

# **Long Island Rail Road Procurements**

Richard Mack, MTA Assistant Deputy Chief Contracts Officer – LIRR Procurements



# PROCUREMENTS

The Procurement Agenda this month includes 2 actions for a proposed estimated expenditure of \$732.0M.

Subject		Request for Authorization to Award Various Procurements				February 23, 2024			
Departm		Procurement				Depart	ment		
Departm	ent Head Nam Richard			1		Depart	ment Head Name		
Departm	Ciche		2_			Depart	ment Head Signature		
Project !	Manager Name Rose Da	avis	A!				Interna	l Approval	ls
	Manager Name	· ·	1	Info	Other			l Approval	
Project !	Manager Name Rose Da	avis Board Ac	tion Approval	Info	Other	1	Approval Acting SVP Operations	l Approval	Approval
	Manager Name Rose Da	avis  Board Ac  Date	1	Info	Other	1 2	Approval	l Approval	
Order 1	Manager Name Rose Di  To  Committee	Board Ac Date 02/26/24	1	Info		1 2 Approvals (	Approval Acting SVP Operations Acting President	I Approval	Approyal

To obtain approval of the Board to award various contracts and purchase orders, and to inform the Long Island Rail Road Committee of these procurement actions.

# **DISCUSSION**

LIRR proposes to award Noncompetitive procurements in the following categories:

Procurements	Requiring Two-Thirds Vote:		# of Actions	9	Amount
Schedule A:	Noncompetitive Purchases and Public Work Contracts		2	\$	732.0 M
		<b>SUBTOTAL</b>	2	\$	732.0 M
LIRR propo	ses to award Competitive procurements in the following ca	tegories: None			
LIRR propo	ses to award Ratifications in the following categories: Non	e			
		TOTAL	2	\$	732.0 M

**COMPETITIVE BIDDING REQUIREMENTS**: The procurement actions in Schedules A, B, C, and D are subject to the competitive bidding requirements of PAL 1209 or 1265-a relating to contracts for the purchase of goods or public work. Procurement actions in the remaining Schedules are not subject to these requirements.

BUDGET IMPACT: The purchases/contracts will result in obligating funds in the amounts listed. Funds are available in the current operating/capital budgets for this purpose.

**RECOMMENDATION:** That the purchases/contracts be approved as proposed. (Items are included in the resolution of approval at the beginning of the Procurement Section.)

# **BOARD RESOLUTION**

**WHEREAS**, in accordance with Sections 1265-a and 1209 of the Public Authorities Law and the All-Agency General Contract Procurement Guidelines, the Board authorizes the award of certain noncompetitive purchase and public work contracts, and the solicitation and award of requests for proposals regarding purchase and public work contracts; and

WHEREAS, in accordance with the All-Agency Service Contract Procurement Guidelines and General Contract Procurement Guidelines the Board authorizes the award of certain noncompetitive miscellaneous service and miscellaneous procurement contracts, certain change orders to purchase, public work, and miscellaneous service and miscellaneous procurement contracts, and

**WHEREAS**, in accordance with Section 2879 of the Public Authorities Law and the All-Agency Service Contract Procurement Guidelines, the Board authorizes the award of certain service contracts and certain change orders to service contracts.

NOW, the Board resolves as follows:

- 1. As to each purchase and public work contract set forth in annexed Schedule A, the Board declares competitive bidding to be impractical or inappropriate for the reasons specified therein and authorizes the execution of each such contract.
- 2. As to each request for proposals (for purchase and public work contracts) set forth in Schedule B for which authorization to solicit proposals is requested, for the reasons specified therein, the Board declares competitive bidding to be impractical or inappropriate, declares it is in the public interest to solicit competitive request for proposals, and authorizes the solicitation of such proposals.
- 3. As to each request for proposals (for purchase and public work contracts) set forth in Schedule C for which a recommendation is made to award the contract, the Board authorizes the execution of said contract.
- 4. As to each action set forth in Schedule D, the Board declares competitive bidding impractical or inappropriate for the reasons specified therein and ratifies each action for which ratification is requested.
- 5. The Board authorizes the execution of each of the following for which Board authorization is required: (i) the miscellaneous procurement contracts set forth in Schedule E; (ii) the personal service contracts set forth in Schedule F; (iii) the miscellaneous service contracts set forth in Schedule G; (iv) the modifications to personal/miscellaneous service contracts set forth in Schedule H; (v) the contract modifications to purchase and public work contracts set forth in Schedule I; and (vi) the modifications to miscellaneous procurement contracts set forth in Schedule J.
- 6. The Board ratifies each action taken set forth in Schedule K for which ratification is requested.



# **FEBRUARY 2024**

# LIST OF NONCOMPETITIVE PROCUREMENTS FOR BOARD APPROVAL

# **Procurements Requiring Two-Thirds Vote:**

# A. Noncompetitive Purchases and Public Work Contracts

(Staff Summaries required for items estimated to be greater than \$1,000,000.)

1. Mitsubishi Electric Power Products, Inc.

\$589,651,280

Staff Summary Attached

10 years

Contract # 0000015994

Award of an Original Equipment Manufacturers purchase agreement for M7 Propulsion System Equipment Upgrade Overhaul and Bench Test Equipment.

2. Mitsubishi Electric Power Products, Inc.

\$142,325,007

Staff Summary Attached

5 years

Contract # 0000016001

Award of a five-year contract for heating, ventilation, and air conditioning (HVAC), and propulsion replacement parts utilized on the LIRR's M-7 electric railcars, MNR's M-7 and M-8 electric railcars, and NYC Transit subway cars.



Item Number: 1

Vendor Name (Location)	Contact Number	Renewal?		
Mitsubishi Electric Power Products, Inc. (Warrendale, Pennsylvania)	0000015994	☐ Yes		
Description				
M7 Propulsion System Equipment Upgrade Overhaul	Total Amount:	\$589,651,280 (Est.)		
Contract Term (including Options, if any)				
10 Years (March 1, 2024–March 1, 2034)	Funding Source			
Option(s) included in Total Amount?   ☐ Yes ☐ No	□ Operating □ Capita	al 🗌 Federal 📗 Other:		
Procurement Type	Requesting Departmen	nt:		
☐ Competitive ☐ Noncompetitive	Maintenance of Equipme	ent, Brad Jenkins		
Solicitation Type	Contract Manager:			
☐ RFP ☐ Bid ☐ Other: OEM Sole Source	Marlon Torres			

#### **Discussion:**

As a result of a multiagency Joint Procurement, Long Island Rail Road ("LIRR"), on behalf of itself and Metro-North Railroad ("MNR") (collectively the "Railroads"), requests Board approval to award an Original Equipment Manufacturers ("OEMs") purchase agreement for M7 Propulsion System Equipment Upgrade Overhaul and Bench Test Equipment ("BTE") to Mitsubishi Electric Power Products, Inc. ("MEPPI") in the estimated value of \$589,651,280. Installation of the propulsion system equipment will be performed by MNR and LIRR staff.

In accordance with MTA All-Agency Procurement Guideline requirements, the Agencies advertised their intent to procure the items under these agreements on a sole-source basis in the *New York State Contract Reporter*, *NY Post*, and on the internet. No other firms expressed interest in participating in these procurements.

MEPPI is the sole responsible source for the M7 Propulsion System Equipment and BTE's provided under this contract. No other vendors have access to the proprietary designs, specifications, and drawings for the system and therefore cannot readily provide these components. The propulsion system equipment is a critical component to 843 LIRR M-7 railcars and 222 MNR M-7 railcars. Any failures to the system will result in major delays, canceled trains, and railcars to be taken out of service. This contract has an initial term of five years with one option for an additional five-year term. This will provide the Railroads the necessary propulsion system equipment to upgrade the Railroads' existing fleet.

The M7 railcars were originally put into service in 2002 with an expected useful life of 40 years. The Propulsion Inverter Box and High Voltage Distribution Box are at the end of their useful life threshold of 15 years. The propulsion system equipment upgrade will allow the Railroads to maintain the fleet in a State of Good Repair.

The purchase of this material supports a scheduled maintenance/production plan by the Railroads workforce for installing the propulsion system equipment on the M7 Fleet. The negotiated prices are held firm for the base contract for five years with no escalation. Subsequently, a Producer Price Index ("PPI") adjustment by the U.S. Department of Labor, Bureau of Labor Statistics will be applied once the option is exercised.

MEPPI initially proposed and identified a cost of \$600,000 per propulsion kit for a total contract cost of \$681,404,003. In technical discussions, it was identified that a critical component of the propulsion system Insulated Gate Bipolar Transistor ("IGBT") and High Voltage Distribution Box ("HVDB") Diode to each kit was available in 2024 as a last-time purchase. The Railroads evaluated and pursued this last-time purchase as this would ensure availability and lower costs, thus avoiding the manufacturer's need to reengineer and re-source these major components (IGBT and HVDB). MEPPI submitted its Best and Final Offer of \$518,107 per kit for a total contract cost of \$589,651,280, which is \$91,752,723 or 13 percent reduction or cost savings.

The MTA reviewed and evaluated the pricing to determine cost reasonableness against comparative data from supporting documentation and historical data from past MEPPI purchases. In conducting this cost / price analysis, the Railroads evaluated past historical purchases offered by MEPPI. In 2015, MNR purchased a Propulsion System Equipment Invertor Box at a cost of \$447,000 per kit. Utilizing the PPI published by the U.S. Department of Labor, Bureau of Labor Statistics. The PPI shows an adjusted cost increase of \$130,161 or 22 percent higher, making the total cost per unit \$577,161 per kit. MEPPI's cost of \$518,107 is \$59,053 or 10 percent lower than the adjusted cost increase of \$577,161. If the five-year Option is exercised, the Railroads would achieve an estimated total savings of \$62,891,785 over the 10-year contract. Therefore, Procurement has determined this price to be fair and reasonable.



The estimated amount anticipated to be expended over the 10-year purchase agreements term by LIRR is \$462,836,036, and MNR is \$126,815,244.

In connection with a previous contract awarded to MEPPI, MEPPI was found to be responsible notwithstanding significant adverse information ("SAI") pursuant to the All-Agency Responsibility Guidelines and such responsibility finding was approved by the MTA Managing Director in consultation with the MTA General Counsel in February 2019. No new SAI has been found relating to MEPPI and MEPPI has been found to be responsible.

The contract resulting from this procurement has been evaluated to determine the necessity and appropriate scope, if any, of cybersecurity requirements, including any requirements under federal, state, and local law and regulations. Any applicable cybersecurity requirements, to the extent required, have been included in the contract terms and conditions.

MEPPI has certified that pursuant to EO 16, it is not doing business in Russia.

This contract is subject to review and approval of the Office of the New York State Comptroller ("OSC") and award will not be made prior to OSC approval.

#### M/W/SVDOB Information

MTA Department of Diversity and Civil Rights assigned zero goals for this procurement.

#### **Impact on Funding**

This contract is funded by the MTA-Maintenance of Equipment Department's Operating Budget.



Item Number: 2

Vendor Name (Location)	Contact Number	Renewal?	
Mitsubishi Electric Power Products, Inc.	0000016001		
(Warrendale, Pennsylvania)			
Description			
OEM Purchase Agreements for Replacement Parts	Total Amount:	\$142,325,007 (Est.)	
Contract Term (including Options, if any)			
Five Years (March 1, 2024–March 1, 2029)	Funding Source		
Option(s) included in Total Amount?	☑ Operating ☐ Capital ☐ □	Federal 🗌 Other:	
Procurement Type	Requesting Department:		
☐ Competitive ☐ Noncompetitive	Maintenance of Equipment, Brad Jenkins		
Solicitation Type	Contract Manager:		
☐ RFP ☐ Bid ☐ Other: OEM Sole Source	Marlon Torres		

#### Discussion:

As a result of a multiagency Joint Procurement, Long Island Rail Road ("LIRR"), on behalf of itself, Metro-North Railroad ("MNR") (collectively the "Railroads"), and NYC Transit requests Board approval to award a five-year contract for replacement parts to Mitsubishi Electric Power Products, Inc. ("MEPPI") in the estimated value of \$142,325,007. MEPPI is the Original Equipment Manufacturer ("OEM") of these replacement parts and these agreements are for LIRR, MNR, and NYC Transit. MEPPI is the supplier for HVAC and propulsion replacement parts utilized on the LIRR's M-7 electric railcars, MNR's M-7 and M-8 electric railcars, and NYC Transit subway cars.

MEPPI is the sole responsible source for the components that will be provided under this contract. No other vendors have access to the proprietary designs, specifications, and drawings for the Propulsion System or materials and therefore cannot readily provide these parts and services. Under this new agreement, the Railroads and NYC Transit will continue to support its Life Cycle Maintenance and Reliability Centered Maintenance programs, which maintain high car reliability, improve customer service through on-time performance, and provide replacement parts at prescribed intervals. Additionally, parts required to perform unscheduled maintenance and repairs on rail and subway cars are needed to ensure safe, reliable, and maintainable operation.

This is the first time requirements to be provided by MEPPI are based on not only the needs for LIRR and MNR, but also those of NYC Transit. Utilizing a joint procurement approach for this contract combines the buying power of the Railroads and NYC Transit to achieve most-favorable uniform pricing and better supply chain management. Additional benefits are the process efficiencies that reduce the number and frequency of small purchase activities. This contract assures the Railroads and NYC Transit that the OEM will continue to maintain its tooling and manufacturing capabilities necessary to produce the parts, which are not available from any other sources.

MEPPI submitted its proposal of \$151,936,550 on October 12, 2023. During negotiations, the MTA was able to achieve an estimated cost savings of \$9,611,543, which is 7 percent lower than the proposed pricing of \$151,936,550 and negotiated a final price of \$142,325,007. Each Railroad's original proposal pricing decreased as follows: LIRR \$51,231,468 to \$48,615,000, MNR from \$97,958,449 to \$90,974,160, and NYC Transit from \$2,746,633 to \$2,735,847. LIRR was able to obtain one-year fixed base pricing and annual adjustments in Years 2, 3, 4, and 5 of the contracts. A Producer Price Index adjustment will be applied on each consequent anniversary for each year of the contract thereafter.

Any additional items not identified and /or additions will be established on an as-required basis, and each item will be subject to a cost and/or price analysis as well as the most-favored customer pricing clause. Where applicable, MEPPI will provide redacted invoices from other customers' purchases to support fair and reasonable pricing. For the fixed price items, the MTA Cost Price Analysis Unit has reviewed a compilation of various metrics and based on those metrics, determined the pricing to be fair and reasonable.

In accordance with MTA All-Agency Procurement Guideline requirements, the Agencies advertised their intent to procure the items under these agreements on a sole-source basis in the *New York State Contract Reporter*, *NY Post*, and on the internet. No other firms expressed interest in participating in these procurements.



In connection with a previous contract awarded to MEPPI, MEPPI was found to be responsible notwithstanding significant adverse information (SAI) pursuant to the All-Agency Responsibility Guidelines and such responsibility finding was approved by the MTA Managing Director in consultation with the MTA General Counsel in February 2019. No new SAI has been found relating to MEPPI and MEPPI has been found to be responsible.

The contract resulting from this procurement has been evaluated to determine the necessity and appropriate scope, if any, of cybersecurity requirements, including any requirements under federal, state, and local law and regulations. Any applicable cybersecurity requirements, to the extent required, have been included in the contract terms and conditions.

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#### **Impact on Funding**

This contract is funded by the MTA Maintenance of Equipment Department's Operating Budget.