

J Joint Transportation and
Management Committees
Transportation Committee - September 12, 2011
Management Committee - September 14, 2011
Metropolitan Council – September 28, 2011

ADVISORY INFORMATION

Date:	August 23, 2011
Subject:	Central Corridor Light Rail Transit (Green Line): Siemens Contract Amendment to the Light Rail Vehicle Contract to Allow 100% Performance Guarantee
District(s), Member(s):	All
Policy/Legal Reference:	Full Funding Grant Agreement
Staff Prepared/Presented:	Brian Lamb, General Manager 612-349-7510 Mark Fuhrmann, Deputy General Manager 651-602-1942 Rich Rovang, CCLRT Project Director, 651-602-1941 Wes Kooistra, Deputy Regional Admin., 651-602-1567 Mary Bogie, Chief Financial Officer, 651-602-1359
Division/Department:	Metro Transit/ Central Corridor Project Office Regional Administration/ Finance

Proposed Action

That the Metropolitan Council authorize the Regional Administrator to direct staff to amend the Siemens Light-Rail Vehicle Contract to allow for 100% Performance Guarantee by Siemens Industry Inc. (Siemens), for purchase of 16 Central Corridor (Green Line) and up to seven Blue Line (Hiawatha Light Rail) option rail vehicles.

Background

Siemens Industry Inc. has the contract to build a base order of 41 light rail vehicles. It is anticipated 18 light-rail vehicles options (16 Central, two Blue Line) will be exercised. Options must be exercised by September 29, 2011 to take advantage of no cost escalation increase. The Siemens Light Rail Vehicle Contract currently allows for 50% Bond and 50% Performance Guarantee as security for faithful completion of all obligations of the contract.

Rationale

A security of a Bond or Guarantee must be provided as protection for faithful completion of the obligations of the contract. The 41-car base order was provided with a 100% Performance Bond as security for completion of all obligations of the contract.

Upon considering the potential to exercise an option for additional vehicles, Council Finance engaged financial services to consider the credit quality of Siemens. Given significant contract savings, it is recommended the Council proceed with a 100% Performance Guarantee as security for the purchase of option cars with the understanding Siemens will provide access to current financials throughout the term of the contract and agrees to replace the performance guarantee with a performance bond should the Council conclude their financials show adverse change from the previous year-end. This approach mitigates potential risk to the Council.

Estimated cost of Performance Bond for 18 option vehicles (16 Central, two Blue Line)
= \$711,000

Estimated cost of Performance Guarantee for 18 option vehicles (16 Central, two Blue Line) = \$163,000

The 100% Performance Bond will remain in effect for the 41-car base order until January 2014. At the time of Conditional Acceptance, the Performance Bond will be reduced to 10% of the Contract value until the end of the warranty period of the 41-base order vehicles. Estimated start January 2014, estimated end January 2016.

Performance Guarantee for the purchase of 18 option vehicles (16 Central, two Blue Line); start from option Notice to Proceed September 29, 2011, estimated end May 2014. At the time of Conditional Acceptance, the Performance Guarantee will be reduced to 10% of the Contract value until the end of the warranty period for the 18-option vehicles. Estimated start May 2014, estimated end May 2016.

Funding

This is a no-cost contract amendment. A Guarantee provides \$548,000 savings to the Council, \$487,000 (the Central Corridor proportion) of these savings will remain available in the project contingency fund.

Known Support / Opposition

No known opposition.