

**Metro**Los Angeles County
Metropolitan Transportation AuthorityOne Gateway Plaza
Los Angeles, CA 90012-2952213.922.
metro.net**SYSTEM SAFETY AND OPERATIONS COMMITTEE
JULY 18, 2013****SUBJECT: PROCURE 97 OPTION P3010 LIGHT RAIL VEHICLES****ACTION: INCREASE THE LIFE-OF-PROJECT BUDGET AND AMEND FY14
BUDGET FOR LIGHT RAIL VEHICLE PROCUREMENT****RECOMMENDATION**

- A. Increase the Life-of-Project (LOP) budget for the Light Rail Vehicle (LRV) Procurement (P3010) by \$396,650,000 increasing the total LOP budget from \$342,350,000 to \$739,000,000 as funded per Attachment A. This allows the Chief Executive Officer (CEO) to exercise Options 1 (28 vehicles for Crenshaw/fleet replacement) and 4 (69 vehicles for fleet replacement) of the P3010 contract as previously authorized.
- B. Amend and increase the FY14 annual budget in cost center 3043 in the amount of \$36,632,173 for the mobilization costs associated for exercising Options 1 and 4 above.

ISSUE

By FY23, Metro's LRV fleet size will need to increase from 171 current vehicles to 337 to accommodate existing service, expansion, system enhancements, and replacement vehicle needs. At this time, the current fleet size of 171 vehicles is sufficient to meet existing needs, however, Options 1 and 4 must be exercised in order to have sufficient vehicles to meet the service needs for pre-revenue system testing and opening of the Crenshaw Line in FY19, plus planned vehicle replacements to conform to state of good repair requirements. Options 2 and 3 may be used for future service improvements and expansion that are not yet funded at this time.

After the base order is completed in FY17, the vehicles outlined in Options 1 and 4 will be delivered. The first option consists of 28 vehicles of which 22 will be assigned to the Crenshaw Line expansion project scheduled to open in FY19. The remaining six vehicles of Option 1 will replace the existing P865 rail cars that went into service in 1990. These vehicles will be at the end of their useful life. In FY17 and FY18, 69 vehicles from Option 4 will replace the remaining P865/P2020 vehicles. The P2020 vehicles entered into service in 1995 and will also be at the end of their useful life.

This action is requested to ensure that Option 1 vehicles are ordered and a production schedule is locked in that will enable sufficient production time for vehicles to be manufactured, accepted and received prior to the Crenshaw Line pre-revenue service testing necessary to successfully open the line. The Option 4 vehicles will ensure timely delivery of replacement vehicles to adhere to scheduled state of good repair needs. Both options will guarantee the best possible price and save the agency \$9,158,041 in contractual price escalation. These funds may then be utilized for other vital infrastructure improvement projects.

Without the exercise of Option 1, when the Crenshaw Line opens, Metro will need to operate 28 older vehicles that lack sufficient reliability. If Option 4 is not exercised, another 69 of the older vehicles must continue in operation. Metro will experience increased maintenance costs by using vehicles past their useful service life. This will lead to service disruptions due to more frequent breakdowns.

DISCUSSION

The LACMTA Board of Directors approved the P3010 LRV Contract on April 30, 2012. The formal NTP was issued to KI on August 20, 2012. The Board approval included authorization for the Chief Executive Officer to negotiate and execute up to four contract options to Contract P3010, for a total delivery of up to 157 LRVs, in an aggregate amount of \$591,079,448. Staff analysis determined that there is solid business case to exercise Option 1 and Option 4 (97 vehicles) at the present time. The proposed cost of Option 1 (28 vehicles) is \$104,428,419. The cost of Option 4 (69 vehicles) is \$261,892,225. An additional \$30,329,356 is required technical and contract oversight and project contingency. The total amount of this change is \$396,650,000.

The LRVs purchased under the P3010 contract are intended to replace Metro's oldest existing LRVs that will soon reach the end of their useful service life as well as LRVs required to support the new system expansion projects including Expo 1 and 2, Foothill 2, and Crenshaw (see Attachment A). As project vehicle expenses are incurred under this LOP, the recipient projects will be charged. Attachment C outlines the intended lines and costs through this action.

By exercising the options prior to August 20, 2013, Metro will avoid the one-time price adjustment tied to the PPI contractual price adjustment. By exercising prior to August 20, 2013, Metro will save \$2,610,710 for Option 1 and \$6,547,331 for Option 4 for a total of \$9,158,041. In addition, by exercising these options, KI will be able to formalize their obligation to establish a car shell manufacturing facility in the United States as required by the US Employment Plan defined in the P3010 contract. KI estimates the hiring of an additional 56 FTEs to support this facility.

DETERMINATION OF SAFETY IMPACT

The P3010 Option LRVs will be designed to current design criteria meeting all local, State, and Federal safety standards. Exercising these options will allow Metro to replace some of the current LRVs that will reach the end of their useful life.

FINANCIAL IMPACT

The amendment request of \$36,632,173 will be added to the existing FY14 budget for this project in cost center 3043, Strategic Vehicle and Infrastructure Delivery, under projects CP# 856612 Crenshaw (\$8,205,089) and CP# 206035, Expo/Blue Line Light Rail Vehicle Procurement (\$28,427,084).

In April, 2012 the Board approved the recommendation awarding the base order contract for LRVs to KI and increased the LOP budget to a total of \$342,350,000. Funding for the revised LOP has been identified and programmed for LRV vehicles in the adopted LOP budgets for the respective Expo 1 and 2, Foothill 2, and Crenshaw Measure R Transit projects referenced in Attachment A and funded as per Attachment B. As project vehicle expenses are incurred, the recipient projects will be charged.

Since this is a multi-year contract, the cost center manager, project manager and General Manager, Strategic Vehicle and Infrastructure Delivery will ensure costs are budgeted in future years.

The federal funding for this action is dependent on the timely and favorable resolution of federal Section 13(c) protective arrangements that may be impacted by the California Public Employees' Pension Reform Act of 2013. Project delays may occur or alternative funding sources will have to be identified if the federal 13(c) issues are not resolved promptly. Additionally, if a positive resolution to the federal 13(c) issues is not achieved, then Metro is at risk for identifying and obligating \$215,000,000 in local eligible funds fill the void in funding that is anticipated to come from federal sources.

ALTERNATIVES CONSIDERED

The Board may choose not to move forward with exercising Options 1 and 4 and direct staff to initiate a new procurement for 97 vehicles. This alternative is not recommended as it would most likely push out delivery of production vehicles passed the opening dates of the Crenshaw Line and require existing cars be used longer than their service life.

Another alternative may be exercising the option purchase at a later date and incur the increased costs for the LRVs. This alternative is not recommended as it adds unnecessary escalation costs that are avoidable should Metro choose to move forward with the exercise of the options at this time.

NEXT STEPS

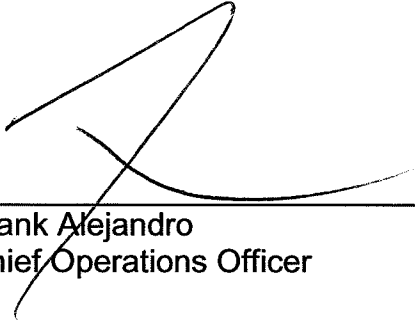
Upon Board approval, Metro will issue a Notice-to-Proceed, exercising Option 1 and Option 4 and issue the specified mobilization payment to KI.

ATTACHMENTS

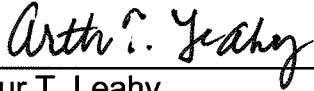
- A. Project Allocation Table
- B. Uses and Sources Table
- C. Option Assignment and Costs Table

Prepared by: Richard Hunt, General Manager
Steve Schupak, Project Control Manager

Questions: Michelle Stewart, Assistant Administrative Analyst, Operations
(213) 922-7270



Frank Alejandro
Chief Operations Officer



Arthur T. Leahy
Chief Executive Officer

ATTACHMENT A

PROJECT ALLOCATION TABLE

Ln	Description	CP #	Opt \$ / Qty	\$ Per Veh	Foothill	Expo I	Expo II	Crenshaw	Fleet Repl	Total	%
1	Base Order:		300,290,824								
2	Foothill	860200	15 Veh	3,849,882	57,748,235					57,748,235	7.8%
3	Expo I	890001	See Note	3,849,882		44,983,168				44,983,168	6.1%
4	Expo II	860301	63 Veh	3,849,882			197,559,421			197,559,421	26.7%
5	Option 1		104,428,419								
6	Crenshaw LRT	865512	22 Veh	3,729,586				82,050,901		82,050,901	11.1%
7	Fleet Repl	206035	6 Veh	3,729,586					22,377,518	22,377,518	3.0%
8	Option 4		261,892,225								
9	Fleet Repl	206035	69 Veh	3,795,539					261,892,225	261,892,225	35.4%
10	TOTAL P3010 Contract Auth									666,611,468	90.2%
11	Pro Svcs	206035	N/A	N/A					27,604,643	27,604,643	3.7%
12	MTA Adm	206035	N/A	N/A					8,961,414	8,961,414	1.2%
13	Contingency	206035	N/A	N/A					35,822,475	35,822,475	4.8%
14	Total		666,611,468		57,748,235	44,983,168	197,559,421	82,050,901	356,658,275	739,000,000	100%

Note: Expo I & II funds a total of 63 vehicles with the cost allocation as shown in Rows 3 & 4 for a total cost of \$242,542,589.

ATTACHMENT B

SOURCES AND USES TABLE

Use of Funds	ITD	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19+	Total	% of
Veh Acq: Base Order			46,092,620	63,509,975	68,334,015	83,068,633	38,056,584			299,061,827	40.5
Professional Services		1,302,580	4,610,069	4,583,338	4,687,399	4,063,986	2,076,320			21,323,692	2.9%
MTA Administration	256,472		370,200	1,026,400	1,386,000	1,415,600	1,431,800			5,886,472	0.8%
Contingency							16,078,009			16,078,009	2.2%
Base Order total	256,472	1,302,580	51,072,889	69,119,713	74,407,414	88,548,219	57,642,713	0	0	342,350,000	
Veh Acq: Option 1				10,442,841			26,853,022	67,132,555		104,428,418	14.1
Veh Acq: Option 4				26,189,332				95,648,552	140,054,34	261,892,225	35.4
Professional Services							1,024,448	2,957,323	2,299,246	6,281,017	0.8%
MTA Administration							0	1,501,810	1,546,864	3,048,674	0.4%
Contingency									20,999,665	20,999,665	2.8%
Option Order Total	0	0	0	36,632,173	0	0	27,877,470	167,240,24	164,900,11	396,649,999	
Project Total	256,472	1,302,580	51,072,889	105,751,88	74,407,414	88,548,219	85,520,183	167,240,24	164,900,11	739,000,000	100.0

Sources of Funds	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19+	Total Uses	%
Measure R 35%	1,302,580	5,374,825	26,528,803		9,319,416	21,974,376			64,500,000	8.7%
Meas R 35%:			8,200,000			15,000,000	58,850,901		82,050,901	11.1
Measure R 2%			2,000,000			2,000,000	2,000,000	2,000,000	8,000,000	1.1%
Prop C 25%	51,290								51,290	0.0%
Local Agency Funds	39,400								39,400	0.0%
Prop A 35%/CMAQ					26,528,803	17,609,840	56,389,339	86,400,116	186,928,098	25.3
Prop 1B PTMISEA	26,760	298,064			5,092,094				5,416,918	0.7%
STIP	139,022								139,022	0.0%
RIP		45,400,000	13,219,713	74,407,414	39,907,906	28,935,967			201,871,000	27.3
CMAQ			14,200,000						14,200,000	1.9%
RSTP			41,603,370		7,700,000				49,303,370	6.7%
Prop A Financing							50,000,000	76,500,000	126,500,000	17.1
Total	256,472	1,302,580	51,072,889	105,751,88	88,548,219	85,520,183	167,240,24	164,900,11	739,000,000	100%

Note: Funding sources are subject to change as future additional or replacement Federal, State and Local funding is

OPTION ASSIGNMENT AND COSTS

Project#	# of Vehicles	Intended Use	Amount
865512	22	Crenshaw LRT line expected to open in FY19, delivery of vehicles scheduled in FY17	\$82,050,901
206035	6	Replace vehicles nearing the end of their service life, delivery of vehicles scheduled in FY17	\$22,377,518
206035	69	Replace vehicles nearing the end of their service life, delivery of vehicles scheduled in FY17	\$261,892,225
206035		Pro Services, MTA Admin, Contingency	\$30,329,356
Total	97		\$396,650,000