

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

Action Information

MEAD Number:
201673

Resolution:
 Yes No

TITLE:

Amend Policy for Procurement of Parts

PRESENTATION SUMMARY:

The availability of bus and rail revenue service vehicles is critical to maintain safe operation, on-time service, and minimize crowding within the transit system. Board resolution 2014-19 was enacted in the context corrections needed to WMATA procedures after the Federal Transit Administration (FTA) Financial Management Oversight (FMO) review. Steps required to comply with the Resolution have caused longer acquisition lead times and associated lack of parts for safe operation of rolling stock.

PURPOSE:

This action seeks the Board of Directors to adopt a new Section 900 to its procurement policy as shown in Attachment A of this resolution.

DESCRIPTION:

Key Highlights:

This action grants approval to establish a Parts Bridging Program that sets forth temporary measures, effective through June 30, 2018.

The Chief Procurement Officer shall determine, on an exception basis, those spare parts that will be included within the program and the duration of non-federal contracts that will be required within the program such that any part purchased under this program will have a defined end date for return to normal procurement methods. The goal of the Program is to purchase needed parts without regard to procurement policies, it being the Board's determination that this program is intended to address an unusual and compelling urgency to restock parts; however, where appropriate (i.e. more than one approved source/vendor) limited competition shall be employed to purchase the part.

The Chief Procurement Officer may enroll a part and associated vendor(s) in the Program for any of the following justifications:

- (a) Safety-Critical. DGMO has determined the part is critical to maintaining the safety of the passenger system and identified a single vendor or limited vendor(s) as an approved source for the part.
- (b) Proprietary. DGMO has determined that only the original equipment manufacturer

(OEM) part meets the essential criteria necessary to maintain overall system integrity.

(c) Qualified. DGMO has determined that this part meets the essential criteria in terms of form, fit or function necessary to maintain overall system integrity.

(d) Warranty. Program office has determined only one source will maintain continuation of warranty coverage necessary for this part (or component of which the part is a sub-component or replacement part).

(e) Interoperability. Program office has determined that WMATA has overlapping requirements that are dependent upon continued use and availability of this part from one vendor to the exclusion of other parts and vendors.

(f) Combination. Program office has determined that this source provides enhanced value to WMATA through a synergy of convenience and efficiency that offers overall best value when this part is acquired as a group or set included with other parts (e.g. overhaul “kits”).

When any part, component, or sub-component is determined and found to be eligible for enrollment into the Program based upon any of the justification and approval (J&A) conditions of paragraph 904 above Procurement and Program shall take action to:

(a) Restock. Immediately enter into a contract with approved vendors to restore parts availability of this item above minimum stock requirements, including reorder quantities as necessary, for a period not to exceed two years.

(b) Resource. Utilizing strategic sourcing methods, the requirement will be advertised for fair and open competition for a multiple award indefinite delivery indefinite quantity (IDIQ) contract eligible for federal grant reimbursement.

(c) Resolve. Offeror/part combinations will be conditionally entered upon a Qualified Parts List (QPL) subject to verification by third-party labs, demonstrated success with other transit properties, or WMATA-approved testing and certification procedures, as determined appropriate by DGMO.

It is the objective of this Program that within two years of enrollment in the Program, any specific part, component or sub-component will emerge on WMATA's QPL as either eligible for Federal reimbursement or documentation will be available to request a waiver from FTA of those federal requirements which prevent entering into a compliant contract eligible for reimbursement. Any policy or procedure deviations must therefore be in accordance with Federal Transit Administration (FTA) enabling legislation, 49 U.S.C. § 5325(a) requiring FTA grant recipients to conduct all procurements financed under 49 U.S.C. Chapter 53 in a manner that provides full and open competition (including Buy America compliance); FTA Master Agreement Requirements; FTA Circulars 4220.1F and 5010.1; and the OMB “Super Circular” 2 C.F.R. 200.

The Chief Procurement Officer shall report to the Board of Directors, in accordance with other quarterly reporting metrics, the number of parts line items enrolled in the program, which of the six (904 a through f) justifications were sought, and the progress toward completion and final resolution under 906 above.

Background and History:

The Office of Performance (CPO) issued a report to the Board of Directors of its findings that the high non-availability rates of revenue service vehicles, both rail and bus, are attributable in part to inventory part shortages throughout the warehouse system. This

shortage of inventory parts is having an adverse effect on safety and on-time service within the transit system. The current procurement methods used by Metro can't correct this deficiency. Section 73 of the WMATA Compact and Board Resolutions 2011-30 and 2014-19 require full and open competitive procurement methods. For reimbursement under FTA grants, Circular 4220.1F Chapter 1.5.n, full and open competition means "all responsible sources are permitted to compete." The reliable source must also comply with FTA's Transit Safety and Oversight goal to achieve the highest practical level of safety and security for all modes of transit, as set forth under MAP-21. A Pilot Program should be instituted to restore the volume of spare parts; ensure full and open competition; and maximize the use of Federal reimbursement for those parts necessary to support the availability of revenue vehicles in service.

Discussion:

The availability of bus and rail revenue service vehicles is critical to maintain safe operation, on-time service, and minimize crowding within the transit system. Board resolution 2014-19 was enacted in the context corrections needed to WMATA procedures after the Federal Transit Administration (FTA) Financial Management Oversight (FMO) review. Using corrective action plans and implementation of new policies and procedures, staff has improved procurement and financial operations; however, the application and added steps required for compliance with Board resolution 2014-19 have contributed to longer acquisition lead times and associated lack of parts necessary for the safe and efficient operation of WMATA rolling stock. These conditions establish an unusual and compelling urgency to purchase parts in order to prevent serious injury to WMATA. It is in WMATA's best interest to maximize the number of WMATA contracts and purchase orders eligible for reimbursement from federal grant sources.

FUNDING IMPACT:

| | |
|---|---------------------|
| Define current or potential funding impact, including source of reimbursable funds. | |
| Project Manager: | John S. Shackelford |
| Project Department/Office: | GMGR/PRMT |

This is a request for procurement policy change by the Board of Directors to establish a Pilot Program for the procurement of spare parts.

While this bridging program is necessary to meet an urgent need, the implementation of the program will constrain WMATA's budget and funding flexibility, as all parts that are not eligible for FTA reimbursement will require non-federal operating and capital funding. Funding these mission-critical parts with non-federal sources may require an increase in jurisdictional funding or the displacement of other operating and capital needs. Therefore, it is in WMATA's best interest to maximize the number of WMATA contracts eligible for reimbursement from federal grant sources. In the long term, it is critical that WMATA program offices sustain and improve adequate planning and execution of procurements to ensure that FTA-eligible parts are available when needed

TIMELINE:

| | |
|--|---|
| <p>Previous Actions</p> | <p>Month/year – 1-2 line summary of what was shared or what has been done to get to this point</p> <p>The Office of Performance (CPO) issued a report to the Board of Directors of its findings that the high non-availability rates of revenue service vehicles, both rail and bus, are attributable in part to inventory part shortages throughout the warehouse system. This shortage of inventory parts is having an adverse effect on safety and on-time service within the transit system. A Pilot Program should be instituted to restore the volume of spare parts. These temporary measures will be effective through June 30, 2018</p> <p>Month/year – 1-2 line summary of what was shared or what has been done to get to this point</p> |
| <p>Anticipated actions after presentation</p> | <p>Month/year – 1-2 line summary of what else might be needed to be done following the presentation or what needs to be presented next</p> |

RECOMMENDATION:

Approve the proposed resolution to adopt a new Section 900 as shown in Attachment A of the resolution.

PRESENTED AND ADOPTED: November 19, 2015

SUBJECT: ESTABLISH A PARTS BRIDGING PROGRAM TO RESTORE SPARE PARTS AVAILABILITY, DEVELOP COMPETITION AMONG VENDORS, AND ACHIEVE ELIGIBILITY FOR FEDERAL REIMBURSEMENT

2015-59

**RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY**

WHEREAS, Board Resolution 2014-19 revised the Washington Metropolitan Area Transit Authority's (WMATA) procurement policy to, among other things, strengthen WMATA's established commitment to full and open competition, and limit exceptions to this requirement; and

WHEREAS, Board Resolution 2014-19 was adopted in the context of corrections needed to WMATA procedures after the Federal Transit Administration (FTA) Financial Management Oversight (FMO) review; and

WHEREAS, Through completion of corrective action plans and implementation of new policies and procedures, staff has improved financial management and procurement since the FMO; and

WHEREAS, WMATA purchases parts for rolling stock maintenance and operation subject to WMATA staff review and qualification of the vendor/source and the part being purchased; and

WHEREAS, The additional steps required for compliance with Board Resolution 2014-19 have contributed to a lack of parts necessary for the safe and efficient operation of WMATA rolling stock; and

WHEREAS, The WMATA Compact establishes the minimum requirements for WMATA procurements using non-federal funding and permits the use of other-than-competitive procedures when, for instance, WMATA's need is of such an unusual and compelling urgency that WMATA would be seriously injured unless the solicitation sources are limited; and

WHEREAS, The availability of revenue service vehicles (both bus and rail) is a critical need of WMATA and necessary to maintain safe operation, on-time service, and to minimize crowding within the transit system; and

Motioned by Ms. Tregoning, seconded by Mr. Corcoran

Ayes: 8 – Mr. Downey, Mr. Goldman, Mrs. Hudgins, Mr. Evans, Ms. Tregoning, Ms. Harley, Mr. Corcoran and Mr. Dormsjo

WHEREAS, For 2015, the daily fleet requirements have reached historically high levels of demand, while the available supply of revenue vehicles has fallen, as presented to the Board of Directors in the quarterly Vital Signs Report. The Office of Performance has determined that this deficiency arises, in part, from shortages in the parts inventory system; and

WHEREAS, These conditions establish an unusual and compelling urgency to purchase parts in order to prevent serious injury to WMATA; and

WHEREAS, It is in WMATA's best interest to maximize the number of WMATA contracts eligible for reimbursement from federal grant sources; and

WHEREAS, Staff has prepared a Parts Bridging Program (the Program) to be effective through June 30, 2020, which seeks to restore the volume of spare parts available to perform revenue vehicle maintenance while ensuring competition among vendors to meet spare parts requirements with efficiency, high quality, and price reasonableness; and

WHEREAS, WMATA will use the Program only for parts enrolled by the Chief Procurement Officer (CPRO) pursuant to specific permitted justifications to develop vendor contracts that comply with federal requirements or documentation to support a request to the FTA for a waiver of federal requirements for each part enrolled in the Program; now, therefore be it

RESOLVED, That the Board of Directors adopts a new Section 900, "Parts Bridging Program," to its procurement policy as shown in Attachment A to this Resolution; and be it further

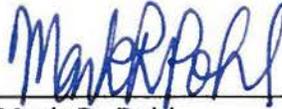
RESOLVED, That the CPRO shall report fully and publicly, on a quarterly basis, on the use of this new policy and include in its quarterly reports, information on the following two items among others: (1) the dollar value of parts purchased under the policy and its percentage of total purchases that quarter, and (2) notification of any staff projection that as a result of such parts purchases, there may be an increase in the jurisdictional funding needed for that year's operating or capital budgets; and be it further

RESOLVED, That no part may be enrolled in the program established in Section 900 after December 31, 2016, provided however that in order to achieve the objectives of this program, the competition process established for a part enrolled before December 31, 2016, may continue until a date not later than December 31, 2017; and be it further

RESOLVED, That staff shall report back to a Committee of the Board in January 2016, with further information on the Bridge Program, the steps other transit agencies use to competitively procure parts in accordance with FTA policies and how WMATA will improve its procurement practices to ensure that parts may be sourced consistently with FTA policies; and be it finally

RESOLVED, That to alleviate the shortages in required parts, this Resolution shall be effective immediately.

Reviewed as to form and legal sufficiency,



Mark R. Pohl
Acting General Counsel

WMATA File Structure No.:
17.9.1 Procurement Procedures Manual

ATTACHMENT A

SECTION 900 – PARTS BRIDGING PROGRAM

- 901. General Purpose.** The Parts Bridging Program sets forth temporary measures, effective through December 31, 2017, necessary to correct deficiencies arising from existing conditions that cannot be adequately addressed through normal procurement methods.
- 902. Responsibility.** The Chief Procurement Officer (CPRO) shall determine, on an exception basis, those spare parts that will be included within the Program and the duration of non-federal contract that will be required within the Program such that any part purchased under this Program will have a defined end date for return to normal procurement methods may resume.
- 903. Waiver of Procurement Requirements.** Where the CPRO has approved a justification and approval for enrollment of a part and a vendor(s) in this Program, and OMBS has identified non-federal funds sufficient to finance the proposed contract term, all procedural requirements established in this procurement policy shall be in applicable to the initial purchase of that part from the approved vendor. In no case may an initial purchase exceed a two-year term. In no case may a part be enrolled in this Program more than one time.
- 904. Enrollment of Parts.** The CPRO may enroll a part and associated vendor(s) in the Program for any of the following justifications:
- (a) **Safety-Critical.** The Deputy General Manager, Operations (DGMO) has determined the part is critical to maintaining the safety of the passenger system and identified a single vendor or limited vendor(s) as an approved source for the part.
 - (b) **Proprietary.** DGMO has determined that only the original equipment manufacturer (OEM) part meets the essential criteria necessary to maintain overall system integrity.
 - (c) **Qualified.** DGMO has determined that this part meets the essential criteria in terms of form, fit or function necessary to maintain overall system integrity.
 - (d) **Warranty.** Program office has determined only one source will maintain continuation of warranty coverage necessary for this part (or component of which the part is a sub-component or replacement part).
 - (e) **Interoperability.** Program office has determined that WMATA has overlapping requirements that are dependent upon continued use and availability of this part from one vendor to the exclusion of other parts and vendors.

- (f) **Combination.** Program office has determined that this source provides enhanced value to WMATA through a synergy of convenience and efficiency that offers overall best value when this part is acquired as a group or set included with other parts (e.g. overhaul "kits").

905. Competition. The goal of the Program is to purchase needed parts without regard to procurement policies, it being the Board's determination that this program is intended to address an unusual and compelling urgency to restock parts; however, where appropriate (i.e. more than one approved source/vendor) limited competition shall be employed to purchase the part.

906. Procedures. When any part, component, or sub-component is determined and found to be eligible for enrollment into the Program based upon any of the justification and approval (J&A) conditions of paragraph 904 above Procurement and Program shall take action to:

- (a) **Restock.** Immediately enter into a contract with approved vendors to restore parts availability of this item above minimum stock requirements, including reorder quantities as necessary, for a period not to exceed two years.
- (b) **Resource.** Utilizing strategic sourcing methods, the requirement will be advertised for fair and open competition for a multiple award indefinite delivery indefinite quantity (IDIQ) contract eligible for federal grant reimbursement.
- (c) **Resolve.** Offeror/part combinations will be conditionally entered upon a Qualified Parts List (QPL) subject to verification by third-party labs, demonstrated success with other transit properties, or WMATA-approved testing and certification procedures, as determined appropriate by DGMO.

907. Policy Deviations.

- (a) It is the objective of this Program that within two years of enrollment in the Program, any specific part, component or sub-component will emerge on WMATA's QPL as either eligible for Federal reimbursement or documentation will be available to request a waiver from the Federal Transit Administration (FTA) of those federal requirements which prevent entering into a compliant contract eligible for reimbursement.
- (b) Any policy or procedure deviations must therefore be in accordance with FTA enabling legislation, 49 U.S.C. § 5325(a) requiring FTA grant recipients to conduct all procurements financed under 49 U.S.C. Chapter 53 in a manner that provides full and open competition (including Buy America compliance); FTA Master Agreement

Requirements; FTA Circulars 4220.1F and 5010.1; and the OMB "Super Circular" 2 C.F.R. 200.

908. Reports. The CPRO shall report to the Board of Directors, in accordance with other quarterly reporting metrics, the number of parts line items enrolled in the program, which of the six (904 a through f) justifications were sought, and the progress toward completion and final resolution under 906 above.