THE CITY OF ASHEVILLE

STAFF REPORT

Council Meeting Date: August 23, 2022

Subject: Cost increase for purchase of three Gillig buses for Asheville Rides Transit (ART)

Staff Resource(s): Ken Putnam, PE, Transportation Department Director

Action Requested: Adoption of a resolution authorizing the Purchasing Manager to execute a change order to add $122,691 to the amount of the original purchase order for three 30-foot Gillig diesel buses for a total amount of $1,461,883, to pay for cost increases associated with inflation and supply chain issues.

Background:

- The City Council authorized the previous purchase of three 30-foot Gillig diesel buses via Resolution 21-255 on December 14, 2021 for $1,399,122, as well as authorized an additional $250,000 for bus related accessories to be purchased from other transit vendors, for a total amount of $1,649,122.
- The purchase order for the Gillig buses was issued in January 2022 under a cooperative purchasing agreement with the State of Washington for transit bus purchases.
- In July 2022, City transit staff received communications, including a letter, from Gillig alerting the City that additional funds would be required to complete the purchase of the three Gillig diesel buses due to the ongoing global economic crisis.
- Specifically, Gillig provided information regarding increases to materials and parts required for transit bus production due to recent inflationary pressures.
- Gillig has requested an additional $122,691 ($40,897 per bus), which is an 8.8% increase to the original cost. Gillig provided a detailed breakdown of the increases in cost associated with each material, part, or component to demonstrate the basis for the additional cost.
- This percentage increase is less than the Producer Price Index for Transportation Equipment - Truck and Bus Bodies, which was up 12.7% as of May 2022 over May 2021.
- The index is produced by the Bureau of Labor and Statistics, Department of Labor.
- The original purchase was to be funded through two grant sources, including funds received from the MPO in 2018 for bus purchases, and 5339 funds from FTA.
- The required matching funds of 20% for each grant were programmed in the City's adopted Capital Improvement Program.
- Staff proposes to use Fiscal Year (FY) 2023 capital funds allocated for bus expenses to be used for the added match.
- The buses are expected to be delivered by the end of calendar year 2022.

Council Goal(s):

- Transportation and Accessibility

Committee(s):

- N/A

Pro(s):

- Purchasing new buses annually is necessary to maintain the ART fleet in a state-of-good repair and allows the City to continue to provide transit service.
- Existing grant funds are available to cover 80% of the increase in cost.

Con(s):

- The City must pay for 20% of the increased cost, which is the required match.
- The grant funds that will be used will no longer be available for future purchases.

Fiscal Impact:

- Additional $122,691 required from the City for the purchase of three (3) Gillig Diesel buses ordered in January 2022.
- There is additional funding within the existing grants that can be used to cover the cost increase, however the required 20% matching funds from the City will need to be increased by $24,538.
- Staff proposes to use FY 2023 capital funds allocated for bus replacement as the match, potentially limiting future investment in the ART fleet.

Suggested Motion:

- Motion to authorize the Purchasing Manager to execute a change order to add $122,691 to the amount of the original purchase order for three 30-foot Gillig diesel buses for a total amount of $1,461,883, to pay for cost increases associated with inflation and supply chain issues.

Attachment(s):

- Resolution

RESOLUTION NO. 22-_____

RESOLUTION AUTHORIZING THE PURCHASING MANAGER TO EXECUTE A CHANGE ORDER TO THE AMOUNT OF THE ORIGINAL PURCHASE ORDER FOR THREE 30-FOOT GILLIG DIESEL BUSES TO PAY FOR COST INCREASES ASSOCIATED WITH INFLATION AND SUPPLY CHAIN ISSUES

WHEREAS, the City of Asheville has authority pursuant to N.C.G.S. §143 -129 for letting of public contracts; and

WHEREAS, City Council adopted Resolution 21-21-255 on December 14, 2021 for $1,399,122, as well as authorized an additional $250,000 for bus related accessories to be purchased from other transit vendors, for a total amount of $1,649,122; and

WHEREAS, due to the global economic crisis in which inflation and supply chain issues continue to impact the price of goods and services; and

WHEREAS, the Transportation Department has received a notice from Gillig Inc. alerting the City that additional funds would be required to complete the purchase of three Gillig diesel buses that were ordered in January 2022 due to the ongoing global economic crisis; and

WHEREAS, $122,691 in additional funds are required to complete the purchase and therefore a change order to add these funds to the original purchase order will be necessary; and

WHEREAS, existing transit federal funds will be used to fund the increased cost; and

WHEREAS, the local match is currently budgeted in the FY 23 Capital Improvement Program;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ASHEVILLE THAT:

City Council hereby authorizes the Purchasing Manager to execute a change order to add $122,691 to the amount of the original purchase order three 30-foot Gillig diesel buses for a total amount of $1,461,883, to pay for cost increases associated with inflation and supply chain issues.

Read, approved and adopted this the 23rd day of August, 2022.

_____ _____

City Clerk Mayor

Approved as to form:

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City Attorney