



STAFF REPORT

DATE: February 26, 2024
TO: Sacramento Regional Transit Board of Directors
FROM: Carmen Alba, VP, Operations
SUBJ: APPROVING SOLE SOURCE PROCUREMENTS FOR FUTURE PURCHASES OF COMPONENTS FOR GENFARE FARE COLLECTION EQUIPMENT AND DELEGATING AUTHORITY TO THE GENERAL MANAGER/CEO TO EXECUTE CONTRACTS FOR GENFARE COMPONENTS

RECOMMENDATION

Adopt the Attached Resolution.

RESULT OF RECOMMENDED ACTION

Approval of a sole source for the future purchases of Genfare components for fare collection equipment will allow SacRT to purchase parts to repair its existing Genfare farebox equipment.

FISCAL IMPACT

If this action is approved, Staff will issue individual purchase orders for parts for a not-to-exceed amount of \$450,000, in aggregate, including sales tax, for a 5-year period. Costs associated with Genfare parts purchases for FY 24 are included in the approved FY 23-24 Operating Budget. Funds for purchases will be identified as purchase orders are issued.

DISCUSSION

On August 11, 2014, the Board of Directors awarded a sole source contract to Genfare for the purchase of Fast Fare fareboxes for installation in 92 new Gillig buses. The Genfare Fast Fare fareboxes were selected because SacRT was already operating Genfare fareboxes on existing buses; SacRT's revenue center vault systems were designed specifically to accommodate Genfare vaults; and SacRT did not have available space for a secondary vault system. SacRT was not able to replace the entire fleet of fareboxes and was unequipped to maintain multiple cash vault systems during a phased replacement.

Under the 2014 contract and subsequent amendments through 2016, SacRT purchased 192 Fast Fare fareboxes. As SacRT has purchased new buses, the existing fareboxes

have been moved to the new buses. The fareboxes require ongoing maintenance and replacement of parts to maintain their functionality.

Genfare communicated to SacRT that: (1) it uses proprietary coding and encryption as part of the security system used in its equipment; and (2) that it custom makes parts and components for the fare collection system using special production techniques, tooling, and set ups. Due to the customization, there would be substantial duplication of costs for another vendor to reverse engineer the parts and these costs are unlikely to be recovered through competition. SacRT is unaware of any other vendor that has attempted to manufacture or provide compatible parts. Genfare also communicated that it does not allow third parties to resell its Original Equipment Manufacturer parts and equipment. As a result, no other supplier or parts manufacturer can provide the equipment and parts needed to maintain existing fareboxes. Genfare provided a “sole source letter” dated November 8, 2022, stating that it is the sole provider of the parts required to maintain the fareboxes.

In February 2023, the General Manager/CEO approved a sole source justification for the purchase of Genfare parts up to an aggregate amount of \$150,000 (the limit of his authority) for a 3-year period. The funds available under that authorization have been expended and Staff has a continuing need for parts replacements. Because this is a known and ongoing need, it would constitute impermissible procurement splitting, as defined in Section 1.106 of the Procurement Ordinance, to consider each purchase separately, rather than looking at SacRT’s aggregate needs and long-term cost and seek Board approval for these ongoing purchases.

Under the FTA Circular 4220.1F, Chapter VI (3)(i), “A recipient may use noncompetitive proposals only when the procurement is inappropriate for small purchase procedures, sealed bids, or competitive proposals, and at least one of the following circumstances are present: adequate competition existed in the competition, a justified sole source, unusual and compelling urgency, associated capital maintenance item exception repealed, or authorized by FTA.”

A qualifying “sole source” exists for federal purposes “[i]n the case of a follow-on contract for the continued development or production of highly specialized equipment and major components thereof, when it is likely that award to another contractor would result in substantial duplication of costs that are not expected to be recovered through competition.”

In addition to these federal requirements, under Public Utilities Code section 102222, SacRT “contracts for the purchase of supplies, equipment, and materials in excess of one hundred twenty-five thousand dollars (\$125,000) shall be by contract let to the lowest responsible bidder or, in the district’s discretion, to the responsible bidder that submitted a proposal that provides the best value, as defined in paragraph (1), to the district on the basis of the factors identified in the solicitation.” While not set out in the statute, there is as common law doctrine of “futility” that excuses competitive bidding when it can be demonstrated that it would be “futile” to solicit competition. Due to the proprietary nature of the Genfare parts, Staff believes that exception applies in this instance.

In accordance with SacRT's Procurement Ordinance, Section 1.405.A Noncompetitive and Sole Source Procurement, the Board may approve and award a noncompetitive procurement using federal funding only when: (a) allowed by federal law and guidance; and (b) it has been determined that the Public Works, Supplies or Services can be provided by only one firm and that efforts to seek competition would be futile.

RESOLUTION NO. 2024-02-014

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

February 26, 2024

APPROVING SOLE SOURCE PROCUREMENTS FOR FUTURE PURCHASES OF COMPONENTS FOR GENFARE FARE COLLECTION EQUIPMENT AND DELEGATING AUTHORITY TO THE GENERAL MANAGER/CEO TO EXECUTE CONTRACTS FOR GENFARE COMPONENTS

WHEREAS, SacRT's existing fixed-route bus fleet is equipped with Genfare Fast Fare fareboxes, which are the only farebox compatible with the vaults built into SacRT Bus Maintenance Facility 1; and

WHEREAS, the Fast Fare fareboxes require periodic replacements of parts in order to maintain their functionality and usability for the entirety of their useful life; and

WHEREAS, Genfare has informed SacRT that (1) it uses proprietary coding and encryption as part of the security system used in its equipment; and (2) that it custom makes parts and components for the fare collection system using special production techniques, tooling, and set ups; and

WHEREAS, due to the customization, there would be substantial duplication of costs for another vendor to reverse engineer the parts and these costs are unlikely to be recovered through competition; and

NOW, THEREFORE, BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, pursuant to Section 1.405.A of SacRT's Procurement Ordinance, the Board finds that noncompetitive and sole source procurement for Genfare parts is appropriate because it likely that award to another contractor would result in substantial duplication of costs that are not expected to be recovered through competition, such that the supplies can be provided by only one firm and efforts to seek competition would be futile.

THAT, authority is hereby delegated to the General Manager/CEO to enter into Contracts for the purchase of Genfare components for a period of five years at a total cost not to exceed \$450,000, in aggregate, including sales tax.

PATRICK KENNEDY, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Tabetha Smith, Assistant Secretary