

Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: September 19-20, 2007

Reference No.: 4.11a.
Information Item

From: CINDY McKIM
Chief Financial Officer

Prepared by: William D. Bronte
Chief
Division of Rail

Subject: **PROPOSITION 1B INTERCITY RAIL GUIDELINES AND PROJECT SELECTION CRITERIA**

SUMMARY:

This item discusses the components of the Proposition 1B bond program where intercity rail projects are eligible to receive funding. The item also includes an explanation of the process the Department of Transportation (Department) uses to develop its intercity rail capital program.

BACKGROUND:

At the June 2007 California Transportation Commission (Commission) meeting, the Department presented the Proposition 1B Intercity Rail Capital Program. The item outlined the two-part process the Department proposes to use for the Commission to approve a list of intercity rail Proposition 1B bond projects, and then subsequently, to provide concurrence with the Department's requests to proceed with the execution of funding agreements for individual projects. While the Commission concurred with the process for approval of the project list and projects outlined in the June 2007 information item, additional background information was requested on how intercity rail fits into the Proposition 1B bond program and how the projects were selected. This book item is in response to that request.

Two additional companion items are on the agenda, including Reference Item 4.11b, which includes additional information also requested at the June 2007 meeting on the benefits of each intercity rail Proposition 1B project, and Reference Item 4.11c, which requests the Commission's advice and consent on the list of intercity rail projects proposed for Proposition 1B funding.

PROPOSITION 1B AND INTERCITY RAIL PROJECTS:

The overall goals of The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B) are to fund "mobility, safety, and air quality improvements." Proposition 1B includes a number of programs that have relevance to the Intercity Rail Program.

- (1) Public Transportation Modernization, Improvement, and Service Enhancement Account - The only portion of the bonds which are specifically reserved for intercity rail projects are in this Account, which makes \$400 million available upon appropriation by the Legislature for intercity

rail improvements, of which \$125 million is reserved for intercity rail cars and locomotives. This program was discussed as part of the June 2007 item mentioned above and these projects are described in more detail in under Reference item 4.11b.

- (2) New STIP Funding – Proposition 1B makes available about \$2 billion in additional STIP funding. Under current law, intercity rail and grade separation projects are required to receive 2.25 percent of the entire STIP (or nine percent of the ITIP). Intercity rail and grade separations received an additional \$74 million in the 2006 STIP Augmentation approved by the Commission in June 2007.
- (3) Highway-Railroad Crossing Safety Account – Proposition 1B includes \$250 million in this new account for high-priority grade separation and railroad crossing safety improvements. These projects require a dollar for dollar match of non-state funds. To the extent these projects are on intercity rail routes, they will benefit the intercity rail program. However, the ability to leverage these funds for intercity rail is dependant on securing funding partners for the required matching funds.
- (4) Transit System Safety, Security, and Disaster Response Account – Proposition 1B includes \$1 billion in this new account. Senate Bill (SB) 88 (amended July 20, 2007) provides a framework for this program. The current version of SB 88 includes a \$150 million grant program for intercity and commuter rail safety and security projects to be administered by the Office of Homeland Security (OHS). It is likely that intercity rail would receive some project funds from this program.
- (5) Trade Corridors Improvement Fund – Proposition 1B includes \$2 billion for infrastructure improvements along federally designated “Trade Corridors of National Significance.” These projects require supplemental funding that is at least equal to the amount provided by the Trade Corridors Improvement Fund. Senate Bill 9 (as amended August 20, 2007) establishes a project allocation process to be administered by the Commission and allows State and other non-bond funds to be used for the required match. These projects have not yet been programmed, but to the extent these projects are on intercity rail routes, they would benefit the intercity rail program. However, the ability to leverage these funds for intercity rail is also dependant on securing funding partners for the required matching funds.

PROCESS FOR DEVELOPING AN INTERCITY RAIL CAPITAL PROGRAM:

The Department uses a three-part process to develop its intercity rail capital program. The first step is the development of Corridor Strategic Business Plans (Plans) that are vision documents that establish long-term **performance goals** for a corridor. These goals are used to develop a high level capital project program (included in the Plans). The estimates for these projects are not at a detailed level.

Next, the projects are further refined for inclusion in the ten-year unconstrained capital program that is included in the Department’s Ten Year “California State Rail Plan.” Projects are evaluated using **project criteria** described below. The next step is at a fiscally-constrained level, and determines which projects are the most critical and should move forward based on fiscal funding constraints. A

final set of **final project criteria** is used to choose projects for programming requests (STIP, Proposition 1B bonds, etc). Below is a more detailed description of the three parts of the project development process.

Strategic Business Plans – The Department has two Plans for the LOSSAN (Pacific Surfliner) corridor, one for the section between San Diego and Los Angeles and one for the section between Los Angeles and San Luis Obispo. The San Joaquin Plan is scheduled for completion in the winter of 2007. The Plans are developed with extensive input from partners and stakeholders. The Plans identify key corridor performance goals such as trip frequency, trip times, and reliability. Capital projects that are included in the Plans are assessed against these goals.

These **performance goals** are established based on a number of considerations, including

- (1) Results of ridership and revenue modeling based primarily on historical trends on the route and projected population growth, with other inputs such as trip times, on-time performance, and projected fares.
- (2) Results of financial feasibility (farebox ratio) projections for extensions and new routes.
- (3) Assessment of local interest and support for train and bus extensions, and new routes.
- (4) Assessment of railroad capacity and willingness of the railroad to negotiate to allow additional passenger service.
- (5) Ability of the intercity rail route to provide congestion mitigation for congested highways.
- (6) Projected air quality improvements.

Next, the capital projects identified in the Plans are assessed against project criteria to determine their eligibility for inclusion in the statewide capital outlay program contained in the Department's Ten Year "California State Rail Plan." The **project criteria** are as follows:

- (1) Increase capacity on existing routes to allow increased frequencies and improved reliability as a result of better on-time performance.
- (2) Reduce running-times to attract riders and to provide an efficient service, with travel times directly competitive with the auto.
- (3) Improve operational functioning and attractiveness of equipment, stations, and facilities, including improved multimodal connectivity.
- (4) Build/procure new equipment, facilities and stations to accommodate improved and expanded service.
- (5) Increase the farebox ratio to reach or exceed the Department's 50 percent standard.
- (6) Improve the safety and security of State-supported intercity rail service.
- (7) Implement projects to allow new cost-effective routes.

Finally, based on fiscal constraints, projects from the ten-year "California State Rail Plan" are selected by the Department for specific funding requests including the STIP, Proposition 1B funding, or other funding programs. Final project selection for each funding program is based on the following **final project criteria**:

- (1) Funding constraints and requirements.
- (2) Ability to leverage financial and project contributions from partner agencies.

- (3) Maximization of joint benefits for commuter and freight partners.
- (4) Provide geographical equity between the three corridors, in the context of potential ridership and revenue on a corridor.
- (5) Fund high priority, high cost projects that would be difficult to fund through the regular STIP process with special funding sources such as Proposition 1B.
- (6) Determination of the absolute necessity of a project (for example, no additional frequencies or larger train consists to accommodate additional passengers is possible without additional equipment).
- (7) Efficiencies gained by grouping certain projects together (for example instead of funding a single siding, funding multiple sidings to achieve double track stretches).