

Memorandum

To: CHAIR AND COMMISSIONERS
California Transportation Commission

CTC Meeting: September 22-23, 2010

Reference No.: 2.6d.
Action Item

From: NORMA ORTEGA
Chief Financial Officer

Prepared by: William D. Bronte
Chief
Division of Rail

Subject: **FINANCIAL ALLOCATION FOR FY 2010-11 INTERCITY RAIL OPERATIONS AND FEEDER BUS SERVICES RESOLUTION MFP-10-05**

RECOMMENDATION:

The California Department of Transportation (Department) recommends the California Transportation Commission (Commission) approve the attached resolution allocating \$61,165,344 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 for Fiscal Year (FY) 2010-11, contingent upon the approval of the FY 2010-11 Budget.

Project Description

RECIPIENT: Department of Transportation

FUNDED ACTIVITY: Department intercity passenger rail and feeder bus services with Amtrak. \$61,165,344 from the PTA will support the costs of Amtrak contracted service on the two State administered intercity rail routes in FY 2010-11 as follows:

- \$27,589,923 for the Pacific Surfliner Route (11 San Diego-Los Angeles weekday round-trips, 12 San Diego-Los Angeles weekend round-trips, and five Los Angeles-Santa Barbara daily round-trips with two of these trains continuing to San Luis Obispo, plus three Amtrak Thruway bus routes).
- \$33,575,421 for the San Joaquin Route (four Bakersfield-Stockton-Oakland daily round-trips, and two Bakersfield-Stockton-Sacramento daily round-trips, plus 13 Amtrak Thruway bus routes).

BACKGROUND:

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 and specifies that the Secretary of the Business, Transportation, and Housing (BTH) Agency shall allocate intercity rail operating funds to those intercity rail routes administered by a local joint powers board. On July 1, 1998, the Capitol Corridor Joint Powers Agency assumed responsibility for administration of the Capitol Corridor. Thus, the Secretary of BTH is responsible for allocating funds for that route.

Information is provided in this document on the Capitol Corridor, for purposes of comparison to the other two routes. Additionally, on a quarterly basis, the Department provides the Commission financial, ridership and on-time performance information for all three routes.

Intercity Rail Appropriation in the Proposed FY 2010-11 Budget

Provision 1 of Item 2660-001-0046 of the proposed FY 2010-11 Budget appropriates \$90,347,027 in PTA funds for intercity rail services. (The amounts for each route are not specified in the Budget.) The appropriation amount is based on Amtrak's contract estimates for State costs for rail services on the Pacific Surfliner, San Joaquin, and Capitol Corridor routes. The table below shows how these funds are distributed among the three routes.

FY 2010-11 Budget Appropriation (Item 2660-001-0046) For State-Supported Intercity Rail Routes	
ROUTE	PTA FUNDS
Pacific Surfliner	\$27,589,923
San Joaquin	\$33,575,421
Allocation Request	\$61,165,344
Capitol Corridor	\$29,181,683
Budget Total	\$90,347,027

Allocation Amount

Pacific Surfliner and San Joaquin Routes

The Department is requesting an allocation of \$61,165,344 for the Pacific Surfliner and San Joaquin routes, contingent upon the approval of the FY 2010-11 Budget. This allocation request will fund service on the two routes for Federal Fiscal Year (FFY) 2010-11 (October 2010 – September 2011). The table on the following page compares the funds requested for FFY 2010-11 to those allocated for FFY 2008-09 and FFY 2009-10.

Trends in State Costs

As reflected in the table below, combined State costs in FFY 2010-11 for anticipated services on the San Joaquin and Pacific Surfliner routes are projected to be \$61,165,344. Total costs on all three routes have remained at \$90.3 million in both FFY 2009-10 and FFY 2010-11. The amount for each route has changed only slightly in FFY 2010-11 when compared to FFY 2009-10.

FFY 2008-09 through FFY 2010-11 State Costs for State Supported Intercity Rail Routes (\$ in thousands)			
ROUTE	FFY 2008-09 (Allocation)	FFY 2009-10 (Allocation)	FFY 2010-11 (Current request)
Pacific Surfliner	\$24,879	\$28,528	\$27,590
San Joaquin	<u>\$32,172</u>	<u>\$33,336</u>	<u>\$33,575</u>
State-Administered Routes -Totals	\$57,051	\$61,865	\$61,165
Capitol Corridor	<u>\$29,287</u>	<u>\$28,482</u>	<u>\$29,182</u>
All Routes - Totals	\$86,338	\$90,347	\$90,347

Allocation Transfer Between Routes

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 the San Joaquin and Pacific Surfliner State-administered routes up to ten percent of the amount allocated to each route, based upon actual expenditures or emergency situations. The Commission must approve changes above ten percent prior to expenditure.

Financial Performance of Routes

The table on the following page shows the projected financial performance of the three State-supported routes. Total expenses for State-supported services less revenues from passengers (ticket revenue plus food and beverage revenues) equal the net operating loss of services. For the three State-supported intercity routes, Amtrak anticipates total operating expenses of \$193.6 million and revenues of \$101.0 million. The composite farebox ratio for the three State-supported routes is projected at 52 percent. (Farebox ratio equals revenues divided by total operating expense.) The farebox ratio for the Pacific Surfliner Route is projected at 57 percent, the San Joaquin Route at 51 percent, and the Capitol Corridor at 48 percent.

The State support also includes minor capital costs, and a credit for Pacific Surfliner capital contribution. Thus, on the table below, total expenses minus passenger revenues does not equal total state support.

FFY 2010-11 State-Supported Intercity Rail Routes Projected Financial Performance (\$ in thousands)				
	TOTAL EXPENSES	PASSENGER REVENUES	NET LOSS (STATE SUPPORT)	FAREBOX RATIO**
Pacific Surfliner *	\$69,775	\$39,672	\$27,590	57%
San Joaquin	\$68,419	\$34,844	\$33,575	51%
Capitol Corridor	<u>\$55,397</u>	<u>\$26,465</u>	<u>\$29,182</u>	<u>48%</u>
Totals	\$193,591	\$100,981	\$90,347	52%

* Excludes Amtrak 30 percent basic system share of route.

** Minor capital expenses and capital contribution credit are not included in the calculation of the farebox ratio.

Attachment

CALIFORNIA TRANSPORTATION COMMISSION

Commission Allocation Approval Federal Fiscal Year (FFY) 2010-11 Amtrak (Intercity Rail) Operating Support

Resolution MFP-10-05

- 1.1 WHEREAS, under Section 99316 of the Public Utilities Code, the California Transportation Commission (Commission) has responsibility for allocating intercity rail operating funds that are appropriated to the California Department of Transportation (Department) for Department-administered corridors; and
- 1.2 WHEREAS, Provision #1 of Item 2660-001-0046 of the proposed Budget Act of 2010-11 appropriates \$90,347,027 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 Agency shall allocate intercity rail operating funds to those intercity rail routes administered by a local joint powers board. On July 1, 1998, the Capitol Corridor Joint Powers Agency assumed responsibility for administration of the Capitol Corridor. Thus, the Commission does not allocate funds for that route; and
- 1.4 WHEREAS, \$29,181,683 in budgeted funds are reserved for the Capitol Corridor, and the remaining \$61,165,344 in budgeted funds are reserved for the San Joaquin and Pacific Surfliner routes; and
- 1.5 WHEREAS, the composite farebox ratio for the three State-administered routes is projected at 52 percent (revenues/total operating expense), while the farebox ratio for the Pacific Surfliner Route is projected at 57 percent, the San Joaquin Route at 51 percent, and the Capitol Corridor at 48 percent; and
- 1.6 WHEREAS, the Commission recognizes that actual expenditures on the Pacific Surfliner and San Joaquin routes may differ from current estimates. For changes of ten percent or less, the Department has total flexibility to transfer funds between the Pacific Surfliner and San Joaquin routes; changes above ten 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 \$61,165,344 be allocated to the Department for intercity rail and feeder bus services with Amtrak contingent upon the approval of the FY 2010-11 Budget, as follows:

Pacific Surfliner Route	\$27,589,923
<u>San Joaquin Route</u>	<u>\$33,575,421</u>
TOTAL	\$61,165,344

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 ten percent; and

2.3 BE IT FURTHER RESOLVED, changes above ten percent must be approved by the Commission prior to expenditure.

