

DATE: JUNE 12, 2025
FROM: GOODS MOVEMENT
**SUBJECT: RESOLUTION NO. _____ - APPROVAL OF FIFTH AMENDMENT
TO PACIFIC HARBOR LINE, INC. OPERATING AGREEMENT NO. 1989**

SUMMARY:

Staff requests approval of the Fifth Amendment to Operating Agreement No. 1989 (Agreement) between the City of Los Angeles Harbor Department (Harbor Department) and Pacific Harbor Line, Inc. (PHL), which will extend the term of the Agreement by one year from December 31, 2025, to December 31, 2026. PHL is a shortline railroad that is the current Port of Los Angeles (POLA)-Port of Long Beach (POLB) complex rail operator (PRO). The PRO provides rail services for POLA terminals, which also includes interchanging trains with the BNSF Railway (BNSF) and Union Pacific Railroad (UPRR). The Harbor Department and the POLB each have an operating agreement with PHL. On May 19, 2025, the Harbor Department and POLB released a joint request for proposals (RFP) for selecting the next PRO. The proposed Amendment is needed to complete the RFP process and authorize commencement of operations with the selected PRO. There are no financial impacts to the Harbor Department as PHL will continue to pay rent.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Approve the Fifth Amendment to Agreement No. 1989 with PHL to extend the term from its current expiration of December 31, 2025 to December 31, 2026;
3. Direct the Board Secretary to transmit the Resolution and Fifth Amendment to the City Council for approval pursuant to Section 373 of the City Charter and Section 10.5 of the City Administrative Code; and
4. Adopt Resolution No. _____.

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DISCUSSION:

PHL is a Class III/shortline railroad as defined by the Surface Transportation Board, and provides rail services for terminals in both ports, including interchanging trains with the BNSF and UPRR. The following briefly describes PHL services:

- UPRR container (intermodal) trains: The UPRR arrives/departs 12,000'-15,000' container trains to/from the Alameda Corridor (AC) via their Dolores Yard. Via a contract with the UPRR, PHL moves segments of these long trains to/from POLA and POLB container terminals. Currently, PHL arrive/depart about 75% of UPRR trains to/from container terminal storage yards; the UPRR handles the remaining 25%.
- BNSF intermodal trains: Via a contract with the BNSF, PHL currently arrive/depart about 10% of BNSF trains to/from container terminals storage yards; the BNSF handles the remaining 90%.
- Within container terminals: Via contracts with the terminals, PHL moves all railcars between container terminals storage and loading yards.
- Non-container Terminals: Via contracts with the terminals, PHL moves non-container railcars to/from various terminals in the POLA to interchange (handoff) with the UPRR and BNSF at locations in (POLA Berth 200 Railyard) and outside the POLA (BNSF Watson Yard, POLA Manual Yard, and UPRR Mead Yard).
- Train Dispatching: PHL is responsible for dispatching services (train traffic control) within the POLA-POLB complex and adjacent area, including the south end of the AC. These dispatching services also include the necessary seamless interface with the dispatching of the AC itself, currently handled by the UPRR and BNSF, via an agreement with the Alameda Corridor Transportation Authority.

Unlike our terminal leases, the Harbor Department does not lease the rail infrastructure to PHL but rather permits PHL to perform rail operations within and directly adjacent to the POLA via an operating agreement. PHL operates on rail infrastructure primarily owned by the Harbor Department, and on some rail trackage jointly owned with the POLB. The POLA rail infrastructure encompasses about 134 acres, which includes the 35-acre Berth 200 Railyard where PHL is based and stores/stages trains (see attached map). In addition to paying for the rail services described above, the UPRR and BNSF pay annually for PHL's train dispatching costs and the maintenance and repair (M&R) of Harbor Department rail infrastructure outside the terminals' permit areas. The UPRR, BNSF, POLB, and the Harbor Department approve PHL's annual dispatching and M&R budgets.

The Harbor Department and POLB jointly selected PHL as the PRO in 1997. The Agreement was last amended in August 2023 and expires December 31, 2025. The POLB will need to execute the same requested extension, which is required for PHL to operate in the ports. Proposals for the selecting the next PRO are due July 28, 2025. The proposed PHL Agreement amendment will enable sufficient time to authorize

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commencement of operations with the selected PRO. This authorization is preceded by the following necessary activities: proposal evaluation and selection (with POLB), agreement negotiations (with POLB), Board approval, City Council approval, and sufficient transition (overlapping implementation) time, if PHL is not selected as the next PRO. The Harbor Department and POLB will execute their own separate operating agreements with the selected PRO. The respective scope of services will be similar, but not identical due to differences in rail facilities.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of the Fifth Amendment to Agreement No. 1989 with PHL for a one-year extension, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

The Harbor Department does not pay for any PHL costs. As a condition of the existing operating agreement, PHL pays an annual fee to the Harbor Department for use of the Berth 200 Railyard, with an annual escalation computed using the year-over-year change in the Consumer Price Index (CPI). The calendar year 2025 fee is \$128,861.

CITY ATTORNEY:

The Office of the City Attorney has prepared and approved the proposed Fifth Amendment as to form and legality.

TRANSMITTALS:

1. Fifth Amendment to PHL Agreement
2. POLA-POLB Rail Network Map

FIS Approval: JS
CA Approval: SO



KERRY CARTWRIGHT, P.E.
Director of Goods Movement



MICHAEL DIBERNARDO
Deputy Executive Director

APPROVED:

 for

EUGENE D. SEROKA
Executive Director

KC:S