LOSSAN

August 21, 2017

To: Members of the Board of Directors

From: Jennifer L. Bergener, Managing Director

Subject: Federal Fiscal Year 2017-18 and 2018-19 Operating Agreement with Amtrak for Pacific Surfliner Intercity Rail Service

Overview

In order to provide continued operation of the Pacific Surfliner intercity passenger rail service as included in the Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency business plan for fiscal years 2017-18 and 2018-19, an agreement must be negotiated with Amtrak. Consistent with prior Board of Directors approval and direction, staff has negotiated an operating agreement with Amtrak for federal fiscal years 2017-18 and 2018-19.

Recommendation

Authorize the Managing Director to negotiate and execute an agreement with Amtrak to provide for the continued operation of the Pacific Surfliner intercity passenger rail service for a term of two years, in an amount not to exceed $33,006,040, for federal fiscal year 2017-18, and in an amount not to exceed $32,325,567, for federal fiscal year 2018-19, subject to future funding approvals by the State of California.

Background

On March 20, 2017, the Los Angeles – San Diego – San Luis Obispo (LOSSAN) Rail Corridor Agency (Agency) Board of Directors (Board) approved the LOSSAN Agency business plan for federal fiscal years (FFY) 2017-18 and FFY 2018-19 (Business Plan). California State Transportation Agency (CalSTA) approval of the Business Plan is anticipated in late August 2017. The Business Plan outlines the budget and major goals and objectives necessary to provide and administer the Pacific Surfliner Intercity Rail Service (Service).

The current operating agreement between the LOSSAN Agency and Amtrak, is set to expire on September 30, 2017. In order to continue to provide safe, reliable, and efficient intercity passenger rail service on the LOSSAN rail corridor, a new operating agreement between the LOSSAN Agency and Amtrak is necessary.

Discussion

The LOSSAN Agency Business Plan outlined operational assumptions for FFYs 2017-18 and 2018-19, including the addition of a 13th roundtrip. These assumptions were consistent with historical performance of the service, the prior LOSSAN Agency Business Plan for FFY 2016-17 and FFY 2017-18, as well as the LOSSAN agency Strategic Implementation Plan and California State Rail Plan. The assumptions include the following key provisions:

- Modest growth in base ridership and revenue of 3 percent;
- Increase in base operating cost of 2 percent over the FY 2016-17 budget;
- Additional revenue and expense estimate to commence 13th round trip in FY 2018-19;
- No major capital projects or extraordinary vehicle maintenance would be necessary;
- Minor changes to fleet composition in anticipation of the new deployment of Siemens Charger locomotives
- No increases to base fares

Amtrak developed and submitted a detailed preliminary operating cost estimate for FFY 2017-18 and a projection for FFY 2018-19 on March 30, 2017.

The initial projection for operating costs was $109,868,614, which does not include minor projects expenses of $500,000. Once fare revenues of $83,677,000 were deducted, the estimated net state subsidy for FFY 2017-18 was to be $26,009,614. This was significantly less than the amount included in the approved LOSSAN Agency Business Plan and did not include the increase to operating costs associated with the addition of a 13th roundtrip between San Diego and Goleta.

The LOSSAN Board approved an amendment to the FFY 2017-18 and 2018-19 Business Plan and the LOSSAN Agency's FY 2017-18 annual budget on June 19, 2017. This amendment included in increase in the revenue and expenses associated with the 13th roundtrip, which is estimated to have a net cost of $5,672,618. This estimate is based off of the 12th roundtrip cost projection. The amendment also included adjustments to the diesel fuel cost per gallon, and an increase to the overall diesel fuel allocation. The revised fuel assumptions are consistent with the current average fuel price of $2.06 and consumption levels of 4,223,285 gallons per year. The net cost increase for fuel is estimated at $493,967. Finally, the amendment also included cost estimates for two additional police officers and either one assistant superintendent or road foreman of engines level position, including increases in the associated additive costs, which is estimated at $363,563.

The amended revenue and expense amounts result in a projected FFY 2017-18 operating cost of $119,038,762. Once the revised fare revenues $86,499,000 are deducted, the revised net state subsidy is estimated at $32,539,762, excluding minor projects funding.

Consistent with the revised projections noted above, LOSSAN Agency staff has worked to negotiate an operating agreement for FFYs 2017-18 and 2018-19. The base contract terms and budget were approved by the Board as part of the LOSSAN Agency Business Plan on March 20, 2017, and amended on June 19, 2017. Staff is recommending a two-year operating agreement be negotiated and executed in order to allow efficiency in the negotiations and a more focused effort over the next two years on improving the service and implementing planed service changes. There are no significant changes anticipated that would require the renegotiation of a new agreement, and a two-year agreement would allow for continued focus efforts and continuity of operations. The cost estimates and budget for the first year of the contract, FFY 2017-18, have been presented in detail and approved by the Board with anticipated approval from the State in late August 2017. Preliminary cost estimates for FFY 2018-19 have also been approved by the Board as part of the two-year business plan. However staff will return to the Board consistent with current practices to present a detailed operating budget for Board consideration prior to commencing the second year of the operating agreement. The funding necessary for the second year would also be subject to future approval by CalSTA through the annual business plan.

LOSSAN Agency staff is seeking Board approval to execute a two-year operating agreement with Amtrak for FFY 2017-18 and 2018-19 with Amtrak, in an amount not to exceed $33,006,040, for FFY 2017-18 and in an amount not to exceed $32,325,567, for FFY 2018-19, subject to future funding approvals by the State of California and the Board of Directors.

Summary

The current operating agreement to provide the existing Pacific Surfliner intercity rail service is set to expire September 30, 2017. In order to continue to provide safe, reliable, and efficient Service on the Los Angeles – San Diego – San Luis Obispo rail corridor, a new operating agreement with Amtrak is necessary. Staff is recommending a two-year agreement be negotiated and executed with Amtrak.

Attachment

None.