



May 8, 2025

To: Transit Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Amendment to Agreement for the Operations and Maintenance Services for the OC Streetcar Project

A handwritten signature in blue ink, appearing to read "Darrell E. Johnson", is positioned to the right of the "From:" line.

Overview

On February 24, 2025, the Orange County Transportation Authority Board of Directors approved the updated funding and schedule for the OC Streetcar project. As a result of these changes and the projected revenue service date in spring 2026, an amendment to the operations and maintenance agreement with Herzog Transit Services, Inc. is required to align the operations and maintenance services with the revised project timeline.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute Amendment No. 1 to Agreement No. C-8-2039 between the Orange County Transportation Authority and Herzog Transit Services, Inc. in the amount of \$5,938,341, and modify the initial agreement term through March 31, 2031, to align the revenue service contract years with the revised project timeline for operations and maintenance services for the OC Streetcar project. This will increase the maximum cumulative obligation of the agreement to a total contract value of \$59,003,931.

Discussion

The OC Streetcar project (Project) is anticipated to be completed and operational for revenue service by spring 2026 as a result of the revised funding plan and schedule update approved by the Board of Directors (Board). This reflects an approximately 18-month delay compared to the previously assumed revenue service start date. At the time of the execution of the agreement with Herzog Transit Services, Inc. (Herzog), the project schedule anticipated revenue service beginning in November 2024 with the initial term of the current operations and maintenance (O&M) contract set to expire on October 31, 2029.

Due to the updated project schedule, an amendment to the O&M contract is necessary to modify the initial term of the agreement through March 31, 2031. This action will align the revenue service contract years with the revised project schedule as approved by the Board. Staff has analyzed the impacts of the revised schedule on the current contract value of \$53,065,590 approved by the Board in April 2023. Results of this analysis indicate that an additional \$5,938,341 is needed to cover costs associated with an extended start-up phase, escalation costs for the revised revenue service term, and costs associated with additional spare parts that were not assumed in the original contract.

The construction delay and associated extended start-up phase has given Herzog's key staff valuable time to clearly define and organize all required protocols, procedures, and guidelines, enhancing coordination and ensuring a smoother transition into the testing phase which will begin in spring 2025. Additionally, Orange County Transportation Authority (OCTA) staff has proactively addressed regulatory requirements in advance of the testing and commissioning phase of the project, thereby mitigating the risk of compliance issues that may occur. Herzog provided subject matter expertise in the preparation of documentation required by the California Public Utilities Commission (CPUC) for safety certification. Additionally, Herzog collaborated with OCTA staff to develop the Public Transportation Agency Safety Plan in accordance with the Federal Transit Administration requirements and prepared essential policy and procedure documents, including the Standard Operating Procedures and Operating Rule Book. Further contributions during the extended start-up phase include:

- Participating in Rail Activation and Systems Integration Testing Committees to develop required plans, test procedures, and supporting documentation
- Developing the Roadway Worker Protection Plan and training program, a critical plan required by the CPUC to energize the first streetcar to begin testing and commissioning
- Attending factory acceptance tests and contractor training for newly constructed systems and equipment
- Supporting vehicle inspection and acceptance of eight streetcar vehicles in the City of Sacramento
- Coordinating with CPUC during site walks, document reviews, and project meetings
- Initiating mobilization activities including furniture and equipment procurement, staffing plans, and supporting vehicle delivery readiness

Given that the end of the five year revenue service term has been revised from October 31, 2029 to March 31, 2031, there are associated escalation costs for labor, materials, and equipment. However, the escalation rates applied remain consistent with those in the original contract and did not increase. Additionally, the costs associated with streetcar vehicle spare parts are now included in the revised contract total. Spare parts are treated as pass-through costs under the contract and are reimbursed by OCTA at actual cost, with no markup or profit. These costs were not included in the original contract agreement because the designs for key components, such as the bumpers, emergency battery, and flange lubrication systems, were not finalized at that time.

Procurement Approach

The original procurement was handled in accordance with OCTA's Board-approved procedures for professional and technical services. In addition to cost, other factors are considered in an award for professional and technical services. On May 22, 2020, the Board approved an agreement with Herzog in the amount of \$45,065,590. The agreement has also been previously amended as shown in Attachment A.

Staff requested a cost proposal from Herzog to account for the extended duration of construction and the updated revenue service date. Staff and Herzog have agreed upon the cost and schedule. Staff found Herzog's cost proposal to be fair and reasonable and consistent with the independent cost estimate prepared by OCTA's project management team. The proposed increase in value to the initial term of Agreement No. C-8-2039 will increase the total contract value to \$59,003,931.

Fiscal Impact

Funding for portions of the contract amendment is included in OCTA's Fiscal Year 2024-25 Budget, Capital Programs Division, Account No. 0051-7370-TS010-Z88, and the remaining portions of the contract agreement will be requested in future fiscal year budgets.

For revenue service, OCTA intends to leverage state and federal funds including federal Congestion Mitigation and Air Quality Improvement Program funds and State of California Low Carbon Transit Operations Program funds to support revenue service operations in addition to fares, Measure M2 Project S, and contributions from the cities of Garden Grove and Santa Ana.

Summary

Staff requests Board of Directors' approval to authorize the Chief Executive Officer to negotiate and execute Amendment No. 1 to Agreement No. C-8-2039 between the Orange County Transportation Authority and Herzog Transit Services, Inc., in the amount of \$5,938,341 for the continuation of OC Streetcar operations and maintenance services and modify the initial term of the agreement through March 31, 2031. This will increase the maximum obligation of the agreement to a total contract value of \$59,003,931.

Attachment

- A. Herzog Transit Services, Inc., Agreement No. C-8-2039 Fact Sheet

Prepared by:



Cleve Cleveland
Department Manager, Local Rail
(714) 560-5535

Approved by:



Johnny Dunning, Jr.
Chief Operating Officer, Operations
(714) 560-5710



Pia Veasapen
Director, Contracts Administration and
Materials Management
(714) 560-5619