



ITEM ID: 2026-126-0

TRANSMITTAL DATE: March 20, 2026

MEETING DATE: March 27, 2026

TO: Board of Directors

FROM: Tom Schamber, Chief Financial Officer

SUBJECT: Contracts and Procurement Policy Change - Updating Policy for Annual Contract Renewals

Issue

The current Annuals process is not included in the Contracts and Procurement Policy and changing the current process for the Original Equipment Manufacturer (OEM) contracts avoids delay in ordering rolling stock components.

Recommendation

It is recommended that the Board approve the revision to the Contracts and Procurement Policy to memorialize the existing practice of annual contracts renewals and authorize the Chief Executive Officer to reallocate contract authority between annual OEM materials contracts.

Strategic Commitment

This report aligns with the strategic Business Plan commitment of:

- **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. Annual contract authority to purchase materials from these suppliers has allowed SCRRA the ability to order the parts needed in a timely manner to help maintain our system and rolling stock equipment in a state of good repair.

Background

Each year, the Annuals are included as part of the Budget Approval process. The Annuals process has been a long-time practice for the Agency; however, it is not outlined in the Contracts and Procurement Policy.

The term "Annuals" is used internally to describe a process to get Board approval for non-competitive procurements. These procurements are generally for software licenses, services, goods under cooperative agreements, and inventory parts for the Authority's fleet. Most of the F125 locomotive components are sole source or single sourced. These purchases are processed annually and are approved within the Annual Budget.

Currently for Original Equipment Manufacturer (OEM) contracts, once a supplier's contract authority is exhausted, the project manager must seek additional funding approval from the Board for that specific contract. This process delays ordering of components and could impact service availability of the F-125 Locomotives.

Discussion

The Contracts and Procurement Policy (Attachment A) is being revised to include Annuals, Section 6, Item E.

Under the current policy, for OEM Recurring Single Year Operating Contracts, when a supplier's contract authority is exhausted earlier than expected, the Materials Department must seek additional funding approval from the Board for that specific contract. This process can be a 30- or 60-day delay before staff can order parts, impacting locomotive service availability. The F-125 component lead times are 6 months to 18 months and the ability to move quickly will help the Authority keep locomotives in service.

Allowing reallocation of authority, under the approval of the CEO or designee, between existing annual contracts (based on demand) would streamline the process, minimize administrative delays, and ensure timely procurement of essential materials while continuing to maintain fiscal adherence to Board- approved maximum authority.

Currently, there are Contracts with 43 suppliers, with a total not-to-exceed amount of \$18,764,831. The Authority will not exceed the budget approved by the Board. If there is a need to increase the annuals above the total amount, that Purchase Order will come to the Board for approval.

Budget Impact

There is no budgetary impact as a result of this report.

Next Steps

If approved, staff will update the Contracts and Procurement Policy to include the Annuals Process and implement the process to reallocate contract authority between OEM annual contracts as operational needs arise, without exceeding the total Board-approved authority.

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Approved by: Tom Schamber, Chief Financial Officer

Attachment(s)

[Attachment A - Procurement and Contracting Policies - RED LINE.pdf](#)
[Attachment B - Procurement and Contracting Policies - CLEAN.pdf](#)
[Presentation - Policy Change - Annuals and OEM](#)