



ITEM ID: 2025-149-0

TRANSMITTAL DATE: April 4, 2025

MEETING DATE: April 11, 2025

TO: Contracts, Operations, Maintenance, and Safety Committee

FROM: Donald Filippi, Chief Operating Officer

SUBJECT: FY25 Annual Contract Authority Increase for Contract No. MS289-22 - Track and Signal Infrastructure Maintenance and Support Services - Herzog Contracting Corporation

Issue

The requested Annual Contract Authority increase is needed to support the forecasted expenses for the remainder of the FY24-25 fiscal year. This accounts for scheduled Collective Bargaining Agreements (CBA), equipment rentals, and contracted exempt staff rate increases in effect this fiscal year that are needed to perform the Base Maintenance Services of the Contract. As of December 2024, the FY25 year-to-date budget is \$18,643,236 and actuals are \$19,816,572 (\$1,173,336 over budget).

Recommendation

It is recommended that the Committee recommend the Board authorize the Chief Executive Officer to approve the increase of the annual contract authority for Contract No. MS289-22 with Herzog Contracting Corp (Herzog) for Track and Signal Infrastructure Maintenance and Support Services in the amount of \$2,457,777 for a new not to exceed amount of \$40,889,084.

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 has 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, if exercised).

On June 28, 2024, the Board awarded annual contract authority for Contract No. MS289-22 Track and Signal Infrastructure Maintenance and Support Services with Herzog Contracting Corp (Herzog) in a not-to-exceed amount of \$38,431,307 for FY2024-25:

- SCRRRA property other than Arrow Service: \$37,286,472
- Arrow Service: \$1,144,835

Discussion

As of December 2024, the FY25 year-to-date budget is \$18,643,236 and actuals are \$19,816,572 (\$1,173,336 over budget). The requested contract authority increase is needed to support the forecasted expenses for the remainder of the FY24-25 fiscal year. This accounts for scheduled Collective Bargaining Agreements (CBA), equipment rentals, and contracted exempt staff increases in effect this fiscal year that are needed to perform the base Maintenance services of the MS289-22 Track and Signal Contract.

Staff is forecasting the need for an additional \$2,457,777 in FY25 annual contract authority that consists of:

- Systemwide: \$2,457,777
- Arrow: \$0

Budget Impact

The amounts for which contract authority increase is being requested are included in the Adopted FY25 Operating 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, Operations staff will communicate with the contractor and continue oversight of the services provided under this contract.

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

Approved by: Donald Filippi, Chief Operating Officer