

Management Committee

Meeting date: September 23, 2015

For the Metropolitan Council meeting of September 23, 2015

Subject: Counties Transit Improvement Board Agreements for Purchase of 5 Option Light Rail Vehicles for the METRO Blue Line

District(s), Member(s): All

Staff Prepared/Presented: Ed Petrie, Director of Finance, Metro Transit (612-349-7624)

Division/Department: Transportation

Proposed Action

Adoption of Resolution 2015-22 Approving a 2015 Capital Grant Agreement for the Purchase of Light Rail Vehicles Between the Metropolitan Council and the County Transit Improvement Board.

Background

Under the terms of a contract with Siemens Industry, Inc. executed on September, 29, 2010 (Contract Number 09P157), the Metropolitan Council has option to 5 Light Rail Vehicles at a very favorable price per vehicle.

Counties Transit Improvement Board 2015 Capital Grant Agreement includes:

2015 A-1 Grant in an amount not to exceed \$6,000,000 awarded by CTIB on November 19, 2014 to provide 30% of the funds for the procurement of light rail vehicles;

2015 A-2 Grant Note Payable in an amount not to exceed \$14,000,000 to provide the 70% Matching Funds from the procurement of light rail vehicles;

Counties Transit Improvement Board Promissory Note not to exceed \$14,000,000 in connection with the 2015 A-2 Grant Note Payable for the procurement of light rail vehicles; and

Counties Transit Improvement Board Security Agreement in connection with the repayment obligation of the 2015 A-2 Grant Note Payable for the procurement of light rail vehicles.

See the attached Transportation Committee Business Item and Committee Report

RESOLUTION NO. 2015-22
APPROVING A 2015 CAPITAL GRANT AGREEMENT
FOR THE PURCHASE OF LIGHT RAIL VEHICLES
BETWEEN THE METROPOLITAN COUNCIL
MINNEAPOLIS-ST. PAUL METROPOLITAN AREA, MINNESOTA, as Grantee, and
COUNTIES TRANSIT IMPROVEMENT BOARD (CTIB), as Grantor,
AND RELATED DOCUMENTS

WHEREAS, the Metropolitan Council (Minneapolis-Saint Paul Area, Minnesota) (the “Council”) proposes to acquire five (5) light rail vehicles for the METRO Blue Line, or for use on the Green Line in the Council’s discretion (the “Vehicle Acquisition”);

WHEREAS, the Counties Transit Improvement Board (“CTIB”) has approved an A-1 Grant in the aggregate principal amount of \$6,000,000 and an A-2 Grant in the aggregate principal amount of \$14,000,000 for the Vehicle Acquisition (collectively, the “Grant”);

WHEREAS, in connection with the A-1 Grant the Council is required to provide the 70 Percent Matching Funds as defined in the Counties Transit Improvement Board 2015 Capital Grant Agreement for the Purchase of Light Rail Vehicles with the Metropolitan Council, dated on or after the date hereof (the “Grant Agreement”), between CTIB, as grantor, and the Council, as grantee. CTIB has agreed to allow the Council to use the 2015 A-2 Grant Amount on an interim basis until the Council provides the 70 Percent Matching Funds in installments as set forth in a Promissory Note, dated on or after the date hereof (the “Promissory Note”), from the Council to CTIB;

WHEREAS, the A-2 Grant reimbursements, to fund the 70 Percent Matching Funds in installments, payable by the Council under the Grant Agreement and the Promissory Note are payable solely from moneys to be appropriated by the Council for this purpose each year in the Council’s annual budget but the Council is not required to appropriate or provide moneys for this purpose. The A-2 Grant reimbursements under the Grant Agreement and the Promissory Note are not general obligations or indebtedness of the Council within the meaning of any constitutional or statutory limitation, and do not constitute or give rise to a pecuniary liability of the Council, or charge against its general credit or taxing powers, and CTIB shall never have the power to compel the exercise of any taxing power of the Council. In an event of default under the Grant Agreement and the Promissory Note or in the event of nonappropriation, CTIB has the right to exercise certain remedies available under the Grant Agreement and a Security Agreement, dated on or after the date hereof, by the Council in favor of CTIB (the “Security Agreement”);

WHEREAS, any terms not defined herein shall have the meanings set forth in the Grant Agreement unless context clearly requires otherwise;

NOW THEREFORE BE IT RESOLVED by the Metropolitan Council, Minnesota (the “Council”) as follows:

1. The Council hereby approves the Grant Agreement, the Promissory Note, and the Security Agreement in substantially the forms presented to the Council, together with any related documents necessary in connection therewith, including without limitation all documents or certifications to which the Council is a party referenced in or attached to the Grant Agreement, (collectively, the “Grant Funding Documents”) and the Regional Administrator and the Treasurer/Chief Financial Officer (the “Council Officials”) are hereby authorized and directed to execute the Grant Funding Documents on behalf of the Council and to carry out, on behalf of the Council, the Council’s obligations thereunder.

2. The approval hereby given to the Grant Funding Documents includes approval of such additional details therein as may be necessary and appropriate and such modifications thereof, deletions therefrom and additions thereto as may be necessary and appropriate and approved by legal counsel to the Council and by the Council Officials authorized herein to execute said documents prior to their execution; and said Council Officials are hereby authorized to approve said changes on behalf of the Council. The execution of any instrument by the appropriate officers of the Council herein authorized shall be conclusive evidence of the approval of such document in accordance with the terms hereof. In the event of absence or disability of the Council Officials, any of the documents authorized by this Resolution to be executed may be executed without further act or authorization of the Board by any duly designated acting official, or by such other officer or officers of the Board as, in the opinion of the Council's Office of General Counsel, may act in their behalf.
3. If any section, paragraph or provision of this resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this resolution.

Adopted: September 23, 2015.

Emily Getty, Recording Secretary

Adam Duininck, Chair

Transportation Committee September 14, 2015

For the Metropolitan Council meeting of September 23, 2015

Subject: Counties Transit Improvement Board Agreements for Purchase of 5 Option Light Rail Vehicles for the METRO Blue Line.

Proposed Action

That the Metropolitan Council Authorize the Regional Administrator to negotiate and execute multiple Agreements with the Counties Transit Improvement Board (CTIB) for the exercise and purchase of 5 option Light Rail Vehicles from Siemens Industry, Inc. for the METRO Blue Line. The negotiated and executed agreements are as follows:

- Counties Transit Improvement Board 2015 Capital Grant Agreement which includes:
 - 2015 A-1 Grant in an amount not to exceed \$6,000,000 awarded by CTIB on November 19, 2014 to provide 30% of the funds for the procurement of light rail vehicles;
 - 2015 A-2 Grant Note Payable in an amount not to exceed \$14,000,000 to provide the 70% Matching Funds for the procurement of light rail vehicles;
- Counties Transit Improvement Board Promissory Note not to exceed \$14,000,000 in connection with the 2015 A-2 Grant Note Payable for the procurement of light rail vehicles; and
- Counties Transit Improvement Board Security Agreement in connection with the repayment obligation of the 2015 A-2 Grant Note Payable for the procurement of light rail vehicles.

Summary of Committee Discussion/Questions

Ed Petrie described the Financing of the purchase of the 5 Option Light Rail Vehicles for the METRO Blue Line. Detailed descriptions included: Total Cost of the Vehicle, Terms of the \$6.0M CTIB Capital Grant (2015 A-1 Grant); Terms of the \$14.0M CTIB Interest Free Note Payable (2015 A02 Grant); Details of the Promissory Note, and CTIB Security Interest in the Vehicles.

Mr. Petrie answered all Council Member questions, and the Business Item passed Unanimous.

To Council as Non-Consent Item

Transportation Committee

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Management Committee

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District(s), Member(s): All

Policy/Legal Reference: Mn Statutes Section 473.129, Subd. 4 and Section 473.405, Subd. 4 – Powers of Metropolitan Council

Staff Prepared/Presented: Brian J. Lamb, General Manager, 612-349-7510
Ed Petrie, Director of Finance, 612-349-7624
Rick Carey, Director Rail Vehicle Maintenance, 612-341-5628

Division/Department: Metro Transit

Proposed Action

That the Metropolitan Council Authorize the Regional Administrator to negotiate and execute multiple Agreements with the Counties Transit Improvement Board (CTIB) for the exercise and purchase of 5 option Light Rail Vehicles from Siemens Industry, Inc. for the METRO Blue Line. The negotiated and executed agreements are as follows:

- Counties Transit Improvement Board 2015 Capital Grant Agreement which includes:
 - 2015 A-1 Grant in an amount not to exceed \$6,000,000 awarded by CTIB on November 19, 2014 to provide 30% of the funds for the procurement of light rail vehicles;
 - 2015 A-2 Grant Note Payable in an amount not to exceed \$14,000,000 to provide the 70% Matching Funds for the procurement of light rail vehicles;
- Counties Transit Improvement Board Promissory Note not to exceed \$14,000,000 in connection with the 2015 A-2 Grant Note Payable for the procurement of light rail vehicles; and
- Counties Transit Improvement Board Security Agreement in connection with the repayment obligation of the 2015 A-2 Grant Note Payable for the procurement of light rail vehicles.

Background

The Metropolitan Council originally executed a contract with Siemens Industry, Inc. on September 29, 2010 (Contract Number 09P157) for the manufacture and delivery of low floor light rail vehicles for use in its public transit programs. There currently are remaining options on this contract that will expire on September 29, 2015. As part of the METRO Blue Line 3 car train program, 5 of the option vehicles of the existing Siemens LRV contract were designated to increase the METRO Blue Line fleet spare ratio from 8% to 19%. The FTA currently recommends a 20% spare ratio. This increase of 5 Option Vehicles improves the reliability and service to our customers, by allowing recommended running repair, and overhaul maintenance on the vehicles to occur without reducing the number of vehicles used for revenue service.

The existing Siemens Contract contains a very favorable price per vehicle, including escalation costs, that compare with the lowest price for similar vehicles in the industry since 2008. The Siemens option price per vehicle, including escalation costs, is \$3,497,211 per vehicle. The total price per vehicle including the Direct Startup Costs, Performance Bond, and Weight Incentive is \$4,048,211. Delaying of purchase of these vehicles to a future vehicle procurement is estimated to raise the price per vehicle up to \$1.0M per vehicle.

The Total Cost for the exercise of these 5 Option Vehicles is as follows:

- \$17,486,055 Contract Cost for 5 Vehicles
- \$2,500,000 Contract Direct Startup Costs for Discontinuance Production of the Vehicles
- \$175,000 Contract Performance Bond
- \$80,000 Vehicle Weight Incentive
- \$20,241,055 Total Cost for the Exercise of 5 Option Vehicles

In 2014, the Metropolitan Council was awarded a \$6.0M Grant from the Counties Transit Improvement Board for the procurement of 5 Option Vehicles for the METRO Blue Line, however the Council did not have available match funds to include the procurement in the Capital Program. The Counties Transit Improvement Board contacted the Council with the option of a \$14.0M interest free note payable for the purchase of these vehicles. This loan will be repaid in 5 Annual Installments of up to \$2.8M not to exceed the existing outstanding note balance each year beginning 12/1/2016, with the final payment 6/30/2020 with funding from the Metro Transit Council Authorized Capital Program. CTIB recognizes the importance of these vehicles for service reliability and customer revenue service, and also recognizes the importance of capital savings for the region for these 5 option vehicles.

The Terms of the \$14.0M Interest Free Note Payable are as follows:

- 1) \$6.0M CTIB Capital Grant awarded in 2014 (2015 A-1 Grant).
- 2) \$14.0M CTIB Interest Free Note Payable, payable in 5 Annual Installments of up to \$2.8M each year beginning 12/1/2016, with the final payment 6/30/2020 (2015 A-2 Grant).
- 3) Total Option Costs in excess of \$20.0M will be the responsibility of the Metropolitan Council
- 4) CTIB will be granted a security interest in the vehicles until the Promissory Note Payable is paid in full.
- 5) Funds will be drawn on a pro-rata basis between the CITB Capital Grant Award and Interest Free Note Payable to pay the respective milestone payments to Siemens Industry, Inc. during the construction and warranty period of the option vehicles.
- 6) The Metropolitan Council will recognize the future installments of up to \$2.8M each year for a total of up to \$14.0M in its future annual capital budgets to be authorized by the Metropolitan Council.
- 7) The funding for the purchase of the 5 option vehicles is included in the Amendment of the 2015 Unified Budget – METRO Blue Line Business Item 2015-207.

Rationale

The CTIB Interest Free Note Payable will allow the Council to exercise these options under the existing Siemens contract, at a low cost per vehicle to ensure service reliability and capital savings for the region as compared to an approximate \$1.0M per vehicle price increase with a future vehicle procurement.

Funding

The total cost for the Siemens 5 car option purchase is \$20,241,055. The funding for this purchase is included in the Amendment of the 2015 Unified Budget – METRO Blue Line Business Item 2015-207 and includes a \$6,000,000 CTIB Capital Grant Awarded in 2014, \$14,000,000 CTIB Interest Free Note Payable to be repaid by the Council in future installments of up to \$2.8M not to exceed the existing note balance each per year beginning December 1, 2016 through June 30, 2020, and costs in excess of \$20.0M from the Metro Transit Capital Program. Funding for the repayment of the note payable will be from future capital funding included in the Metro Transit Council Authorized Capital Program. We are currently reviewing the capital program in preparation for adoption of the 2016 Capital Budget. We will review any changes necessary in the capital program due to this action with the Transportation Committee and Council.

Known Support / Opposition

There is no known opposition.