



WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

7000 Series Railcar Program Contract Award

Finance and Administration Committee

March 25, 2010



Purpose

- Inform the Committee of the results of the 7000 Series Railcar Procurement
- Request Committee recommendation for Board approval to:
 - Award the base contract of 64 railcars for the Dulles Corridor Metrorail Program
 - Award Option #4 for 300 railcars to replace the 1000 Series
 - Approve the financing plan



Scope

Consolidated procurement of five railcar projects:

- Recommended
 - Base contract: 64 cars – Dulles Phase 1
 - Option 4: 300 cars – Fleet Renewal (1000 Series)
- Unfunded
 - Option 3: 100 cars – Mid-Life Rehabilitation (4000 Series)
 - Option 1: 64 cars – Dulles Phase 2
 - Option 2: 130 cars – Growth 75% Eight-Car Trains
 - Option 5: 90 cars – Growth 100% Eight-Car Trains

*Total Project Scope = 748 Railcars



Selection Process

- Best-Value procurement – firm fixed price with economic adjustments for options
- Award is made to responsible offeror whose proposal provides the best overall value to the Authority
- Best-Value award ensures the Authority obtains the highest level of technical features and reliable equipment for the most reasonable price



Selection Process

- Price and technical factors evaluated and ranked separately
 - Price is the total bid price including options
 - Technical factors
 - Technical adequacy
 - Availability
 - Schedule
 - Managerial approach
 - History and past performance



Selection Process

- 7 Carbuilders submitted proposals
- After Initial Evaluation, 4 Carbuilders were not in the Competitive Range and were eliminated
- 3 Carbuilders submitted Final Proposal revisions
 - Alstom Transportation, Inc. - Final assembly location in Hornell, New York
 - Bombardier Transit Corporation – Final assembly location in Plattsburg, New York
 - Kawasaki Rail Car, Inc. – Final assembly location in Lincoln, Nebraska



Final Proposal Evaluation

- Kawasaki Rail Car, Inc. achieved the highest Technical ranking
 - Strongest technical approach. Strengths include:
 - System Safety
 - Quality Assurance – ISO 9001/2008
 - US Built Stainless Steel Car Construction
 - Crash Energy Management Car Design
 - Open Architecture Network Train Control
 - Proven Linear Drive Door System
 - Passively Cooled Propulsion System
 - Overhead Unitized Environmental System
 - LED Interior Lighting
 - Test Track at Final Assembly Location



Final Proposal Evaluation

- Kawasaki Rail Car, Inc. achieved best price ranking
 - Price Evaluation
 - Price Evaluation is based on the total price of 748 Cars
 - Total Price of 748 Railcars - \$1.48B (\$120M less than next lowest price)
 - Total Base Price plus Option 4 (364 Cars) \$765M



Budget – Expenditure Forecast

7000 SERIES RAIL CAR PROCUREMENT PLAN

EXPENDITURE FORECAST BY FISCAL YEAR (Dollars in Millions)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	TOTAL
DULLES RAIL CARS - 64 (Phase I)													
Rail Car Contract	19.9	22.2	39.9	31.0	76.7	27.1	2.6	-	2.2	-	-	-	221.6
Project Budget	21.8	26.1	45.8	38.3	90.8	32.4	5.6	1.2	2.7	-	-	-	264.8
ROHR REPLACEMENTS - 300 -- DISCOUNT (\$5M) FOR MILESTONE #1 & #2 PAYMENTS - 100 DAYS (JULY 15, 2010)													
Rail Car Contract	-	65.2	-	-	79.2	251.1	73.1	44.2	25.4	-	-	5.4	543.7
Project Budget	-	65.2	-	2.1	122.3	340.9	116.9	55.1	35.3	6.0	1.7	6.4	751.9
TOTAL													
Rail Car Contract	19.9	87.4	39.9	31.0	155.9	278.2	75.7	44.2	27.6	-	-	5.4	765.3
Project Budget	21.8	91.3	45.8	40.4	213.1	373.3	122.5	56.3	38.0	6.0	1.7	6.4	1,016.7
Total Program Budget for 748 rail cars based on current bid							\$ 1,978,900,000.00		\$2.65M/car				
Total Program Budget for 748 rail cars presented at 11/6/08 FAO Committee							\$ 2,064,250,000.00		\$2.8M/car			4.3%	



7000 Series Railcar Financing Plan

- Exercising option on 300 railcars to replace the Rohr cars at contract award would result in significant savings
 - Price reduction for exercising the option at award: 5.0
 - Price reduction for featured alternatives: 3.6
 - Savings from the Vendor absorbing any price escalation: 13.0
 - Savings from Vendor absorbing currency (FX) fluctuation : 2.0
 - **Total projected savings** **\$23.6 million**
- Metro could accelerate its capital plan to provide funding for urgent safety related capital projects and reduce upfront jurisdictional contributions by a combination of short and long-term financing
 - Make the milestone payment of \$65 million in August 2010 from Metro's line(s) of credit or from Vendor provided interim financing
 - Take advantage of the current low funding cost environment
 - Issue long-term in bonds in October/November 2010 in an amount of approximately \$100 million (plus the costs of issuance)
 - Make system safety improvements recommended by NTSB
 - Pay-down the short-term borrowing
 - Further reduce financing costs through Build America Bond program, which unless extended expires on December 31, 2010



7000 Series Railcar Financing Plan

- Alternate financing if 6-year capital funding agreement is not executed
- \$ 300 million Interim Financing from Sumitomo Mitsui (SMBC)
 - Agreement in concept with SMBC on key terms and operative documents, finalization of term sheet and operative documents subject to Board approval
 - In conjunction with the existing lines of credit, will provide obligation authority for entering into a contract for procuring 300 railcars
 - Three year financing commitment - will provide interim funding if bond issuance is delayed
- \$100 million (plus costs of issuance) Build America Bond Issuance
 - To be issued October – November 2010
 - Pay down outstanding interim financing
 - Make system safety improvements recommended by NTSB



7000 Series Railcar Financing Plan

Financial Recommendations

- Approval to finalize negotiations with SMBC and execute the term sheet and other necessary operative agreements to establish an interim financing facility for up to \$300 million to support the acquisition of 300 rail cars to replace the Rohr cars with following terms: for an aggregate amount not exceed \$300 million; an interest not exceed LIBOR plus a margin of 150 basis points; a commitment fee on the unutilized portion of the loan facility not to exceed 50 basis points; and an upfront fees not to exceed 25 basis points.
- Approval to negotiate long-term bonds with the following terms: final maturity to be no more than 25 years; an aggregate amount not to exceed \$110 million composed of \$100 million in principal, any required debt service reserve, and the costs of issuance (including but not limited to underwriters' fees, financial advisory fees, printing costs, and legal fees); and an indicative average interest rate not to exceed 5.5% and to obtain the underwriting, Trustee, printing, and other services necessary to issue the Bonds. Bond issuance activities include hiring of underwriters, financial advisor, and other related services to be funded with bond proceeds.
- Approval to negotiate and execute extensions to the existing lines of credit on substantially same terms and conditions.



7000 Series Railcar





7000 Series Railcar



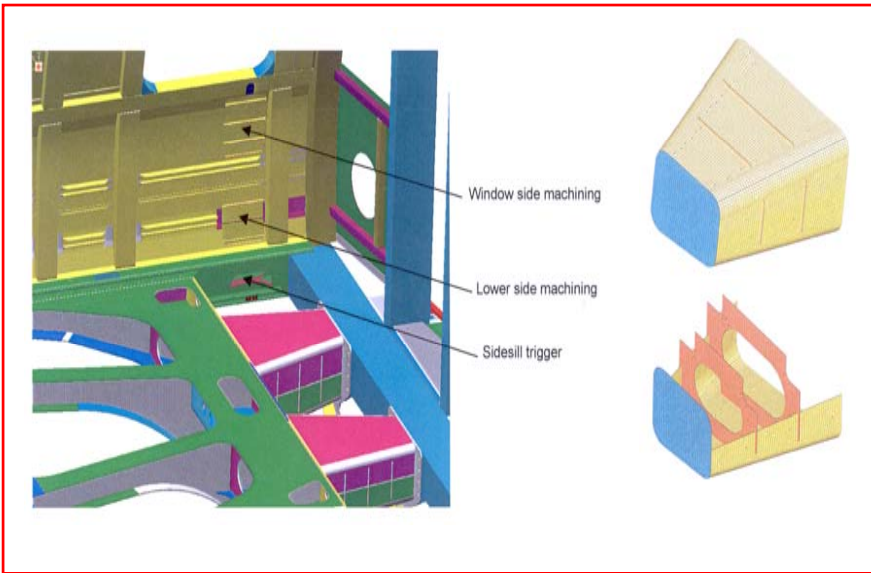
US Stainless Steel Car Construction



Led Interior Lighting



Overhead Unitized Environmental System



Crashworthy Design



Naturally Cooled Propulsion System



7000 Series Side Elevation and Seating Plan



7000 Seating Capacity

A Car = 62
B Car = 68
Total = 130

6000 Seating Capacity

A Car = 64
B Car = 62
Total = 126



7000 Series Side Elevation and Seating Plan{Alt.}



**7000 Seating
Longitudinal
Capacity**

A Car = 58
B Car = 64
Total = 122



7000 Series Interior Arrangement

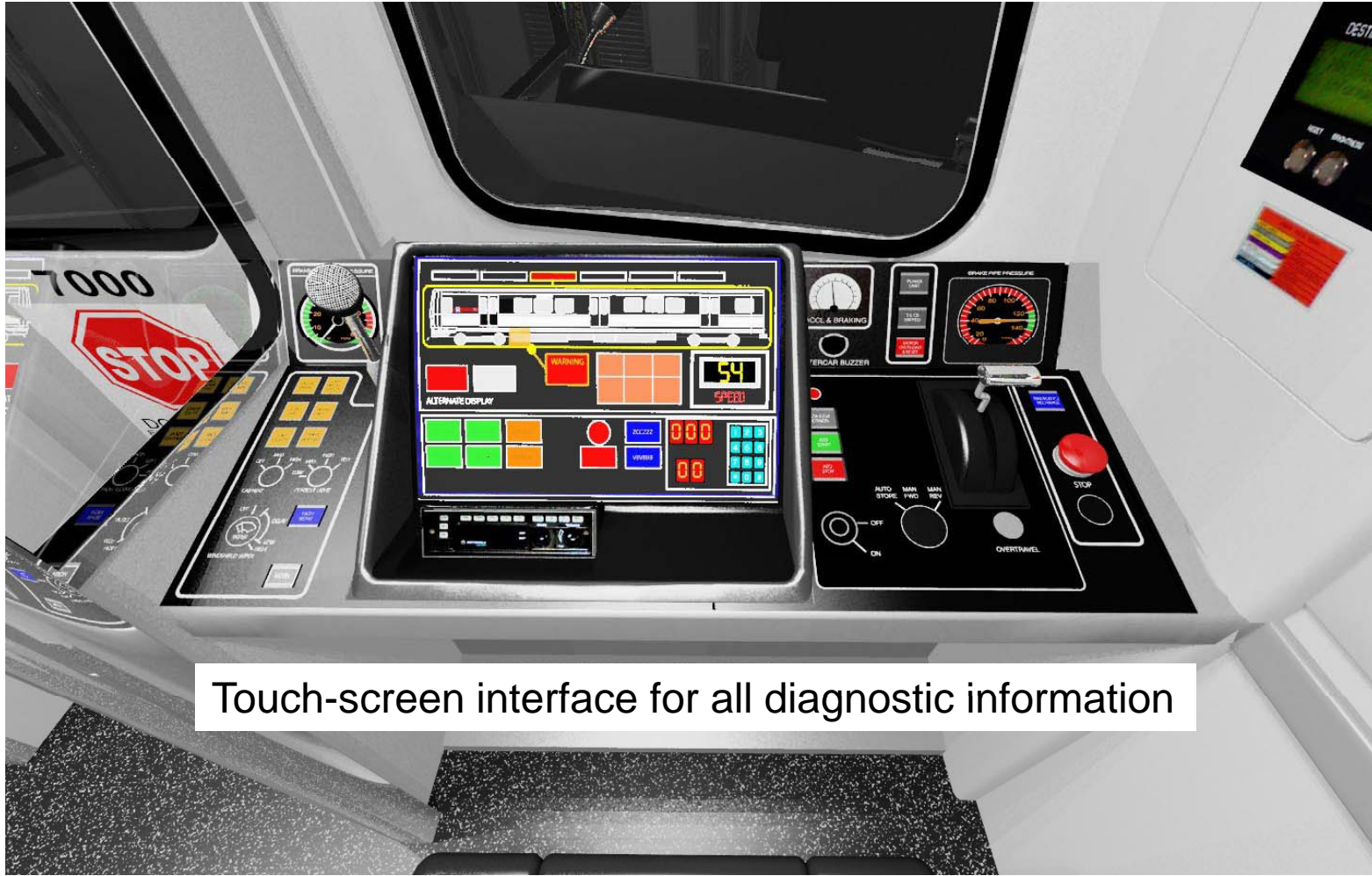
- New seat construction
- Resilient flooring
- Spring grab handles
- Improved Egress/Ingress



- LCD Displays
- CCTV Cameras
- Number of Equipment Seat Compartments Reduced



7000 Consol Arrangement



Touch-screen interface for all diagnostic information



7000 Series Cab Arrangement





7000 Series Significant Features

- Ethernet-based train communications network
- Single operator per doorway
- Exterior emergency door activation
- Individual doorway recycle
- Active route map integrated with passenger information system
- Carbuilder Agreed to Meet and Exceed Specified Mean Distance Between Delay Requirement of 150,000mi



7000 Series Significant Features

- Passenger Capacity increases with elimination of redundant cabs
- Improved life cycle costs, reduced energy costs
- Standardization of Fleet, spares inventory, maintenance
- On-board Metro Channel Passenger Communication in real time
- New security capability utilizing CCTV
- Carbuilder included one additional year of warranty support at no cost



Recommendation

- Board approval to:
 - Award the base contract of 64 railcars for the Dulles Corridor Metrorail Program
 - Award Option #4 for 300 railcars to replace the 1000 Series
 - Approve the financing plan
 - Subject to the availability of funds for the base award 64 Dulles Program cars, the adoption of the FY2011 capital budget, the adoption of the next multi-year funding agreement and availability of funding to exercise the 300-car option.



7000 Series Project Schedule

Board Approval of Award	03/25/10
Award	03/26/10
Conceptual Design Review	06/15/10
Preliminary Design Review	05/15/11
Final Design Review	10/15/11
Pilot Car FAI	08/15/12
Pilot Car Delivery	12/15/12
Conditional Acceptance	07/15/13
Base Order 64 Cars Complete	04/01/14
Option (4) 300 Cars Begins	04/02/14
Option (4) 300 Cars Complete	03/01/16

SUBJECT: SHORT-TERM FINANCING FOR SERIES 7000 RAIL CARS

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

WHEREAS, The Rohr 1000 Series rail cars are reaching the end of their useful life within a few years; and

WHEREAS, An option to an existing procurement for the Series 7000 rails cars for use on the Dulles extension would provide replacement cars for the Rohr 1000 Series; and

WHEREAS, An early exercise of that option would save Metro approximately \$23.6 million; and

WHEREAS, Metro will need short-term financing in order to be able to execute the option early; now, therefore be it

RESOLVED, That the Board of Directors approves the negotiation and execution of a term sheet and final operative documents to establish an interim financing facility to support the exercise of the Series 7000 rail car option upon terms not exceeding an interest rate on the utilized part of the interim financing facility of LIBOR plus 150 basis points with an annual commitment fee on the unutilized portion of the facility not exceeding 50 basis points and an upfront fee not exceeding 25 basis points; and be it further

RESOLVED, That the Board of Directors approves of the granting of an indemnification of Sumitomo Mitsui Bank and its affiliates from and against any losses, liabilities, claims, damages, penalties or fines imposed upon, asserted or assessed against or incurred by Sumitomo Mitsui Bank and its affiliates (including, without limitation, reasonable attorneys' fees and expenses) arising out of the inaccuracy or breach of any of the representations made by Metro contained in any of the Operative Documents; and be it further

RESOLVED, That nothing contained herein shall require Metro to indemnify Sumitomo Mitsui Bank and its affiliates for any damages resulting from Sumitomo Mitsui Bank and its affiliates' gross negligence or willful misconduct; and be it further

RESOLVED, That the indemnity provided for herein shall survive payment of the amounts due under the interim financing facility and shall extend to the officers, directors, employees and duly authorized agents of Sumitomo Mitsui Bank and its affiliates; and be it further

RESOLVED, That the Board of Directors authorizes John B. Catoe, Jr., Richard R. Sarles, Carol D. Kissal, and Raj Srinath, or each of them individually, to execute all required documents to implement the interim financing facility approved of in this Resolution in the name of and on behalf of Metro, including any ongoing payments for debt service, Trustee and other applicable fees and services, with such changes as the person who executes the same may approve (provided such changes, when viewed as a whole, do not have a materially adverse effect on the interests of Metro), the execution of such documents to be conclusive evidence of such person's approval of all such changes; and be it finally

RESOLVED, That this Resolution shall be effective immediately.

Reviewed as to form and legal sufficiency,



Carol B. O'Keeffe
General Counsel

SUBJECT: FINANCING FOR SERIES 7000 RAIL CARS AND OTHER CAPITAL ITEMS

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

WHEREAS, Long-term funding of the Series 7000 rail cars will be necessary as will funds to make the system safety improvements recommended by the National Transportation Safety Board; and

WHEREAS, Current interest rates make this a low cost borrowing; and

WHEREAS, The existing short-term lines of credit which support the capital program will be expiring on June 30, 2010; and

WHEREAS, It is advantageous to Metro to attempt to negotiate extensions of those lines of credit; now, therefore be it

RESOLVED, That the Board of Directors approves, subject to Board review and approval of the final documents, the negotiation of operative documents for a bond issue upon terms not exceeding a final maturity of 25 years; an aggregate amount not exceeding \$110 million including \$100 million in principal, any required debt service reserve and the costs of issuance (including but not limited to underwriters' fees, financial advisory fees, printing costs, and legal fees); and an indicative average interest rate not to exceed 5.5%; and be it further

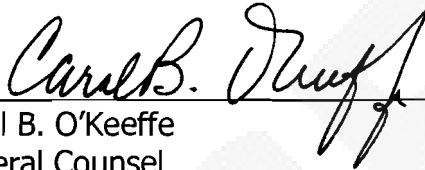
RESOLVED, That the Board of Directors authorizes the General Manager, the Deputy General Manager/Chief Financial Officer, or the Treasurer to obtain the underwriting, Trustee, printing and other services necessary to issue the bonds; and be it further

RESOLVED, That the Board of Directors authorizes John B. Catoe, Jr., Richard R. Sarles, Carol D. Kissal, and Raj Srinath, or each of them individually, to negotiate and execute all required documents to extend the term of the existing short-term financing facilities with Wachovia Bank and Bank of America upon substantially the same terms and conditions as are currently in place (including the indemnifications described in Resolutions 2008-26 and 2009-18) in the name of and on behalf of Metro, including any ongoing payments for debt service, Trustee and other applicable fees and services, with such changes as the person who executes the same may approve (provided such changes, when viewed as a whole, do not have a materially adverse effect on the

interests of Metro), the execution of such documents to be conclusive evidence of such person's approval of all such changes; and be it finally

RESOLVED, That this Resolution shall be effective immediately.

Reviewed as to form and legal sufficiency,



Carol B. O'Keeffe
General Counsel

PROPOSED