



ITEM ID: 2026-222-0

TRANSMITTAL DATE: June 18, 2026

MEETING DATE: June 26, 2026

TO: Board of Directors

FROM: Rod Bailey, Interim Chief Operating Officer

SUBJECT: Contract No. MS289-22 - Track and Signal Infrastructure Maintenance and Support Services - Herzog Contracting Corporation - Increase Contract Authority for Base Maintenance Services for FY26-27

Issue

Contract authority for Base Maintenance services for the contract performance period (FY26-FY27) is required to provide inspection, testing, reporting, and maintenance for track, structures and right-of-way and maintenance of wayside Train Control, Communications, Signals Systems to stay in compliance with Federal Railroad Administration (FRA) regulations as well as to support capital, rehabilitation, and third-party external projects.

Recommendation

It is recommended that the Board authorize the Chief Executive Officer to approve the base maintenance contract authority for Contract No. MS289-22 for Track and Signal Infrastructure Maintenance and Support Services with Herzog Contracting Corp in a not-to-exceed amount of \$49,508,107.82 for FY26-27.

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, our fellow employees, and the communities we serve. Contract MS289-22 ensures frequent and required inspection and maintenance of the Authority's track and signal infrastructure to ensure it is in a state of good repair. Best practice industry processes and technologies

for the inspection, repair and associate support services have been adopted to ensure that the track and signal infrastructure allows trains to operate safely and efficiently as practical.

- **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. Operational efficiencies for both the Contractor as well as the Authority has been streamlined as a result of this bundled track and signal contract with enhanced controls and contract oversight.

Background

On February 26, 2021, the Board awarded Contract No. MS289-22 – Track and Signal Infrastructure Maintenance and Support Services to Herzog Contracting Corp (Herzog) for a base period of five years (July 1, 2021, to June 30, 2026) with a single three-year option (July 1, 2026, to June 30, 2029).

This contract ensures the railroad infrastructure is inspected and maintained in accordance with FRA rules and regulations, CPUC requirements, and Authority standards. In addition, it provides support for capital, rehabilitation, and third-party projects, support for Track and Signal Maintenance, as well as emergency response or other operational incidences occurring on the railroad right-of-way. This contract also includes provisions to perform and support other project work through the Work Directives process.

On June 25, 2021, the Board approved the contract funding authorization for the On-Call Work Directives for the full five-year base term of the contract in an amount not-to-exceed \$45,000,000. Work Directives are funded via New Capital, Rehabilitation and third-party projects that could span multiple years and would only be authorized once funding is approved and available through their own budgetary constraints and controls that are outside of the Annual Operating Budget. Herzog will be authorized to work on such projects through the Work Directive process. On September 26, 2025, the Board authorized the exercise of the three-year option and increase the total contract authority amount for Work Directives to \$177,270,996 for the remainder of the performance period.

Discussion

Herzog, under Base Services, performs Track and Signal Infrastructure Maintenance in a safe, reliable, affordable, efficient, customer-centric manner and in conformance with the Contract requirements. The Base Maintenance Services include the inspection, testing, reporting, management, replacement and repairs of the track and signal infrastructure on the Authority's maintained Service Property in accordance with the requirements of the Contract No. MS289- 22 Agreement and Scope of Services.

The contract specifies that Herzog shall submit an annual budget based on Track and Signal Infrastructure Maintenance criteria via a proposed service plan provided by the Authority. The proposed FY2026-27 operating budget for Contract No. MS289-22 consists of:

- SCRRRA property other than Arrow Service: \$48,001,167.17

- Arrow Service: \$1,506,940.65
- Total: \$49,508,107.82

Budget Impact

The amounts for which base maintenance annual contract authority is requested are included in, and are contingent upon, the adoption of the Proposed FY27 Operating Budget and the FY27 Arrow Budget. 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 approval of this request and adoption of the FY2026-27 Operating Budget, staff will issue a Notice to Proceed for the FY2026-27 service plan and for the approved annual authority under the provisions of this contract.

Prepared by: Tim Morehead, Director, Track & Signal Infrastructure Maintenance

Approved by: Rod Bailey, Interim Chief Operating Officer

Attachment(s)

[Presentation - FY26-27 Annual Contract Funding Authorization - Contract No. MS289-22](#)