



TO: Board of Contracts and Awards
FROM: Dale W. King, Superintendent, Tacoma Rail *DWK*
 Alan Matheson, Chief Mechanical Officer, Tacoma Rail
COPY: City Council, City Manager, City Clerk, SBE Coordinator, LEAP Coordinator, and
 Richelle Krienke, Finance/Purchasing
SUBJECT: Locomotive Lease Agreement with an option to Purchase
 Request for Proposals Specification No. TR14-0085F - July 22, 2014
DATE: June 27, 2014

SUMMARY:

Tacoma Rail requests authorization to enter into a Lease Agreement which includes an option to purchase with Progress Rail Leasing Corporation for two (2) Electro-Motive Diesel locomotives. The Lease Agreement is for a five-year term with monthly payments totaling \$1,642,500.00 per locomotive, and includes an option to purchase at the end of the lease term for an additional \$1,850,000.00, for a cumulative total of \$3,492,500.00, sales tax not applicable, per locomotive. The cumulative total of all lease payments and end of term purchase is \$6,985,000.00 for the two (2) locomotives.

STRATEGIC POLICY PRIORITY:

- Strengthen and maintain a strong fiscal management position.

The addition of these two higher-horsepower locomotives with modern tractive control features will enhance Tacoma Rail’s ability to efficiently meet current and projected freight rail service obligations within the various operating divisions.

BACKGROUND:

Given increased business volumes, and the upcoming implementation of Positive Train Control (PTC), Tacoma Rail has determined it prudent to lease two (2) higher-horsepower locomotives to ensure their ongoing ability to efficiently meet current and projected freight rail service obligations.

During a formal Request for Proposal (RFP) process, thirteen (13) companies were invited to submit a proposal to the specification numbered TR14-0085F, in addition to normal advertising of the project, and four (4) submittals were received. A Selection Advisory Committee reviewed the submittals received, and unanimously ranked the submission for two (2) Electro-Motive Diesel SD70-ACe-P4 locomotives as the highest scoring proposal. Additionally, the Contracts & Awards Board also approved and recommends the award.

ISSUE: Tacoma Rail’s current locomotive fleet is less efficient with regard to the ability to move full trains of various commodities, particularly over the prevailing grades of their various operating territories.

ALTERNATIVES: One alternative is the status quo, continuing to use the current locomotive fleet requiring multiple locomotives working in tandem to move smaller trains. Alternatively, leasing the higher-horse power locomotives with modern tractive controls will enable full trains to be moved with fewer locomotives and without the need to reduce the number of railcars which can be handled at one time.



COMPETITIVE SOLICITATION: Request for Proposal Specification No. TR14-0085F was opened March 18, 2014. Thirteen companies were invited to bid in addition to normal advertising of the project. Four submittals were received. The table below reflects the amount of total award.

<u>Respondent</u>	<u>Location (city and state)</u>	<u>Rank or Score</u>
Progress Rail Leasing Corporation	Albertville, AL	1
National Railway Equipment (GP50)	Dixmor, IL	2
National Railway Equipment (2GS36C-DE)	Dixmor, IL	3
Knoxville Locomotive Corporation	Knoxville, TN	4

CONTRACT HISTORY: New contract.

SUSTAINABILITY: This Lease and/or Option to Purchase project will alleviate the necessity to use the older locomotives in the fleet for certain tasks, thereby saving on fuel, maintenance, and labor costs.

SBE/LEAP COMPLIANCE: Not applicable.

RECOMMENDATION:

Tacoma Rail recommends approval to enter into a Lease Agreement with Progress Rail Leasing Corp., the parent company of Electro-Motive Diesel Inc., for the lease of two (2) locomotives, with the option to purchase at the end of the five-year lease term.

Prior to City Council consideration, this matter is scheduled for presentation to the Tacoma Public Utility Board during their meeting scheduled for July 9, 2014.

FISCAL IMPACT:

EXPENDITURES:

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
4500 – Tacoma Rail	592202	5417004	\$6,985,000.00
TOTAL			\$6,985,000.00

* General Fund: Include Department

REVENUES:

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
4500 – Tacoma Rail	591004		\$6,985,000.00
TOTAL			\$6,985,000.00



POTENTIAL POSITION IMPACT: N/A

POSITION TITLE	PERMANENT/ PROJECT TEMPORARY POSITION	FTE IMPACT	POSITION END DATE
TOTAL			

This section should only be completed if a subsequent request will be made to increase or decrease the current position count.

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: \$273,750.00

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Yes

IF EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED.

Expenditures in future biennial cycles will be planned and budgeted.