

Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: September 9-10, 2009

Reference No.: 2.6d.
Action Item

From: CINDY McKIM
Chief Financial Officer

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Chief
Division of Rail

Subject: **FINANCIAL ALLOCATION FOR FY 2009-10 INTERCITY RAIL OPERATIONS AND FEEDER BUS SERVICES RESOLUTION MFP-09-03**

RECOMMENDATION:

The California Department of Transportation (Department) recommends the California Transportation Commission (Commission) approve the attached resolution allocating \$61,864,896 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) 2009-10.

Project Description -

RECIPIENT: Department of Transportation

FUNDED ACTIVITY: Department intercity passenger rail and feeder bus services with Amtrak. \$61,864,896 from the PTA will support the costs of Amtrak contracted service on the two State-administered intercity rail routes in FY 2009-10 as follows:

- \$28,528,344 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).
- \$33,336,552 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 FY 2009-10 Budget -

Provision 1 of Item 2660-001-0046 of the FY 2009-10 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 2009-10 Budget Appropriation (Item 2660-001-0046) For State-Supported Intercity Rail Routes	
ROUTE	PTA FUNDS
Pacific Surfliner	\$28,528,344
San Joaquin	\$33,336,552
Allocation Request	\$61,864,896
Capitol Corridor	\$28,482,131
Budget Total	\$90,347,027

Allocation Amount -

Pacific Surfliner and San Joaquin Routes

The Department is requesting an allocation of \$61,864,896 for the Pacific Surfliner and San Joaquin routes. This allocation request will fund service on the two routes for Federal Fiscal Year (FFY) 2009-10 (October 2009 – September 2010). The table on the following page compares the funds requested for FFY 2009-10 to those allocated for FFY 2007-08 and FFY 2008-09.

Trends in State Costs

As reflected in the table below, combined State costs in FFY 2009-10 for anticipated services on the San Joaquin and Pacific Surfliner routes are projected to be \$61,864,896. This is an increase of \$4.8 million (eight percent) over the previous year. Operating costs on the Capitol Corridor are projected to decrease by \$805,000. This brings the total increase in operating costs on the three routes to \$4.0 million.

The increased operating costs are primarily related to a decrease in projected revenues as a result of declines in ridership. The economic recession has affected ridership on all three routes, consequently lower revenues are projected for FFY 2009-10. However, fuel prices have dropped

since FY 2008-09, so even with inflation in some expense categories, total expenses are projected to be slightly lower in FFY 2009-10 than in FFY 2008-09. The Pacific Surfliner Route, in FFY 2008-09, has seen the greatest decrease in ridership of the three routes. This is why operating costs on this route are projected to increase more than the San Joaquin and Capitol Corridor routes, whose operating costs for FFY 2009-10 are very similar to FFY 2008-09.

FFY 2007-08 through FFY 2009-10			
State Costs for State Supported Intercity Rail Routes			
(\$ in thousands)			
ROUTE	FFY 2007-08 (Allocation)	FFY 2008-09 (Allocation)	FFY 2009-10 (Current request)
Pacific Surfliner	\$23,074	\$24,879	\$28,528
San Joaquin	\$32,465	\$32,172	\$33,336
State-Administered Routes - Totals	\$55,539	\$57,051	\$61,865
Capitol Corridor	\$24,151	\$29,287	\$28,482
All Routes - Totals	\$79,690	\$86,338	\$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 (operating expenses and minor capital costs), less revenues from passengers (ticket revenue plus food and beverage revenues) and capital contribution credit, equal the net loss of services, which is covered by the State. For the three State-supported intercity routes, Amtrak anticipates total operating expenses of \$186.4 million and revenues of \$95.2 million. The composite farebox ratio for the three State-supported routes is projected at 51 percent. (Farebox ratio equals revenues divided by total operating expense.) The farebox ratio for the Pacific Surfliner Route is projected at 56 percent, the San Joaquin Route at 49 percent, and the Capitol Corridor at 48 percent.

ROUTE	TOTAL EXPENSES	PASSENGER REVENUES	NET LOSS (STATE SUPPORT)	FAREBOX RATIO**
Pacific Surfliner *	\$67,578	\$37,518	\$28,528	56%
San Joaquin	\$65,068	\$31,981	\$33,337	49%
Capitol Corridor	\$53,780	\$25,669	\$28,482	48%
Totals	\$186,426	\$95,168	\$90,347	51%

* 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.

The following table shows the farebox recovery ratios for all three routes for FFY 2007-08 through FFY 2009-10. Note that the FFY 2008-09 year-to-date data on all three routes does not include the high ridership summer months that traditionally bring up the full year farebox ratio. However, this might not be the case this summer, as ridership has been trending down as the result of the economic downturn. Farebox return on all three routes is projected to be higher in FFY 2009-10 than in year-to-date FFY 2008-09.

FFY 2007-08 through FFY 2009-10 State-Supported Intercity Rail Routes Farebox Ratios			
ROUTE	FAREBOX RATIO		
	FFY 2007-08 (Actual)	FFY 2008-09 (Actual Oct-June)	FFY 2009-10 (Budget)
Pacific Surfliner	60%	53%	56%
San Joaquin	46%	44%	49%
Capitol Corridor	45%	44%	48%
Totals	52%	48%	51%

Attachment

CALIFORNIA TRANSPORTATION COMMISSION

Commission Allocation Approval Federal Fiscal Year (FFY) 2009-10 Amtrak (Intercity Rail) Operating Support

Resolution MFP-09-03

- 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 Budget Act of 2009-10 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, \$28,482,131 in budgeted funds are reserved for the Capitol Corridor, and the remaining \$61,864,896 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 51 percent (revenues/total operating expense), while the farebox ratio for the Pacific Surfliner Route is projected at 56 percent, the San Joaquin Route at 49 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 \$61,864,896 be allocated to the Department for intercity rail and feeder bus services with Amtrak as follows:

Pacific Surfliner Route	\$28,528,344
<u>San Joaquin Route</u>	<u>\$33,336,552</u>
TOTAL	\$61,864,896

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.