

Memorandum

To: CHAIR AND COMMISSIONERS
CALIFORNIA TRANSPORTATION COMMISSION

Date: December 14-15, 2011

Reference No.: 2.5g.(8)
Action Item

From: NORMA ORTEGA
Chief Financial Officer

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Budgets

Subject: FINANCIAL ALLOCATION FOR PROPOSITION 1B INTERCITY RAIL
IMPROVEMENT PROJECT
RESOLUTION ICR1B-A-1112-02

RECOMMENDATION:

The Department of Transportation (Department) recommends the California Transportation Commission (Commission) allocate \$42,000,000 in Proposition 1B Intercity Rail Improvement (IRI) program bond funds for the “Procure New Rail Cars” project, in accordance with the attached vote list.

The project has been granted a total of \$168,000,000 in federal funds. These federal funds from the High-Speed Intercity and Passenger Rail (HSIPR) program are obligated as follows: \$100,000,000 from the federal Appropriation Act of 2010 and \$68,000,000 from the redistribution of funds previously granted to other states under the American Recovery and Reinvestment Act (Recovery Act) of 2009. The terms of the federal grant agreements require a 20 percent match from the State; the State’s share is \$42,000,000.

BACKGROUND:

Proposition 1B was passed by California voters on November 7, 2006. The IRI program is part of the \$4 billion Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) that was created by the passage of Proposition 1B. PTMISEA provides \$400 million, upon appropriation by the Legislature, to the Department for intercity passenger rail improvement projects. A minimum of \$125,000,000 from PTMISEA was specifically designated for the procurement of additional intercity passenger railcars and locomotives. The Commission adopted guidelines for the IRI program at its December 2007 meeting. At its February 2008 meeting, the Commission approved the original list of Proposition 1B IRI projects to be funded in the IRI program. In May 2011, the Commission programmed the current list of IRI projects. Those lists include the “Procure New Rail Cars” project for the acquisition of new rolling stock, which is programmed for \$150,000,000 in PTMISEA funds.

The rail rolling stock is planned to consist of six diesel-electric locomotives and approximately forty-two bi-level passenger rail cars for use on the three State-supported intercity rail passenger routes. This new rail rolling stock is needed to accommodate increasing ridership, alleviate conditions of overcrowding, improve service quality and efficiency, and replace aging and inefficient cars and locomotives with new equipment specifically designed for intercity corridor-style rail service. The equipment to be purchased will increase capacity on the state-supported intercity rail corridors. This acquisition is consistent with the California State Rail Plan, the Department’s Rolling Stock Acquisition Service Development Plans and the project description and scope of work originally approved by the Commission when it programmed the IRI project list.

Original plans for this acquisition project envisioned using Proposition 1B funds exclusively. Despite the State’s slow rate of bond sales, the Department has been able to move forward with plans for the rolling stock acquisition project because of the availability of federal High Speed Intercity Passenger Rail (HSIPR) funds to support high speed and intercity rail programs. The Department applied for and has been granted \$100,000,000 in HSIPR funds to purchase new rail cars and locomotives. Additionally, the Department received a grant of \$68 million in federal Recovery Act funds, from a redistribution of funds previously granted to other states. The HSIPR and Recovery Act funds have been obligated to the State by the Federal Railroad Administration (FRA), but both of these federal grants require at least a 20 percent match of state funds. The State’s share of matching funds for the \$168,000,000 in federal grant funds totals \$42,000,000.

As illustrated below, Phases I and II correspond to the two FRA grant agreements. The table below provides an overview of the equipment types and the funds made available in both federal grants.

Phase	Total	New Capacity	Replacement Equipment	Funding
Phase I	27 Railcars 2 Locomotives	18 Railcars	9 Railcars 2 Locomotives	Federal (80%): \$100 M State (20%): <u>25 M</u> Total: \$125 M
Phase II	15 Railcars 4 Locomotives	11 Railcars	4 Railcars 4 Locomotives	Federal (80%): \$ 68 M State (20%): <u>17 M</u> Total: \$ 85 M
Total	42 Railcars 6 Locomotives	29 Railcars	13 Railcars 6 Locomotives	Federal (80%): \$168 M State (20%): <u>42 M</u> Total: \$210 M

To meet the delivery requirements and timelines contained in the federal grants, as well as assure the expenditure of the Recovery Act funding by the statutory deadline, the Department intends to release a Request for Proposal (RFP) for railcars in January 2012.

The procurement is programmed as a single project, but the acquisition will consist of two contracts; one for the cars and another for the locomotives. Due to the unique and complex nature of the procurement, the Department anticipates that it will need additional time to award the contracts. Therefore, the Department is requesting a period of 12 months in which to award the contracts following allocation.

The car and locomotive contracts will contain options that would enable the Department to buy additional cars and/or locomotives in the future at the initial procurement cost. The Department plans to exercise its contractual option to purchase additional cars and anticipates requesting an additional \$45,000,000 for this purpose as bond funds become available. The remainder of the programmed funds—a total of \$63,000,000—would be held in reserve until the best and highest priority use of those funds can be determined by the Department.

The Department is now working with a coalition of other states and Amtrak to aggregate orders large enough to induce manufacturers to bid on the contracts, create greater competition and bring unit costs down through efficiencies of scale. This coalition, led by the State of California and the State of Illinois, is developing a Joint Rolling Stock Procurement Agreement in cooperation with the FRA.

The estimated contract award date is August 2012. Pre-production, manufacturing and delivery of the locomotives and railcars is expected to occur over a period of over six years, with actual production beginning in November 2013. Delivery of the first car is expected in February 2015, with production expected to be complete by February 2018. Therefore, the Department requests that funds for the project be available for expenditure for a period of 78 months following contract award. A chart showing an estimated schedule for this project, including information about the history of rail equipment procurement by the State, is attached.

The equipment to be purchased will be designed and built using specifications approved by the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) 305 Next-Generation Equipment Committee (NGEC). The new cars will incorporate numerous design improvements and innovations, making the State's rail passenger service more efficient, cost-effective and attractive to passengers. The new cars and locomotives also will be compatible with the Department's existing fleet. Besides conforming to state law, the procurement also will conform to the 'Buy America' requirements of 49 United States Code, Title 49, Chapter 244, Section 24405(a) as mandated by PRIIA. The Department's Division of Rail and more than 150 representatives from other states, Amtrak, the FRA, car builders, consultants, and major sub-system suppliers developed the PRIIA 305 NGEC specifications collaboratively. The car specification was approved by the NGEC in August 2010 and the locomotive specification was approved in March 2011.

The attached vote list describes one Proposition 1B Intercity Rail Improvement program project totaling \$210,000,000, which includes both federal and state funds. The Department is ready to proceed with this project at this time and requests an allocation of \$42,000,000 of state funds.

RESOLUTION ICR1B-A-1112-02

FINANCIAL RESOLUTION:

Resolved That:

- 1.1 WHEREAS, the California Transportation Commission (Commission) has adopted a program for Intercity Rail Improvement capital purposes, and the electorate enacted Proposition 1B, the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, authorizing the sale of general obligation bonds for transportation purposes; and
- 1.2 WHEREAS, the Project, further detailed on the attached vote list, as component phases or in its entirety, appears on the necessary State capital projects funding list and is entitled to participate in this allocation;
- 2.1 NOW THEREFORE BE IT RESOLVED, that \$42,000,000 be allocated to the Recipient from the Budget Act of 2011, Budget Act Item 2660-304-6059, for one State-administered intercity rail project, as described on the attached vote list, and
- 2.2 BE IT FURTHER RESOLVED, that the Recipient shall award contracts within 12 months of the allocation date, and
- 2.3 BE IT FURTHER RESOLVED, that because the Recipient has requested additional time in which to complete the project due to the specialized and unique nature of the work to be contracted, the project shall be completed, except for any extended warranty period stipulated in said contracts, within 78 months of the award dates of the contracts, unless the Commission authorizes a waiver that extends, if permitted by statute, the period of availability of the funds.

Attachments

State of California Passenger Rail Equipment Procurement

History

Proposition 108/116 passed (\$300 Million+ for rail equipment) 1990
Original 66 cars and 9 locomotives put into service 1994 - 1997

General Fund Appropriation for New Intercity Rail Rolling Stock

Fiscal year 1999/2000 \$17.5 Million July 1999
Fiscal year 2000/2001 \$29.7 Million July 2000
22 *Surfliner* cars and 6 locomotives placed into service 2001 through 2002
Prop 1B enacted (\$150 million for rail equipment) November 2006

PRIIA (Passenger Rail Investment and Improvement Act)

PRIIA enacted (Provides federal funds for and standardization of passenger rail) October 2008
Funds made available through FRA
ARRA (Round 1) June 2009
HSIPR July 2010
ARRA (Round 2 - Redistribution of returned funds) March 2011
Railcar standard specification approved by PRIIA August 2010
Locomotive standard specification approved by PRIIA March 2011

Caltrans Applies for Federal Grant Funds

Caltrans Phase I application submitted May 2010
Caltrans Phase II application submitted April 2011

Caltrans Grant Funds Approved

Phase I funds obligated April 2011
Phase II funds obligated July 2011

Equipment Procurement Activities

Caltrans/Illinois DOT develop Joint Procurement Plan July 2011 - September 2011
Presentation to CTC October 2011
RFI released October 2011
RFP developed November 2011
CTC funding request December 2011
RFP released January 2012
Bids due March 2012 - July 2012
Contract award August 2012
Pre-production begins (includes Engineering/Safety Testing) August 2012
First Car Delivery (start of Acceptance/Warranty Periods) February 2015
Federal Grants expire September 2017
Final Car Delivery February 2018

2.5 Highway Financial Matters

Project # Allocation Amount Recipient RTPA/CTC District-County	Project Title Project Description	Program/Year Phase Prgm'd Amount Project ID Adv Phase EA	Budget Year Item # Fund Type Program Code	Amount by Fund Type
2.5g.(8) Proposition 1B – State Administered Intercity Rail Projects			Resolution ICR1B-A-1112-02	
1 \$42,000,000 Department of Transportation Caltrans 75-Various	Procure New Rail Cars. Purchase of new bi-level passenger railcars and diesel-electric locomotives. (CEQA – PRC, 21080(b)(10)) (NEPA – CE, 23 CFR 771.117(c)(17)) Contributions from other sources: \$168,000,000. <u>Outcome/Output:</u> The project will provide new capacity on existing trainsets, replace borrowed Amtrak equipment, and replace aging State-owned locomotives.	ICR/11-12 CONST \$150,000,000 0012000128 S RA01BA	2011-12 304-6059 PTMISEA 30.20.090.000	\$42,000,000 (partial)