



# **Briefing on Exercising the 10-year Contract Option of the Current Regional TRE Operations & Maintenance (O&M) Contract and Including DART's Silver Line**

Committee-of-the-Whole  
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# Regional O&M Contract Highlights

- Current Regional TRE O&M contract expires September 30, 2025
- There is built-in 10-year option that, if exercised, extends term to September 30, 2035
- We are seeking authorization to exercise **five years** of the 10-year option and retain one five-year option
- These contract terms are aligned with TEXRail contract
- This contract will be used for Silver Line operations
- Contractor is currently meeting expectations.
- Contract has fixed prices adjusted annually based on Producer Price Index (PPI) with a 3% cap



# Regional O&M Scope of Work for Comparison for TRE and Silver Line

- TRE Operations & Maintenance
  - Train Operations and Dispatch
  - Right-of-Way, Track & Signal Maintenance
  - Fleet Maintenance
  - Capital Maintenance
  - Positive Train Control (PTC)
  - Safety & Regulatory Compliance
- Silver Line Operations & Maintenance of Way (Starting in 2024)
  - Mobilization
  - Train Operations and Dispatch
  - Right-of-Way, Track & Signal Maintenance
  - Capital Maintenance
  - Positive Train Control (PTC)
  - Safety & Regulatory Compliance

# TRE O&M Contract Provisions

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- Full-Service Operations & Maintenance Contract
- Contracted Services included:
  - Train Operations & Dispatching
  - Maintenance of Track, Signals, Bridge and Facilities
  - Maintenance of Rollingstock Equipment
  - Capital Maintenance
  - Positive Train Control
  - Supervisory Staffing and Support

# **TRE Contractor's Responsibility**

- The Contractor is responsible for all work including labor, materials and parts to maintain, operate the system, meet the performance requirements and state-of-good repair
  - Provide well-maintained maintenance facility, on-time train operations, maintain right-of-way, dispatching, and comply with local, federal and state requirements
  - Provide all material, qualified technical and skilled labor, and equipment
  - Provide staff of qualified experienced personnel

# Regional O&M Shared Scope of Work

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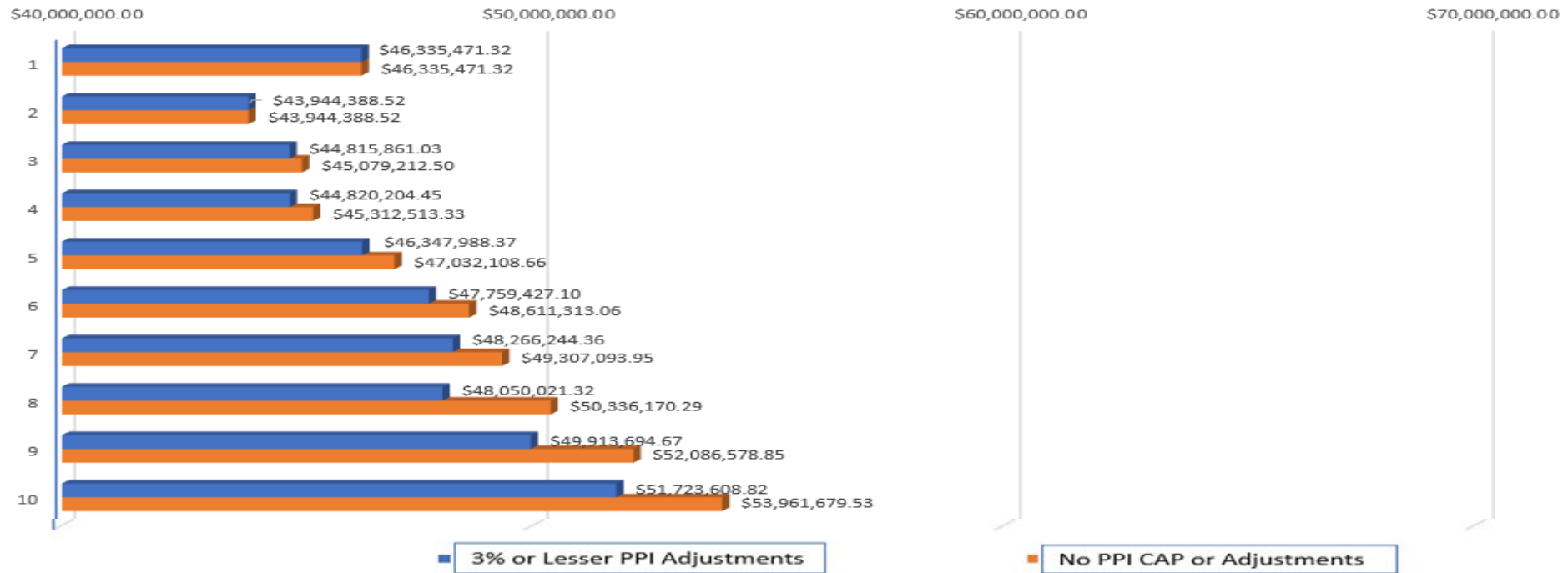
- Services shared between TRE, TEXRail, and Silver Line services (starting 2024)
  - Dispatch
  - Positive Train Control (PTC)
  - Safety & Regulatory Compliance
  - Senior Management Personnel
  - Contractor Heavy Equipment
  - Maintenance Material

# Annual Fixed Price Escalation

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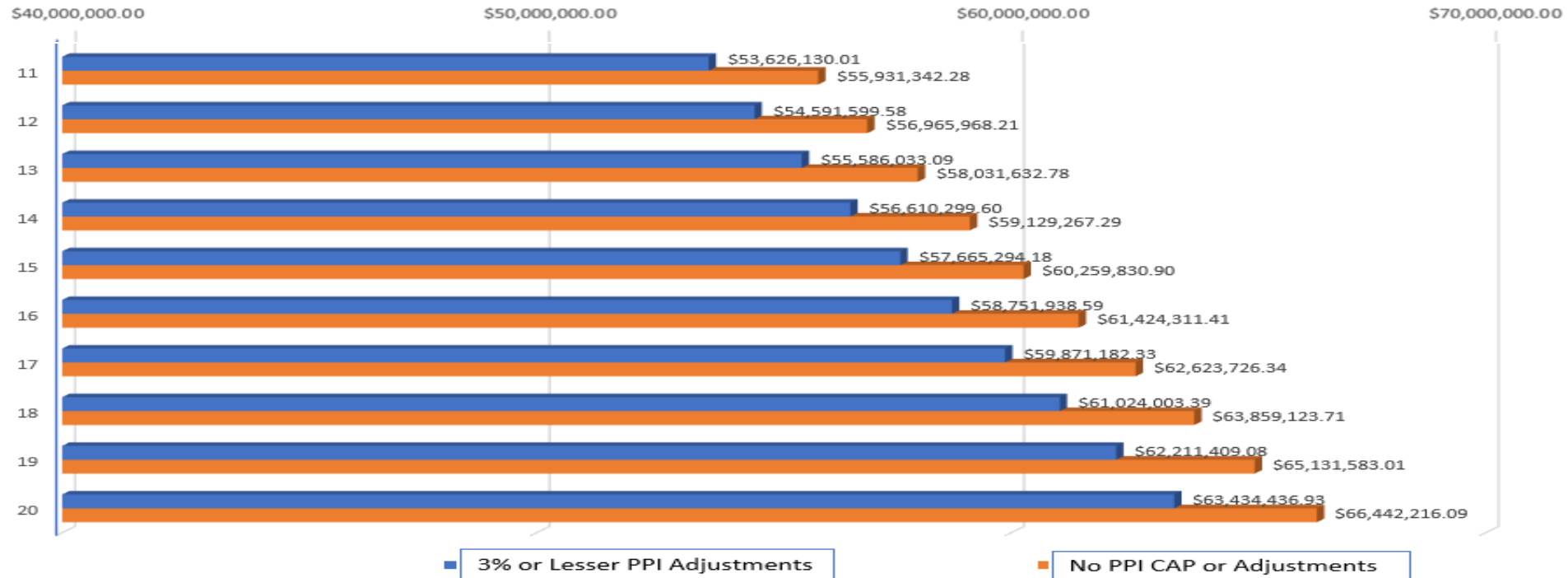
- The contract price escalation is calculated as actual Producer Price Index (PPI) increase and capped at 3%. DART will negotiate to retain this 3% cap in the five-year period
- FY 2015 to FY 2021, the annual adjustment averaged approximately 2.5%
- Currently the PPI is trending to be at or above 7.5% for FY 2022
- The Option Period Pricing, capped at 3% escalation, allows DART to maintain budget and protection against any additional inflationary spikes

# TRE O&M Estimated Savings from PPI Adjustments



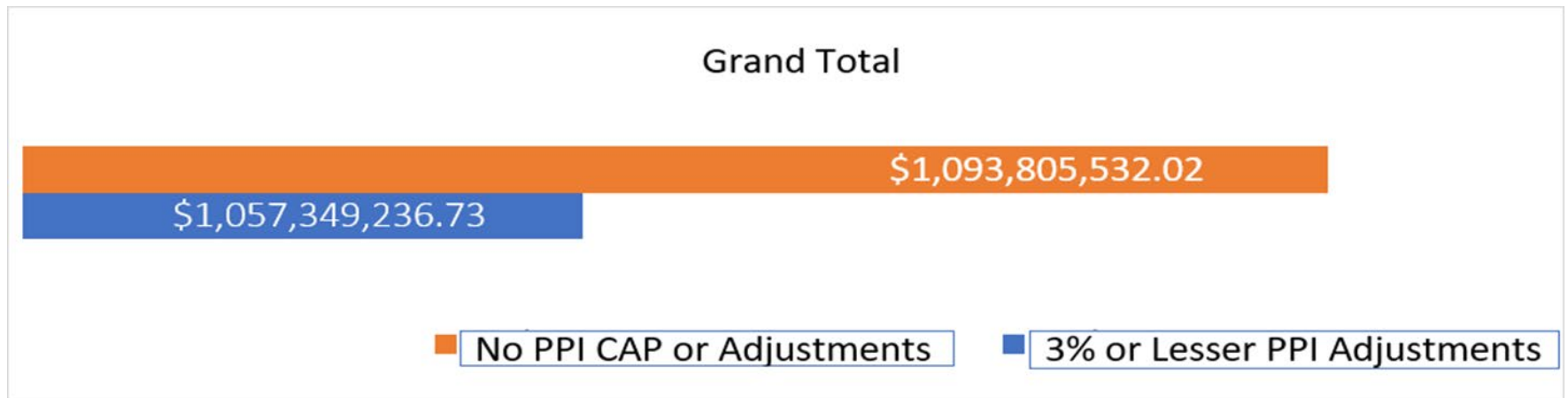


# TRE O&M Estimated Savings from PPI Cap



# Escalation Costs

- Orange graph predicts what the contract potential cost would be if you had a reasonable escalation rate of 3% per year + 7.5% for FY2023 (10 base years & 10 option years; five-year option, retaining one five-year option)
- Blue graph shows what the actual contract cost is utilizing the current annual PPI per year with a 3% maximum escalation
- Utilizing the current PPI with the 3% cap, protects DART from temporary unstable market values



# Procurement in Lieu of Exercising 10-year Option (5-year option, retaining one 5-year option)

- Scope development would need to begin in Summer 2022 including coordination talks with Trinity Metro and DCTA regarding regional contracting opportunities
  - This occurs simultaneous to negotiation of Silver Line near term scope
- Procurement and mobilization would take approximately 2.5 years (scope development, procurement, and mobilization)
- Only three offers were received during the last RFP
- Herzog Transportation Services Inc. (HTSI) submission was evaluated as best for Technical services and Price considerations. HTSI bid was significantly below the next lowest bidder

# Procure New Contract - Pros and Cons

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- PROS:
  - Ability to see what is available in the market
  - Competitively price Silver Line operations and maintenance
- CONS:
  - Would not have Silver Line operating history while developing Scope of Work
  - Silver Line would just be in year two of operations when procurement and mobilization takes place
  - Lose immediate savings of 3% escalation cap

# Contract Procurement Timeline

Timeline to Procure				
Activity	FY22	FY23	FY24	FY25
Develop SOW	6 MONTHS			
Procurement		14 MONTHS		
Board Approval			3 MONTHS	
Mobilization			12 MONTHS	

Contract start date FY26 on 10/1/2025

# Potential Qualified Bidders on Future O&M

- Herzog Transit Services
- Keolis
- Alstom/Bombardier
- Alternative Concepts Inc (ACI)

# Benefit of Exercising 10-year Contract Option (5-year, 5-year option)

- The Contract will remain aligned with DART's regional partners
- DART will benefit from cost savings through shared services with TEXRail
- DART will protect cost savings by capping price escalation far below actual increases in the Producer Price Index (PPI)
- Contract Goal is 7% DBE and 27% M/WBE. Herzog is currently trending at 7% DBE and 28% M/WBE
- Benefit from continuity of operations following Silver Line start up
- HTSI has an excellent performance and safety record on TRE
  - 97% On-Time Performance goal has been met or exceeded in 22 of the last 27 months
  - Safety - Days without a lost time injury:
    - Transportation – 166 days
    - Maintenance of Equipment – 256 days
    - Maintenance of Way – 12 days
    - Maintenance of Signals – 26 days as of 6/17/22

# Exercise Five-year Option - Pros and Cons

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- PROS:
  - Continuity of operation for the Silver Line
  - Realize the cost savings of 3% escalation cap
  - Share resources leading to cost savings
  - Allows for near-term procurement while building Silver Line operating history
  - Less longevity than 10-year option (10-year option versus five-year option)
  - Maintains another 5-year option period
  - Aligns with expiration of Stadler Vehicle Maintenance contract (2035)
- CONS:
  - Limited savings for next five years of 3% escalation cap
  - Silver Line pricing not subject to competition



# **Recommendation and Next Steps**

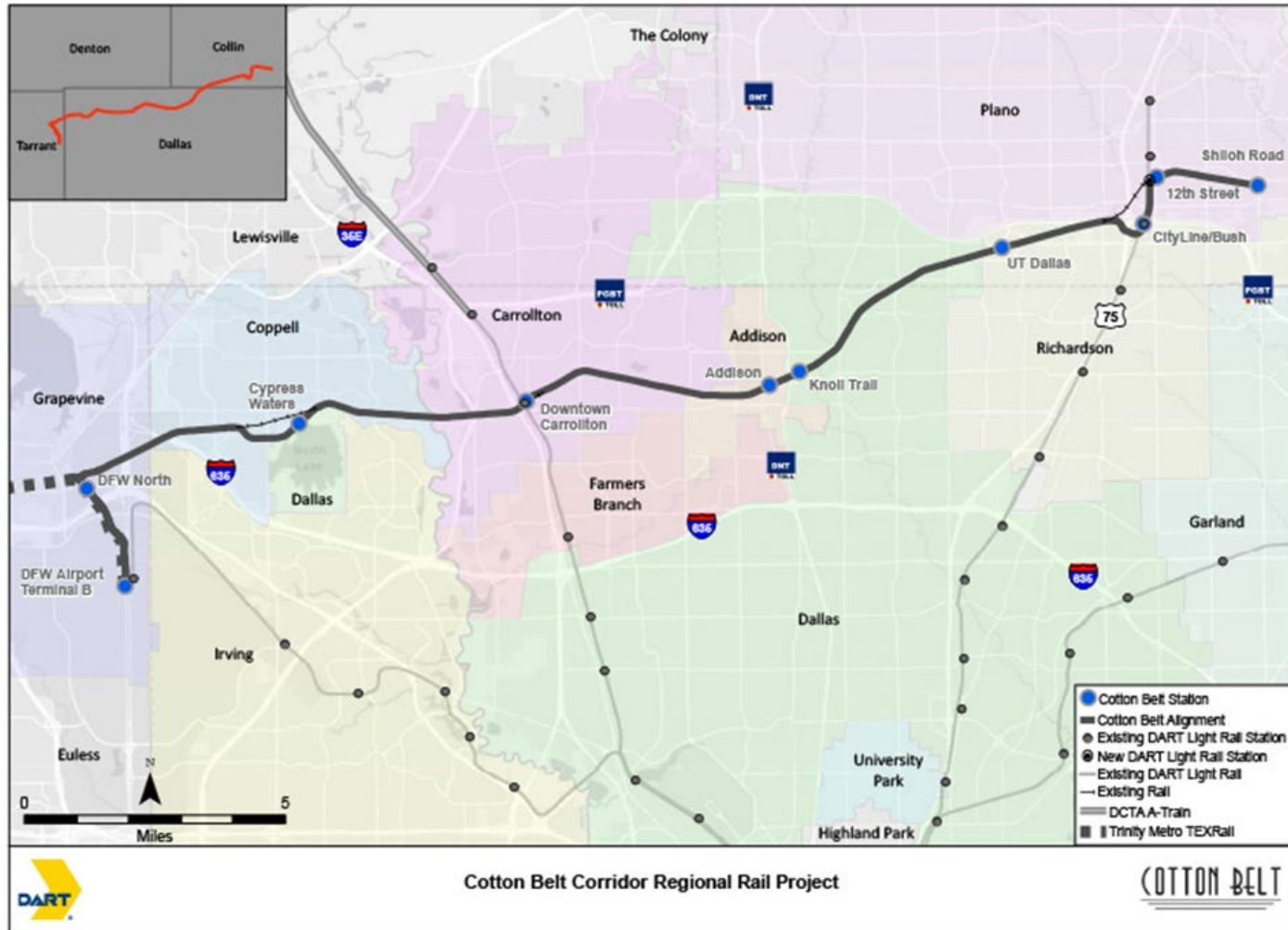
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- Negotiate with HTSI for 5-year option and maintain second 5-year option for TRE.
  - Present to TREAC, DART, TM Boards in Fall 2022
- Define scope and negotiate for near-term Silver Line operations under existing contract
  - Present to DART Board in Fall 2022



[trinityrailwayexpress.org](http://trinityrailwayexpress.org)

# Silver Line Map



# TRE Map



## Trinity Railway Express Station Map

