

State of California  
Business, Transportation and Housing Agency  
Department of Transportation

Prepared by:  
Warren Weber  
Chief  
Division of Rail  
(916) 654-2944

MASS TRANS FINANCIAL MATTERS  
Amtrak Intercity Rail Operating Support  
Action Item  
Resolution: MFP-01-05

CTC Meeting: August 22-23, 2001

Agenda Item: 2.6g.

Original Signed By

MARK LEJA  
Acting Chief Financial Officer  
August 1, 2001

**RAIL ALLOCATION - RAIL TRANSIT FINANCING**  
**FFY 2001-02 AMTRAK (INTERCITY RAIL) OPERATING SUPPORT**

**RECOMMENDATION**

The Department of Transportation (Department) recommends the California Transportation Commission (Commission) approve Resolution MFP-01-05, allocating \$49,552,000 of Public Transportation Account (PTA) funds for support of the Department's intercity rail and feeder bus services on the Pacific Surfliner and San Joaquin routes.

**PROJECT DESCRIPTION**

RECIPIENT: Department of Transportation

FUNDED ACTIVITY: The Department's Intercity passenger rail and feeder bus services with Amtrak. \$49,552,000 from the PTA will support the costs of Amtrak contracted service on the two state administered intercity rail routes as follows:

- \$21,050,000 for the Pacific Surfliner Route (11 San Diego-Los Angeles weekday round-trips, 12 San Diego-Los Angeles weekend round-trips, and four daily Los Angeles-Santa Barbara round-trips with one of these trains continuing to San Luis Obispo).
- \$28,502,000 for the San Joaquin Route (four daily Bakersfield-Stockton-Oakland round-trips, and two daily Bakersfield-Stockton-Sacramento round-trips, one of these beginning service after October 2001).

**CURRENT DEPARTMENT ADMINISTRATION OF INTERCITY RAIL SERVICES**

Pursuant to Section 99316 of the Public Utilities Code, the Commission has responsibility for allocating funds for intercity rail operating support that are appropriated to the Department for this purpose. Chapter 263 of the Statutes of 1996 (SB 457, Kelly) added Government Code Section 14031.8 which specifies that the Secretary of the Business, Transportation and Housing (BT&H) Agency shall allocate intercity rail operating funds to those intercity rail routes administered by a local joint powers board. As of July 1, 1998, the Capitol Corridor Joint Powers Agency (CCJPA) assumed responsibility for administration of the Capitol Corridor. Thus, the Secretary of BT&H is now responsible for allocating funds to that corridor.

Because the Commission no longer allocates funds to the Capitol Corridor, this subject is not covered in detail in this staff report. However, the report does provide data on the appropriation amounts in the Budget for the Capitols and compares appropriation amounts between 2000-01 and 2001-02 on the three state funded intercity rail corridors. Every three months, the Department provides the Commission data and analysis comparing actual ridership, costs, revenues and farebox ratio on all three intercity routes.

**INTERCITY RAIL APPROPRIATIONS IN THE 2001 BUDGET ACT**

Provision 1 of Item 2660-001-0046 of the Budget Act of 2001 appropriates \$73,138,000 in PTA funds for intercity rail services. (The amounts for each route are not specified in the Budget Act.) The appropriation amount is based on Amtrak's final estimates for the state costs for rail services on the Pacific Surfliners, San Joaquins and Capitols. For the Pacific Surfliners and San Joaquins, the state is now negotiating a 2001-02 contract with Amtrak. The CCJPA is negotiating separately with Amtrak on an operating contract for the Capitols. The table below shows how the \$73 million is distributed between the three routes.

Budget Act of 2001 Appropriation (Item 2660-001-0046) for Intercity Rail Services	
ROUTE	FUNDS
Pacific Surfliners	\$21,050,000
San Joaquins	<u>\$28,502,000</u>
<b>Appropriation Request</b>	<b>\$49,552,000</b>
Capitols	<u>\$23,586,000</u>
<b>Budget Total</b>	<b>\$73,138,000</b>

**ALLOCATION AMOUNT****Pacific Surfliners and San Joaquins**

The Department is requesting an allocation of \$49,552,000 for the Pacific Surfliners and San Joaquins. This allocation request will fund service on those two routes for Federal Fiscal Year (FFY) 2002 (October 2001 through September 2002). The table below (next page) compares the funds requested for FFY 2001-02 to those allocated for FFY 2000-01 as well as actual expenditures for FFY 1999-00.

**Trends in State Costs**

State costs for anticipated services on the San Joaquins and Pacific Surfliners are projected to increase by \$4,062,000 (nine percent) overall between FFY 2000-01 and FFY 2001-02, due to the addition of new San Joaquin service in FFY 2001-02. State costs for existing services, however, on the San Joaquins and Pacific Surfliners are projected to decrease by \$315,000 (one percent), from \$45,490,000 to \$45,175,000 overall between FFY 2000-01 and FFY 2001-02, due to an increase in operational efficiencies. Looking back at FFY 1999-00 costs, one can see that Pacific Surfliner costs in FFY 2001-02 are almost equal to those in FFY 1999-00. Improvements in operational efficiencies have kept costs from increasing with inflation. On the San Joaquins, the cost increase between FFY 2000-01 and 2001-02 is attributable to the addition of the sixth train. Overall, the total current request of \$49,552,000 is derived by subtracting \$315,000 in operating costs for existing service from the \$45,490,000 FFY 2000-01 allocation, then adding \$4,377,000 for the new sixth San Joaquin train.

The cost decreases are consistent with Amtrak's past commitments to California to decrease costs and increase operating efficiencies. The Department anticipates FFY 2001-02 costs for existing services will remain relatively stable in future years. Any increases in operational efficiencies or decreases in costs will most likely be balanced by inflation. Thus, the only cost increases that the Department anticipates would be attributable to additional service or the initiation of new routes.

State costs for existing services on the Capitols are projected to increase from \$18,277,000 in FFY 2000-01 to \$22,070,000 (21 percent) in FFY 2001-02 (these costs are not included in the table below). Service was increased on April 29, 2001, and funded through September 30, 2001, by supplemental funding added by Chapter 656 of the Statutes of 2000 (SB 1662, Burton). The 8<sup>th</sup> and 9<sup>th</sup> daily round-trips between Oakland and Sacramento, and the 5<sup>th</sup> and 6<sup>th</sup> weekend round-trips between San Jose and Oakland, were added at that time. Most of the increase in the budget for FFY 2001-02, compared to FFY 2000-01, is attributable to the provision of a full year of funding for these services. Another \$1,516,000 (8 percent) increase in State costs for the Capitols in FFY 2001-02, compared to FFY 2000-01, is attributable to the potential addition of the following new service: the 5<sup>th</sup> and 6<sup>th</sup> weekday round-trips between San Jose and Oakland, and the 2<sup>nd</sup> and 3<sup>rd</sup> daily round-trips between Sacramento and Roseville. (The addition of these services is subject to agreement between the CCJPA and the Union Pacific Railroad.) These service increases bring the total budget for the Capitols in FFY 2001-02 to \$23,586,000 (\$22,070,000 plus \$1,516,000).

FFY 1999-00 through 2001-02 (Pacific Surfliners and San Joaquins) State Costs for State Administered Intercity Rail Operations (\$ in thousands)			
ROUTE	FFY 1999-00 (Actual)	FFY 2000-01 (Allocation)	FFY 2001-02 (Current request)
Pacific Surfliners	\$21,053	\$21,235	\$21,050
<u>San Joaquins</u>	<u>\$24,124</u>	<u>\$24,255</u>	<u>\$28,502</u>
<b>TOTALS</b>	<b>\$45,177</b>	<b>\$45,490</b>	<b>\$49,552</b>

### General

The Commission has recognized in its allocation resolutions for prior years that actual expenditures by route may differ from the estimates provided in the allocation request. Thus, as in prior years, the Department requests the Commission grant the authority to transfer between state-administered corridors (San Joaquins and Pacific Surfliners) up to ten percent of the amount allocated to each corridor, based upon actual expenditures.

### **TOTAL OPERATING COSTS AND FAREBOX RETURN**

Total operating costs for state-supported services, less passenger revenues from passengers (ticket revenue plus food and beverage revenues) equals the net loss of services, which is covered by the State and Amtrak. The table below shows by route, the components of total cost and farebox return for FFY 2001-02. For the three state supported intercity routes, Amtrak projects the FFY 2001-02 state share of loss at \$73.1 million, Amtrak's share of loss at \$15.4 million, and passenger revenue at \$61.7 million. Therefore, total operating costs are projected at \$150.3 million. The composite farebox ratio for the three state-supported routes is projected at 43 percent (revenues/total operating cost). The farebox ratio for the Capitols is projected at 35 percent, the Pacific Surfliners at 52 percent, and the San Joaquins at 41 percent. (Equipment and minor capital costs are not included in total costs used to calculate the farebox ratio.)

FFY 2001-02 State Supported Intercity Rail Operations Total Costs, State and Amtrak Share of Net Loss, Passenger Revenues, and Farebox Ratio (\$ in thousands)						
ROUTE	TOTAL COST	PASSENGER REVENUES	EQUIPMENT AND MINOR CAPITAL **	NET LOSS		FAREBOX RATIO**
				STATE SHARE	AMTRAK SHARE	
Pacific Surfliners *	\$49,915	\$23,500	\$4,380	\$21,050	\$5,365	52%
San Joaquins	\$58,574	\$23,760	\$ 875	\$28,502	\$6,312	41%
Capitols	\$41,793	\$14,450	\$ 375	\$23,586	\$3,757	35%
<b>TOTALS</b>	<b>\$150,282</b>	<b>\$61,710</b>	<b>\$5,630</b>	<b>\$73,138</b>	<b>\$15,434</b>	<b>43%</b>

\* Excludes Amtrak 33 percent basic system share of route.

\*\* Equipment and minor capital costs are not included in the calculation of the farebox ratio.

The following table shows the farebox recovery ratios for all three routes for FFY 1999-00 to FFY 2001-02. For the Pacific Surfliners, the estimated farebox recovery ratio for FFY 2001-02 is two percent higher than the farebox recovery ratio for FFY 2000-01 (October 2000 – May 2001). For the San Joaquins and Capitols, the estimated farebox recovery ratio for FFY 2001-02 is somewhat lower than for FFY 2000-01. This difference is primarily due to the introduction of the sixth San Joaquin train and the eighth and ninth Capitol Corridor trains. Once these services become established, the farebox recovery ratios should increase again.

FFY 1999-00 through 2001-02 Farebox Recovery Ratios			
ROUTE	FFY 1999-00 (Actual)	FFY 2000-01 (Actual Oct.-May)	FFY 2001-02 (Estimated)
Pacific Surfliners	48%	50%	52%
San Joaquins	44%	43%	41%
Capitols	36%	41%	35%
<b>TOTALS</b>	<b>43%</b>	<b>45%</b>	<b>43%</b>

#### ALLOCATIONS IN 2002-03 AND BEYOND

The Department and Amtrak's 20-year vision for the Pacific Surfliner route is hourly service between Los Angeles and San Diego. Amtrak's March 2001 *California Passenger Rail System 20-Year Improvement Plan* projects that by 2005 there will be 14 round-trips between San Diego and Los Angeles, five round-trips between Los Angeles and Santa Barbara and two round-trips between Santa Barbara and San Luis Obispo. (Currently there are 11 weekday and 12 weekend round-trips between San Diego and Los Angeles, four daily round-trips between Los Angeles and Santa Barbara and one daily round-trip between Santa Barbara and San Luis Obispo.)

The Department will request funding for these service increases at the time Amtrak and the Department agree upon demand, feasibility and operating costs. Also, agreement with the railroads regarding increased frequencies must be reached. The Department anticipates that any service increases on the Pacific Surfliners will be very cost effective because: (1) the new Pacific Surfliner equipment is more efficient to operate than the previous Amfleet equipment, and (2) the high number of existing frequencies on the route allow personnel and equipment utilization costs to be minimized when trains are added. Specifically, the Pacific Surfliner equipment is more fuel efficient, easier to maintain, and easier and more efficient to load and unload.

The *California Passenger Rail System 20-Year Improvement Plan* projects that by 2005 the San Joaquins will have five round-trips between Bakersfield and Oakland and three round-trips between Bakersfield and Sacramento. (Currently there are four round-trips between Bakersfield and Oakland and one round-trip between Bakersfield and Sacramento, with the second round-trip between Bakersfield and Sacramento to be added during FFY 2001-02.) The Department anticipates that the costs for additional round-trips on the San Joaquins will be slightly lower than the costs to run existing San Joaquin trains due to efficiencies achieved in personnel and equipment utilization.

## **CALIFORNIA TRANSPORTATION COMMISSION**

### **Commission Allocation Approval FFY 2001-02 Amtrak (Intercity Rail) Operating Support**

#### **Resolution MFP-01-05**

- 1.1 WHEREAS, under Section 99316 of the Public Utilities Code, the Commission has responsibility for allocating intercity rail operating funds that are appropriated to the Department of Transportation (Department) for Department-administered corridors; and
- 1.2 WHEREAS, Provision #1 of Item 2660-001-0046 of the Budget Act of 2001 appropriates \$73,138,000 of Public Transportation Account (PTA) funds for intercity rail services; and
- 1.3 WHEREAS, Government Code Section 14031.8 specifies that the Secretary of the Business, Transportation and Housing (BT & H) Agency shall allocate intercity rail operating funds to those intercity rail routes administered by a local joint powers board. As of July 1, 1998, the Capitol Corridor Joint Powers Agency (CCJPA) assumed responsibility for administration of the Capitol Corridor. Thus, the California Transportation Commission is no longer responsible for allocating funds for that corridor; and
- 1.4 WHEREAS, \$23,586,000 in budget funds are reserved for the Capitol Corridor, and the remaining \$49,552,000 in budget funds are reserved for the Pacific Surfliners (formerly the San Diegans) and San Joaquins; and
- 1.5 WHEREAS, for the three state-supported intercity routes, Amtrak projects FFY 2001-02 state share of loss at \$73.1 million, Amtrak's share of loss at \$15.4 million, and passenger revenue at \$61.7 million. Therefore, total operating costs are projected at \$150.3 million. The composite farebox ratio for the three state administered routes is projected at 41 percent (revenues/total operating cost), while the farebox ratio for the Capitols is projected at 35 percent; the Pacific Surfliners at 47 percent and the San Joaquins at 41 percent; and
- 1.6 WHEREAS, the Commission recognizes that actual expenditures on the Pacific Surfliners and San Joaquins may differ from current estimates. For changes of 10 percent or less, the Department has total flexibility to transfer funds between the Pacific Surfliner and San Joaquin routes and will report these changes to the Commission on a quarterly basis; changes above 10 percent must be approved by the Commission prior to expenditure. Transfers can be made based upon actual expenditures or emergency situations.

2.1 NOW THEREFORE BE IT RESOLVED, that a total of \$49,552,000 be allocated to the Department for existing intercity rail and feeder bus services with Amtrak as follows:

Pacific Surfliners	\$21,050,000
San Joaquins	\$28,502,000
<b>TOTAL</b>	<b>\$49,552,000</b>

2.2 BE IT FURTHER RESOLVED, that authority is delegated to the Department to transfer funds between the Pacific Surfliner and San Joaquin routes if the changes are less than or equal to 10 percent,

2.3 BE IT FURTHER RESOLVED, that the Department will report these changes to the Commission on a quarterly basis. Changes above 10 percent must be approved by the Commission prior to expenditure.