

MOTION NO. M2016-111

## **Amendment for Sounder Commuter Rail Rolling Stock Maintenance Agreement**

MEETING:	DATE:	TYPE OF ACTION:	STAFF CONTACT:
Operations and Administration Committee	11/03/2016	Recommend to Board	Bonnie Todd, Executive Director, Operations
Board Meeting	11/29/2016	Final Action	<b>Martin Young, Sounder Operations Manager</b>

### PROPOSED ACTION

Authorizes the chief executive officer to execute a five-year extension, with three one-year options, to the agreement with the National Railroad Passenger Corporation (Amtrak) for the continued maintenance of Sounder locomotives and cars, including the cost of fuel, in an amount not to exceed \$80,458,919 for a new total authorized agreement amount not to exceed \$288,575,931.

### KEY FEATURES SUMMARY

- This action authorizes a five-year extension, with three one-year options, to the agreement between Sound Transit and the National Railroad Passenger Corporation (Amtrak) for maintenance of Sounder locomotives and cars.
- The agreement is for the continuation of current services provided by Amtrak that include, but are not limited to, scheduled preventative maintenance, heavy repair work, parts and materials, special event service, mid-day layover yard space, and maintenance facilities. The agreement covers Sounder's 14 locomotives and 58 cars, and accommodates the nine additional cab cars on order as part of ST2 fleet expansion.
- The agreement amount includes fuel for Sounder's locomotives (approximately 1.2 million gallons per year). Fuel accounts for approximately 26 percent of the annual amount spent on this agreement.
- The amendment reflects minor cost adjustments including:
  - an increase in the G&A (general and administrative expense) rate from 6.54% to 7.36%,
  - a discounted base rate with inflation adjustments, and
  - payment for shared facilities cost that more closely aligns with Sound Transit's proportionate use.
- The amendment also incorporates internal audit suggestions to clarify language in the agreement.
- The total authorized amount covers the five-year agreement; future option years would need to be negotiated and approved by the Board.
- Sound Transit has an existing agreement with Amtrak that includes options to extend the agreement through 2019. At the end of 2015, the Sound Transit Board approved Motion No. M2015-116 to authorize the CEO to exercise a one-year option to extend the agreement through 2017 while negotiations for a longer extension were ongoing. If approved, the contract term proposed under this action would be used instead of the one-year option authorized under Motion No. M2015-116. The change would result in lower costs for Sound Transit.

### BACKGROUND

Amtrak has maintained the Sounder fleet under the current agreement for 16 years. In 2010, an amended agreement authorized by the Board through Motion No. M2010-28 achieved more favorable financial terms for Sound Transit, a higher level of transparency, and performance

incentives and/or performance penalties for Amtrak. That agreement amendment was for five years, through 2014, with one two-year option and three one-year options.

Sound Transit exercised the two-year option to extend the agreement in 2014 through Motion No. M2014-71. As Sound Transit was in the process of evaluating a long-term maintenance strategy that includes construction of a new facility, the additional two-year option allowed staff to complete a comprehensive plan for future needs.

A one-year option that required 12 months advance notice was approved by the Board last year through Motion No. M2015-116; that option year was to begin in January 2017. Over the course of the past year, Amtrak and Sound Transit were able to negotiate a new five-year extension amendment at a lower overall cost beginning in 2017. This amendment would replace the one-year option exercised and allow Sound Transit to take advantage of the lower costs offered by Amtrak in exchange for the commitment to a five-year term.

Under the amendment, Amtrak will continue to provide all personnel, services, parts and materials, equipment, fuel, and facilities required to maintain the locomotives, passenger coaches, and cab cars used in the operation the Sounder commuter rail service. Amtrak will perform federally required inspections and provide accompanying documentation for Sounder fleet. Amtrak will provide maintenance services for “event trains” and any support requested by Sound Transit necessary to resolve emergency situations.

Amtrak will also participate in regular maintenance and operational meetings related to Sounder service, including safety meetings, monthly performance review meetings, and semi-annual contract performance meetings.

Sounder maintenance services are performed at the Amtrak Holgate Yard near King Street Station and at the end of the line layover facilities in Lakewood and Everett. The Holgate Yard is shared by both Amtrak and Sound Transit. Based on an internal audit review suggestion, more detail was included in the agreement to better define the shared facilities at Holgate and strengthen Sound Transit’s management control over costs.

## FISCAL INFORMATION

The proposed action will be funded by the contract maintenance, materials and supplies, and utilities budget within the Operations Department annual operating budget over the life of the contract.

The 2017 spending plan is within the current contract authority and has been fully incorporated into the 2017 annual operating budget for Sounder Vehicles Maintenance, Materials and Supplies, and Shared Facilities Utilities. The 2017 budget for these items total \$18,214,000. Current estimates for 2017 spending is approximately \$17,970,000.

Upon the Board approval of the contract term extension, work occurring in years beyond 2017 will be included in future years’ Operations Department budget. There is adequate budget programmed in the current financial plan for the subject action.

The budget table below shows the budget impact of this action.

Operations Department		2017 Budget	Actuals to Date	This Action	Actuals to Date Plus Action	Remaining 2017 Budget
Salaries and Benefits		15,055				15,055
Services		57,993		11,246	11,246	46,747
Materials and Supplies		10,785		6,622	6,622	4,163
Utilities		5,270		102	102	5,168
Taxes		2,595				2,595
Purchased Transportation Services		163,027				163,027
Miscellaneous		375				375
Leases and Rentals		8,601		-		8,601
Total Current Budget		263,701	-	17,970	17,970	245,731
Sounder Vehicle Maintenance ProgramBudget						
Vehicle Maintenance		11,490		11,246	11,246	244
Fuel and Spare Parts		6,622		6,622	6,622	-
Shared Utilities		102		102	102	-
Total Budget		18,214	-	17,970	17,970	244
Contract Spending Plan		Prior Year Spending	Forecast 2017 Spending	Future Expenditures	Total	
National Railroad Passenger Corporation		167,270	17,970	103,336	288,576	
Contract Detail		Board Approved Contract Value	Contract Actuals to Date	Proposed Action	Proposed Revised Board Approved Contract Value	
McDonald Miller Facility Solutions						
National Railroad Passenger Corporation		208,116	167,270	80,459	288,576	
Contingency				-	-	
Contract Amount - Total		208,116	167,270	80,459	288,576	
Percent Contingency				0%	0%	

Amounts are expressed in Year of Expenditure \$000.

The Operating Budget is located on page 25 of 64 in the Proposed 2017 Budget book.

## SMALL BUSINESS/DBE PARTICIPATION AND APPRENTICESHIP UTILIZATION

### Participation by Small Businesses and Disadvantaged Business Enterprises (DBEs)

Sound Transit promotes and encourages small business participation, which also includes Disadvantaged Business Enterprises (DBEs). Small Business and DBE goals are based upon an examination of subcontracting opportunities contained in the work of this contract and the number of Small Businesses/DBEs available to perform such subcontracting work.

Amtrak will perform the majority of the work covered under this agreement with its own work force and will continue to comply with federally mandated DBE requirements as well as Sound Transit DBE and Small Business goals to the extent practicable and consistent with Federal law.

### PUBLIC INVOLVEMENT

Not applicable to this action.

## TIME CONSTRAINTS

A one-month delay would not create a significant impact to Sound Transit operations.

## PRIOR BOARD/COMMITTEE ACTIONS

Motion No. M2015-116: Authorizing the chief executive officer to exercise the option to extend the agreement between Sound Transit and the National Railroad Passenger Corporation (Amtrak) for the maintenance of Sounder locomotives and cars, which includes the cost of fuel, in an amount not to exceed \$18,377,778 for a new total authorized amount not to exceed \$208,117,012.

Motion No. M2014-71: Authorizing the chief executive officer to exercise the option to extend the agreement with the National Railroad Passenger Corporation for one two-year term for the continued maintenance of Sounder locomotives and cars, which includes the cost of fuel, in an amount not to exceed \$35,288,262 for a new total authorized amount not to exceed \$189,739,634.

Motion No. M2013-19: Authorizing the chief executive officer to execute an amendment to an agreement with the National Railroad Passenger Corporation (Amtrak) to provide signal maintenance services at King Street Station in the amount of \$192,372, for a new total authorized agreement amount not to exceed \$154,451,372.

Motion No. M2010-28: Authorizing the chief executive officer to execute an amended agreement with the National Railroad Passenger Corporation (Amtrak) for the continued maintenance of rolling stock, including the cost of fuel, for five years with one two-year option to extend and up to three one-year options to extend in an amount not to exceed \$84,509,000 for a new total authorized agreement amount not to exceed \$154,259,000.

Resolution No. R99-10: Authorizing the Executive Director to execute a sole source, fixed-price contract in the amount of \$5,900,000 per year with Amtrak for maintenance of the Sounder commuter rail fleet; an additional ten percent (10%) allowance (\$590,000) for activities outside the scope of the fixed-price activities; and up to five percent (5%) of the fixed-price contract reserve for operation of "special trains" not to exceed \$295,000 per year.

## ENVIRONMENTAL REVIEW

JI 10/24/2016

## LEGAL REVIEW

JW 10/31/2016

## **MOTION NO. M2016-111**

A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to execute a five-year extension, with three one-year options, to the agreement with the National Railroad Passenger Corporation (Amtrak) for the continued maintenance of Sounder locomotives and cars, including the cost of fuel, in an amount not to exceed \$80,458,919 for a new total authorized agreement amount not to exceed \$288,575,931.

### **BACKGROUND:**

Amtrak has maintained the Sounder fleet under the current agreement for 16 years. In 2010, an amended agreement authorized by the Board through Motion No. M2010-28 achieved more favorable financial terms for Sound Transit, a higher level of transparency, and performance incentives and/or performance penalties for Amtrak. That agreement amendment was for five years, through 2014, with one two-year option and three one-year options.

Sound Transit exercised the two-year option to extend the agreement in 2014 through Motion No. M2014-71. As Sound Transit was in the process of evaluating a long-term maintenance strategy that includes construction of a new facility, the additional two-year option allowed staff to complete a comprehensive plan for future needs.

A one-year option that required 12 months advance notice was approved by the Board last year through Motion No. M2015-116; that option year was to begin in January 2017. Over the course of the past year, Amtrak and Sound Transit were able to negotiate a new five-year extension amendment at a lower overall cost beginning in 2017. This amendment would replace the one-year option exercised and allow Sound Transit to take advantage of the lower costs offered by Amtrak in exchange for the commitment to a five-year term.

Under the amendment, Amtrak will continue to provide all personnel, services, parts and materials, equipment, fuel, and facilities required to maintain the locomotives, passenger coaches, and cab cars used in the operation the Sounder commuter rail service. Amtrak will perform federally required inspections and provide accompanying documentation for Sounder fleet. Amtrak will provide maintenance services for "event trains" and any support requested by Sound Transit necessary to resolve emergency situations.

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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 execute a five-year extension, with three one-year options, to the agreement with the National Railroad Passenger Corporation (Amtrak) for the continued maintenance of Sounder locomotives and cars, including the cost of fuel, in an amount not to exceed \$80,458,919 for a new total authorized agreement amount not to exceed \$288,575,931.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on November 29, 2016.

  
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Paul Roberts  
Board Vice Chair

ATTEST:

  
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Kathryn Flores  
Board Administrator