



LIGHT RAIL VEHICLE PROCUREMENT PHASE 2

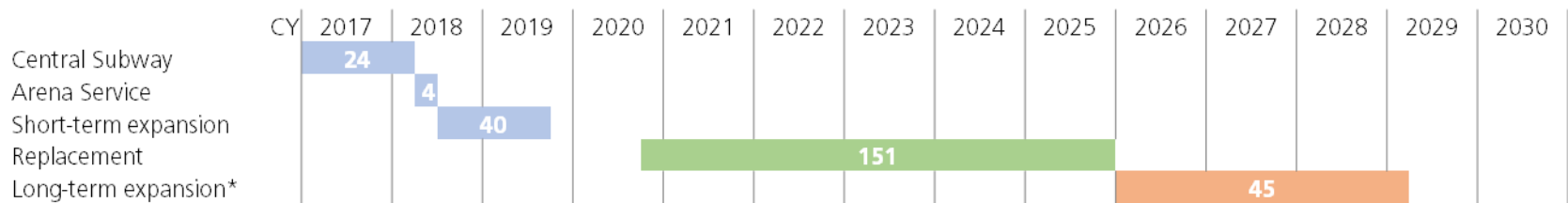
Project Acceleration Proposal

Finance and Administration Committee

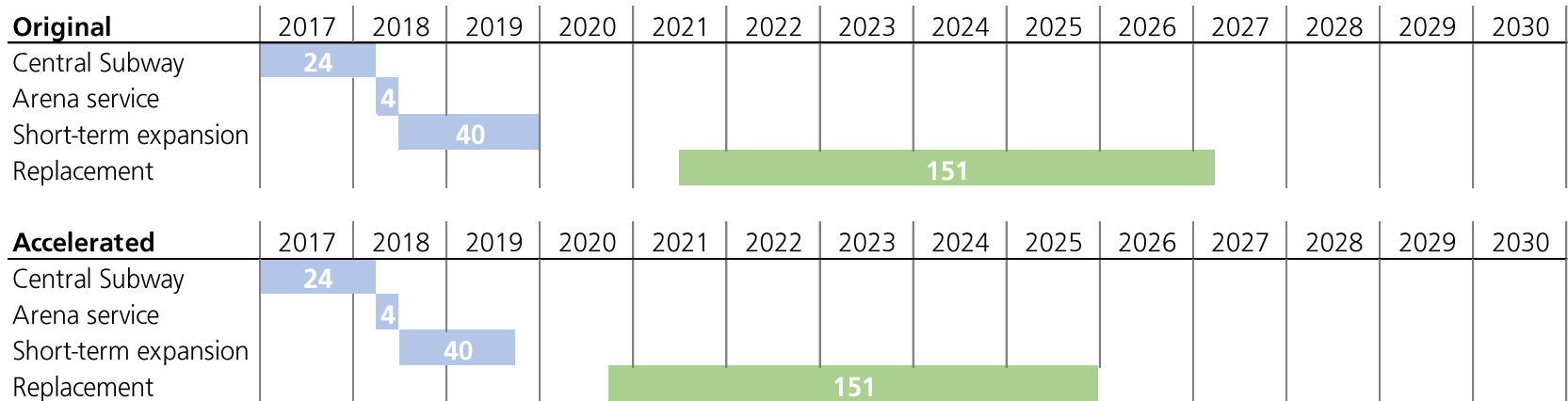
March 20, 2019

Background

Summer 2014	SFMTA awarded a contract to Siemens
January 2017	First vehicle delivered to SFMTA property
Fall 2017	First vehicle in revenue service
Fall 2018	Operator familiarization complete, systemwide deployment of LRVs
Spring 2019	Initiate replacement phase (Phase II)
Summer 2019	Complete expansion phase (Phase I)
Fall 2025	Complete procurement of replacement phase (Phase II)



Proposed Acceleration



- Start retirement of 151 old LRVs six months early and speed up production rate with delivery of last LRV at least 18 months early
- Federal Transit Administration has approved early retirement of the Breda fleet

Benefits

Deferred heavy overhauls: \$75 million

- *Muni must replace/overhaul major systems on the Breda fleet*
- *Results in no tangible improvement of fleet reliability*
- *Costly and disruptive*

Time and cost savings on Preventative Maintenance: \$6 million

- *New vehicles are easier to maintain and face fewer breakdowns*
- *Vehicles travel longer between PM cycles by design*
- *Labor savings of more than 80,000 man hours*

Operational efficiencies

- *Reduced window of maintaining two fleets*
- *Shorter window of needing to dual-certify operators*

Costs

Acceleration and contract mod \$20-30 million

- *Need to re-tool manufacturing plant to achieve accelerated pace*
- *Includes engineering and design improvements using lessons learned*

Financing against local funds \$24 million

- *Requires advancement of Prop K sales tax funds to meet cash flow*
- *Reduces availability of funds for other fleet procurements*
- *Anticipating acceleration, SF County Transportation Authority approved advancement of funds in 2018*

Financing against Federal funds \$0-27 million

- *Some funds may not be available as soon as needed, may result in need to finance*

Budget and Funding

BUDGET

68 Expansion LRVs	\$331M
151 Replacement LRVs	<u>781M</u>
TOTAL	\$1,112M

FUNDING SOURCES

MTC (federal formula funds and bridge tolls)	\$586M
SFCTA Prop K	194M
SFMTA Revenue Bond	145M
State Cap and Trade Grant	113M
Other	<u>74M</u>
TOTAL	\$1,112M

Potential Need to Finance Against Federal Funds

- *Cash flow outpaces receipt of funds beginning in 2021, potentially requiring financing against future receipt of \$108M in federal funds*
- *Financing cost estimated up to \$27M*
- *Financing will not be needed or reduced if:*
 - *Regional Measure 3 funds become available*
 - *More federal funds become available from MTC (other projects delayed or federal appropriations increased)*

Recommendation

- ✓ Eliminates need for \$75 million in major system overhauls on Breda fleet
- ✓ Saves \$6 million over three years on labor-intensive preventative maintenance
- ✓ Shortens period of time operating/maintaining mixed fleet from eleven to eight years
- ✓ Provides public with more reliable attractive fleet sooner

Get new trains in the system sooner!

Next Steps

March 2019	Present Options to CAC and Board for Feedback
March - April 2019	Negotiate change order and pricing with Siemens
May 2019	SFMTA Board reviews/approves change order
Summer 2019	Final expansion vehicle in service
December 2020	First replacement LRV delivered
October 2025	Last replacement LRV delivered