




October 17, 2022

To: Members of the Board of Directors

From: Jason Jewell, Interim Managing Director 

Subject: Agreement with Union Pacific Railroad for Capitalized Track Access and On-Time Performance Incentive

Overview

The Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency has programmed \$64,703,130, in funding to provide capitalized track access and incentive payments to the Union Pacific Railroad in support of increased Pacific Surfliner service and maintenance of the new infrastructure constructed north of Los Angeles. Staff has worked with the Union Pacific Railroad to develop preliminary terms and conditions for establishing capitalized access and incentive payments. To support increased Pacific Surfliner service and performance, staff is seeking Board of Directors approval to negotiate and execute an agreement with the Union Pacific Railroad.

Recommendations

- A. Authorize the Interim Managing Director to negotiate and execute a cooperative Agreement between the Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency and Union Pacific Railroad, for a not-to-exceed amount of \$64,703,130, to implement a capitalized track access and on-time performance incentive payment in support of increased Pacific Surfliner service and performance north of Los Angeles.
- B. Authorize the Interim Managing Director to execute any necessary agreements with the State of California to facilitate any associated funding allocation actions.

Discussion

As part of the effort to advance service expansion and enhancement goals for the Pacific Surfliner service, the Los Angeles – San Diego – San Luis Obispo (LOSSAN) Rail Corridor Agency (Agency) is managing efforts to improve the efficiency of the infrastructure, add track capacity and improve on-time performance (OTP) along the

LOSSAN rail corridor in Ventura, Santa Barbara, and San Luis Obispo counties. The Pacific Surfliner service operates over four different host railroads including Union Pacific Railroad (UPRR), Metrolink, BNSF Railway, and North County Transit District along the 351-mile LOSSAN Rail Corridor. These host railroads are responsible for the operations and maintenance of the right-of-way, including dispatching trains.

Prior to the start of the pandemic, the Pacific Surfliner operated five roundtrips north of Los Angeles, with three terminating at Goleta and two terminating in San Luis Obispo. Consistent with the California State Rail Plan and existing and previous LOSSAN Agency Business Plans, LOSSAN Agency staff have been working with UPRR to continue efforts to increase service and improve the performance of the Pacific Surfliner north of Los Angeles.

The LOSSAN Agency's 2018 Transit and Intercity Rail Capital Program (TIRCP) grant award included \$147,930,000 in funding to address many of the improvements necessary to increase service north of Los Angeles, including construction of additional double track and siding extensions, station improvements, signals and switch upgrades, and capitalized access and incentive payments to the UPRR for to support the maintenance of the infrastructure improvements as well as improved Pacific Surfliner reliability and OTP.

Of the \$147.9 million of TIRCP funding awarded to the LOSSAN Agency in April 2018, approximately \$56 million is being directed to the implementation of a capitalized track access and incentive program, with the remaining 2018 TIRCP funds having been used to fund the current capital improvement and infrastructure enhancement program with UPRR, the expansion of the Goleta Layover Facility and, improvements to the Camarillo station. LOSSAN Agency staff also coordinated with the California Department of Transportation (Caltrans) Division of Rail and Mass Transportation (DRMT) to identify an additional \$8.1 million in other matching funds that were reprogrammed from unallocated 2016 TIRCP funds which were originally awarded to the LOSSAN Agency for the purchase of Talgo equipment. The revenue and expenses for the first year of this Agreement were included in the LOSSAN Agency's FY 2022-23 and FY 2023-24 annual business plan and FY 2022-23 Budget, which was approved by the Board on March 21, 2022. The table below summarizes the programmed sources of funding.

<u>Funding Source</u>	<u>Funding Amount</u>
2018 TIRCP	\$56,563,130
2016 TIRCP	\$8,140,000
<i>Total Budget for UPRR Capitalized Access and Incentive Agreement</i>	<i>\$64,703,130</i>

The intent of a new capitalized track access and incentive agreement will include the activities necessary to support the improved performance of the Pacific Surfliner

and the ongoing maintenance of capital improvements and infrastructure enhancements constructed as part of the current Passenger Service Enhancement and Infrastructure Improvement agreement between the LOSSAN Agency and UPRR. This agreement was authorized by the LOSSAN Board and executed in February 2020.

The agreement will also help to maintain higher OTP through an incentive payment that will be in addition to the capitalized track access payment. The maximum incentive payment will require OTP greater than 95 percent, with incentive payments being reduced as OTP diminishes, based on an agreed upon graduated scale.

UPRR, working in coordination with LOSSAN Agency staff, have prepared a draft cooperative agreement that defines the terms and conditions for implementing the capitalized access and incentive payments defined in the TIRCP grant award, the 2018 California State Rail Plan and the LOSSAN Agency Business Plans. The term of this agreement is five years, contingent on the availability of funding, with a termination date of December 31, 2027.

Fiscal Impact

Funding for this agreement is included in the LOSSAN Agency's FY 2022-23 revenue and expense budget, account numbers 0085-7831-X2026-D9D and 0085-7831-X2026-D9K, using Transit and Intercity Rail Capital Program funds.

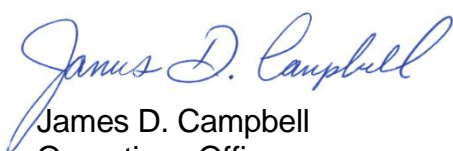
Summary

Staff is requesting Board of Directors' approval to negotiate and execute an agreement between the Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency and Union Pacific Railroad, for a not-to-exceed amount of \$64,703,130, to implement a capitalized track access and on-time performance incentive payment in support of increased Pacific Surfliner service and performance north of Los Angeles.

Attachment

None.

Prepared by:



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