



**ITEM ID:** 2024-305-0

**TRANSMITTAL DATE:** October 18, 2024

**MEETING DATE:** October 25, 2024

**TO:** Board of Directors

**FROM:** Donald Filippi, Chief Operating Officer

**SUBJECT:** Contract MSOP158-24 Train Operation and Maintenance Service - Recommendation to Award - Alstom Transport USA Inc.

### **Issue**

To improve our operational efficiency and maintain continuity of service for the Authority's Metrolink and Arrow services, a new Train Operation and Maintenance Services contract is required for the Authority's rolling stock and related facilities and for the train crew operation. Since 1992, these services have been provided through individual contractors, and the current contracts expire on June 30, 2025.

Per the Board's directive in April 2020, the Authority has pursued the bundle approach to procuring these services.

### **Recommendation**

It is recommended that the Board authorize the Chief Executive Officer (CEO) to award Contract No. MSOP158-24 for Train Operation and Maintenance Services (TOMS) to Alstom Transport USA Inc. (Alstom) in a total not-to-exceed contract authority of \$1,121,666,447.85.

The requested contract authority includes:

1. The not-to-exceed amount of \$7,869,806.68 for mobilization, excluding Option A-O1 mobilization, starting in FY25 after issuance of Notice to Proceed (NTP) through June 30, 2025.
2. The not-to-exceed amounts of \$507,920,012.66 for the five-year base term of the Contract (starting July 1, 2025) and \$344,847,368.65 for the single three-year option (starting July 1, 2030), for Base Services. Staff will return to the Board for approval before exercising the one-time option.

3. The Option (Option A-O1) to include the scope of furnishing and managing materials (inventory and consumables) for the maintenance of Metrolink's rolling stock equipment (with the exclusion of Arrow) in the not-to-exceed amount of \$6,435,140.52 for the mobilization (\$779,011.12) and five-year base term of the Contract (\$5,656,129.40), and of \$3,800,250.79 for the single three-year option. This amount reflects the cost of procuring, warehousing, and issuing materials to the maintenance shops as a lumpsum monthly administrative fee but excludes the pass-through cost of the materials. Option A-O1 may be exercised during the base five-year period of the Contract, at the sole discretion of the CEO.
4. The not-to-exceed contract authority amount of \$50,000,000.00 for the five-year base term of the Contract (starting July 1, 2025) and \$30,000,000 for the single three-year option (starting July 1, 2030), for On-Call Work Directives for equipment, train crews, and facilities. The price of each On-Call Work Directive will be based on established labor or task rates and will be negotiated for each On-Call Work Directive, while profit for On-Call Work Directives will be calculated separately.
5. The not-to-exceed contract authority amount of \$95,886,211.59 for the five-year base term of the Contract (starting July 1, 2025) and \$74,907,656.97 for the single three-year option (starting July 1, 2030), in the event the Authority exercises Option A-O1, is an estimate to cover the actual cost of materials as a pass-through basis, not subject to profit.

The actual costs for each Fiscal Year will be calculated pursuant to an agreed upon Service Plan for that year. Funding for the Service Plan will be approved by the Board as part of the annual budget process.

This award is contingent on the resolution of any timely filed protest.

### **Strategic Commitment**

This report aligns with the Strategic Business Plan commitments of:

- **Safety Is Foundational:** We will stay on the leading edge by deploying new technologies and processes to enhance the safety and security of our riders, employees and the communities we serve.
- **Modernizing Business Practices:** We will improve our operational efficiency through transparency, objective metrics and streamlined governance, reducing over-reliance on subsidy while bringing our system into a state of good repair and investing in the development of our employees.
- **Customers Are Our Business:** We respect and value our customers, putting them at the heart of all we do, and work hard to attract and retain new customers by understanding their needs and finding new and innovative ways to delight them.

### **Background**

To improve efficiencies and contractor management and to ensure service reliability over the next critical years, the Authority is continuing its business strategy to bundle parts of its

operations and maintenance contracts.

In May 2019, the Board authorized the issuance of Request for Proposals (RFP) No. MSOP150-20 – Rail Operations, Maintenance, and Support Services which was subsequently cancelled in March 2020 due to affordability concerns. At its meeting on April 24, 2020, the Board approved Staff's recommendation and the procurement approach for the Authority's operating and maintenance contracts. Staff would begin the procurement process for a new bundled Operator and Equipment Maintenance Services contract that would transition to commence service on July 1, 2025. In addition, the scope of the new contract would include the maintenance of the Authority's maintenance facilities that will be used by the awardee contractor, such as the Central Maintenance Facility (CMF), the Eastern Maintenance Facility (EMF) and outlying point yards.

The Authority has addressed the maintenance of the right-of-way (track, signals and communications), and related on-call services with Contract No. MS289-22 for Track and Signal Infrastructure Maintenance and Support Services which was awarded by the Board to Herzog Contracting Corporation on February 26, 2021, expires in 2026 and has three one-year options.

The TOMS Contract bundles the train operator services for Metrolink and Arrow, the maintenance of equipment, and maintenance of the facilities used by the Contractor. Separately, Arrow's equipment and maintenance facility will be maintained by SBCTA's contractor, Stadler.

Currently the Authority has three major maintenance contracts in place to provide for the scope included in the TOMS Contract:

- Contract No. OP137-17 was awarded to Bombardier Mass Transit Corporation (now Alstom Transit Inc.) for Maintenance of Equipment on September 23, 2016.
- Contract No. OP151-21 was awarded to Amtrak for Metrolink Operator Services on August 21, 2020.
- Contract No. OP154-22 was awarded to TransitAmerica Services Inc. (TASI, whose parent company is Herzog Group) for Arrow Operator Services on January 28, 2022.

All these three contracts expire on June 30, 2025.

The maintenance of facilities is currently primarily performed by Authority staff. Specialized equipment maintenance such as HVAC, elevators, landscaping, generators, and cranes is provided by third parties.

## **Discussion**

On November 22, 2023, the Authority issued Request for Proposals (RFP) No. MSOP158-24 for Train Operation and Maintenance Services. The RFP was posted on the Authority's solicitation portal and advertised in journals in the five member-agency counties, diversity newspapers, and online portals. In all, 92 firms expressed interest and 48 representatives from 21 firms attended the pre-proposal conference on January 9, 2024. The RFP gave the opportunity for prime proposers to self-identify during the pre-proposal conference as part of their outreach to subcontractors. Four firms, self-identified as prime proposers, participated in this outreach event. All attendees were given the opportunity to participate in a three-day

(January 9-11, 2024) tour of the Authority’s major facilities involved in this RFP. The Authority received and answered 487 questions and requests for clarifications or exceptions. Evaluation of proposals under this RFP was based out of the following criteria:

- A. Relevant Experience – Qualifications of the Firm and the Key Personnel: 25 points
  - B. Past Performance: 20 points
  - C. Approach to the Services: 20 points
  - D. Workforce Retention (per statute): 10 points
  - E. Price: 25 points
- Total: 100 points

The Authority received three proposals by the submission due date of July 16, 2024. The three, Amtrak, Herzog, and Alstom, each have active contracts with the Authority and were found to be responsive to the procurement requirements. The Authority’s Finance department assessed the proposers’ financial information and found them in good standing.

All proposers received the statutory workforce retention points (Criterion D). A Technical Evaluation Committee (TEC) comprised of internal and external personnel evaluated and scored the three proposals per the three technical evaluation criteria listed above (A-C). A team of internal subject matter experts provided as-needed support to the TEC. In accordance with the RFP’s Instructions to Proposers, the TEC determined that two proposals met the minimum technical score of 70% of the available points under criteria A-D. Accordingly, the TEC determined that those two firms were in the competitive range and invited the respective proposers to present their teams and their proposed solution. The price proposals were separately scored based on the calculation formula published in the RFP and the respective price scores were added to the technical scores. The final scores for the two proposers are as follows:

	Herzog Transit Services, Inc.	Alstom Transport USA Inc.
A. Relevant Experience – Qualifications of the Firm and the Key Personnel	21.25	15.25
B. Past Performance	17.75	15.00
C. Approach to the Services	17.50	12.00
D. Workforce Retention	10.00	10.00
Technical Score	66.50	52.25
Price Score	19.60	25.00
Total	86.20	77.25

Herzog Transit Services, Inc (Herzog) was the highest ranked proposer when combining the technical and price scores. In accordance with RFP procedures the Authority invited Herzog to begin negotiations with the Authority’s procurement team composed by representatives from Operations, Finance, Contracts, and Legal departments. The price submitted by Herzog was approximately 6.36% higher than the Authority’s Independent Cost Estimate and hence price was the central focus of those negotiations, which began on September 17, 2024.

The Authority negotiated in good faith with Herzog over multiple days - both in person and

virtually - to understand the details of Herzog's submitted price and to explore areas for savings. Despite significant efforts by both sides to bring the price down to an affordable level for the Authority, both sides agreed there was a seemingly unbridgeable price gap between what the Authority could afford and what Herzog was willing and able to provide. Accordingly, and consistent with the rules of the RFP, the Authority notified Herzog on September 23rd that it was stopping further negotiations. Herzog did not object.

In accordance with the rules of the RFP, the Authority then entered negotiations with Alstom on October 2nd. These negotiations focused on two key areas. First, Alstom agreed to make some technical changes to its proposal, particularly in the area of key personnel, which had originally been the subject of TEC concerns during the evaluation process.

Second, the parties negotiated pricing. Alstom's proposed price was approximately 16.4% lower than the Authority's Independent Cost Estimate. But during negotiations the two parties became aware of the finalized agreement terms between Amtrak and the Sheet Metal Air Rail Transport (SMART) Union, which represents conductors. The Union agreement increased contractor rates significantly and hence impacts Alstom's pricing. Under federal rules, the Authority and its operator are bound by existing collectively bargained agreements, and so this increase impacted price estimates. The increase might have also had an effect on Herzog's price proposal, but could not have affected the outcome of the ranking or the negotiations with Herzog because even after the negotiated rate increase, Alstom's total price was less than the Authority's Independent Cost Estimate, while Herzog's was more than the Independent Cost Estimate. The below table shows the comparison of the initial and negotiated price in comparison to the Authority's Independent Cost Estimate.

Estimated Cost for Base + Options	\$1,022,456,909.07
Initial Proposed Price	\$854,426,281.21
Final Negotiated Price	\$875,754,296.83

Note that the Final Negotiated Price does not include the actual amounts of recommendations 4 and 5 - these categories were included as placeholders in the RFP's price proposal form for evaluation purposes only. The Authority considers Alstom's final negotiated price to be fair and reasonable. If A-O1 option for materials pass-through is exercised, the estimated value would be \$16,735,812.73.

### **Budget Impact**

The amount for which contract authority is requested for base services mobilization (\$7,869,806.67) and Option A-O1 mobilization (\$779,011.12) is included in the Approved FY25 Operations Budget. As a reminder, the FY25 Operations Budget was specifically developed with a mobilization estimate.

For FY26, staff will request the following for the first year of Operating Expenses:

1. \$94,146,738.89 for base services.
2. \$1,066,749.47 for the materials administration option (if exercised).
3. \$900,000 (estimate) for on-call maintenance work directives such as rolling stock and facility corrective maintenance or repairs not included in base services, special trains not included in Service Plan or train crew costs for service disruption/recovery not included

in Service Plan.

4. \$16,735,812.73 for the materials pass through costs.

Additionally, staff estimates that the Authority will be requesting \$8,150,000 in the first year of Capital Expenses. Staff is requesting this amount for first year capital, which will include construction needs, rolling stock refurbishments, and facility repairs outside the base scope.

Funding for subsequent years will be requested through the annual budget or an equivalent process. There is no financial commitment with respect to subsequent years and work will be authorized only if funding is approved.

### **Next Steps**

Upon Board approval, and expiration of the time period for any protest, Authority staff will execute the contract and issue Notice-to-Proceed with an expected mobilization start date in November 2024 and an In-Service date of July 1, 2025.

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