

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

Action Information

MEAD Number:
201605

Resolution:
 Yes No

TITLE:

Amend the FY2016-2021 CIP

PRESENTATION SUMMARY:

Following FTA's approval of Metro's request to proceed with early retirement of the 5000-series railcars, the Committee will consider an amendment to the recently adopted FY2016-2021 Capital Improvement Program (CIP) to increase planned expenditures for railcar purchases and rail power system upgrades.

PURPOSE:

The Committee will consider an amendment to the recently adopted FY2016-2021 Capital Improvement Program (CIP) to increase planned expenditures in fiscal years 2017 to 2021 by \$430.6 million for Railcar Acquisition (CIP0068) and by \$234.5 million for Rail Power System Upgrades (CIP0076).

DESCRIPTION:

Key Highlights:

- Subject to conditions set forth by FTA regarding settlement of the remaining federal interest in the 5000 series railcars as well as continued federal investments to prioritize system safety and rider welfare, FTA will allow Metro to proceed with early retirement of the 5000 series railcars and the replacement of those cars with new 7000 series railcars.
- In order for Metro to exercise the contract options to purchase the 220 additional 7000 series railcars, the FY2016-2021 CIP must be amended to include the planned expenditures beyond FY2016 for railcar acquisition and associated rail power system upgrades.

Background and History:

The Board of Directors adopted the FY2016 Capital Budget and FY2016-2021 Capital Improvement Program (CIP) on May 28, 2015, in Board Resolution 2015-30. At the time of Board action, Metro had not yet received approval from the Federal Transit Administration (FTA) regarding Metro's proposal to retire the 5000 series railcars before the end of the vehicles' useful life and to replace those railcars by exercising contract options to purchase additional 7000 series railcars. Therefore, the Board did not include planned expenditures in fiscal years 2017-2021 of the CIP for the additional railcar acquisition and associated rail power system upgrades, but did anticipate potential

revisions to the CIP in June following receipt of guidance from FTA.

Discussion:

FTA Approval and Proposed CIP Amendment

FTA responded to Metro's request for approval in two letters dated June 4, 2015, which are attached the proposed Board resolution. Subject to the conditions set forth in these letters regarding settlement of the remaining federal interest in the 5000 series railcars as well as continued federal investments to prioritize system safety and rider welfare, FTA will allow Metro to proceed with early retirement of the 5000 series railcars.

In order for Metro to exercise the contract options to purchase the 220 additional 7000 series railcars before the regulatory deadline of July 26, 2015, the FY2016-2021 CIP must be amended to include the planned expenditures beyond FY2016 for the railcars and associated rail power system upgrades. Specifically, the planned expenditures in the CIP for fiscal years 2017-2021 will be increased as follows (figures in millions):

Fiscal Year	CIP0068 (Railcar Acquisition)	CIP0076 (Rail Power System Upgrades)
2017		\$50.9
2018		\$60.6
2019	\$133.0	\$55.7
2020	\$137.6	\$39.3
2021	\$160.0	\$28.0
Total	\$430.6	\$234.5

The planned funding sources in the FY2016-2021 CIP will also be increased by \$28.0 million of long-term financing to support the added expenditures in CIP0076 in FY2021, which were not part of the originally adopted CIP.

Plan for Using the Additional Railcars

If approved, Metro will replace all 192 of the original 5000 series railcars with new 7000 series railcars. The remaining 28 new 7000 series railcars will be used to expand capacity. Metro's current plan for utilizing these additional railcars is to expand service on the Red Line between Grosvenor-Strathmore and Shady Grove by eliminating the "Grosvenor turnback."

Settlement of Federal Interest in the 5000 Series Railcars

To settle the federal interest requirement, Metro will transfer the federal interest remaining in the 5000 series cars when they are retired to the new 7000 series cars. The federal interest settlement will be accommodated through offsetting adjustments to the allocation of planned FTA and state/local funding for projects in the CIP. A direct cash payment to FTA will not be necessary, and there will be no changes to either the planned capital program contributions from the jurisdictions or the planned expenditures on other projects in the FY2016-2021 CIP.

FUNDING IMPACT:

If approved, the amendment will not change the adopted FY2016 capital budget but will increase planned expenditures in fiscal years 2017 through 2021 of the CIP by a total of \$665.1 million. The six-year CIP already includes planned funding sources of \$637.1 million to support these planned expenditures and will be increased by \$28.0 million of planned long-term financing to support the remaining additional amount.

TIMELINE:

Previous Actions	May 2015 - Board adoption of the FY2016 capital budget and FY2016-2021 Capital Improvement Program
Anticipated actions after presentation	July 2015 - If approved, Metro to exercise contract options to purchase 220 additional 7000 series railcars

RECOMMENDATION:

Recommend approval of the amendment to the recently adopted FY2016-2021 Capital Improvement Program (CIP) to increase planned expenditures in fiscal years 2017 to 2021 by \$430.6 million for Railcar Acquisition (CIP0068) and by \$234.5 million for Rail Power System Upgrades (CIP0076).

PRESENTED AND ADOPTED: June 25, 2015

SUBJECT: AMENDMENT TO FISCAL YEAR (FY) 2016-2021 CAPITAL IMPROVEMENT PROGRAM

2015-37

**RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY**

WHEREAS, The Board of Directors adopted the FY2016 Capital Budget and FY2016-2021 Capital Improvement Program (CIP) in Board Resolution 2015-30; and

WHEREAS, At the time of Board action, Metro had not yet received approval from the Federal Transit Administration (FTA) regarding Metro's proposal to retire the 5000 series railcars before the end of the vehicles' useful life and to replace those railcars by exercising contract options to purchase additional 7000 series railcars; and

WHEREAS, FTA responded to Metro's request for approval in letters dated June 4, 2015 (Attachment A); and

WHEREAS, Subject to the conditions set forth by FTA regarding settlement of the remaining federal interest in the 5000 series railcars as well as continued federal investments to prioritize system safety and rider welfare, FTA will allow Metro to proceed with early retirement of the 5000 series railcars; and

WHEREAS, During the peak period, approximately half of the Metrorail Red Line trains traveling in the direction of Shady Grove terminate service at the Grosvenor-Strathmore station (the "Grosvenor turnback"); and

WHEREAS, The elimination of the Grosvenor turnback would add significant passenger capacity to the Red Line in Maryland between Grosvenor-Strathmore and Shady Grove; and

WHEREAS, The FY2016 capital budget includes funding in CIP0076 for rail power system upgrades to support increased eight-car train operations on the Orange and Blue lines; and

WHEREAS, Ridership levels on the Red Line indicate increasing ridership demands such that eight-car train service and the power upgrades to support that service will be needed within the next decade; and

Motioned by Mr. Evans, seconded by Mrs. Hudgins

Ayes: 6 – Mr. Goldman, Mrs. Hudgins, Mr. Evans, Ms. Tregoning, Ms. Harley, and Mr. Corcoran

WHEREAS, In order for Metro to exercise the contract options to purchase the 220 additional 7000 series railcars before the regulatory deadline of July 26, 2015, the FY2016-2021 CIP must be amended to include the planned expenditures for the railcars and associated rail power system upgrades on the Orange and Blue lines beyond FY2016; now therefore be it

RESOLVED, That the FY2016-2021 CIP is amended and revised to increase the planned expenditures in the CIP for fiscal years 2017-2021 for CIP0068 (Railcar Acquisition) by \$430.6 million, with the funding to be spread over fiscal years 2017-2021 as follows: FY2019 – \$133 million; FY2020 – \$137.6 million; FY2021 – \$160 million; and be it further

RESOLVED, That the FY2016-2021 CIP is amended and revised to increase the planned expenditures in the CIP for fiscal years 2017-2021 for CIP0076 (Rail Power System Upgrades) by \$234.5 million, with the funding to be spread over fiscal years 2017-2021 as follows: FY2017 – \$50.9 million; FY2018 – \$60.6 million; FY2019 – \$55.7 million; FY2020 – \$39.3 million; and FY2021 – \$28.0 million and be it further

RESOLVED, That the FY2016-2021 CIP is amended and revised to increase the planned sources of funds in the CIP by \$28.0 million of planned long-term financing; and be it further

RESOLVED, That staff shall prepare for the Board’s consideration a proposal for the elimination of the Grosvenor turnback, such that all peak period rush hour trains will originate or terminate at Shady Grove, that includes a planned implementation date prior to the beginning of FY2019, which shall be subject to the availability of railcars, the completion of the required public participation processes, and the commitment of required operating funding; and be it further

RESOLVED, That staff shall, subject to all necessary FTA approvals, transfer the remaining federal interest in the 5000 series railcars when they are retired to the new 7000 series railcars; and be it further

RESOLVED, That staff shall accommodate the federal interest settlement through offsetting adjustments to both the planned FTA and planned state/local funding for projects in the CIP; and be it finally

RESOLVED, That this Resolution shall be effective immediately in order for staff to timely prepare contractual and financial materials for the exercise of the railcar options prior to the regulatory deadline of July 26, 2015.

Reviewed as to form and legal sufficiency,



Mark R. Pohl
Acting General Counsel

WMATA File Structure No.
4.2.2 Fiscal Year Budgets



U.S. Department
of Transportation

**Federal Transit
Administration**

Administrator

1200 New Jersey Avenue, SE
Washington, DC 20590

JUN 04 2015

Mr. Mortimer Downey
Board Chairman
Washington Metropolitan Area Transit Authority
600 Fifth Street, NW
Washington, DC 20001

Dear Chairman Downey:

This letter responds to Interim General Manager Jack Requa's request to the Federal Transit Administration (FTA) to allow the Washington Metropolitan Area Transit Authority (WMATA) to retire the 5000 series rail cars before the end of the vehicles' useful life, foregoing scheduled mid-life overhauls, and replace them by exercising a contract option to purchase 7000 series rail cars. I am addressing this letter to you given the elevated attention to this subject in the WMATA Board's FY 16 capital budget deliberations. Attached is a more detailed letter from FTA Region 3 Administrator Terry Garcia Crews to Mr. Requa with supporting direction and technical information.

The FTA is prepared to approve the proposed retirement under specifications outlined in the attached letter. However, it is imperative that WMATA respond to two conditions that bind this decision.

- Federal tax payer dollars will be protected. WMATA must honor its contractual obligations tied to the grant funding awarded to the 5000 series rail cars. The Board is liable and accountable for any and all remaining federal interest as described in the attached letter. Formal approval for a replacement strategy will be contingent upon the Board providing a written commitment to meet its financial obligation to FTA for the 5000 series cars in WMATA's capital budget for FY 16.
- Continued federal investments will prioritize system safety and rider welfare. WMATA staff and Board members have stated that a primary driver for early retirement of the 5000 series cars is their below-average performance. While increasing service reliability for WMATA's transit riders is a worthy goal, FTA is increasingly concerned with the reliability of the WMATA system infrastructure writ large. That concern has been paramount during our Safety Management Inspection (SMI) in the aftermath of the January 2015 incident at L'Enfant Plaza. The SMI report will be issued in the near future, and we will be discussing its findings and recommendations with the Board and your staff. We expect the Board to be prepared to address reliability issues of the system from a much broader perspective than those simply related to the 5000 series rail car performance.

Please don't hesitate to contact me should you have any questions.

Sincerely yours,

Therese W. McMillan
Acting Administrator



U.S. Department
of Transportation
**Federal Transit
Administration**

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JUN 04 2015

Mr. Jack Requa
Interim General Manager and Chief Executive Officer
Washington Metropolitan Area Transit Authority
600 Fifth Street, NW
Washington, DC 20001

RE: Consideration of 5000 Series Replacement

Dear Mr. Requa:

On March 31, 2015, the Federal Transit Administration (FTA) received the Washington Metropolitan Area Transit Authority's (WMATA) letter which requested that FTA "consider allowing WMATA to exercise the option under the 7000 series contract to replace all one hundred and ninety-two 5000 series cars rather than go through a process of mid-life overhaul."

First, let me clarify that under no circumstances will FTA waive its federal interest in the 5000 series rail cars through the end of their useful life. Since the 5000 series rail cars were federally funded, the disposition of those rail cars before the end of their useful life requires FTA approval. If approved, FTA is entitled to its share of the remaining Federal interest in the rail cars, which is calculated based upon a straight line depreciation of the original purchase price.

The FTA provided \$135 million less than 15 years ago for purchase of the rail cars with the standard grant requirement that the vehicles remain in service for 25 years. If WMATA proposes to dispose of the rail cars 10 years earlier than the 25-year requirement, the remaining federal interest in the rail cars would be 10/25ths of FTA's \$135 million. Therefore, WMATA would be required to repay the remaining federal interest to FTA, approximately \$50 million, depending on when the cars would be removed from service.

As an alternative, and with prior FTA approval, grantees may purchase "Like-Kind" rolling stock and transfer the remaining Federal interest into that purchase. For WMATA's proposed plan to exercise the 7000 series options, this would reduce the FTA grant amount for the 7000 series rail car purchase by an amount based on the remaining Federal interest in the 5000 series rail cars. As part of that "Like-Kind" exchange, FTA expects that WMATA would utilize sales proceeds from the disposition of the 5000 series rail cars as part of satisfying its obligation. WMATA will be responsible for providing the difference between the sales proceeds and the remaining Federal interest in the 5000 series, along with the local share of the net project cost when exercising the 7000 series option.

Mr. Jack Requa

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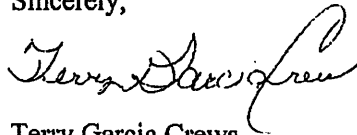
It is important to note that most rail transit agencies operating heavy rail cars routinely invest in performing mid-life overhauls, as WMATA has done previously for the 1000, 2000, and 3000 series vehicles. In its letter of March 31, WMATA included an analysis comparing the costs of what it referred to as "overhauling" the 5000 series rail cars versus the acquisition of additional 7000 series rail cars. In that initial analysis, WMATA estimated that utilizing the 7000 series options as replacements, instead of rebuilding the 5000 series, would save WMATA over \$60 million when life-cycle costs and items such as procurement development, project development, ongoing operational impacts, and escalation factors were considered. WMATA's initial analysis assumed the 5000 series would be rebuilt instead of overhauled. The FTA Circular 5010.1D, Chapter IV, Section 3 provides definitions for rolling stock overhauls versus rolling stock rebuilds. Until equipment has met its minimum useful life, FTA only participates in mid-life overhauls that ensure the rolling stock reaches its useful life, and FTA funds could not be used to rebuild the cars with enhancements to the degree of making the 5000 series compatible with the 7000 series as originally described. Subsequently, FTA requested a revised estimate of the 5000 series overhaul costs. WMATA provided an updated analysis and FTA and WMATA have met to discuss that analysis.

If WMATA considers its financial obligation to FTA and still concludes that replacing the 5000 series vehicles with 7000 series vehicles is the best option, FTA will support the replacement approach under one of two scenarios described below. The two scenarios are:

1. WMATA repays FTA the approximately \$50 million remaining federal interest in the 5000 series rail cars, whether in cash, or by an equivalent reduction in FTA formula grant funding to WMATA.
2. In accordance with the provisions of FTA's Grant Management Requirements circular, WMATA may request a "like kind" transfer of the remaining federal interest in the 5000 series cars to the purchase of replacement 7000 series cars. This transfer would reduce the FTA grant amount for the 7000 series rail car purchase by an amount based on the remaining federal interest in the 5000 series rail cars. As with the above scenario, this approach would ensure that FTA funds are used for the public transportation purpose for which they were granted.

Please notify FTA when WMATA decides how they wish to proceed with the potential disposition of the 5000 series rail cars. If you have any questions, please contact Corey Walker in the Washington, DC Metropolitan Office at (202) 219-3562 or via email at corey.walker@dot.gov.

Sincerely,



Terry Garcia Crews
Regional Administrator