TRANSMITTAL DATE: **October 2, 2015**

MEETING DATE: **October 9, 2015** **ITEM 7**

TO: **Board of Directors**

FROM: **Arthur T. Leahy** ATL

SUBJECT: **Authorize Expenditure of Funds and Contract Actions to Support Locomotive Lease from BNSF Railway Company**

Issue

Approval is required to amend the FY2015-16 Operating Budget and execute the contract actions required to support the lease of 40 locomotives from BNSF Railway Company.

Recommendation

It is recommended that the Board amend the FY2015-16 Operating Budget by $17.892 million and authorize the Chief Executive Officer to take the contract actions identified in Table 3 to modify, maintain, and operate the locomotives leased from BNSF.

Alternatives

The Board may decline to authorize the action and amend the Operating Budget. If the Board selects the alternative the current operating plan would require that Metrolink service be reduced by approximately half, from 165 daily trains to 80 or 90 daily trains.

Background

At its September 25, 2015 meeting, the Board approved an increase the FY2015-16 Operating Budget by $5.275 million and authorized the Chief Executive Officer (CEO) to execute a lease of 40 locomotives from BNSF in order to address a temporary need to place a locomotive in the lead position on all Metrolink trips.

While the September 25, 2015 Board action was specific to the FY2015-16 lease, delivery and return costs totaling $5.275 million, the staff report detailed the full costs of putting the BNSF leased locomotives in service under the Authority's operations, including ensuring Positive Train Control (PTC) compatibility. Because the BNSF locomotives are dissimilar to Metrolink's existing locomotive fleet in many respects, the Authority's current maintenance staff would need to be augmented and trained to maintain the leased locomotives. Additionally, spare parts would need to be procured and some modification would be required to make these locomotives compliant and compatible for Metrolink service. The September 25, 2015 Board item included cost estimates to lease, modify, operate, fuel, and maintain the leased locomotives for

FY2015-16 totaling $12.9 million and costs for PTC modifications totaling $6.22 million, similar to Tables 1 and 2 provided below.

The current request is to obtain budget authorization for the remainder of the costs associated with putting the BNSF locomotives in service as detailed in Tables 1 and 2 below. These tables reflect the total estimated cost for utilizing the leased locomotives over a 12-month period.

Table 1: BNSF Locomotive Lease Cost Not Including PTC Modifications

Cost Item	FY2015-16 (Oct-Jun)	FY2016-17[1] (Jul-Sept)
BNSF Lease Cost: $500/Day ($15,000/locomotive month) *Staggered arrival of units (Oct-Dec):* 15 units x 9 mos. (Oct-Jun) = 135 locomotive months 15 units x 8 mos. (Nov-Jun) = 120 locomotive months 10 units x 7 mos. (Dec-Jun) = 70 locomotive months 40 units total FY16: 325 locomotive months	$4,875,000	
40 units total FY17: 155 locomotive months		$2,325,000
Delivery of locomotives ($5,000/locomotive)	$200,000	
Return delivery ($5,000/locomotive)		$200,000
Major Component Parts - from GE or certified GE parts distributor *minus main engine covered by BNSF lease/warranty* ($20,000/locomotive)	$800,000	
Additional Labor for Maintenance – 10 persons from TCS, a new, specialized equipment maintenance contractor, additional Bombardier equipment maintenance labor ($300,000/mo.)	$2,700,000	$900,000.00
Additional Fuel @ $2.20 Gal (2.8GPMI x 4,600 miles/mo. = $28,340/locomotive month)	$9,210,500	$3,400,800
Diesel Fuel Offset - from forecasted underrun of FY16 fuel	($7,010,500)	($2,588,492)
Wheel Truing (6 axles/locomotive @ $1500/axle = $9,000/locomotive)	$360,000	
Work Management System Software Modification ($2,000/locomotive)	$80,000	
Potential Brake, PEI, ATS, Train Line, Door Stop, Other Modifications, Parts, Development And FRA Submittals ($25,000/locomotive)	$1,000,000	

[1] FY2016-17 dollars are included for informational purposes only at this time and will be included in the FY2016-17 budget.

Temporary Facility Modifications, Security, Miscellaneous Items - CMF, Keller Yard, and other storage yard modifications to accommodate locomotives or displaced fleet storage, equipment rental, trailers, test tools, manuals, etc., increased track inspection, repair, lubrication at LAUS and Dayton, CMF, other yards and track. PNA Ramps and Signage at Stations ($50,000/mo.)	$450,000	$150,000
SUBTOTAL NOT INCLUDING PTC MODIFICATIONS	$12,665,000	$4,387,308

Table 2: BNSF Locomotive Modification, Testing and Documentation for Authority's Positive Train Control Program

Cost Item	FY2015-16 (Oct-Jun)	FY2016-17 (Jul-Sept)
PTC Consultants - design, QA/QC, FRA coordination, documentation, PM/CM	$1,620,000	$540,000
PTC Contractors - software/hardware installation, modification, unit testing, configuration management ($30,000/locomotive)	$1,200,000	
Additional PTC Equipment/Hardware modifications or relocations from cab cars and back - SLOT 10, TMC, event recorder, etc. ($30,000/locomotive)	$1,200,000	
PTC Contractors - removal of software/hardware, restore to original condition, configuration management ($20,000/locomotive)		$800,000
Test Trains Staffing & Operation (50 test runs @ $5,000/run)	$250,000	
PTC Back Office Modifications for Revised Consists	$400,000	$100,000
Contingency	$557,000	$174,000
SUBTOTAL PTC MODIFICATIONS	$5,227,000	$1,614,000

NET TOTAL Including Potential Fuel Offset Costs	**$17,892,000**	**$6,001,308**

Member agency shares will be allocated based on budgeted train-miles. For FY16, the allocation percentages are:

Member Agency	METRO	OCTA	RCTC	SANBAG	VCTC
Allocation:					
FY16 Budgeted Train Miles	54.69%	21.08%	8.86%	11.31%	4.06%

In order to put the BNSF leased locomotives in service, operate and maintain them, the Authority must issue contract task orders or change orders to a number of existing contracts. Contract actions will be executed with existing contractors, consultants and vendors in accordance with the budget provided in Tables 1 and 2 above. Due to limited contract authority or contract expirations, Board approval is needed to authorize the following changes to the existing contracts as provided in Table 3.

Table 3: Contract Actions Needed to Support BNSF Leased Locomotives

NON-PTC CONTRACT ACTIONS		
Firm	**Contract #**	**Board Action**
Bombardier	OP120-03	Extend term and increase contract funding authorization
Fuel (Merit Oil and SC Fuels)	PO577-15 & PO651-15	Increase contract authority
General Electric or Authorized Distributor	TBD	Non-competitive award and contract funding authorization
TCS Maintenance Support for Locomotives	TBD	Non-competitive award and contract funding authorization
Various Yards, Facility Modifications, Rentals and Security	Various	Increase contract funding authorization
PTC CONTRACT ACTIONS		
Firm	**Contract #**	**Board Action**
AECOM	E737B-08	No cost time extension to existing General Engineering Contract - 9 month term, from 12/31/15 to 9/30/16.
Systra	E733-09C	No cost time extension to existing Signal contract of 10.5 months, from 11/19/15 to 9/30/16.
Parsons Transportation Group	H1636-10	There is a separate Board Item to increase Contract Authority by $5M (for Perris Valley Line and BNSF lease)
Wabtec Railway Electronics	H1655-14	Increase Contract Authority by $300k
Telco Vendors (ATT, Verizon)	Various	Increase budget authority

A wide variety of contract actions will be required to quickly implement the maintenance, service and parts support of the BNSF's locomotives lease. In general these contract actions are listed in the Table 3.

At its September 25, 2015 meeting, the Board authorized the lease with BNSF. This approval was in accordance with Board-approved Contract Administration Policies and Procedures, CON-18, Emergency Procurement, which allows entering into contracts without observance of competitive bids, advertisement or notice, and CON-19, Non-Competitive Procurements, which authorizes the Board to enter into non-competitive procurements when goods or services are available only from a single source and when it is in the Authority's best interest.

Staff has analyzed the prices and found them to be competitive, fair, and reasonable, as well as available on the short notice.

Risks

Several low to moderate risks have been identified in association with these actions and are categorized below:

1) In order for the leased BNSF freight locomotives to be compliant with Federal Railroad Administration (FRA) regulations, modifications or approved FRA waiver requests will be required. These modifications or waivers would include Passenger Emergency Intercom (PEI), Automatic Train Stop (ATS), Door Stop Interlock, and certain brake modifications. There is a low risk that the modifications cannot be effectively made and a low to moderate risk that the FRA may not grant requested waivers in a timely manner or grant waivers at all.

2) Because the Authority is now at a relatively advanced stage of operating with PTC in FRA-approved Revenue Service Demonstration (RSD), it is highly desirable to maintain this status. The BNSF locomotives are being delivered equipped with PTC but must be modified to work within the Authority's PTC System. Authority staff must perform tests and submit documents to the FRA in order to qualify this type of locomotive for Authority PTC service. There is a low to moderate risk that the PTC on-board equipment cannot be modified to operate within the Authority's PTC system or that the FRA may not grant requested waivers in a timely manner.

Next Steps

Staff will finalize the contact actions identified in the Table 3 in order to execute the lease of locomotives from BNSF and put them in service. Staff will return on a quarterly basis, or more frequently if desired, to keep the Board apprised of status.

Budget Impact

The budget for the items described in this item will come from an increase in the FY2015-16 Operating Budget in the amount of $17.892 million and would be allocated based on budgeted train-miles formulae. Staff will continue to explore additional funding offset opportunities (i.e., diesel fuel savings) as a way to decrease the overall project budget.

Prepared by: Darrell Maxey, Deputy Chief Operating Officer, PTC & Engineering
Kimberly Yu, Deputy Chief Operating Officer, Planning and Project Delivery
Lia McNeil-Kakaris, Assistant Director, Contacts and Procurement

Gary Lettengarver
Chief Operating Officer