

STAFF REPORT

SOUND TRANSIT MOTION NO. M2001-47

Sounder Vehicle Leasing Policy Issues

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Executive Committee	5/18/01	Discussion/Possible Action to Recommend Board Approval	Noel Peck, Sounder Program Manager	(206) 398-5115
Board	5/24/01	Action		

PROPOSED ACTION

The proposed action would authorize the Executive Director to enter into and execute agreements with other transit agencies in the United States and Canada to lease Sounder Commuter Rail equipment that is temporarily in excess of what is required to provide Sounder service, provided such leases provide a net financial benefit to the agency and cover all costs associated with the equipment, including but not limited to insurance, maintenance, and repair. Sound Transit shall retain title to the equipment at all times.

KEY FEATURES

Highlights of Proposed Action:

- ◆ Provides authority for the Executive Director to lease equipment not being used by Sounder for use by other rail agencies in the United States and Canada.
- ◆ Generates revenue for Sound Transit.
- ◆ Reduces expense to Sound Transit for maintenance of cars, cab cars and locomotives.
- ◆ Reduces expense to Sound Transit for insurance and indemnification of equipment.
- ◆ Provides opportunity for equipment to be in service during warranty period. (Rolling stock can be "broken in" while still covered by warranty.)

DISCUSSION

Sound Transit placed orders for cars, cab cars and locomotives to serve the Sounder Commuter Rail line based upon plans to have capacity for full service of eighteen trips per day with fourteen stations open by 2002. Due to schedule change at the manufacturer, thirteen cars, thirteen cab cars and six locomotives were manufactured four months ahead of schedule. Options to the contract authorized by Resolution No. R98-25 were approved by the Board (Motion No. M99-72 and Motion No. M99-81) requiring Sound Transit to take delivery of an additional twenty seven cars and five cab cars starting July 1, 2001, as well as five locomotives in September and October of 2001 (Motion No. M99-82).

The schedule for opening stations and adding trips has been delayed since the original orders for equipment were placed with Bombardier. Loss of funds due to implementation by the Legislature of the voter-approved I-695 played a major role in delaying commuter rail station openings. Other factors contribute to delays in opening stations and Sound Transit's ability to increase the trips-per-day schedule. Among these factors are: protracted permitting processes (such as the listing of salmon under the Endangered Species Act),

lengthy negotiations with government entities from municipal to national levels, and lengthy negotiations with Burlington Northern Santa Fe Railroad for right of way and track and signal improvements, also affected by I-695. These delays have postponed the need for additional equipment.

Staff's proposed plan will minimize the expense arising from delays and create opportunities for revenue by leasing the not-yet-needed equipment to other qualified transit agencies. Deal points that would be included in the lease are as follows:

- Lessee would bear all burdens for insurance, indemnification and maintenance.
- Lessee would be required to re-carpet and re-upholster all cars leased for twelve months or more.
- Equipment leased for fewer than twelve months would be re-carpeted and re-upholstered if deemed necessary by Sound Transit after inspection upon return.
- Sound Transit would retain title to the rolling stock at all times.

Several entities in the United States and Canada have expressed an interest in leasing Sounder cars and locomotives. Determination of which opportunities would most benefit Sound Transit would be based upon a combination of factors to be weighed together, including but not limited to:

- number and combination of cars and locomotives requested,
- length of lease term,
- dates of lease term, and
- dollar rate for equipment.

Currently, Sounder has one locomotive leased to West Coast Express in Vancouver, B.C. under a Mutual Aid agreement and leased one locomotive to VIA Rail in Montreal for six months (from June 1, 2000 to December 31, 2000). These two leases alone generated revenue in excess of \$100,000.

This proposed action provides the Acting Executive Director with authority needed to put this plan to lease equipment into effect. Additional approval is required from the Federal Transit Administration (FTA). A copy of a letter dated April 10, 2001 soliciting this approval is attached. FTA is a strong advocate of cooperation among transit agencies within the United States, as well as between the United States and other nations. Securing their approval is not expected to be difficult, they have approved such leases for Sound Transit in the past. An estimated timeline, based on currently available information for the leasing of the coaches and cab cars is shown in the following table:

<u>Time</u> <u>(Quarter)</u>	<u>Cars Needed</u> <u>(Sounder Service)</u>	<u>Cars in Yard</u> <u>(Delivered & Accepted)</u>	<u>Available</u> <u>for lease</u>
4th / 2001	16	26	10
1st / 2002	21	40	19
2nd / 2002	21	50	29
3rd / 2002	21	58	37
4th / 2002	21	58	37
1st / 2003	34	58	24
2nd / 2003	34	58	24
3rd / 2003	34	58	24
4th / 2003	34	58	18
1st / 2004	48	58	10
2nd / 2004	48	58	10
3rd / 2004	48	58	10
4th / 2004	58	58	0

BUDGET

There are no anticipated costs requiring budget approval associated with this action that would be included in the current staff administrative budgets. Rather than requiring budget, this action will generate revenue, as Sound Transit would enter into agreements that provide a fair market value for the leasing of both locomotives and cab cars/coaches. In addition, staff would ensure through negotiations, any incidental costs related to the transactions (delivery of vehicles, associated maintenance/repairs) would be either borne by the lessee or covered by the amount agreed upon.

ALTERNATIVES

- (1) Accept delivery of the equipment as scheduled and store at the King Street maintenance facility at minimal cost.

Not Recommended: Would not allow Sound Transit to “break in” the equipment during the warranty period.

- (2) Attempt to negotiate with manufacturer for later delivery dates.

Not Recommended: If manufacturer were to agree to this, the cost to store the equipment would be passed on to Sound Transit.

CONSEQUENCES OF DELAY

A minor delay while the Board considers this motion would not have a significant impact. Protracted delay might diminish the opportunity to lease Sounder equipment under terms most favorable to Sound Transit.

REGIONAL PARTNERSHIP AND COOPERATION

Leasing our rolling stock is viewed by FTA and others as a good example of partnership and cooperation on a national and international level.

PUBLIC INVOLVEMENT

This board action does not lend itself to a local public involvement effort.

LEGAL REVIEW

EM 5/08/01

SOUND TRANSIT

MOTION NO. M2001-47

A motion of the Board of Directors of the Central Puget Sound Regional Transit Authority authorizing the Executive Director to enter into and execute agreements with other transit agencies in the United States and Canada to lease Sounder Commuter Rail equipment that is temporarily in excess of what is required to provide Sounder service, provided such leases provide a net financial benefit to the agency and cover all costs associated with the equipment, including but not limited to insurance, maintenance, and repair. Sound Transit shall retain title to the equipment at all times.

Background:

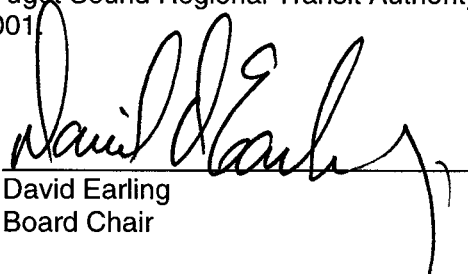
Sound Transit placed orders for cars, cab cars and locomotives to serve the Sounder Commuter Rail line based upon plans to have capacity for full service of eighteen trips per day with fourteen stations open by 2002. Due to schedule change at the manufacturer, thirteen cars, thirteen cab cars and six locomotives were manufactured four months ahead of schedule. Options to the contract authorized by Resolution No. R98-25 were approved by the Board (Motion No. M99-72 and Motion No. M99-81) requiring Sound Transit to take delivery of an additional twenty seven cars and five cab cars starting July 1, 2001, as well as five locomotives in September and October of 2001 (Motion No. M99-82).

Since the original orders for equipment were placed with Bombardier, the schedule for opening stations and adding trips has been pushed back. Loss of funds due to implementation by the Legislature of the voter-approved I-695 played a major role in delaying commuter rail station openings. Other factors contributing to delays in opening stations and increasing the trips-per-day schedule are protracted permitting processes (such as the listing of salmon under the Endangered Species Act), and with lengthy negotiations with government entities from municipal to national levels, and lengthy negotiations with Burlington Northern Santa Fe Railroad for right of way and track and signal improvements. These delays have postponed the need for additional equipment, making it more costly to take possession of equipment based on original plans for phasing in commuter rail service.

Motion:

It is hereby moved that the Executive Director is authorized to enter into and execute agreements with other transit agencies in both the United States and Canada to lease Sounder Commuter Rail equipment that is temporarily in excess of what is required to provide Sounder service, provided such leases provide a net financial benefit to the agency and cover all costs associated with the equipment, including but not limited to insurance, maintenance, and repair. Sound Transit shall retain title to the equipment at all times.

APPROVED by the Board of Directors of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on the 24th day of May 2001.



David Earling
Board Chair

ATTEST:



Marcia Walker
Board Administrator



April 10, 2001

Ms. Helen Knoll
Regional Administrator
Federal Transit Administration
915 Second Avenue, Suite 3142
Seattle, WA 98174

Contract #:
P.O. #:
Subject File Code #AD8240:
Ref: Control # (If Known)

Dear Ms. Knoll:

This letter is a formal request on behalf of Sound Transit to enter into agreements with third parties for the lease of existing Sounder equipment as well as option order equipment not yet received by Sounder. The equipment on order, expected to be delivered by the end of June, is for 32 cars and five locomotives.

Sound Transit would lease the equipment to other rail systems at fair market value. Contracts would specify the lessee would recarpet and reupholster all cars used for 12 months or longer. Equipment leased for shorter periods of time would be recarpeted and reupholstered after inspection upon return if deemed necessary by Sound Transit. Lessee would be responsible for all insurance, indemnification and warranties from time of acceptance of equipment until its return to Sound Transit. Lessee would be responsible for transport to and from Sound Transit. Sound Transit will retain title to the rolling stock at all times.

Sound Transit has received inquiries from various agencies both in Canada and the U.S. about leasing our equipment. Cal-Train in northern California would like to lease five or six of our cars for six to eight months during the major league baseball season. GO Transit in Toronto is interested in leasing 20 cars and three locomotives for a year or more. Virginia Railway Express has inquired about the use of 20 cars. My intent is to keep as much equipment as possible in one location to reduce administrative cost.

Allowing us to lease this equipment eliminates the expense of storage while we work to achieve our full commuter rail trip schedule. This opportunity to generate income for Sound Transit will benefit the agency. We continue to work hard to maximize the value of the public assets entrusted to our care and we hope that you find the above proposal acceptable.

Sincerely,

Noel C. Peck
Program Manager
Sounder Commuter Rail

NP:dp \Knoll-lease-4-01

c: Joni Earl, Sound Transit
Paul W. Price, Sound Transit

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