

**SOUND TRANSIT
STAFF REPORT**

MOTION NO. M2001-106

Execute Contract Option with Bombardier to purchase 17 vehicles and amend options section to specify number of additional vehicles.

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Finance Committee	10/18/01	Discussion/Possible Action to Recommend Board Approval	Martin Young, Sounder Program Manager	(206) 398-5101
Board	10/25/01	Action		

OBJECTIVE OF ACTION

To protect Sound Transit's and the Federal Transit Administration's (FTA) investments in Sounder Commuter Rail equipment.

ACTION

The proposed action would authorize the Executive Director to:

1. Amend the option sections of the contract with Bombardier Transportation Corporation (Bombardier) to specify a specific number of additional cab cars (cars) and passenger coaches (coaches) that may be purchased.
2. Exercise the option to purchase seven (7) cars from Bombardier at a cost of \$13,548,185 (\$1,935,455 each) and ten (10) coaches at a cost of \$17,901,100 (\$1,790,110 each), for a total authorized amount not to exceed \$31,449,285.

This option shall only be exercised if CalTrain exercises its option to purchase the cars and coaches in the agreement being negotiated with CalTrain pursuant to Motion No. M2001-72.

KEY FEATURES

Highlights of Action:

- Due to schedule delays to Sounder, the Board approved Motion No. M2001-72 authorizing Sound Transit to negotiate and execute necessary agreements to allow for a like-kind exchange and/or assignment of contract purchase rights to CalTrain for 17 vehicles.
- Sound Transit already has an option with Bombardier to purchase an unspecified number of additional cars and coaches. In accordance with recent discussions with the FTA, Sound Transit will amend the option provisions of the contract to provide for the purchase of a specific number of cars or coaches.
- The Sound Transit/CalTrain lease with an option to purchase being negotiated includes the cost of Quality Assurance, Quality Control (QA/QC), and inspection for the 17 vehicles being leased or sold. Sound Transit will seek to modify the current QA/QC contract under a separate action. The current plan requires additional QA/QC for 17 replacement vehicles if CalTrain exercises its option to purchase.

- The FTA has discussed with Sound Transit the potential agreements with CalTrain and Bombardier and has tentatively approved this transaction.
- This motion does not affect the lease-to-service contract with First Hawaiian Bank and AIG Insurance (Motion No. M2001-22) because that contract involves Sounder's current fleet of vehicles only.
- There is no net financial loss associated with these agreements or this motion.

BACKGROUND

Since the original orders for vehicles were placed with Bombardier, the schedule for opening stations and adding trips has been delayed. In the past few months, the FTA has been working with Sound Transit to find ways to utilize vehicles that have been delivered and that are planned for delivery in the near future, so that Sound Transit does not lose money in storage and other costs associated with equipment that is not yet in use.

Due to schedule delays to Sounder, the Board approved Motion No. M2001-72 authorizing Sound Transit to negotiate and execute necessary agreements to allow for a like-kind exchange and/or assignment of contract purchase rights to CalTrain for 17 vehicles. Sound Transit is currently negotiating with CalTrain for a lease with an option to purchase those 17 vehicles. Should CalTrain exercise its option to purchase during the option period (which ends no later than December 14, 2001), Sound Transit will need to purchase replacement cars for Sound Transit's projected needs in 2003. The amount CalTrain pays Sound Transit to purchase the vehicles will be equal to the amount Sound Transit pays for the replacement vehicles plus QA/QC and inspection of those vehicles.

Once CalTrain exercises the option to purchase with Sound Transit, Sound Transit must exercise an option to purchase 17 vehicles from Bombardier by December 15, 2001 and with Raul V. Bravo & Associates for QA/QC and inspection by the same date (Motion No. M2001-107.) If this option to purchase is approved by the Board, Sound Transit would take delivery of the 17 vehicles from Bombardier in August 2003. This delivery time frame will more accurately reflect the revised Sounder service schedule and will save storage, insurance, and indemnification costs. Further, a significant portion of the warranty coverage on the original vehicles will have expired by the time Sounder is able to put them into service under the revised service schedule. These replacement vehicles will have their full two-year warranty periods available when they begin arriving in mid-2003.

If CalTrain does not exercise the option to purchase with Sound Transit, the agency will not go forward with this option to purchase 17 vehicles from Bombardier.

Sound Transit already has an option with Bombardier to purchase an unspecified number of additional cars and passenger coaches. In accordance with recent discussions with the Federal Transportation Administration, Sound Transit will amend the option provisions of the contract to provide for the purchase of a specific number of cars and coaches.

BUDGET

No new funds are committed with this action; therefore, this action does not endanger any other project elements that are to be funded out of this project. The related budget to this contract award is associated with the vehicle phase budget of System-wide Track & Facilities Projects

found on pages 85-88 of the Adopted 2001 Budget document, and supplemented by Resolution No. R2001-10, the Sounder Cost-to-Complete Budget Amendment. The following table displays the associated budget, obligations and the corresponding impact of this action to those figures.

Table 1 – Capital Budget for Vehicles with Obligations and Impact of Action

	Column A	Column B	Column C	Column D	Column E
Project Description (#)	Total Project Budget	Budget for Vehicle Phase ¹ (B)	Obligated To Date ² (C)	Total Amount Requested (D)	Shortfall* or Surplus (E=B-C-D)
Everett-to-Seattle (100)	\$131,840,000	\$ 30,076,000	\$ 29,709,345	\$0	\$ 366,655
Seattle-to-Auburn (110)	321,923,000	52,979,500	48,425,718	0	4,553,782
Auburn-to-Tacoma (120) Tacoma-to-Lakewood(130)	307,912,000	60,520,500	60,243,481	0	277,019
Total	\$761,675,000	\$143,576,000	\$138,378,544	\$0	\$5,197,456

*Amount of Shortfall	Potential Revenues	Funding Sources
\$ 0		CalTrain purchase of earlier-delivered equipment.

¹The Budget shown reflects the 2001 Adopted Budget and the corresponding reduction in budget from the cost-to-complete budget amendment R2001-10 of \$2,009,500 and \$1,641,500 for projects #110 and #120 respectively.

²An adjustment will be made to equitably distribute incurred costs and commitments according to a final vehicle allocation rule after the Record of Decision has been received on the Tacoma-to-Lakewood corridor.

FINANCIAL IMPACTS

This action will not have an impact on the current year or 10-year budget, the Sound Move budget, the cost-to-complete, or subarea budgets. Sound Transit will set up an escrow account that CalTrain will pay into; payments from this account will go directly to Bombardier according to a schedule of milestones as they are completed.

HISTORY OF PROJECT

Motion or Resolution Number	Summary of Action	Date of Action
M2001-72	Authorization to negotiate and execute agreement for the sale and/or assigned contract purchase rights to CalTrain of 22 units of rolling stock.	8/6/01
M2001-47	Option to execute agreements with transit agencies in the US and Canada to lease Sounder Commuter Rail vehicles that are temporarily in excess of what is required to provide Sounder service.	5/24/01
M2001-22	Executing a lease-to-service contract for current fleet.	3/22/01
M2000-86	Authorizing Change Order Number 1 to contract RTA/CR 44-98 with Raul V. Bravo & Associates for quality control, quality assurance and inspection services to the vehicle option of 20 additional passenger coaches and five locomotives.	9/21/00
M99-81	Exercise option to purchase final 10 passenger coaches.	12/09/99
M99-82	Exercise option to purchase final five additional locomotives for Everett-to-Seattle segment.	12/09/99
M99-72	Option to purchase 10 additional passenger coaches.	10/28/99
98-25	Execute contract for purchase of 18 cab cars and 20 passenger coaches plus contingency.	06/11/98

CONSEQUENCES OF DELAY

Bombardier has offered a price that is less than the earlier-purchased equipment if Sound Transit executes a contract option order by December 15, 2001. The option to purchase at the above price will expire and the price will go up after December 15, 2001.

REGIONAL PARTNERSHIP AND COOPERATION

Lease to purchase option of rolling stock involves national and international cooperation. The FTA awarded Sound Transit over \$100M for the procurement of Sounder rolling stock and has been informed in all transactions related to Sounder vehicles, including QA/QC and inspection. Amtrak has a separate agreement with Sound Transit regarding the operation and maintenance of the current fleet of vehicles, and has been informed of these transactions.

PUBLIC INVOLVEMENT

Other than attendance at the Finance Committee and Board meetings where Sounder Commuter Rail vehicles were discussed, the public has not been significantly involved in this process.

LEGAL REVIEW

JDW 10/01/01

SOUND TRANSIT

MOTION NO. M2001-106

A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing the Executive Director to (1) amend the option sections of Contract No. RTA/CR 08-98 with Bombardier Transportation Corporation (Bombardier) to specify a specific number of additional cab cars and passenger coaches that may be purchased, and (2) exercise the option to purchase seven cab cars from Bombardier at a cost of \$13,548,185 (\$1,935,455 each) and ten passenger coaches at a cost of \$17,901,100 (\$1,790,110 each), for a total authorized amount for this option not to exceed \$31,449,285. This option shall only be exercised if CalTrain exercises its option to purchase the cab cars and passenger coaches in the agreement being negotiated with CalTrain pursuant to Motion No. M2001-72.

Background:

Due to schedule delays to Sounder, the Board approved Motion No. M2001-72 authorizing Sound Transit to negotiate and execute necessary agreements to allow for a like-kind exchange and/or assignment of contract purchase rights to CalTrain for 17 vehicles. Sound Transit is currently negotiating with CalTrain for a lease with an option to purchase those 17 vehicles. Should CalTrain exercise its option to purchase during the option period (which ends no later than December 14, 2001), Sound Transit will need to purchase replacement cars for Sound Transit's projected needs in 2003. The amount CalTrain pays Sound Transit to purchase the vehicles will be equal to the amount that Sound Transit pays for the replacement vehicles plus Quality Assurance, Quality Control (QA/QC), and inspection of those vehicles.

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If CalTrain does not exercise the option to purchase with Sound Transit, the agency will not go forward with this option to purchase 17 vehicles from Bombardier.

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Motion:

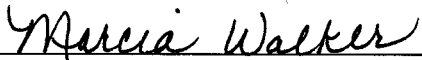
It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that the Executive Director is authorized to (1) amend the option sections of Contract No. RTA/CR 08-98 with Bombardier Transportation Corporation (Bombardier) to specify a specific number of additional cab cars and passenger coaches that may be purchased, and (2) exercise the option to purchase seven cab cars from Bombardier at a cost of \$13,548,185 (\$1,935,455 each) and ten passenger coaches at a cost of \$17,901,100 (\$1,790,110 each), for a total authorized amount for this option not to exceed \$31,449,285. This option shall only be exercised if CalTrain exercises its option to purchase the cab cars and passenger coaches in the agreement being negotiated with CalTrain pursuant to Motion No. M2001-72.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on the 25th day of October, 2001.



David Earling
Board Chair

ATTEST:



Marcia Walker
Board Administrator