

STAFF REPORT

SOUND TRANSIT MOTION NO. M2001-17

Execution of the “Seattle Maintenance and Inspection Facility Agreement” between Sound Transit and Amtrak for Sounder Commuter Rail

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Executive Committee	2/2/01	Discussion/Possible Action	Paul W. Price, Director David Beal, Project Development Program Manager	(206) 398-5111 (206) 398-5124

PROPOSED ACTION Authorizes the Executive Director to execute a “Seattle Maintenance and Inspection Facility Agreement” between Sound Transit and the National Railroad Passenger Corporation (Amtrak) regarding a pass-through of State funds (\$12,700,000) to Amtrak. The purpose of the pass-through is to assist with the construction of Phase 1 of the new Amtrak vehicle maintenance facility south of downtown Seattle at which the Sounder fleet is maintained.

Additionally, the Agreement permits Amtrak to utilize up to \$3,500,000 of the approximately \$10,000,000 to \$12,000,000 that will accrue as a result of the “Lease/Leaseback Transaction for Commuter Rail Cars and Locomotives,” approved by the Board on September 14, 2000 (Motion No. M2000-84) to provide a contingency fund for the reconstruction of the maintenance facility. That Board action required the proceeds of the Lease/Leaseback transaction (derived from a resulting sales tax exemption) to be “placed into an escrow account that will be used to benefit Northwest rail services and projects of mutual benefit to Amtrak and Sound Transit.”

KEY FEATURES

Highlights of Proposed Action:

- ◆ Is a logical follow-up to a previous Board decision to enter into an agreement with Amtrak for the maintenance of the Sounder commuter rail coaches and locomotives.
- ◆ Enables Amtrak to reconstruct their vehicle yard and shop complex south of downtown Seattle at which the Sounder fleet receives regular maintenance.
- ◆ Authorizes the Executive Director to execute an agreement with Amtrak to provide a pass-through of \$12,700,000 of State-appropriated funds.
- ◆ Ensures that, over the long-term, Sounder vehicles (with a dollar value of \$147M) are maintained in a modern, state-of-the-art facility.
- ◆ Enables Amtrak to use proceeds of the Sounder fleet Lease/Leaseback arrangement up to a maximum of \$3,500,000, to create a contingency fund for the maintenance facility construction.
- ◆ Complies with the requirements of the Washington State legislature’s appropriation (HB 2487) of \$12,700,000 from the general fund to Sound Transit solely for “the King Street rail maintenance facility to be built in partnership with Amtrak.”

Discussion of Proposed Action

On February 12, 1998, staff made a presentation to the Board of Directors on siting and developing a commuter rail vehicle storage yard and maintenance shop. That presentation included several alternative means of achieving the desired objective for fleet maintenance. One of these alternatives was an offer extended by Amtrak allowing ST to forego the development of our own facility. Instead, ST would enter into a multi-year maintenance contract with Amtrak, and would gain access to Amtrak's maintenance facility just south of downtown Seattle. At that time, Amtrak was engaged in the design of a reconstruction of that maintenance facility, commonly referred to as the King Street Coachyard.

On August 13, 1998 staff presented a discussion paper to the Board recommending that ST engage in negotiations with Amtrak to develop a multi-year contract for the maintenance of Sounder coaches and locomotives. On that date, the Board directed staff to engage in a series of meetings with Amtrak to characterize more fully the specifics of such a contract. Staff's interactions with Amtrak had the purpose of answering a broad question:

From a combined annualized capital and operating cost perspective, will it be more cost effective to enter into a maintenance agreement with Amtrak than to pursue any other competing strategy, including –

- *Siting, environmentally clearing, and developing a new ST-owned commuter rail yard and shop complex, and*
- *Engaging in a competitive procurement from private sector bidders, presumably to include developing a new site since no appropriate facility is known to exist in the region?*

As a result of the following meetings, Amtrak offered ST a fixed price, multi-year maintenance contract.

Staff eventually recommended and the Board approved a ten-year contract with Amtrak (Resolution No. R99-10, April 8, 1999). The briefing materials supporting that Board action described a \$53M investment in an expansion and reconstruction of the Amtrak King Street Coachyard -- with the funding coming from Amtrak and the Washington State Department of Transportation (WSDOT).

This requested action by the Executive Committee will establish a mechanism for Amtrak to accomplish that expansion and reconstruction of their vehicle maintenance facility, now shared by ST Sounder trains. The mechanism is an agreement between Amtrak and ST through which ST will disburse to Amtrak a maximum amount of \$12,700,000 for the expansion and reconstruction of the King Street Coachyard. The source of that funding is the Washington State legislature's action under House Bill 2487 Sec. 724(1), stating:

“The sum of twelve million seven hundred thousand dollars is appropriated from the general fund—state for fiscal year 2001 solely for the allocation to Sound Transit regional transit authority for the King Street rail maintenance facility to be built in partnership with Amtrak.”

In addition to the \$12,700,000 defined in the agreement, Amtrak has requested that ST and Amtrak jointly utilize up to \$3,500,000 of the approximately \$10,000,000 to \$12,000,000 that will accrue as a result of the "Lease/Leaseback Transaction for Commuter Rail Cars and Locomotives," approved by the Board on September 14, 2000 (Motion No. M2000-84) to provide a contingency fund for the reconstruction of King Street Coachyard. The Board briefing materials supporting Motion No. M2000-84 stated that the proceeds of the transaction (derived from a resulting sales tax exemption) "will be placed into an escrow account that will be used to benefit Northwest rail services and projects of mutual benefit to Amtrak and Sound Transit."

The Agreement recommended by staff will:

- Define and limit ST's commitment to assist in funding the reconstruction of King Street Coachyard,
- Commit ST to reimburse Amtrak up to a maximum of \$12,700,000,
- Require Amtrak to engage with its contractor(s) in a value engineering program to identify potential sources of cost savings during construction,
- Require Amtrak to submit to ST, for review and concurrence, all change orders that would draw upon the \$12,700,000 pass-through and/or the \$3,500,000 contingency fund,
- Grant ST access to, and the right to examine and audit all project records, and
- Require Amtrak to indemnify and hold harmless ST from all claims and suits.

If the Agreement, including the use of the escrow funds for the purpose of contingencies meets with the Board's general approval, the budget for Amtrak's reconstruction of King Street Coachyard would have funding sources as follows:

Phase 1

Amtrak	\$30,645,077	
WSDOT	6,300,000	
State General Fund (via ST)	12,700,000	
ST/Amtrak Escrow Account (for contingencies)	<u>3,500,000</u>	
		\$53,145,077

Phase 2

\$17,257,923

Total

\$70,403,000

BUDGET

The recommended Agreement with Amtrak establishes Sound Transit as a vehicle through which authorized state funds may reimburse Amtrak for mutually beneficial capital investments. The payments made to Amtrak will be offset by the funds received from the state.

The financial arrangements of this transaction can be summarized as follows:

- Sound Transit has been appropriated and will be allocated in 2001 \$12,700,000 from the State of Washington general fund through House Bill 2487;
- The agreement with Amtrak stipulates that Sound Transit is committing to reimburse Amtrak up to a maximum of \$12,700,000; and
- Any interest accrued while Sound Transit manages these funds will be retained by Sound Transit.

Staff is still in the process of addressing how best to treat the budget and financial aspects of this arrangement. If this agreement is treated like similar past arrangements, **it would increase Sounder's budget by \$12,700,000** (YOE), offset by a matching figure for funding. If that course of action is followed, a budget amendment would be prepared by staff for consideration by the Finance Committee and the Board of Directors. However, additional evaluation on treatment of this transaction is underway and staff will seek Board guidance on recording this transaction for budgetary purposes.

ALTERNATIVES

- 1) Decline to authorize the Agreement, and by extension decline to accept the State's \$12,700,000 appropriation to ST (intended for pass-through to Amtrak).

Not Recommended: The Agreement helps, in a meaningful way, to accomplish a project that will directly benefit ST and the region we serve. Since ST's financial obligation is limited to exactly the amount appropriated by the State Legislature, the Agreement exposes ST to very little, if any, risk.

CONSEQUENCES OF DELAY

Amtrak is extremely eager to receive the ST Executive Committee's approval of the agreement for two primary reasons: 1) Amtrak must award the contract for Phase 1 of the reconstruction to the low bidder within a few days or realize cost increases due to extending the bids, and 2) Amtrak-West's funds are currently at risk of being diverted to another region if not immediately obligated. ST staff concurs with Amtrak's assessment of risk and has requested acceleration of this Executive Committee issue in order to protect the project budget and funds of our partner.

REGIONAL PARTNERSHIP AND COOPERATION

The recommended Agreement is entirely a product of a multi-year and ongoing partnership between Amtrak and ST. The WSDOT Rail Division has also cooperated extensively in this large effort to construct a modern, state-of-the-art maintenance facility within this region for Amtrak, Sounder and the State-funded *Cascade* trains.

PUBLIC INVOLVEMENT

By its nature, the recommended Agreement does not naturally lend itself to a public involvement effort. However, Amtrak did conduct public meetings during the environmental review process for the new maintenance facility. As noted above, several previous Board actions related to this recommended Agreement were taken at public meetings with the opportunity for public comment.

LEGAL REVIEW MBL 2/2/01

SOUND TRANSIT

MOTION NO. M2001-17

A motion of the Executive Committee of the Central Puget Sound Regional Transit Authority authorizing the Executive Director to execute a "Seattle Maintenance and Inspection Facility Agreement" between Sound Transit and the National Railroad Passenger Corporation (Amtrak) regarding a pass-through of State funds (\$12,700,000) to Amtrak. The purpose of the pass-through is to assist with the construction of Phase 1 of the new Amtrak vehicle maintenance facility south of downtown Seattle at which the Sounder fleet is maintained.

Additionally, the Agreement permits Amtrak to utilize up to \$3,500,000 of the approximately \$10,000,000 to \$12,000,000 that will accrue as a result of the "Lease/Leaseback Transaction for Commuter Rail Cars and Locomotives," approved by the Board on September 14, 2000 (Motion No. M2000-84) to provide a contingency fund for the reconstruction of the maintenance facility.

Background:

In February, 1998, the Board of Directors considered siting and developing a commuter rail vehicle storage yard and maintenance shop along with several alternative means of achieving the desired objective for fleet maintenance. One of these alternatives was an offer extended by Amtrak allowing ST to forego the development of our own facility. Instead, ST would enter into a multi-year maintenance contract with Amtrak, and would gain access to Amtrak's maintenance facility just south of downtown Seattle. At that time, Amtrak was engaged in the design of a reconstruction of that maintenance facility, commonly referred to as the King Street Coachyard.


In August, 1998 the Board directed staff to engage in a series of meetings with Amtrak to characterize more fully the specifics of a multi-year contract for the maintenance of Sounder coaches and locomotives. In April 1999, the Board approved a ten-year contract with Amtrak (Resolution No. R99-10). The briefing materials supporting that Board action described a \$53M investment in an expansion and reconstruction of the Amtrak vehicle maintenance facility south of downtown Seattle.

This action will establish a mechanism for Amtrak to accomplish that expansion and reconstruction of their vehicle maintenance facility, now shared by ST Sounder trains. The mechanism is an agreement between Amtrak and ST through which ST will disburse to Amtrak a maximum amount of \$12,700,000 for the expansion and reconstruction of the King Street Coachyard. The source of that funding is the Washington State legislature's action under House Bill 2487. In addition to the \$12,700,000 in State funds, the agreement makes available to Amtrak up to \$3,500,000 of the approximately \$10,000,000 to \$12,000,000 that will accrue as a result of the "Lease/Leaseback Transaction for Commuter Rail Cars and Locomotives," approved by the Board on September 14, 2000 (Motion No. M2000-84) to provide a contingency fund for the reconstruction of King Street Coachyard. The Board briefing materials supporting Motion No. M2000-84 stated that the proceeds of the transaction (derived from a resulting sales tax exemption) "will be placed into an escrow account that will be used to benefit Northwest rail services and projects of mutual benefit to Amtrak and Sound Transit."

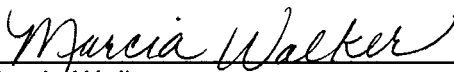
Motion:

It is hereby moved by the Executive Committee of the Central Puget Sound Regional Transit Authority that the Acting Executive Director be authorized to execute a "Seattle Maintenance and Inspection Facility Agreement" between Sound Transit and the National Railroad Passenger Corporation (Amtrak) regarding a pass-through of State funds (\$12,700,000) to Amtrak, and including the use of up to \$3,500,000 of the approximately \$10,000,000 to \$12,000,000 that will accrue as a result of the "Lease/Leaseback Transaction for Commuter Rail Cars and Locomotives," approved by the Board on September 14, 2000 (Motion No. M2000-84) to provide a contingency fund for the reconstruction of the maintenance facility.

Approved by the Executive Committee of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on the 2nd day of February, 2001.


David Earling
Board Chair

ATTEST:


Marcia Walker
Board Administrator