



ITEM ID: 2024-305-0

TRANSMITTAL DATE: November 5, 2024

MEETING DATE: November 8, 2024

TO: Board of Directors

FROM: Donald Filippi, Chief Operating Officer

SUBJECT: Contract MSOP158-24 Train Operation and Maintenance Services - 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 a bundled 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 \$1,121,666,447.86.

The requested contract authority includes:

1. The not-to-exceed amount of \$7,869,806.68 for mobilization, excluding Option A-O1 (Materials Management) 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 Materials Management 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 Service) in the not-to-exceed amount of \$6,435,140.52 consisting of the mobilization (\$779,011.12) and five-year base term of the Contract (\$5,656,129.40), and \$3,800,250.79 for the single three-year option. These amounts reflect 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. This Materials Management Option A-O1 may be exercised during the base five-year period of the Contract, at the sole discretion of the CEO.
4. The On-Call Work Directives 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. This amount is 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).
5. The pass-through cost for Materials is not-to-exceed contract authority in the 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 the Materials Management Option A-O1. The amount is an estimate to cover the actual cost of materials on 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 each 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

This report and recommendation was initially presented to SCRRA's Board of Directors on October 25, 2024. That day, Directors provided constructive feedback and queried staff about

decisions that informed this proposal. This report is designed to address Directors' questions, provide information that bolsters their confidence in staff's recommendation and advance this important procurement.

First, staff want to underscore that all Authority contracts are designed with one immutable top priority – safety. Protecting our employees, customers, and assets is at the core of our day-to-day efforts. The proposers' safety record was the first category that was addressed in their proposals.

Additionally, to improve efficiencies, contractor management, and contractor accountability, the Authority is continuing its business strategy, approved by the Board in May 2019, 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, which expires in 2026 and has three one-year options.

The TOMS Contract bundles the train operator services for Metrolink and Arrow Service, the maintenance of equipment, and maintenance of the facilities used by the Contractor. Separately, Arrow Service's equipment and maintenance facility is transitioning by way of contract assignment from SBCTA to SCRRA to Stadler.

Currently the Authority has three major contracts in place to provide the scope encompassed in the TOMS Contract:

- Contract No. OP137-17 was awarded to Bombardier Mass Transit Corporation for Maintenance of Equipment on September 23, 2016. (Bombardier was acquired by Alstom Transit Inc. in 2021.)
- 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 three contracts expire on June 30, 2025. The current Train Operator and Equipment Maintenance contracts do not reflect current costs and pricing, and costs associated with these contracts FY25 and beyond would require the costs to be adjusted upwards to include inflation and updated Union agreements.

Currently Authority staff perform the majority of facilities maintenance. Maintenance of specialized equipment such as HVAC, elevators, landscaping, generators, and cranes, is provided by separate contracts.

Discussion

In March 2020, Request for Proposals (RFP) No. MSOP-150-20 – Rail Operations, Maintenance, and Support Services, was cancelled due to affordability concerns. The lessons learned from that procurement were incorporated into the TOMS procurement process and they were used to:

- Understand Budgetary Constraints
- Align Evaluation Criteria with Requirements
- Ensure Bidder Instructions Provide Clarity on Federal Requirements
- Recognize that Larger Contract Scopes may not Result in Greater Efficiencies
- Consider that Longer Contract Terms may not Result in Cost Savings
- Recognize that Complex Fee Structures May Increase Price

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 prime proposers the opportunity to self-identify during the pre-proposal conference as part of their outreach to subcontractors. Four firms self-identified as prime proposers. All attendees were invited 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. Per the RFP process, prospective Proposers would submit their approach on how to perform the scope of services of this Contract and would be evaluated based on the below criteria. Being a best-value procurement, both technical and cost criteria would be taken into consideration. Evaluation of proposals under this RFP was based on 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 to have adequate financial resources to fulfill the proposed contract.

A Technical Evaluation Committee (TEC) comprised of internal and external subject matter

experts, evaluated and scored the three proposals per the three technical evaluation criteria listed above (A-C). All three proposers complied with California Labor Code Section 1072 statutory workforce retention (Criterion D), which means they agreed to retain employees currently employed by the three contractors who provide the existing services. A team of internal subject matter experts provided as-needed support to the TEC. In accordance with the RFP's Instructions to Proposers, Technical Proposals that meet or exceed the minimum Technical Score of 70% (52.50) are included in the "Competitive Range" which means they are capable, from a technical standpoint, of being awarded a Contract. Proposers with an unacceptable safety record would not be considered in the Competitive Range. Two proposals met the minimum technical score of the available points under criteria A-D and invited the two proposers to present their teams and their proposed solution. The Competitive Range and their respective technical scores were as follows:

Competitive Range Technical Score		
Criteria	Herzog Transit Services, Inc.	Alstom Transport USA Inc.
A. Relevant Experience – Qualifications of the Firm and the Key Personnel	21.75	15.50
B. Past Performance	17.75	15.00
C. Approach to the Services	17.50	13.00
D. Workforce Retention	10.00	10.00
Technical Score	67.00	53.50

Following interviews before the technical evaluation committee, the final technical scores for the two proposers resulted in the update of the Technical Score (Final Technical Score) as shown below:

Final Technical Score		
	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

The price proposals were separately scored based on the calculation formula published in the RFP and the respective price scores were added to the Final Technical Score to identify the highest ranked proposer (see Attachment A, Table 2 for price proposals). The Total Score for the two proposers were as follows:

Total Score		
	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 final technical and price scores. In accordance with RFP procedures the Authority invited Herzog to begin negotiations with the Authority’s procurement team comprised of representatives from Operations, Finance, Contracts, and Legal departments. The price submitted by Herzog was approximately 6.36% (about \$65 million) higher than the Authority’s Independent Cost Estimate (ICE) and hence price and price drivers were a key focus of the negotiations, which began on September 17, 2024. The Authority referenced existing contracts, current expenditures, expected levels of service, inflation, estimated updated union agreement rates to develop their ICE.

The Authority and Herzog negotiated in good faith over multiple days - both in person and virtually – to better 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 without compromising safety, both sides agreed there was an unbridgeable price gap between what the Authority could afford and what Herzog was willing to provide. Accordingly, and consistent with the rules of the RFP, the Authority notified Herzog on September 24th that it was stopping further negotiations. Herzog did not object.

In accordance with the rules of the RFP, the Authority then opened negotiations with the second highest ranked proposer, Alstom on October 2, 2024. During the negotiations the parties addressed areas of concerns focused on those areas in which Alstom had scored the lowest. For example, the parties agreed on the staffing of three key positions, the General Manager, Assistant General Manager of Safety, and Assistant General Manager of Operations. The Authority reviewed and approved Alstom’s proposed staff. In addition, the Authority received needed clarity on some areas in Alstom’s approach to providing the Metrolink service. This was to ensure that Alstom had a clear understanding of the RFP and to allow Alstom to answer any questions Authority staff had relating to their approach to service. Alstom addressed the questions and provided clarity on their approach to service. For example, there were questions pertaining to feasibility of innovative ideas proposed by Alstom, inclusion of all expected services as part of base cost, Maintenance of Equipment assumptions, and Facilities maintenance. Once satisfied that Alstom fully understood the scope of work, the Authority negotiated with Alstom on its price proposal.

The Authority considers Alstom's final negotiated price to be fair and reasonable.

(See Attachment A, Table 1 for Alstom & Herzog Pricing Comparison Details)

Disadvantaged Business Enterprise (DBE) Requirements

A DBE contract goal of 5.74% was established for this U.S. Department of Transportation (DOT) assisted contract. Alstom committed to DBE participation of 5.83%.

Who is Alstom?

Alstom is a global operations and maintenance contractor with more than 80,000 employees in 63 countries, and more than 50 active train operations and maintenance projects. Alstom has experience in designing, manufacturing, and maintaining rail vehicles currently utilized in the rail transportation network. They also have in excess of 40 years' experience operating and maintaining rail systems throughout North America.

Beginning in 1998, the Authority contracted with Bombardier Mass Transit who performed rolling stock maintenance. In January 2021, Alstom acquired the transportation division of Bombardier and assumed all its responsibilities. Alstom manages over a 1,000 engineers and conductors in North America, maintaining over 250 locomotives and over 1,700 coach cars in commuter rail service. For more than 25 years, Alstom has been in charge of commuter rail operations and/or maintenance services under Federal Railroad Administration (FRA) jurisdiction.

Budget Impact

The amount for which contract authority is requested for Base Services mobilization (\$7,869,806.67) and Materials Management Option A-O1 mobilization (\$779,011.12) is included in the Approved FY25 Operating Budget.

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

1. \$94,146,738.89 for Base Services.
2. \$900,000 (estimate) for On-Call maintenance work directives
3. \$1,066,749.47 for the Materials Management option (if exercised).
4. \$16,735,812.73 for the Materials Pass-Through option costs (if exercised).

For FY26, staff will request \$8,150,000 in the first year which will include construction needs, rolling stock refurbishments, and facility repairs outside the base scope for the first year for Capital expenditures associated with this agreement.

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 November 4, 2024 expiration of the protest period, 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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Approved by: Don Filippi, Chief Operating Officer

Attachment(s)

[Attachment A - Additional Pricing Details](#)