

AFC2 Update

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In Brief

- AFC2 continues with RFQ / RFP process and is on track
- Asking for Board commitment to directly pay for the construction component of the project
 - Original proposal was that System Integrator would finance both the construction component and capital component
 - Staff recommendation is that SI should continue to finance capital component but MBTA should finance construction component (estimated cost of \$56 million)

Contract Overview

- System Integrator (SI)
 - Technical lead and equity partner
 - RFP in bidders hands
 - Best value selection
 - 13 year contract plus two 5 year options
- Design Build (DB) entity
 - Construction companies through Capital Delivery
 - Submission of Qualifications complete
 - Installation and removal of equipment over ~3 years
- Financing
 - Currently 100% of SI and DB work financed by SI
 - Paid by MBTA with non-Federal money through availability payments that begin once AFC1.0 is decommissioned

Schedule

Systems Integrator

- Shortlist: October 31
- RFP issued: November 15
- 2 sets of proposer meetings;
1 more planned
- Week of tours and site visits
- 8 Addenda thus far

- Technical proposals due: May
- Financial proposals due: June
- Selection: July

Design Build Entity

- Letter of Interest: November 15
- RFQ released: December 22
- SOQs received and currently under evaluation
- RFP release: March, July
- Submittal date: August

Cost Components

- MBTA internal work and consulting (MBTA)
 - \$8.5m committed in FY17 through PayGo
 - ~\$6m annually needed for FY18, 19, 20
- Construction (DB Entity)
 - Installation in stations
 - FY18, FY19, FY20
- Operating and Maintenance (SI)
 - Availability Payments begin when AFC2.0 is live (FY20 - ...)
 - In 5-year pro-forma
- Capital (SI)
 - Availability Payments begin when AFC1.0 is decommissioned (FY20 - ...)
 - Will be in next round of CIP documents

Direct Payment of Construction

- **SI financing of Capital component** reduces risk over full term of contract
 - Deduction regime based on SLAs and KPIs keeps Capital and O&M at risk
 - Brings market pressure to bear and aligns incentives
- **MBTA direct payment of DB Construction component**
 - Drives down average cost of capital without reducing the risk transfer to the SI for all project elements
 - Reduces schedule risk by reducing time to commercial & financial close
 - Sends signal to lenders MBTA is committed to this project

Request

Approve direct payment of construction component of AFC2

- Amount contingent based on SI proposal (LTK estimate \$56m)
- Change to System Integrator RFP to remove financing of construction work