414 for the Low Floor Light Rail Vehicle (LFLRV) project (inclusive of all applicable taxes) for spare parts, specified options and potential contract changes where the Contract Changes/Amendments are not projected to exceed the project Estimate Final Cost (EFC).
2. Note that staff will report to the Commission all amendments with a contract value higher than \$2.5 million through the M&P monthly report "Summary of Authorized Expenditures" to ensure integrity of the process.

FUNDING

Funds for expenditures (\$1,163,503,000) for the 204 LFLRVs are included as set out in Project 4.18 – Purchase 204 Light Rail Vehicles on pages 1027 to 1030 of the TTC 2011-2015 Capital Program as approved by the City of Toronto Council on February 23, 2011.

BACKGROUND

In April 2009, the Commission authorized the award of a contract for the design and supply of 204 new low floor light rail vehicles to Bombardier. As part of the Contract Award, \$130.515 million inclusive of taxes was authorized for spare parts (\$13.500 million), specified options (\$67.365 million) and potential contract changes (\$49.650 million). To date, \$18.617 million and \$3.990 million has been authorized and expended on specified options and potential contract changes, respectively, leaving a combined \$107.907 million remaining for spare parts, specified options and potential contract changes.

DISCUSSION

Contract Amendments over \$2.5 million require the Commission’s authorization to comply with the Commission’s Authorization for Expenditure and Other Commitments Policy even when the change amount is within the previously Commission authorized project expenditure. Total expenditures for the Low Floor Light Rail Vehicle (LFLRV) project of the Capital Program were previously authorized by the Commission including the contract award amount and the total allowance amount. Considering the scope, complexity and number of vehicles in this contract, a significant number of Contract Amendments are expected to have a value higher than the \$2.5 million approval authority of the Chief General Manager.

The LRV Contract schedule is very aggressive and any schedule slippage can potentially result in increased project costs due to escalation charges. Further, the state of the current fleet of streetcars is such that any significant schedule delay in the delivery of new LRV’s will require a substantial state of good repair investment in this fleet just to ensure their availability until the arrival of the new LRV’s. It is therefore critical to maintain project schedule. Further, once a decision is made to alter the vehicle design, minimizing the time to issue a Contract Amendment is paramount as idling costs will be incurred in the intervening time. While some preliminary design work may be started in the intervening time, supply chain commitments cannot be made until such time as the full Contract Amendment amount has been authorized. Therefore, Contract Amendments with a value of more than \$2.5 million can be a significant challenge since they must receive Commission approval under the current policy potentially resulting in a one to two month delay before the Contractor can be fully authorized to make the change. Depending on the number of Contract Amendments required over the life of this contract, the current process will almost certainly result in schedule slippage and increased costs. This is a new technically complex vehicle operating on a challenging rail network, and although a thorough engineering process was followed in the design of this car, changes must be expected as the detailed engineering is completed and stakeholder interests are refined, and indeed as anticipated at the outset by the inclusion of a Contract Allowance amount as approved by the Commission.

Timely approval of Contract Amendments that will avoid project schedule delays and potential increased charges can be achieved by delegation of authority to the Chief General Manager to approve amendments exceeding \$2.5 million but within total authorized expenditure amounts and do not exceed the Estimated Final Cost (EFC). To ensure full transparency, Contract Amendments with a value higher than \$2.5 million will be included as a separate item within the M&P monthly report to the Commission, “Summary of Authorized Expenditures”. This change will also result in some administration efficiencies associated with the contract change process.

JUSTIFICATION

Delegating authorization to the Chief General Manager to approve Contract Amendments valued at greater than \$2.5 million but within the previously Commission authorized expenditure amounts will facilitate the processing of Contract Amendments required to maintain schedule critical project activities for the LFLRV Capital Project. For process integrity, Contract Amendments with a value higher than \$2.5 million will be included as a separate item within the M&P monthly reporting for “Summary of Authorized Expenditures”.

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