HONOLULU AUTHORITY FOR RAPID TRANSPORTATION
Request for Approval for Sole Source Procurement

TO: Andrew S. Robbins, Executive Director and CEO and Nelson H. Koyanagi, City and County of Honolulu – Director of Budget and Fiscal Services

FROM: David Ha, Deputy Director of Procurement and Consultant Contracts

In accordance with the State of Hawaii Public Procurement Code and the related Hawaii Administrative Rules, HRS §103D-306, HAR §3-122-81 and HAR §3-122-82, and Revised Charter of the City & County of Honolulu 1973, Article XVII and Sections 6-203 and 6-1703, we request approval for the following sole source procurement.

Date: 6/30/20
Estimated Contract Cost: $1,086,000,000

Description of Project or Procurement: City Center Guideway and Stations/Pearl Highlands Design-Build Finance Operate and Maintain (DBFOM) Contract

The purpose of this procurement is to seek competitive sealed proposals for the following elements of the Honolulu Rail Transit Project (HRTP) to:

- design and construct the City Center Guideway and Stations (CCGS);
- design and construct the Pearl Highlands Parking Structure, Transit Center and Ramp;
- install the initial fleet of vehicles for the Honolulu Rail Transit Project and the automated train control system, traction electrification system, uninterruptible power supply, communications system, fire detection and alarms systems, platform screen gate system, maintenance of way vehicles and track and yard equipment infrastructure for the City Center Guideway and Stations Segment (Core Systems);
- operate and maintain the Core Systems for the full alignment of the HRTP and
- the option to acquire additional vehicles to meet specific service levels

This procurement will be seeking a public-private-partnership to design, build, finance, operate and maintain the project.

Description of the good, service, or construction (unique feature, characteristic, or capability) and why it is essential to HART and the City to accomplish its work:

Final interface design, installation, erection, testing and demonstration of the Core Systems required to deliver an operable, safe and reliable rail transit system for the City Center Guideway and Stations Segment (including without limitation, the passenger vehicles, automated train control, traction power system and communication systems) and a 13-year, 3-month operation and maintenance period of the Core Systems for the entire alignment of the rail transit system.
Explanation of why the good, service, or construction is available from only one supplier or source:
(1) Proprietary item;
(2) Compatibility to existing equipment;
(3) Public utility repair or construction that can only be provided by the utility company; or
(4) Other (please describe)

(1) & (2) – The Core Systems Design-Build-Operate-Maintain (CSDBOM) contract was procured by way of a competitive sealed proposal and awarded to the successful offeror (“awardee”) pursuant to the competitive process in accordance with the Hawaii Revised Statutes (HRS) 103D-303. This request is to sole source the CSDBOM awardee the CSDBOM scope of work as a subcontractor under the DBFOM contract, to primarily include, to design-build the remainder of the Core Systems for the Minimum Operable Segment and to operate and maintain the Core Systems elements for the HRTP. Under the existing (current) CSDBOM contract, the scope includes design, analysis, documentation, integration, manufacture, supply, fabrication, installation, erection, testing, demonstration, training, testing and qualifying operators and maintenance staff consistent with federal regulations and guidelines to operate and maintain the core systems required for an operable, safe and reliable rail transit system and includes without limitation, the passenger vehicles, automated train control, traction power system, maintenance management information system, and communication systems, which includes the awardee’s proprietary signaling system and awardee’s designed and manufactured passenger vehicles which includes components linked to the proprietary signal system. The awardee has completed or will have completed under the existing CSDBOM contract three of the four segments of the HRTP and the design and supply of the Core Systems elements for the 4th segment of the HRTP. This request is to sole source the awardee to complete the final interface design, installation, integration, testing and commissioning of the Core Systems for the 4th segment of the HRTP and provide for the operation and maintenance of the Core Systems elements for the entire HRTP, for the interim and a specified portion of the full opening periods, as a nominated subcontractor under the DBFOM contract being procured, which scope was previously awarded to awardee under a competitive procurement process. The operation and maintenance plans, specific asset handback requirements and a Capital Asset Replacement Program (CARP) provide a “warranty,” and were the basis of the design and construction work. Furthermore, the service requirements of the CSDBOM awardee’s operation and maintenance of the Core Systems are subject to payment deductions if service levels fall below baseline standards.

The installation by the awardee as the sole source vendor for the Core Systems for the City Center Guideway and Stations Segment (4th segment) is required to ensure compatibility, efficient integration and safe operation and maintenance of the Core Systems already installed or to be installed on the other three segments of the rail transit system. Further, under the existing CSDBOM contract, the awardee’s scope includes the provision of installation and operations and maintenance of the Core Systems for the entire HRTP. It is intended to de-scope the remaining core systems work for the 4th segment of the HRTP and the operation and maintenance of the core systems elements for interim and full opening periods from the existing CSDBOM contract, and include such scope, on a sole source basis, into the DBFOM procurement for the completion of the HRTP.
Explanation of why it would not be practicable or advantageous to HART and the City to use competitive bidding:

It would not be practicable or advantageous to HART and the City to terminate the remaining scope under the CSDBOM contract and to re-solicit, as part of the DBFOM competitive procurement, the exact same scope to design final interfaces, install, integrate and test and commission the Core Systems for the remaining 4th segment of the HRTP, namely, the City Center Guideway and Stations Segment or for the initial operations and maintenance of the Core Systems on the HRTP, since:

(1) compatibility of existing equipment (HAR 3-122-81) - given that the requested sole source vendor has already materially progressed design, supply and installation (with the original intent of providing operations and maintenance for their design-build concept, as in the original CSDBOM contract) of the Core Systems in respect of the other 3 segments of the rail transit system and has already designed and commenced fabrication and supply of the Core Systems for the 4th segment (it has completed most of the design work for the entire alignment, including the 4th segment; equipment fabrication for the entire alignment is on-going and being delivered on-site in Honolulu; it is anticipated that the entire initial train fleet shall be delivered on site ready for the interim openings; and it is working on the safety certification activities), use of the sole source vendor’s design and Core Systems equipment on the remaining segment of the rail transit system is required in order to ensure compatibility and operation with the existing equipment installed or contracted to be installed, operated and maintained on the 4th segment of the rail transit system (with reference to HAR 3-122-81); and it would be impracticable to use an alternative vendor for installation, integration, testing and commissioning of Core Systems equipment supplied by the sole source vendor (with reference to HAR 3-122-13);

(2) proprietary item existing contract is in place - the signaling system installed (and to be operated and maintained) in the 3 segments of the HRTP is proprietary to the sole source vendor, therefore, it is only practicable to install, operate and maintain a signaling system in the 4th segment that can function with the existing 3 segments; the trains would not be able to run without the same signaling system for all 4 segments; if other Core Systems were to be procured pursuant to competitive procurement for the 4th segment, it would require HART to remove the signaling system already installed in the first 3 segments at significant additional cost to HART and the City; and

(3) specific items including, but not limited to the quantity of trains, service levels (headway requirements), and train control system are associated with the timing of asset replacement and complying with handback requirements at the end of the current CSDBOM term. In addition, the CSDBOM awardee is responsible to operate and maintain its own design and construction work. These efficiencies and incentives inherent in the CSDBOM would be lost if the remaining work were resolicited under the DBFOM procurement, which would not be advantageous to the City.

Name and Address of Sole Source Vendor:
HITACHI RAIL HONOLULU JV
95-004 Ala Ike Street
Pearl City, Hawaii 96782

HART-09 (01/13)
Describing the process or procedures used to conduct negotiations with the sole source vendor to determine the factors as cost, quality, terms, and delivery:

HART and the City's negotiations with the sole source vendor will include: (1) a modification to the existing CSDBOM contract to remove the scope for the final interface design, installation, integration, testing and commissioning of the Core Systems for the City Center Guideway and Stations Segment and operation and maintenance of the Core Systems scope for the entire HRTP from that contract; and (2) (a) core systems subcontract(s) setting out the terms and conditions applicable to the delivery by the sole source vendor of the final interface design, installation, integration, testing and commissioning Core Systems scope for the City Center Guideway and Stations Segment and operation and maintenance of the Core Systems for the entire HRTP under the contemplated DBFOM procurement. The same form(s) of subcontract will be issued to all (priority-listed) offerors under the P3 DBFOM procurement and will be assumed by all offerors for the purposes of preparing their Price and Technical Proposals.

The negotiation conducted will be on the basis that the pricing agreed under the existing CSDBOM contract shall continue to apply, subject to only those modifications necessary to recognize changes in risk allocation or key terms that are different relative to specific P3 requirements imposed on the successful PLO that are then passed down to the core systems subcontractor level. There are no material changes being contemplated to adjust the CSDBOM scope of work as a result of the P3 subcontract nomination.

Direct questions to: David Ha, Deputy Director of Procurement and Consultant Contracts Phone: 808-768-6294

The contract period for a sole source procurement shall not exceed one (1) year, unless approval is granted for a multi-term contract pursuant to HAR §3-122-149. Approval for sole source procurement may be granted by the Chief Procurement Officer when there is a requirement for a good or service in limited quantity for test or evaluation purpose. Since the services under this sole source will exceed one (1) year, the City has an approved a Multi-Term Contract pursuant to HAR §3-122-149.

Upon approval of the sole source procurement request, a copy of the request shall be posted on the City’s Department of Budget and Fiscal Services, Division of Purchasing’s website, at least seven (7) days prior to any approval action. Any inquiries shall be directed to the designated contact person stated above. Any objections to the request for sole source shall be submitted in writing and received by the Executive Director and CEO within seven (7) days from the date the notice was posted. The Executive Director and CEO shall place the sole source request on hold, review the objection, and provide a written determination to the person submitting the objection.

Date Notice Posted: JUN 3 0 2020

Submit objections to this request for sole source, in writing, within seven (7) days from the above date to:

Executive Director and CEO
Honolulu Authority for Rapid Transportation (HART)
Ali'i Place
1099 Alakea Street, Suite 1700
Honolulu, Hawaii 96813

HART-09 (01/13)
To the best of my knowledge, the information provided above is true and correct.

Recommend approval: [Signature]
Procurement and Contracts Officer

Date: 6/30/20

Executive Director and CEO's comments:

☐ APPROVED
☐ DISAPPROVED

Executive Director and CEO
Chief Procurement Officer

Date

☐ APPROVED
☐ DISAPPROVED

Chief Procurement Officer

Date