

Receive Update on Rail Operations & Maintenance Successor Contract

**JPB TOPS Committee
May 28, 2025**



Agenda

1. Purpose
2. Expressions of Interest
3. Current Focus Areas
4. Next Steps

Purpose

Why We're Here Today

- At the March Board meeting, staff received approval of **Guiding Principles** and **Goals** for developing Caltrain's next Operations & Maintenance (O&M) Agreement.
- Caltrain subsequently issued a **Request for Expressions of Interest** (RFEI) to gauge potential proposer interest and seek input on key topics to inform the agency's procurement strategy.

Expressions of Interest – Key Takeaways

RFEI Purpose

- Understand operating models and best practices from experienced operators
- Identify firms or teams with demonstrated expertise in safe and reliable train operations and maintaining modern rail infrastructure and rolling stock
- Collect feedback on potential payment and performance mechanisms that incentivize proactive problem solving, innovation and creativity, safety, reliability, and cost-effectiveness
- Identify qualified invitees to participate in one-on-one meetings
- Inform the development of a future Request for Proposals (RFP) that aligns with current market expectations and capabilities.

RFEI Summary

- Received 24 submissions
- 16 firms met eligibility criteria
- 15 meetings held in April (1 firm withdrew)

Expressed Interest In:	Number of Firms
Full Scope (Operations, MOW, MOE)	11
Train Operations	14
Maintenance of Way	19
Maintenance of Equipment	18
Other*	1

Some firms expressed interest in more than one area, so does not add to 24

*Other respondent was an SBE interested in partnering with other firms

Detailed RFEI Feedback

Topic	Key Takeaways
Contract Scope and Approach	<ul style="list-style-type: none">• Contract Term: Preference for longer base terms (7 to 10 years) with multiple options of 3 to 5 years. Allows for more investment and risk-sharing.• Commercial Structure: Important to have contractual method for operator to propose efficiencies and share savings, and to mutually agree on cost escalations. Cost-plus fosters partnership and stewardship but does not incentivize innovation. Fixed price requires a more clearly defined scope, will add cost/contingencies and limit agency's flexibility.• Innovation: 80/20 split on electricity costs; revenue generation (advertising, corporate partnerships, EV charging); predictive algorithms; obsolescence monitoring for parts.
Risk and Delivery	<ul style="list-style-type: none">• Risk Allocation: Risks are best owned by the party that can control the related outcomes. Performance penalties and liquidated damages should include ranges and/or caps.• Common Concerns: Material cost fluctuations and long lead times, funding shortfalls (SOGR), track access windows, unknown or undocumented asset conditions, vandalism. Having existing contractor be fully engaged in handover process.• Positives: New infrastructure and vehicles. No concerns about operating mixed fleet. Complimentary of Caltrain's transparency and engagement.

Detailed RFEI Feedback (continued)

Topic	Key Takeaways
Performance Requirements and Data	<ul style="list-style-type: none">• Performance Regime: Performance-based incentives better drive culture and partnership than the threat of penalties. Recommend three primary focus areas: Safety, Reliability (OTP, MDBF, rolling stock availability), and Customer Experience. Incentives don't have to be monetary – meeting certain targets could instead trigger extension authorization.• Responsiveness: Owner and operator should prioritize response and recovery times when assessing performance. Consider quantifying collaboration and timely performance of work directives for additional services.• Excludable Events: Operators do not want to be penalized for issues outside their span of control (e.g., trespasser strikes, extreme weather events, third party incidents). Contractors should be responsible for service impacts resulting from operator error or poor maintenance.• Data Services and Reporting: Need one common hub and single source of truth. Data should be electronic and real-time. Most major operators have their own EAM/MMIS.
Experience and Workforce	<ul style="list-style-type: none">• Key Personnel: Consider limiting the required number of named personnel but allow agency and contractor to mutually agree on remaining senior team members upon contract award.• Workforce Development: Important to build a pipeline and “grow our own.”

Detailed RFEI Feedback (continued)

Topic	Key Takeaways
Mobilization and Transition	<ul style="list-style-type: none">• Mobilization Period: Minimum of 6 months; 9 to 12 months is preferable. Full cooperation of current contractor and owner is essential to a timely transition.• Transition Risks: Asset and inventory handoffs; labor relations; employee training, recruitment, and retention; data migration (incomplete or late data provided by outgoing contractor).• Mobilization Costs: Operator should have flexibility within flat fee structure to shift costs between categories to address the biggest needs (vs. strict adherence to itemization).• Positives: Stadler TSSSA; expectation of high levels of employee retention.
Proposal Process and Roadblocks	<ul style="list-style-type: none">• Specific Requests: Issue a draft RFP and allow bidders to provide feedback. Conduct multiple Q&A rounds. Allow for thorough on-site inspections and site visits. Do not change deadlines last minute.• Response Times: Depends on contract structure (fixed price vs. cost-plus) and quality of data room, but 4 to 6 months is typical timeframe to develop a responsive proposal.• General Feedback: Contractors will gravitate to opportunities that offer clarity, predictability, and simplicity of provisions. Complex RFPs that try to find multiple ways to penalize operators for the same mistakes are indicative of broader challenges. Contractors don't want to be micromanaged: "good fences make for good neighbors" and "leave the how up to us."

Current Focus Areas

Priority Work Streams

- Working with subject matter experts to develop Scope of Services
- Evaluating key performance indicators for assessing contractor performance and applying incentives and deductions
- Developing pricing strategy for the commercial contract structure
- Identifying evaluation criteria for proposal scoring
- Reviewing draft procurement schedule in relation to peer agency solicitation timelines
- Discussing potential benefits of issuing a draft RFP

Next Steps

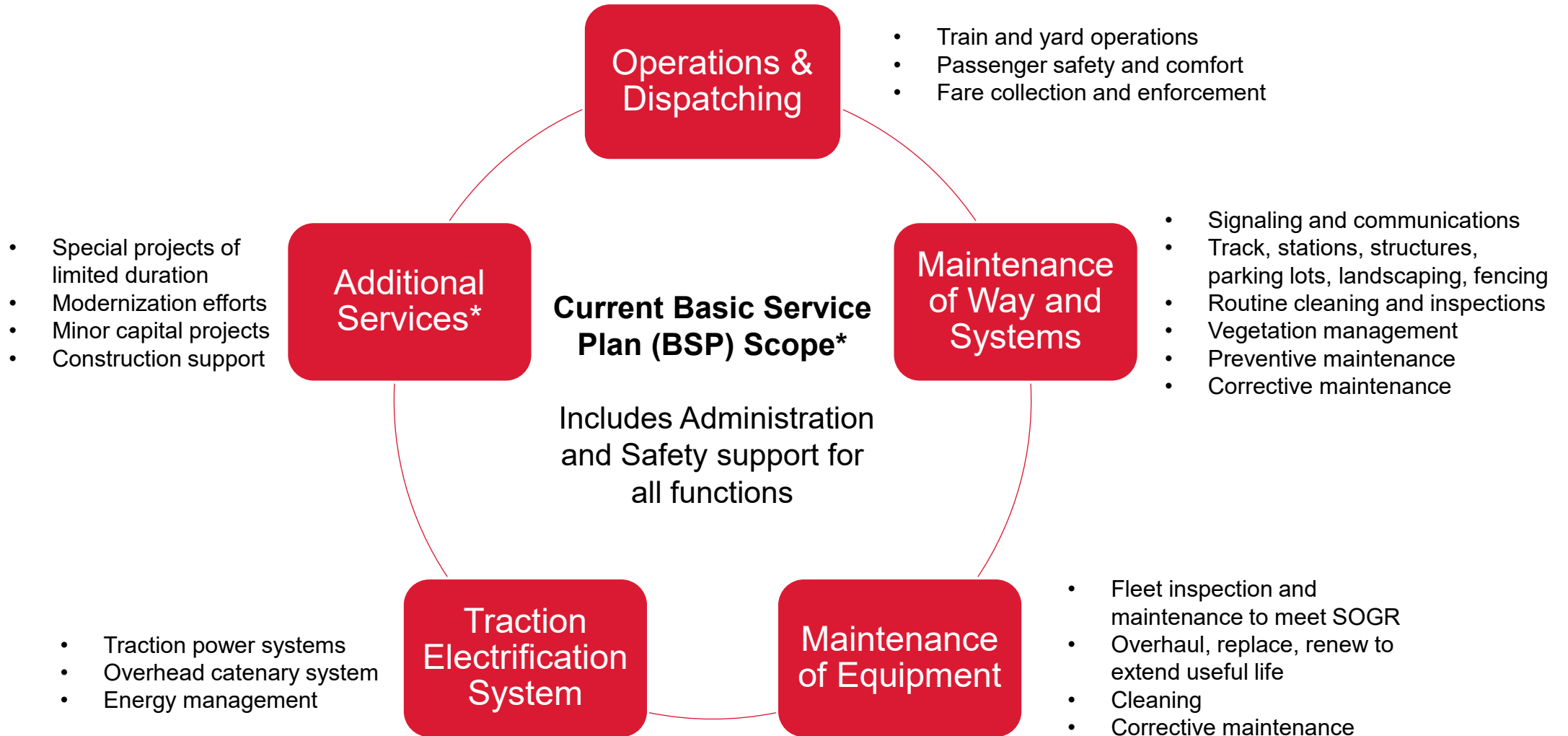
Next Steps

- Staff will return to the Board in the summer with more information on additional key policy decisions including:
 - The commercial arrangement of the successor contract
 - The evaluation criteria for scoring proposals
- Staff is also in the process of finalizing a procurement schedule that accounts for peer agency solicitations occurring in parallel to Caltrain's.

Comments or Questions?

Reference Slides

Current Contract Scope



Board Approved Guiding Principles

1. **Safety** as a primary core value in all facets of operations and maintenance, including a robust risk-based hazard analysis and decision-making process.
2. **Cost Efficiency, Innovation** and continuous improvement as demonstrated through the proactive implementation of solutions to enhance operational efficiency, increase revenue collection, promote sustainable practices, achieve cost-savings, and ensure appropriate allocation of risk.
3. **Reliability** of Caltrain service as demonstrated by excellence in on-time performance, preventive and corrective maintenance, and customer service.
4. **Capacity** to deliver on special projects as needed.
5. **Stewardship** of the Caltrain system by advancing the agency's mission and vision, with integrity, through impactful leadership including effective succession planning.
6. **Partnership** with a contractor who is proactively solving problems, mindful of controlling costs, and collaborative and communicative with Caltrain in providing the best customer experience possible.

Board Approved Goals

1. **Develop a modern, flexible contract** that reflects Caltrain's core values, maintains the highest standard of service for our customers, and incorporates industry best practices and lessons learned.
2. **Deliver safe, reliable, and excellent service** at a fair cost, including an appropriate balance of performance, price, and risk allocation, and ensure that the operator is responsive to the railroad's needs, including in emergencies, and provides resources to meet the need..
3. **Maintain the highest standards of safety** by ensuring regulatory compliance over the contract term and continuing to build on a safety culture that emphasizes reporting, recognition, communication, training, and continuous improvement.
4. **Maximize competition for the successor contract** by adopting a future procurement strategy that is marketable and executable.
5. **Ensure that any future handover process is safe, collaborative, and without impact** to employees of Caltrain's current contract operator and Caltrain's customers by establishing realistic mobilization timeframes and providing necessary support.
6. **Prioritize opportunities to achieve cost efficiencies**, including by strengthening fare collection systems, promoting ridership growth, and exploring new technologies.