

**SOUND TRANSIT
STAFF REPORT**

MOTION NO. M2003-123

Execute a contract for supply of 31 low floor light rail vehicles

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Finance Committee	12/3/03	Discussion/Possible Action to Recommend Board	Ahmad Fazel, Link Director	(206)398-5389
Board	12/11/03	Approval Action	Winston Simmonds, Systems Engineering Manager	(206)689-3326

Contract/Agreement Type:	<input checked="" type="checkbox"/>	Requested Action:	<input checked="" type="checkbox"/>
Competitive Procurement	<input checked="" type="checkbox"/>	Execute New Contract/Agreement	<input checked="" type="checkbox"/>
Sole Source	<input type="checkbox"/>	Amend Existing Contract/Agreement	<input type="checkbox"/>
Interlocal Agreement	<input type="checkbox"/>	Contingency Funds Required	<input type="checkbox"/>
Purchase/Sale Agreement	<input type="checkbox"/>	Budget Amendment Required	<input type="checkbox"/>

3Applicable to proposed transaction.

OBJECTIVE OF ACTION

Execute a contract with KINKISHARYO International, L.L.C./Mitsui & Co. (U.S.A.) Inc. Joint Venture (KINKISHARYO/Mitsui) to design, manufacture and deliver 31 low floor light rail vehicles.

ACTION

Authorize the Chief Executive Officer to execute a contract with KINKISHARYO International, L.L.C./Mitsui & Co. (U.S.A.) Inc. Joint Venture, to design, manufacture, and deliver 31 low floor light rail vehicles for the Link Initial Segment, including systems support, spare parts, special tools, and test equipment in the amount of \$108,606,040 with an allowance for an economic price adjustment for inflation of \$9,579,808, an allowance for sales taxes of \$7,336,813, and with a 5% contingency of \$6,276,133 for a total authorized contract amount not to exceed \$131,798,794.

KEY FEATURES

- The scope of the contract includes project management, engineering design, manufacturing, assembly, inspection, testing, and delivery of 31 low floor light rail vehicles, and manuals, drawings, training, warranty support, spare parts, special tools and test equipment.
- The contract includes options to purchase up to 31 additional vehicles and options for additional warranty, mock-ups and certain qualification tests.
- Final assembly of vehicles will be performed in the Sound Transit District.
- The first vehicle will be on site by November 2006. The remaining vehicles will be on site and ready for revenue operations no later than September 2008.

- Award of the contract is subject to successful completion of the Buy America Pre-Award Audit.

Features of each Low Floor Light Rail Vehicle

- Constructed of low alloy, high tensile steel, approximately 95 feet long.
- Electric powered via the 1500-volt DC traction power system.
- Six-axle, three sections, double articulated with two power trucks and one non-powered truck.
- 70% low floor with level boarding from station platforms via doors without the aid of lifting devices.
- Configured for bi-directional operation with fully functional cabs at each end.
- Accommodates 74 seated passengers with a total capacity of 200 passengers per vehicle.
- Flip-up style seating is provided adjacent to doorways to accommodate up to 4 wheel chair spaces for ADA compliance.
- Space for 4 bicycles.
- Heating and air-conditioning to maintain a comfortable passenger environment.

Contract Summary	
Total Base Contract Price	\$108,606,040
Estimated Sales Taxes Allowance	\$7,336,813
Estimated Economic Price Adjustment Allowance (Inflation)	\$9,579,808
Contingency (5%)	\$6,276,133
Total Amount Requested for Board Approval	\$131,798,794

BUDGET IMPACT SUMMARY

The amount requested is included in the Proposed 2004 budget, therefore no action outside of the Board-adopted budget will be necessary. There are no contingency funds required, no subarea impacts, or funding required from other parties.

BUDGET DISCUSSION

The action considered by this motion authorizes execution of a contract with KINKISHARYO/Mitsui to design, manufacture, and deliver 31 low floor light rail vehicles for the Link Initial Segment, including systems support, spare parts, special tools, and test equipment for a total amount not to exceed \$131,798,794.

The total adopted capital budget for the Initial Segment is \$2.07 billion. Within the vehicles phase of that budget, \$138,307,000 has been set aside for light rail vehicles, which remains unchanged in the Proposed 2004 Budget currently under review by the Sound Transit Board. The proposed action is within this amount.

REVENUE, SUBAREA, AND FINANCIAL PLAN IMPACTS

The proposed action is consistent with the current Board-adopted budget and is affordable within the agency's current long-term financial plan and subarea financial capacity. The action will have no new revenue impacts on Sound Transit.

BUDGET TABLE

Action Item: KINKISHARYO/Mitsui (Execute a contract to design, manufacture and deliver 31 low floor vehicles for the Initial Segment.)

(Year of Expenditure \$000)

Initial Segment	Adopted FY2003 Budget (A)	Committed To Date (B)	This Action (C)	Total Committed & Action (D)	Uncommitted (Shortfall) (E)
1 Agency Administration	226,780	108,885		108,885	117,895
2 Preliminary Engineering	35,000	33,253		33,253	1,747
3 Final Design	123,000	113,405		113,405	9,595
4 Right of Way	233,016	130,090		130,090	102,926
5 Construction	1,172,633	155,861		155,861	1,016,772
6 Construction Services	82,464	17,272		17,272	65,192
7 Third Party Agreements	58,800	42,331		42,331	16,469
8 Vehicles	138,307	-	131,799	131,799	6,508
9 Contingency				-	-
10 Total Current Budget	2,070,000	601,098	131,799	732,897	1,337,103

Phase Budget Detail

11 PS 801 Vehicle	138,307	-	131,799	131,799	6,508
12 Other vehicle	-	-	-	-	-
13 Total Phase	138,307	-	131,799	131,799	6,508

(B) Committed to Date amounts are from the Link Program Cost Summary Report (HQ Reports) for October 2003 + board motions not yet included in report as follows:

	Final Design	Right of Way	Construction	Construct Svcs	Third Parties
Commitments through October 2003	111,532	127,397	10,287	3,432	26,824
Other board motions	1,873	2,693	145,575	13,839	15,507
Total phase commitments	113,405	130,090	155,861	17,272	42,331

Contract Budget	Current Approved Contract Value (F)	Spent to Date (G)	Proposed Action (H)	Proposed Total Contract Value (I)
14 Contract Amount	-	-	125,523	125,523
15 Contingency	-	-	6,276	6,276
16 Total	-	-	131,799	131,799
17 Percent Contingency	0%	0%	5%	5%

Budget Shortfall

Task Level	\$ (J)	Potential Resources (K)	Source (L)
18	-	Not applicable	

M/W/DBE – SMALL BUSINESS PARTICIPATION

As a transit vehicle manufacturer, KINKISHARYO/Mitsui must certify that it complies with the requirements of 49CFR, part 26. by submitting documentation in its proposal that it has a DBE Program that is currently approved by the FTA.

EEO COMMITMENT

As a condition of the contract, KINKISHARYO/Mitsui will comply with equal employment opportunity provisions and nondiscrimination provisions in accordance with federal laws and policies.

HISTORY OF PROJECT

Procurement Process

A two-phase negotiated, best value, competitive procurement process was used for selection of the light rail vehicle manufacturer.

Proposal Content

The proposal consisted of two separate parts, a price proposal and a technical proposal. The price proposal consisted of a schedule of prices for the vehicle unit price, systems support, spare parts, special tools and test equipment, and options for additional vehicles, warranty and certain qualification tests. Additionally, proposers were requested to provide a proposal bond, performance bond or irrevocable letter of credit, and audited financial statements for the last two fiscal years. The technical proposal consisted of technical information regarding the proposed vehicle and qualification information regarding the manufacturer and suppliers.

Proposal Evaluation Process

The evaluation process used for the first phase (Request for Proposals) and second phase (Request for Best and Final Offers) of the procurement was essentially the same. The steps are outlined below.

1. Technical Evaluation Subcommittee performed an initial review of technical proposals to determine whether the technical proposals were responsive to the requirements. Price proposals were reviewed by the contracts manager to determine responsiveness, and then sequestered until the Technical Evaluation Subcommittee completed evaluation of the technical proposals.
2. Technical Evaluation Subcommittee completed evaluation of the technical proposals and established technical scores.
3. After completion of the evaluation of technical proposals, the Price Evaluation Committee opened price proposals and calculated price scores.
4. Technical proposal scores were combined with price proposal scores to determine the total proposal score. Then the Selection Committee determined the competitive range and entered into discussions with those proposers.

5. Subsequent to discussions with proposers in the competitive range, some revisions were made to the commercial and technical requirements based on proposer feedback and the best and final offer was requested.
6. The best and final offers were reviewed and scored using the same process to determine the top ranked proposer.
7. Negotiations with top ranked proposer were convened to clarify certain issues.

Proposal Scoring

Sound Transit initially received proposals from five vehicle manufactures. All vehicle manufacturers were determined to be in the competitive range and were requested to provide best and final offers. KINKISHARYO/Mitsui was determined to be the top ranked proposer.

KINKISHARYO/Mitsui is a joint venture. KINKISHARYO's responsibilities and obligations will be to design, manufacture, assemble, test, and deliver vehicles, spare parts, and other contract deliverables. Mitsui's responsibilities and obligations will be to act as an importer of record for custom purposes and arrange proposal and performance bonds. This is a common arrangement for Japanese firms doing business in the U.S.

KINKISHARYO has been designing and manufacturing transit vehicles in Japan since 1920. They expanded their operation into the US market during the 1980's, and have successfully supplied 389 vehicles to New Jersey Transit, Massachusetts Bay Transit Authority (Boston), Dallas Area Rapid Transit, and Valley Transit Authority (Santa Clara). KINKISHARYO has a proven track record in recognizing the importance of meeting the project schedules, establishing a commitment to meet or exceed contract requirements, and delivering safe, reliable and high quality vehicles within schedule and budget.

KINKISHARYO plans to establish a local final assembly site in the Sound Transit District. Establishing a local final assembly site has been KINKISHARYO's past practice for the U.S. vehicle procurements since they do not have a permanent final assembly facility.

At the conclusion of negotiations, staff confirmed that KINKISHARYO/Mitsui's proposal was the most advantageous to Sound Transit considering price, technical information and qualification information. KINKISHARYO/Mitsui's total base contract price of \$108,606,040 with an economic price adjustment allowance for inflation (based on the Department of Labor Producer Price Index for Railroad Equipment) of \$9,579,808, a Washington State retail sales tax allowance of \$7,336,813, and a 5% contingency allowance of \$6,276,133, results in a total authorized amount not to exceed \$131,798,794. This amount is within the Sound Transit Board approved budget of \$138,307,000 for purchase of the vehicles. As a result, for Sound Transit Board consideration, staff recommends that a contract for supply of 31 light rail vehicles be executed with KINKISHARYO International, L.L.C./Mitsui & Co. (U.S.A.) Inc. Joint Venture (KINKISHARYO/Mitsui).

**Prior Board or Committee Actions
and Relevant Board Policies**

Motion or Resolution Number	Summary of Action	Date of Action
R2001-16	Selecting the initial segment of the Central Link Light Rail Project to be constructed and operated by 2009.	11/29/01
M2001-103	Identifying the preferred initial segment to be constructed and operated for Central Link Light Rail.	09/27/01

CONSEQUENCES OF DELAY

Assuming a contract award in December 2003, the Notice to Proceed will be issued in January 2004. Prompt design, manufacture, delivery and testing of light rail vehicles are critical to the successful start-up and operation of the Initial Segment by 2009. Delay in award of this contract may jeopardize the Link master schedule.

PUBLIC INVOLVEMENT

Not applicable to this action.

LEGAL REVIEW

MMB 11/25/03

SOUND TRANSIT

MOTION NO. M2003-123

A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing the Chief Executive Officer to execute a contract with KINKISHARYO International, L.L.C./Mitsui & Co. (U.S.A.) Inc. Joint Venture, to design, manufacture, and deliver 31 low floor light rail vehicles for the Link Initial Segment, including systems support, spare parts, special tools, and test equipment in the amount of \$108,606,040 with an allowance for an economic price adjustment for inflation of \$9,579,808, an allowance for sales taxes of \$7,336,813, and with a 5% contingency of \$6,276,133 for a total authorized contract amount not to exceed \$131,798,794.

Background:

Procurement Process

A two-phase negotiated, best value, competitive procurement process was used for selection of the light rail vehicle manufacturer.

Proposal Content

The proposal consisted of two separate parts, a price proposal and a technical proposal. The price proposal consisted of a schedule of prices for the vehicle unit price, systems support, spare parts, special tools and test equipment, and options for additional vehicles, warranty and certain qualification tests. Additionally, proposers were requested to provide a proposal bond, performance bond or irrevocable letter of credit, and audited financial statements for the last two fiscal years. The technical proposal consisted of technical information regarding the proposed vehicle and qualification information regarding the manufacturer and suppliers.

Proposal Evaluation Process

The evaluation process used for the first phase (Request for Proposals) and second phase (Request for Best and Final Offers) of the procurement was essentially the same. The steps are outlined below.

1. Technical Evaluation Subcommittee performed an initial review of technical proposals to determine whether the technical proposals were responsive to the requirements. price proposals were reviewed by the contracts manager to determine responsiveness, and then sequestered until the Technical Evaluation Subcommittee completed evaluation of the Technical Proposals.
2. Technical Evaluation Subcommittee completed evaluation of the technical proposals and established technical scores.
3. After completion of the evaluation of technical proposals, the Price Evaluation Committee opened price proposals and calculated price scores.
4. Technical proposal scores were combined with price proposal scores to determine the total proposal score. Then the Selection Committee determined the competitive range and entered into discussions with those proposers.

5. Subsequent to discussions with proposers in the competitive range, some revisions were made to the commercial and technical requirements based on proposer feedback and the best and final offer was requested.
6. The best and final offers were reviewed and scored using the same process to determine the top ranked proposer.
7. Negotiations with top ranked proposer were convened to clarify certain issues.

Proposal Scoring

Sound Transit initially received proposals from five vehicle manufactures. All vehicle manufacturers were determined to be in the competitive range and were requested to provide best and final offers. KINKISHARYO/Mitsui was determined to be the top ranked proposer.

KINKISHARYO/Mitsui is a joint venture. KINKISHARYO's responsibilities and obligations will be to design, manufacture, assemble, test, and deliver vehicles, spare parts, and other contract deliverables. Mitsui's responsibilities and obligations will be to act as an importer of record for custom purposes and arrange proposal and performance bonds. This is a common arrangement for Japanese firms doing business in the U.S.

KINKISHARYO has been designing and manufacturing transit vehicles in Japan since 1920. They expanded their operation into the U.S. market during the 1980's, and have successfully supplied 389 vehicles to New Jersey Transit, Massachusetts Bay Transit Authority (Boston), Dallas Area Rapid Transit, and Valley Transit Authority (Santa Clara). KINKISHARYO has a proven track record in recognizing the importance of meeting the project schedules, establishing a commitment to meet or exceed contract requirements, and delivering safe, reliable and high quality vehicles within schedule and budget.

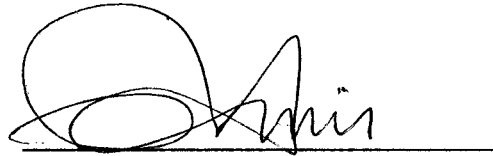
KINKISHARYO plans to establish a local final assembly site in the Sound Transit District. Establishing a local final assembly site has been KINKISHARYO's past practice for the U.S. vehicle procurements since they do not have a permanent final assembly facility.

At the conclusion of negotiations, staff confirmed that KINKISHARYO/Mitsui's proposal was the most advantageous to Sound Transit considering price, technical information and qualification information. KINKISHARYO/Mitsui's total base contract price of \$108,606,040 with an economic price adjustment allowance for inflation (based on the Department of Labor Producer Price Index for Railroad Equipment) of \$9,579,808, a Washington State retail sales tax allowance of \$7,336,813, and a 5% contingency allowance of \$6,276,133, results in a total authorized contract amount not to exceed \$131,798,794. This amount is within the Sound Transit Board approved budget of \$138,307,000 for purchase of the vehicles. As a result, for Sound Transit Board consideration, staff recommends that a contract for supply of 31 light rail vehicles be executed with KINKISHARYO International, L.L.C./Mitsui & Co. (U.S.A.) Inc. Joint Venture.

Motion:

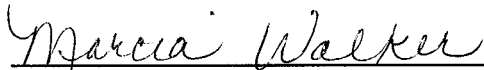
It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that the Chief Executive Officer is authorized to execute a contract with KINKISHARYO International, L.L.C./Mitsui & Co. (U.S.A.) Inc. Joint Venture, to design, manufacture, and deliver 31 low floor light rail vehicles for the Link Initial Segment, including systems support, spare parts, special tools, and test equipment in the amount of \$108,606,040 with an allowance for an economic price adjustment for inflation of \$9,579,808, an allowance for sales taxes of \$7,336,813, and with a 5% contingency of \$6,276,133 for a total authorized contract amount not to exceed \$131,798,794.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on December 11, 2003.

A handwritten signature in black ink, appearing to read "Ron Sims", written over a horizontal line.

Ron Sims
Board Chair

ATTEST:

A handwritten signature in black ink, appearing to read "Marcia Walker", written over a horizontal line.

Marcia Walker
Board Administrator