

**SOUND TRANSIT
STAFF REPORT**

MOTION NO. M2008-71

**Contract Amendment for Procurement of
Low Floor Light Rail Vehicles for the University Link Project**

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Finance Committee	7/17/08	Discussion/Possible Action to Recommend Board Approval Action	Ahmad Fazel, Link Director	(206) 398-5389
Board	7/24/08		John Harrison, University Link Deputy Executive Director Justin Garrod, Light Rail Vehicle Project Manager	(206) 398-5309 (206) 398-5384

Contract/Agreement Type:	<input checked="" type="checkbox"/>	Requested Action:	<input checked="" type="checkbox"/>
Competitive Procurement	<input checked="" type="checkbox"/>	Execute New Contract/Agreement	
Sole Source		Amend Existing Contract/Agreement	<input checked="" type="checkbox"/>
Agreement with Other Jurisdiction(s)		Budget Amendment	
Real Estate		Property Acquisition	

PROJECT NAME

University Link – Pine Street Stub Tunnel to University of Washington Station

PROPOSED ACTION

Authorizes the chief executive officer to exercise the option with KINKISHARYO International, L.L.C./Mitsui & Co. (U.S.A.) Inc. Joint Venture, to design, manufacture, and deliver 27 low floor light rail vehicles in support of the operational requirements for the University Link project, in the amount of \$94,577,000, with a 5% contingency of \$4,608,000 totaling \$99,185,000, for a new total authorized contract amount not to exceed \$245,570,841.

KEY FEATURES of PROPOSED ACTION

- The purpose of this action is to procure 27 light rail vehicles required to support the expected ridership and other operational requirements for the University Link project.
- The scope of the contract includes project management, engineering design, manufacturing, assembly, inspection, testing, and delivery of 27 low floor light rail vehicles.
- The original light rail vehicle procurement contract was for 31 vehicles. The contract included the option for the procurement of up to 31 additional light rail vehicles, 27 of which are to be procured under this amendment. The other four option vehicles were procured for Airport Link in December 2005.
- On June 2, 2008, Sound Transit requested a Letter of No Prejudice (LONP) from the Federal Transit Administration (FTA) to incur up to \$99,185,000 in costs for the procurement

of 27 light rail vehicles for the University Link Project without prejudice of possible future FTA grant participation. The FTA issued a pre-award authority letter on June 30, 2008 allowing Sound Transit to exercise the University Link light rail vehicle contract option using local funds while preserving future federal grant funding eligibility.

- If the Board authorizes this motion, Sound Transit would exercise this contract option to take advantage of a very favorable vehicle price previously negotiated in the original vehicle purchase contract.

BUDGET IMPACT SUMMARY

Current Project Phase: Final Design
Projected Completion Date: 2016

There is no action outside of the Board-adopted budget; there are no contingency funds required, no subarea impacts, or funding required from other parties other than what is already assumed in the financial plan.

BUDGET and FINANCIAL PLAN DISCUSSION

The Adopted 2008 Lifetime Capital Budget for University Link is \$1.614 billion. Within that amount \$99,185,000 has been set aside for the procurement of light rail vehicles in the vehicles phase. The proposed action would commit the entire amount for this budget line item, and leave no remaining balance.

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

BUDGET TABLE

Action Item: Kinkisharyo International, LLC/Mitsui & Co, Inc. (design, manufacture, and deliver light rail vehicles for the University Link project)

(Year of Expenditure \$000)

University Link	Adopted 2008 Budget (A)	Committed To Date (B)	This Action (C)	Total Committed & Action (D)	Uncommitted (Shortfall) (E)
Agency Administration	115,229	14,688		14,688	100,541
Preliminary Engineering	24,388	24,353		24,353	35
Final Design	77,944	58,679		58,679	19,265
Right of Way	157,332	111,753		111,753	45,579
Construction	1,046,946	11,630		11,630	1,035,316
Construction Services	68,526	64,754		64,754	3,772
Third Party Agreements	19,733	9,424		9,424	10,309
Vehicles	103,909	-	99,185	99,185	4,724
Total Current Budget	1,614,007	295,281	99,185	394,466	1,219,541

Vehicles Phase Budget Detail

Light Rail Vehicles	99,185	-	99,185	99,185	-
Vehicles Unallocated Contingency	4,724	-	-	-	4,724
Total Phase	103,909	-	99,185	99,185	4,724

Contract Amount	Board Approvals to Date (F)	Current Approved Contract Value (G)	Proposed Action (H)	Proposed Total for Board Approval (I)	Proposed Contract Value (J)
Contract Amount	140,559	145,574	94,577	235,136	240,151
Contingency	5,827	812	4,608	10,435	5,420
Total	146,386	146,386	99,185	245,571	245,571
Percent Contingency	4%	1%	5%	4%	2%

(B) COMMITTED TO DATE amounts are from Agency WBS Report as of May 2008 + approved and pending board actions not recorded as of 5/30/08, or submitted after that date.

SMALL BUSINESS PARTICIPATION

As a transit vehicle manufacturer, KINKISHARYO/Mitsui must re-certify that it complies with the requirements of 49CFR, part 26, by submitting documentation 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.

PROJECT DESCRIPTION and BACKGROUND for PROPOSED ACTION

On January 22, 2003, Sound Transit advertised and issued a Request for Proposals for light rail vehicles for the Central Link Light Rail Initial Segment project. A two-phase negotiated, best value, competitive procurement process was used for selection of the light rail vehicle manufacturer. Upon completion of this process Sound Transit decided to proceed with issuing a Request for Best and Final Offer. Sound Transit found all proposals were qualified for consideration in the Request for Best and Final Offer.

In August 2003, Sound Transit issued a Request for Best and Final Offers to all five proposers for light rail vehicles for the Central Link Light Rail Initial Segment project. This was the second-phase of the negotiated, best value, competitive procurement process.

On December 11, 2003 the Board authorized Motion No. M2003-123, executing a contract with KINKISHARYO International, L.L.C./Mitsui & Co. (U.S.A.) Inc. Joint Venture (KINKISHARYO/Mitsui) for 31 low floor light rail vehicles for the Central Link Light Rail Initial Segment. The contract includes the option for the procurement of up to 31 additional light rail vehicles.

On December 8, 2005, the Board authorized Motion No. M2005-117, exercising the option to procurement four of 31 vehicles for the Airport Link project.

On April 27, 2006, the Sound Transit Board adopted Resolution No. R2006-07, which selected the University Link Project to be advanced to final design and property acquisition, followed by construction and operation, in addition to approval of a lifetime project budget. The University Link Project is a 3.15-mile extension to the Initial Segment and Airport Link of light rail in twin-bored tunnels with two cut-and-cover stations connecting downtown Seattle with Capitol Hill and the University of Washington campus.

The North Link Final Supplemental Environmental Impact Statement was issued in April 2006 pursuant to SEPA and NEPA. In June 2006 the Record of Decision for North Link was issued by the FTA, completing the environmental review process for the University Link project.

On June 2, 2008, Sound Transit requested a Letter of No Prejudice to incur up to \$99,185,000 in costs for the procurement of 27 light rail vehicles for the University Link Project without prejudice of possible future FTA grant participation. On June 30, 2008, the FTA responded that under provision of SAFETEA-LU that allows a grantee pre-award authority to add vehicles to *extend* a fixed guideway system, Sound Transit will receive pre-award authority to purchase 27 light rail vehicles for the University Link project with Sound Transit local funds, keeping the vehicles eligible for federal funding in the future.

If the Board authorizes this motion, Sound Transit would exercise this contract option to take advantage of a very favorable vehicle price previously negotiated in the original vehicle purchase contract. The vehicle manufacturer KINKISHARYO/Mitsui would be expected to begin manufacturing of the 27 additional light rail vehicles in 2009. Sound Transit expects to begin receiving delivery of the vehicles in 2010 – 2011. Track and signal improvements to the Link Operations and Maintenance Facility to provide expanded track storage capacity to accommodate this fleet expansion are scheduled to be completed by 2010, before the delivery of the additional vehicles begins.

This procurement will provide University Link light rail vehicles to the Sound Transit vehicle fleet several years before they are required for system testing in 2015. These 27 vehicles will be rotated into regular Link fleet operations resulting in the extension of the useful life of the Initial Segment and Airport Link vehicles. These 27 vehicles would also be available if Link encounters higher than anticipated ridership prior to the start-up of University Link service in 2016. Staff conducted a life-cycle cost analysis of the early purchase of the 27 University Link light rail vehicles and concluded that, despite added short-term operating costs and vehicle depreciation, Sound Transit would achieve a net savings in total life cycle costs with the execution of the option.

Prior Board or Committee Actions

Motion/Resolution Number and Date	Summary of Action
M2005-117 12/8/05	Authorized the chief executive officer to execute a contract amendment with Kinkisharyo International, L.L.C./Mitsui & Co. Inc. Joint Venture, through exercise of an existing option, to manufacture and deliver four additional low floor light rail vehicles to support operational requirements for the Airport Link project, in the amount of \$13,892,426 with a 5% contingency of \$694,621, for a new total authorized contract amount not to exceed \$146,385,841.
M2003-123 12/11/03	Executed 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.

CONSEQUENCES of DELAY

A delay in the execution of this action will forfeit the fixed escalation price and open up the Agency to the original contract escalation clause which would have a significant cost impact on the project.

PUBLIC INVOLVEMENT

Not applicable to this action.

ENVIRONMENTAL REVIEW

JI 6/22/2008

LEGAL REVIEW

JW 7/11/08

SOUND TRANSIT

MOTION NO. M2008-71

A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to exercise the option with KINKISHARYO International, L.L.C./Mitsui & Co. (U.S.A.) Inc. Joint Venture, to design, manufacture, and deliver 27 low floor light rail vehicles in support of the operational requirements for the University Link project, in the amount of \$94,577,000, with a 5% contingency of \$4,608,000 totaling \$99,185,000, for a new total authorized contract amount not to exceed \$245,570,841.

Background:

On January 22, 2003, Sound Transit advertised and issued a Request for Proposals for light rail vehicles for the Central Link Light Rail Initial Segment project. A two-phase negotiated, best value, competitive procurement process was used for selection of the light rail vehicle manufacturer. Upon completion of this process Sound Transit decided to proceed with issuing a Request for Best and Final Offer. Sound Transit found all proposals were qualified for consideration in the Request for Best and Final Offer.

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light rail vehicles for the University Link project with Sound Transit local funds, keeping the vehicles eligible for federal funding in the future.

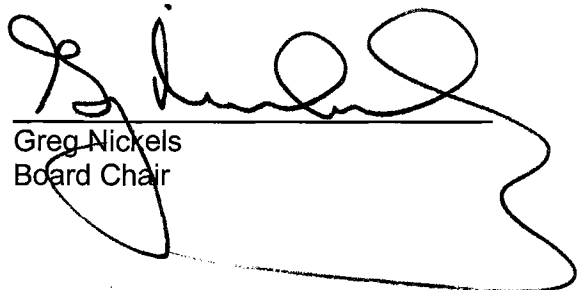
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Motion:

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that the chief executive officer is authorized to exercise the option with KINKISHARYO International, L.L.C./Mitsui & Co. (U.S.A.) Inc. Joint Venture, to design, manufacture, and deliver 27 low floor light rail vehicles in support of the operational requirements for the University Link project, in the amount of \$94,577,000, with a 5% contingency of \$4,608,000 totaling \$99,185,000, for a new total authorized contract amount not to exceed \$245,570,841.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on July 24, 2008.



Greg Nickels
Board Chair

ATTEST:



Marcia Walker
Board Administrator