



**November 6, 2017**

**To:** Executive Committee

**From:** Darrell Johnson, Chief Executive Officer

**Subject:** Administrative Support Agreement with the Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency

### **Overview**

In August 2013, the Orange County Transportation Authority was selected through a competitive process to serve as the managing agency for the Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency. An administrative support agreement was negotiated and executed in November 2013 to allow the Orange County Transportation Agency to assume that role formally. The existing administrative support agreement will expire on June 30, 2018. A new administrative support agreement is necessary to allow the Orange County Transportation Authority to continue in its role as the managing agency for the Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency.

### **Recommendation**

Authorize the Chief Executive Officer to negotiate and execute an updated administrative support agreement with the Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency for a three-year initial term with two three-year option terms.

### **Background**

The 351-mile Los Angeles – San Diego – San Luis Obispo (LOSSAN) rail corridor runs through a six-county coastal region from San Diego to San Luis Obispo. The LOSSAN rail corridor includes 41 stations and more than 150 passenger trains operating along the rail corridor daily. Annual ridership on the rail corridor exceeds 8.5 million riders with nearly three million on Amtrak Pacific Surfliner intercity trains and 5.5 million on Metrolink and COASTER commuter trains, making the LOSSAN rail corridor the busiest state-supported intercity corridor in the United States.

The LOSSAN Rail Corridor Agency (Agency) was formed in 1989 as a multi-county joint powers authority responsible for the coordination and planning for passenger rail service between Los Angeles and San Diego. The Orange County Transportation Authority (OCTA) is one of nine voting members that also include rail agencies and operators north of Los Angeles in Ventura, Santa Barbara, and San Luis Obispo counties.

The goal of the LOSSAN Agency is to increase the ridership, revenue, reliability, and safety for the 24 daily state-supported Amtrak Pacific Surfliner intercity trains. The trains are operated by Amtrak and supported using Public Transportation Account dollars provided by the California Department of Transportation (Caltrans) Division of Rail and Mass Transportation.

In September 2012, Senate Bill 1225 (Chapter 802, Statutes of 2012) authorized the transfer of the day-to-day management of the Pacific Surfliner service from Caltrans to the LOSSAN Agency. On August 23, 2013, a competitive process undertaken by the LOSSAN Agency Board of Directors selected OCTA to serve as the managing agency. In September 2013, the OCTA Board of Directors directed staff to negotiate and execute an administrative support agreement (ASA) with the LOSSAN Agency. The initial ASA, detailing the terms under which OCTA provides administrative support services as the managing agency, is set to expire on June 30, 2018.

### ***Discussion***

As managing agency, OCTA provides all necessary administrative support services to the LOSSAN Agency. In addition to housing eight full-time LOSSAN Agency employees, OCTA utilizes internal staff to provide support in a number of key areas, including contracts, human resources, risk management, information systems, reprographics, marketing, audits, treasury, and clerk of the board. The managing agency role is cost neutral for OCTA, with the LOSSAN agency providing reimbursements for all OCTA staff hours and resources on a monthly basis. All LOSSAN Agency administrative and staffing costs, including these managing agency fees, are fully reimbursed by the State of California.

Utilizing OCTA's broader resources under this structure has allowed the LOSSAN Agency to operate with greater efficiency. This is a result of it being much more cost effective to reimburse OCTA for services used rather than creating each of those resources independently. Over the past four years, the LOSSAN Agency and OCTA have experienced a mutually beneficial relationship using this model.

Since January 2014, the LOSSAN Agency has been responsible for a number of service improvements and notable accomplishments, including:

- Increased Pacific Surfliner annual ridership by 11.5 percent, and total revenue by 17.2 percent
- Implemented a 12<sup>th</sup> Pacific Surfliner roundtrip, the first service increase in 14 years
- Introduced an expanded and enhanced business class service, leading to a 20 percent increase in business class revenue in fiscal year (FY) 2016-17
- Increased Pacific Surfliner farebox recovery to 80 percent for FY 2016-17, far exceeding the state mandated 55 percent
- Revamped Café car menu to feature local products, leading to a 15 percent increase in food and beverage revenue
- Successfully applied for and received two Transit and Intercity Rail Capital Program grants, totaling more than \$83 million, for improvements on the LOSSAN rail corridor
- Utilized \$3.8 million in California Office of Emergency Services grant funds for safety and security improvements at Pacific Surfliner stations
- Initiated a transit transfer program offering seamless transfers to 12 local transit agencies, including OCTA and the Anaheim Resort Transit
- Initiated an extensive marketing program for the Pacific Surfliner service, including launching a new website and social media channels
- Established the Southern California Leadership Group which includes executive leadership from the various host railroads and operators along the LOSSAN rail corridor in an effort to improve service coordination and planning
- Received a clean external audit with an “unmodified” audit opinion on the FY 2014-15 and FY 2015-16 LOSSAN Agency financial statements

On April 18, 2017, the chairman of the LOSSAN Board transmitted a letter to all member agency chief executive officers indicating the intention to retain OCTA as the LOSSAN Managing Agency following the expiration of the existing ASA. All responses received from LOSSAN member agencies have been favorable toward OCTA continuing to serve as the managing agency. In this capacity, OCTA is able to directly improve passenger rail services, not just in Orange County, but along the entirety of the LOSSAN rail corridor. These efforts serve to make rail transit a more viable regional travel option. OCTA is highly regarded in the rail industry and has been commended for its work as the managing agency.

Staff recommends that OCTA continue to serve as the managing agency for the LOSSAN Agency. In order to facilitate this continuance, a new ASA must be negotiated and executed. The updated ASA would be for a three-year term with two three-year options. All costs associated with the ASA will continue to be fully

reimbursed through the State of California. The LOSSAN Agency will secure special legal counsel to review the updated ASA, as OCTA and the LOSSAN Agency share general counsel.

***Summary***

The administrative support agreement between the Orange County Transportation Authority and the Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency expires on June 30, 2018. Staff is seeking Board of Directors approval to negotiate and execute an updated administrative support agreement in order to allow the Orange County Transportation Authority to continue to serve as the managing agency for the multi-county joint powers authority.

***Attachment***

None.

**Prepared by:**

A handwritten signature in cursive script, appearing to read "Kenneth Phipps".

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