



**TO: Board of Directors**

**DATE: January 13, 2021**

**FROM: Jim Derwinski, CEO/Executive Director** 

**SUBJECT: IGA FOR 15 Year Lease of 26 Surplus HL1 Cars To NICTD**

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**RECOMMENDATION:**

Board action is requested to approve a lease of 26 HL1 railcars to NICTD in a form substantially similar to the one attached.

**BACKGROUND:**

These HL1s are Metra's oldest gallery multiple unit rail cars built by Sumitomo/Nippon Sharyo (2004-2006) and can only be used on Metra's MED District and on NICTD's line, not on Metra's 10 other commuter lines. These are railcars that are unique to Metra and NICTD. There is no readily available market for the sale, manufacture and/or lease of this type of rail car. Metra intends to rehab the cars in-house through our rehab programs, providing additional local jobs back into the community. The first rehabbed car will be completed by late summer of 2021 and all remaining cars by August 1, 2024. We will transfer the rehabbed cars under the lease agreement to our sister agency, Northern Indiana Commuter Transit District (NICTD), which will also use them, in part, in PSA service for Metra.

Metra and NICTD have been discussing and negotiating this 15-year lease during the last year. The lease will provide Metra with an annual payment of \$3.519 million (total for 26 rehabbed cars), plus a potential 5% bonus payment if Metra waives its early termination rights no later than the end of year 8 under the agreement. Metra will retain ownership and NICTD shall provide insurance.

Even with this lease transaction, Metra will have more than an adequate number of cars to provide the MED District with full pre-COVID service and room for some expansion, if warranted. Moreover, if Metra or NICTD ever experience an emergency and do not have adequate cars, each of us will institute a good neighbor policy to offer mutual aid as reasonably necessary to assist the other.

**FISCAL IMPACT:**

Metra stands to increase revenue by \$3.519 to \$3.675 million per year during the term of the lease.

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