




July 15, 2019

To: Members of the Board of Directors

From: Jennifer L. Bergener, Managing Director 

Subject: Federal Fiscal Years 2019-20 and 2020-21 Operating Agreement with Amtrak for Pacific Surfliner Intercity Passenger 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 2019-20 and 2020-21, a new operating agreement must be negotiated with Amtrak. The current two-year agreement with Amtrak will end on September 30, 2019. Staff is seeking to negotiate a one-year operating agreement with Amtrak, with a second-year option subject to further negotiations with Amtrak and contingent upon funding approvals by the State of California.

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 one year, in an amount not to exceed \$31,678,283 for federal fiscal year 2019-20. Authorization for federal fiscal year 2020-21 will be subject to further negotiations with Amtrak and contingent upon subsequent year funding approvals by the State of California.

Background

On August 21, 2017, the Los Angeles – San Diego – San Luis Obispo (LOSSAN) Rail Corridor Agency (Agency) Board of Directors (Board) authorized 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 (FFY) 2017-18, and in an amount not to exceed \$32,325,567 for FFY 2018-19, subject to updated forecasts provided by Amtrak and future funding approvals by the State of California and the LOSSAN Agency Board.

Agreement L-7-0008 was executed and effective as of October 1, 2017, and will expire on September 30, 2019.

On September 17, 2018, the LOSSAN Agency Board authorized the Managing Director to amend agreement L-7-0008 for FFY 2018-19 in an amount not to exceed \$33,596,762, consistent with a revised Amtrak operating forecast for FFY 2018-19 and the fiscal year (FY) 2018-19 LOSSAN Agency Board-adopted budget. A new operating agreement with Amtrak is necessary to provide for continued operation of the Pacific Surfliner service.

Discussion

Staff is recommending the LOSSAN Agency Board authorize the Managing Director to negotiate and execute a one-year operating agreement, effective October 1, 2019 through September 20, 2020. The recommendation for a single year contract is to ensure the continuity of the service immediately while allowing for continued negotiations with Amtrak regarding several material areas of the operating agreement relating to marketing, technology, and equipment. The FFY 2019-20 agreement amount of \$31,678,283 is based on Amtrak's FFY 2019-20 operating forecast, and consistent with the amended FY 2019-20 LOSSAN Agency budget and the amended annual business plan for FY 2019-20 and FY 2020-21. In addition, the FFY 2019-20 agreement amount includes an estimate for a 13th roundtrip between Los Angeles and San Diego of \$1,114,820, as well as \$60,000 each for emergency bus bridge services provided by the Orange County Transportation Authority and North County Transit District (NCTD), and \$40,000 for the continuation of the transit transfer program.

In January 2018, Amtrak eliminated its local field marketing support, while continuing to charge the same level of marketing fees through the federally mandated cost methodology adopted by Amtrak. Work is currently underway on a national level to review the fees in relation to the level of support provided by Amtrak. In addition, Amtrak has indicated that onboard Wi-Fi service on the Pacific Surfliner will only be supported through FFY 2020. The two other California state-supported corridors in northern California have explored options to collaborate and provide Wi-Fi and onboard technology support independent of Amtrak. Staff is also working with NCTD and the Southern California Regional Rail Authority to identify a corridor-wide option. The LOSSAN Agency may be able to efficiently coordinate and utilize similar services. In addition, Amtrak has expressed a desire to remove cars from the Pacific Surfliner fleet, and the LOSSAN Agency is seeking various opportunities to directly lease or own equipment for exclusive use on the Pacific Surfliner service rather than continuing to lease through Amtrak. Given the fluidity of these initiatives, and the potential material impact they may have on the second-year term, LOSSAN

Agency staff is recommending a one-year agreement, with the second year being subject to future negotiations with Amtrak and contingent upon future funding approvals by the State of California.

Consistent with current practices, staff will return to the LOSSAN Agency Board prior to negotiating and executing the second year option of the operating agreement in order to incorporate the FFY 2020-21 Amtrak operating forecast and any necessary contract and budget amendments. The funding necessary for the second year will also be subject to future approval by the State of California through the annual business plan.

The California State Transportation Agency (CalSTA) approval of the FY 2019-20 and FY 2020-21 business plan is anticipated in September 2019. There are no significant changes anticipated in the amount of operating funds that will be approved by CalSTA. Any material changes that would require a budget amendment or procurement authorization would be brought back to the LOSSAN Agency Board for approval.

Summary

The current operating agreement to provide the Pacific Surfliner intercity passenger rail service is set to expire September 30, 2019. 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 one-year agreement be negotiated and executed with Amtrak in an amount not to exceed \$31,678,283 for federal fiscal year 2019-20. The federal fiscal year 2020-21 operating agreement will be subject to further negotiations with Amtrak and contingent upon subsequent year funding approvals by the State of California and the Board of Directors.

Attachment

None.

Prepared by:

A handwritten signature in black ink, appearing to read 'J. Jewell', is written over a light gray rectangular background.

Jason Jewell
Finance and Administration Manager
(714) 560-5086