

**THIS PRINT COVERS CALENDAR ITEM NO. :12**

**SAN FRANCISCO  
MUNICIPAL TRANSPORTATION AGENCY**

**DIVISION:** Finance and Information Technology

**BRIEF DESCRIPTION:**

Approving programming of up to \$210 million to exercise the Option 1 for 40 additional light rail vehicles (LRVs) under Contract #2013-19 with Siemens Industry, Inc. (Siemens); authorizing the Director of Transportation to negotiate and enter into an agreement with the Metropolitan Transportation Commission to repay up to \$153 million in reprogrammed federal and bridge toll funds if the SFMTA is unable to secure at least \$153 million in cap-and-trade funds to finance Option 1; and authorize the Director to execute an amendment to Contract #2013-19 with Siemens Industry Inc. to exercise Option 1 to procure an additional 40 light rail vehicles for an amount not to exceed \$176 million.

**SUMMARY:**

- On July 15, 2014, the SFMTA Board of Directors approved Contract #2013-19 with Siemens Industry to provide up to 260 LRVs, including two options for expansion LRVs.
- On September 3, 2014, the Board of Supervisors authorized the SFMTA to enter into Contract #2013-19 in an amount not to exceed \$1.19 billion, subject to the condition that the Contract contain Option 1 for 40 LRVs and Option 2 for 45 LRVs, and that the SFMTA obtain approval from the Board of Supervisors prior to exercising Option 2.
- On January 6th, 2015, the SFMTA Board declared its intention to exercise Option 1 once funding is secured.
- The contractual cost for Option 1 will not exceed \$176 million. Adding engineering and other project costs yields up to \$210 million required to exercise Option 1.
- The SFMTA will seek up to \$210 million in funding from the Transit and Intercity Rail Capital Program (TIRC), a new State competitive program funded by cap-and-trade dollars
- Metropolitan Transportation Commission (MTC) is expected to approve redirecting \$153 million from funds to pay for vehicle replacements and fixed guideway improvements should the State not approve cap-and-trade funds.
- MTC requires the SFMTA to repay the \$153 million with other funds if cap and trade funds are not secured.
- The SFMTA seeks authority to program \$57 million to bridge the gap should the State not approve cap-and-trade funds for Option 1.

**ENCLOSURES:**

1. Resolution

**APPROVALS:**

**DATE**

DIRECTOR \_\_\_\_\_ 1/9/15

SECRETARY \_\_\_\_\_ 1/9/15

**ASSIGNED SFMTAB CALENDAR DATE:** January 20, 2015

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### **PURPOSE**

The purpose of this resolution is to program up to \$210 million, including \$25 million in federal funds, \$44 million in AB664 bridge tolls, \$84 million in BATA project savings funds and \$57 million in SFMTA funds in order to exercise the Option 1 for 40 additional light rail vehicles (LRVs) under Contract #2013-19 with Siemens Industry, Inc.; to authorize the Director of Transportation to negotiate and enter into an agreement with MTC to repay up to \$153 million in reprogrammed bridge toll and federal funds if the SFMTA is unable to secure at least \$153 million in cap-and-trade funds to pay for Option 1; and authorize the Director to execute an amendment to Contract #2013-19 with Siemens Industry Inc. to exercise Option 1 to procure an additional 40 light rail vehicles for an amount not to exceed \$176 million.

### **GOAL**

The goal of this project is to improve equipment availability and reliability in order to meet the following goal and objectives of the SFMTA's Strategic Plan:

Goal 2: Make transit, walking, bicycling, taxi, ridesharing and carsharing the preferred means of travel

Objective No. 2.1: Improve customer service and communications

Objective No. 2.2: Improve transit performance

### **DESCRIPTION**

On July 15, 2014, the San Francisco Municipal Transportation Agency (SFMTA) Board of Directors authorized the Director of Transportation to execute Contract #2013-19 with Siemens Industry, Inc. (Siemens) to provide up to 260 light rail vehicles (LRVs) (Contract).

On September 3, 2014, the San Francisco Board of Supervisors authorized the SFMTA to enter into the Contract in an amount not to exceed \$1.19 billion, subject to the condition that the contract provide for two separate options, Option 1 for 40 LRVs and Option 2 for 45 LRVs, and that the SFMTA obtain approval from the Board of Supervisors prior to exercising Option 2.

Replacement and expansion of the LRV fleet will help the SFMTA achieve its strategic goal of creating a safer, more efficient and reliable transportation system. For instance, reliability will improve from the current level of 5,500 miles between failures to a contractual requirement of 25,000 miles between failures. Siemens is projecting an even higher level of 59,000 miles between failures.

The state-of-the-art vehicles, which will be manufactured in Siemens' Sacramento facility (thus creating California jobs), will be equipped with innovative safety features, improved passenger amenities and modern information systems. The expansion vehicles will directly benefit disadvantaged communities in San Francisco by connecting low-income residents to jobs and services. They will also provide a zero-emissions mode of travel for thousands of Bay Area residents and visitors.

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On January 6, 2015, the SFMTA Board of Directors declared its intention to exercise Option 1 for 40 additional LRVs under Contract #2013-19 once funding is secured, subject to further Board approval.

The 40 expansion LRVs will help to meet current and projected vehicle needs. Ridership along light rail lines is expected to increase with the opening of the Central Subway in 2019, increased growth in employment and housing along the existing light rail lines, and an extension of the M Line into Parkmerced. The peak service demand is expected to grow to 160 vehicles by 2019 and to 179 vehicles by 2021. Including maintenance spares, the total fleet need by 2021 is projected to be 220 vehicles. The base contract currently includes 151 replacement vehicles and 24 expansion vehicles required to meet increasing demand, including demand which the Central Subway will bring when it opens, for a total of 175 vehicles – 45 vehicles short of the projected need. The procurement of 40 expansion vehicles will allow the Agency to meet planned service growth and maintain the minimum 20% maintenance spare ratio.

The number of LRVs needed for the transit system in the SFMTA Fleet Management Plan is based on projections of housing and employment growth in San Francisco between now and 2040. The San Francisco County Transportation Authority's 2040 travel demand forecast estimates that in 26 years, the SFMTA will need to carry over one million daily transit boardings, an increase of more than 40 percent than the approximately 700,000 carried today.

Siemens has advised SFMTA staff that due to demand from other transit properties, the production window for the 40 vehicles in Option 1 will close and the opportunity to receive those vehicles will be deferred beyond 2020 if the Agency does not provide an immediate commitment and a funding plan to exercise Option 1. A significant benefit to locking in Option 1 at this time is the savings in escalation costs of \$5-10 million on top of the significantly below-market vehicle cost SFMTA secured under the contract.

On December 18th, 2013, MTC passed a resolution establishing the Transit Core Capacity Challenge Grant Program (CCCGP). This program provides strong regional support for key projects addressing core capacity needs of three major Bay Area Transit providers (BART, SFMTA and AC Transit).

MTC has identified State competitive cap-and-trade funds to finance the CCCGP. In the CCCGP, MTC pledged \$400M in State cap-and-trade funds for SFMTA fleet enhancement and expansion.

The SFMTA now plans to seek funding from the State's new cap-and-trade-funded Transit and Intercity Rail Capital Program (TIRC) to support the project. TIRC was created in 2014 by Senate Bill 862 to provide grants from the Greenhouse Gas Reduction Fund to fund capital improvements and operational investments that will modernize California's transit systems and intercity, commuter, and urban rail systems to reduce emissions of greenhouse gases by reducing vehicle miles traveled throughout California.

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The California Transportation Commission will make the first TIRC awards in August 2015. A project already under contract, such as the LRV procurement -- for which there exists significant local and regional support and commitment, and which provides substantial air quality benefits -- will likely be highly competitive.

Based on having secured the funding (see discussion below), the SFMTA seeks authorization from the Board to prepare and execute an amendment to Contract #2013-19 with Siemens Industry to exercise Option 1 to procure an additional 40 light rail vehicles for an amount not to exceed \$176 million.

### **ALTERNATIVES CONSIDERED**

The SFMTA Board of Directors may choose to not approve this resolution, which would result in Option 1 LRVs being delivered at a later date than currently projected, and at an increased cost.

### **FUNDING IMPACT**

The contractual cost for Option 1 is estimated not to exceed \$176 million. An additional \$34 million in sales tax, engineering and other project costs brings the total cost to exercise Option 1 to \$210 million.

If SFMTA is unsuccessful in obtaining TIRC funds, MTC, as a back-up plan, is expected to approve at its January 28, 2015 meeting, the programming of a total of \$153 million including \$25 million in federal funds programmed for SFMTA fixed guideway improvements, \$44 million in AB664 bridge tolls, and \$84 million in BATA project savings towards Option 1, so that the SFMTA can demonstrate a funding commitment to exercise Option 1. MTC is requiring that the SFMTA commit to repayment of the \$153 million in the event that TIRC funds are not successfully secured for Option 1. The remaining \$57 million would come from SFMTA funds, which could include SFMTA Revenue Bonds, development impact fees and other non-federal sources, totaling \$210 million.

This item requests approval to program up to \$210 million in various funds and authorizes the Director of Transportation to negotiate and enter into a repayment agreement with MTC. Staff anticipates establishing an annual sinking fund to restore funding to the fixed guideway rehabilitation and vehicle replacement projects in the event that TIRC funds are not secured for Option 1, but the amounts and length of time required to meet this commitment are to be determined.

### **OTHER APPROVALS RECEIVED OR STILL REQUIRED**

MTC is expected to commit at its January 28, 2015 meeting to redirect \$128 million from bridge tolls currently programmed to pay for SFMTA vehicle replacements and \$25 million in federal funds programmed to pay for SFMTA fixed guideway improvements, for a total of \$153 million to LRV Option 1.

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**RECOMMENDATION**

Staff recommends that the Board approve programming of up to \$210 million in order to exercise Option 1 for 40 additional light rail vehicles under Contract #2013-19 with Siemens Industry, Inc.; to authorize the Director of Transportation to negotiate and enter into an agreement with MTC to repay up to \$153 million in reprogrammed funds if the SFMTA is unable to secure at least \$153 million in cap-and-trade funds to finance Option 1; and authorize the Director to execute an amendment to Contract #2013-19 with Siemens Industry Inc. to exercise Option 1 to procure an additional 40 light rail vehicles for an amount not to exceed \$210 million.

SAN FRANCISCO  
MUNICIPAL TRANSPORTATION AGENCY  
BOARD OF DIRECTORS

RESOLUTION No. \_\_\_\_\_

WHEREAS, On July 15, 2014, the San Francisco Municipal Transportation Agency (SFMTA) Board of Directors authorized the Director of Transportation to execute Contract #2013-19 with Siemens Industry, Inc. (Siemens) to provide up to 260 light rail vehicles (LRVs), including two options for expansion LRVs; and

WHEREAS, On September 3, 2014, the San Francisco Board of Supervisors authorized the SFMTA to enter into Contract #2013-19, to procure up to 260 LRVs in an amount not to exceed \$1.19 billion, subject to the condition that the contract provide for two separate options, Option 1 for 40 LRVs and Option 2 for 45 LRVs, and that the SFMTA obtain approval from the Board of Supervisors prior to exercising Option 2; and

WHEREAS, On January 6th, 2015, the SFMTA Board of Directors declared its intention to exercise the Option 1 under Contract #2013-19 as soon as practicable once funding is secured, subject to further Board approval at that time; and

WHEREAS, The contractual cost for Option 1 is estimated not to exceed \$176 million; with an additional \$34 million in sales tax, engineering and other project costs, the total cost to exercise Option 1 will not exceed \$210 million; and

WHEREAS, The SFMTA will seek up to \$210 million in funding from the Transit and Intercity Rail Capital Program (TIRC), a new State competitive program funded by cap-and-trade dollars, to pay for Option 1; and

WHEREAS, As a back-up plan should the State not approve cap-and-trade dollars for the project, the Metropolitan Transportation Commission (MTC), at its January 28, 2015 meeting, is expected to approve redirecting \$153 million in bridge tolls and federal funds, which are currently programmed for SFMTA vehicle replacements and fixed guideway improvements, to pay for Option 1, so that the SFMTA can demonstrate a funding commitment to exercise Option 1; and

WHEREAS, MTC requires that SFMTA commit to repayment of the \$153 million in the event that cap-and-trade funds are not successfully secured for Option 1; and

WHEREAS, The SFMTA will program \$57 million from various sources, which could include SFMTA Revenue Bonds, development impact fees and other non-federal sources to bridge the gap between \$153 million and the estimated cost of Option 1 should the state not approve cap-and-trade dollars for the project; and

WHEREAS, Based on the funding plan described above, the SFMTA wishes to exercise Option 1; now, therefore be it

RESOLVED, That the SFMTA Board of Directors approves programming of up to \$210 million in various sources including \$25 million in federal funds, \$44 million in AB664 bridge tolls, \$84 million in BATA project savings funds and \$57 million in SFMTA funds in order to exercise the first option for 40 additional light rail vehicles under Contract #2013-19 with Siemens Industry, Inc.; and be it

FURTHER RESOLVED, That the SFMTA Board authorizes the Director of Transportation to negotiate and enter into an agreement with the Metropolitan Transportation Commission to repay up to \$153 million if the SFMTA is unable to secure cap-and-trade funds to finance Option 1; and be it

FURTHER RESOLVED, That the SFMTA Board authorizes the Director of Transportation to execute an amendment to Contract #2013-19 with Siemens Industry Inc. to exercise Option 1 to procure an additional 40 light rail vehicles for an amount not to exceed \$176 million.

I certify that the foregoing resolution was adopted by the Municipal Transportation Agency Board of Directors at its meeting of January 20, 2015.

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Secretary, Municipal Transportation Agency  
Board of Directors