

Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: August 13-14, 2003

Reference No.: 2.6g.
Action Item

From: ROBERT L. GARCIA
Chief Financial Officer

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Ref: **RAIL ALLOCATION - RAIL TRANSIT FINANCING FEDERAL FISCAL
YEAR (FFY) 2003-04 AMTRAK (INTERCITY RAIL) OPERATING SUPPORT
RESOLUTION MFP-03-01**

RECOMMENDATION

The Department of Transportation (Department) recommends the California Transportation Commission (Commission) approve Resolution MFP-03-01, allocating \$49,552,000 of Public Transportation Account (PTA) funds, contingent upon the approval of the FY 2003-04 State Budget, for support of Department intercity rail and feeder bus services on the Pacific Surfliner and San Joaquin routes.

PROJECT DESCRIPTION

RECIPIENT: Department of Transportation

FUNDED ACTIVITY: Department 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:

- \$21,167,000 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 daily round-trips with one of these trains continuing to San Luis Obispo, and an additional weekend Los Angeles-Santa Barbara/Goleta weekend round-trip). Funding is also sufficient to operate an additional Los Angeles to San Luis Obispo round-trip to start in the spring of 2004.
- \$28,385,000 for the San Joaquin Route (four daily Bakersfield-Stockton-Oakland round-trips, and two daily Bakersfield-Stockton-Sacramento round-trips).

CURRENT STATUS OF AMTRAK

As the Commission knows, Amtrak's financial status and future has been in question for a number of years. Since David Gunn became president and CEO in May 2002, Amtrak has stabilized considerably. None-the-less, the appropriations bill which includes Amtrak federal fiscal year (FFY) 2004 funding has not yet been passed, thus Amtrak is not assured that it will receive adequate funding in FFY 2004 to continue its current level of operations. However, the Department expects that the final appropriation will contain the same language as was in the prior year appropriation that specifies that Amtrak must honor its commitments to State-supported intercity and commuter rail service even if adequate funds are not available for all Amtrak operations.

In order to be prepared for any change in Amtrak's status, the Department has contracted with R.L. Banks & Associates, Inc. for the "Intercity Passenger Rail Service Options Study." The study is expected to be completed by early 2004. The study will have two parts. First, it will examine the costs and benefits of contracting out intercity rail services in the event Amtrak remains in its current form. Second, the study will recommend options for continuing intercity rail service in the event Amtrak is restructured or liquidated. The information and recommendations obtained from this study will allow the Department to take proactive steps to continue intercity rail services and protect the State's investment in intercity rail in the event Amtrak's status becomes more insecure.

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 Route. Thus, the Secretary of BT&H is now responsible for allocating funds to that corridor.

Because the Commission does not allocate funds to the Capitol Corridor Route, this subject is not covered in detail in this staff report. However, the report does provide data for FFY 2003-04 on costs and revenues and the appropriation level for the Capitol Corridor Route and compares farebox ratios between FFY 2001-02 and FFY 2003-04 on the three State funded intercity rail corridors. Additionally, 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 FY 2003-04 PROPOSED BUDGET ACT

Provision 1 of Item 2660-001-0046 of the Proposed FY 2003-04 Budget appropriates \$73,138,000 in PTA funds for intercity rail services. (The amounts for each route are not specified in the Proposed 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 on the following page shows how the \$73.1 million is distributed between the three routes.

Proposed FY 2003-04 Budget Appropriation (Item 2660-001-0046) For Intercity Rail Services	
ROUTE	FUNDS
Pacific Surfliner	\$21,167,000
San Joaquin	<u>\$28,385,000</u>
Appropriation Request	\$49,552,000
Capitol Corridor	<u>\$23,586,000</u>
Budget Total	\$73,138,000

ALLOCATION AMOUNT

New Amtrak Costing Methodology

For FFY 2004, Amtrak is implementing its new costing methodology called the Route Contribution Analysis (RCA) system. One key purpose of this system is to make the costing methodology for all State-supported routes the same so that all states make payments to Amtrak based on the same costing system. The states, starting in FFY 2004, should pay all train and route costs, but no overhead or equipment costs. For California, the most significant effect of the RCA system is a reduction in costs on the Pacific Surfliner Route because there will be no charges for Amtrak owned equipment on the route. (The other two routes do not use any Amtrak equipment.) A slight increase in costs on the San Joaquin Route is the result of the new RCA system.

Pacific Surfliner and San Joaquin Routes

The Department is requesting an allocation of \$49,552,000, contingent upon the passage of the Budget Act, for the Pacific Surfliner and San Joaquin routes. This allocation request will fund service on those two routes for FFY 2004 (October 2003 – September 2004). The table on the following page compares the funds requested for FFY 2003-04 to those allocated for FFY 2002-03 as well as actual expenditures for FFY 2001-02.

The Department plans, in the spring of 2004 to add an additional round-trip on the Pacific Surfliner Route from Los Angeles to San Luis Obispo. This train can be added within the existing budget, thereby providing more train service without any increase in budgeted resources. This is exactly the same approach as was used by the CCJPA in FY 2002-03 when additional service was added on the Capitol Corridor Route within their existing budget.

Trends in State Costs

As can be seen from the table below, combined State costs in FFY 2003-04 for anticipated services on the San Joaquin and Pacific Surfliner routes are projected to be \$49,552,000, the same as in FFY 2002-03. There is a slight decrease in costs in FFY 2003-04 on the Pacific Surfliner Route (even with the addition of the Los Angeles – San Louis Obispo round-trip) and a slight increase in costs on the San Joaquin Route as a result of the new RCA system as compared to the prior year. FFY 2003-04 costs of \$23,586,000 for service on the Capitol Corridor Route are the same as in FFY 2002-03.

FFY 2001-02 through 2003-04 (Pacific Surfliner and San Joaquin Routes) State Costs for State Administered Intercity Rail Operations (\$ in thousands)			
ROUTE	FFY 2001-02 (Actual)	FFY 2002-03 (Allocation)	FFY 2003-04 (Current request)
Pacific Surfliner	\$21,976	\$21,591	\$21,167
San Joaquin	\$26,281	\$27,961	\$28,385
TOTALS	\$48,257	\$49,552	\$49,552

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 routes (San Joaquin and Pacific Surfliner) up to ten percent of the amount allocated to each route, based upon actual expenditures.

TOTAL OPERATING EXPENSES AND FAREBOX RETURN

Total operating expenses for State-supported services, less passenger revenues from passengers (ticket revenue plus food and beverage revenues) equal the net loss of services, which is covered by the State. The table below shows by route, the components of total expense and farebox return for FFY 2003-04. For the three State-supported intercity routes, Amtrak projects total operating expenses of \$134.9 million. Subtracting passenger revenue of \$61.7 million, results in State support of \$73.1 million. The composite farebox ratio for the three State-supported routes is projected at 46 percent (revenues/total operating expense). The farebox ratio for the Capitol Corridor Route is projected at 38 percent, the Pacific Surfliner Route at 54 percent, and the San Joaquin Route at 44 percent. (Minor capital costs are not included in total expenses used to calculate the farebox ratio.)

FFY 2003-04 State-Supported Intercity Rail Operations Total Expenses, Passenger Revenues, Net Loss, And Farebox Ratio (\$ in thousands)					
ROUTE	TOTAL EXPENSES	PASSENGER REVENUES	MINOR CAPITAL **	NET LOSS (STATE SUPPORT)	FAREBOX RATIO**
Pacific Surfliner *	\$46,384	\$25,217	\$325	\$21,167	54%
San Joaquin	\$50,310	\$21,925	\$325	\$28,385	44%
Capitol Corridor	\$38,191	\$14,605	\$325	\$23,586	38%
TOTALS	\$134,885	\$61,747	\$975	\$73,138	46%

* Excludes Amtrak 33 percent basic system share of route.

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

The following table shows the farebox recovery ratios for all three routes from FFY 2001-02 to FFY 2003-04. For the Pacific Surfliner and the San Joaquin routes combined, the estimated farebox recovery ratio for FFY 2003-04 is three percent higher than the farebox recovery ratio for FFY 2002-03 (October 2002 – March 2003). For the Capitol Corridor Route, the estimated farebox recovery ratio for FFY 2003-04 is projected to be two percent higher than in FFY 2002-03.

FFY 2001-02 through 2003-04 Farebox Ratios			
ROUTE	FAREBOX RATIO		
	FFY 2001-02 (Actual)	FFY 2002-03 (Actual Oct.-March)	FFY 2003-04 (Estimated)
Pacific Surfliner	53%	55%	54%
San Joaquin	43%	39%	44%
Capitol Corridor	38%	36%	38%
TOTALS	45%	44%	46%

ALLOCATIONS IN FY 2004-05 AND BEYOND

The Department and Amtrak's ten-year vision for the Pacific Surfliner Route is hourly service between Los Angeles and San Diego. The Department's current projections for increases in service include an additional round-trip from Los Angeles to San Luis Obispo to start in the spring of 2004, as discussed above. Also one additional round-trip from San Diego to Los Angeles is projected to start in FY 2007-08.

The Department's current projections for the San Joaquin Route includes no additional frequencies in the near future in view of the recent addition of two round-trips to the route, one in 1999 and the other in 2002.