

Memorandum

To: CHAIR AND COMMISSIONERS
CALIFORNIA TRANSPORTATION COMMISSION

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Information Item

From: NORMA ORTEGA
Chief Financial Officer

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Subject: PROJECT STATUS UPDATE – PROCURE NEW RAIL CARS

SUMMARY:

The California Department of Transportation (Department) has \$150 million of program authority in the Intercity Rail Improvement (IRI) program under the Proposition 1B Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) Intercity Rail Improvement (IRI) program to acquire new rail rolling stock. The rail rolling stock will consist of 42 bi-level passenger rail cars and 6 diesel-electric locomotives for use on the three State-supported intercity rail passenger routes. The Department applied for and received \$168 million in federal grants for new equipment requiring a 20 percent State match of \$42 million.

To meet the delivery requirements and timelines contained in the federal grants, as well as assure the expenditure of the American Recovery and Reinvestment Act (ARRA) funding by the statutory deadline, a Request for Proposal (RFP) for railcars must be released early in 2012. To release the RFP, all necessary state and federal funding must be committed. The Department plans to request an allocation of \$42 million in Proposition 1B IRI, comprising the required state match, at the December 2011 meeting of the California Transportation Commission (Commission). In advance of that request, the Department is providing this informational report discussing the nature, funding, schedule, and scope of the project.

BACKGROUND:

Proposition 1B was passed by California voters on November 7, 2006. The IRI program is part of the \$4 billion 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 million 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 list of Proposition 1B IRI projects to be funded in the IRI program. The project list included the "Procure New Rail Cars" project for the acquisition of new rolling stock, which is programmed for \$150 million in PTMISEA funds.

The 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 and the Department's Rolling Stock Acquisition Service Development Plans.

Original plans for this 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 funds to support high speed and intercity rail programs. The Department applied for and has been granted \$100 million in federal High Speed Intercity Passenger Rail (HSIPR) funds to purchase new rail cars and locomotives. Additionally, the Department received a grant of \$68 million in federal ARRA funds, from a redistribution of funds previously granted to other states. The HSIPR and ARRA 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 million in federal grant funds totals \$42 million.

At the Commission's December 2011 meeting, the Department plans to request an allocation of \$42 million in Proposition 1B IRI bond funds to match the federal funds required by the federal grants. The car and locomotive contracts to be negotiated 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 million for that purpose as bond funds become available. The remainder of the programmed funds—a total of \$63 million—would be held in reserve until the best and highest priority use of those funds can be determined by the Department.

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 with 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 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 Department anticipates releasing an RFP sometime during January 2012. To facilitate this, the Department plans to request an allocation of Proposition 1B bond funds for the rolling stock acquisition at the December 2011 Commission meeting. The tentative contract award date is August 2012, 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. The acquisition will consist of two contracts; one for the cars and another for the locomotives.

The new equipment purchases will be funded in phases. 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