

Transportation Committee

Meeting date: September 14, 2015

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

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

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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 theregion 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.