Agenda Item 8-B
Action Item

To: Chairman Smedberg and the VRE Operations Board
From: Doug Allen
Date: November 15, 2013
RE: Authorization to Amend the Contract for New Passenger Railcars

RECOMMENDATION:

The VRE Operations Board is being asked to recommend that the Commissions authorize the Chief Executive Officer to amend the contract with Sumitomo Corporation of America (SCOA) to place an option order for seven additional railcars and increase the contract by $14,805,714, from $21,240,000 to $36,045,714, plus a contingency of $501,786, for a total not to exceed amount of $36,547,500.

BACKGROUND:

In April 2011, the VRE Operations Board approved a funding plan, developed in conjunction with DRPT, for the purchase of fifteen new railcars to replace the remaining twenty legacy gallery railcars still in VRE service. Only fifteen new railcars are needed to replace the twenty legacy railcars primarily due to reduced maintenance cycles of the new cars and reduced spare ratios required by a standardized fleet. The cost of the fifteen railcars was estimated at $36 million, or $2.4 million per railcar, including contingency and engineering oversight costs.

In May 2011, the VRE Operations Board authorized the issuance of an RFP for the purchase of the railcars. On July 1, 2011, an RFP was issued for a base order of eight railcars with an option for up to forty-two railcars. The base order had to be limited to eight railcars due to the schedule for receiving federal formula funds. Responses to the RFP were due on September 1, 2011, and VRE received one response from
Sumitomo Corporation of America. The railcars proposed by SCOA are the same as those currently in VRE service with the exception of minor design changes required by new safety standards. The proposed price for the railcars exceeded the available funding primarily due to significant increases in the cost of rolled and stainless steel used in the construction of the frame and car shell. The funding plan was revised to $42.8 million for the fifteen cars, and additional funds were identified by both DRPT and VRE.

In January of 2012, the VRE Operations Board authorized a Contract with SCOA for the base order of eight new railcars. In March of 2012, a Contract was executed and a Notice To Proceed (NTP) was issued to SCOA. Delivery is anticipated in January and February of 2014 for all eight base order railcars.

Based on experience to date, the expected cost to complete the first eight railcars is $22.5 million or $2.1 million less than anticipated. The cost for the seven additional railcars is $16 million, for a total estimated cost of $38.5 million. The additional seven cars were programmed in VRE’s FY 2014 to FY 2019 CIP to be ordered at the beginning of FY 2016, following the receipt of sufficient federal funds over a multi-year period to complete the purchase.

VRE has recently been notified of a substantial increase in the level of federal funding that will be received in FY 2014, primarily from the additional funds that came to the Washington region through the MAP-21 new State of Good Repair program. The total additional amount of federal funds available in FY 2014 is $14.9 million, of which $6.5 million is needed to purchase the remaining seven railcars.

An amendment to the FY 2014 budget will be presented to the Operations Board in December, incorporating all of the additional federal funds. The authorization to purchase the additional seven railcars is requested at this time because the completion of the replacement of the older cars is our top CIP priority, state match funds and the bulk of the VRE local match has already been provided, and we have a favorable price from Sumitomo for an immediate purchase.

If authorized, the seven new railcars will be delivered in 18-24 months from the Notice To Proceed and will complete the replacement of the legacy railcars. These new railcars are not considered for expansion, but rather to enhance the state of good repair of VRE’s railcar fleet.

VRE staff will return to the Operations Board with a separate action item to issue a task order with STV, VRE’s mechanical engineering consultant, under the MEC V Contract for the required engineering oversight function.
**FISCAL IMPACT:** The table below identifies the project costs and funding sources for the option order for seven new railcars, including both the cost of the railcars and the required oversight.

### Project Cost

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
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<tbody>
<tr>
<td>Cost for 7 Option Cars</td>
<td>14,805,714</td>
</tr>
<tr>
<td>Contingency – Sumitomo</td>
<td>301,786</td>
</tr>
<tr>
<td>Engineering Oversight</td>
<td>850,000</td>
</tr>
<tr>
<td>Contingency - Oversight</td>
<td>42,500</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>16,000,000</strong></td>
</tr>
</tbody>
</table>

### Funding Sources

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal (FY 13 and FY 14 formula funds)</td>
<td>10,030,712</td>
</tr>
<tr>
<td>State (FY 12 and FY 13 bond funds)</td>
<td>4,245,811</td>
</tr>
<tr>
<td>VRE (local match to formula funds and capital reserve)</td>
<td>1,723,477</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>16,000,000</strong></td>
</tr>
</tbody>
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**Notes:**

(1) Total authorized contingency for the Sumitomo contract of $501,786 includes $200,000 for the eight railcar base order and $301,786 for the seven railcar option order.

(2) In order to accommodate a state requirement for equal percentages from all funding sources for the base order and the option order (not contemplated in the original funding plan), a portion of FY 2013 formula funds will be used for the eight car order.

(3) Additional VRE funds of $104,100 will be needed to complete the purchase. The revised FY 2014 Budget will identify the source of these funds, prior to the Notice To Proceed on the amended contract.
Virginia Railway Express
Operations Board

Resolution
8B-11-2013

Authorization to Amend the Contract for New Passenger Railcars

WHEREAS, VRE has a need to replace the aging legacy railcars and enhance the state of good repair of VRE’s passenger railcar fleet; and,

WHEREAS, VRE executed a Contract in March 2012 with Sumitomo Corporation of America for a base order of eight new passengers cars with an option for forty two additional railcars; and,

WHEREAS, VRE anticipates the delivery of the base order railcars in January and February of 2014; and,

WHEREAS, the purchase of seven option railcars will allow VRE to retire the remaining legacy railcars; and,

WHEREAS, VRE has identified the funding to purchase the additional seven railcars.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board is being asked to recommend that the Commissions authorize the Chief Executive Officer to amend the contract with Sumitomo Corporation of America to place an option order for seven additional railcars and increase the contract by $14,805,714, from $21,240,000 to $36,045,714, plus a contingency of $501,786, for a total not to exceed amount of $36,547,500.

Approved this 15th day of November 2013

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Paul Smedberg
Chairman

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John Cook
Secretary