




**January 29, 2018**

**To:** Members of the Board of Directors

**From:** Jennifer L. Bergener, Managing Director 

**Subject:** Annual Business Plan and Budget Assumptions for Fiscal Year 2018-19 and Fiscal Year 2019-20

### **Overview**

The Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency is required to submit an annual business plan to the California State Transportation Agency by April 1 of each year that provides the basis for its annual budget request and any proposed changes to the Pacific Surfliner service. A list of key assumptions used in developing the budget and business plan for fiscal year 2018-19 and fiscal year 2019-20 is presented for Board of Directors' review.

### **Recommendation**

Direct staff to incorporate the key assumptions into the development of the Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency business plan for fiscal year 2018-19 and 2019-20.

### **Background**

Per the interagency transfer agreement (ITA) between the Los Angeles – San Diego – San Luis Obispo (LOSSAN) Rail Corridor Agency (Agency) and the California Department of Transportation, as well as the LOSSAN Joint Powers Agreement, the LOSSAN Agency must annually develop a business plan to be approved by the LOSSAN Agency Board of Directors (Board). This business plan must be submitted to the Secretary of the California State Transportation Agency (CalSTA) by April 1 of each year. The business plan is a two-year planning, operations, and budget document that serves as the LOSSAN Agency's formal annual budget request to CalSTA. CalSTA is required to review and approve the annual business plan by September 1 of each year. The annual business plan must be consistent with the most recently adopted State Rail Plan, and California High-Speed Rail Authority business plan.

The annual business plan is required to include a report on performance of the Pacific Surfliner service; an overall operating plan, including proposed service

enhancements to increase ridership and accommodate travel demand; a marketing plan; a short-term and long-term capital improvement program; funding requirements for the upcoming fiscal year (FY); and an action plan with specific performance goals and objectives. The business plan must also document any planned operational changes necessary to provide the service, including operating plans to serve peak-period trips, and consideration of other service expansions and enhancements.

In addition, the business plan must clearly delineate how funding and accounting for state-sponsored intercity passenger rail service will be separate from locally sponsored services in the rail corridor. Proposals to expand or modify passenger services are required to be accompanied by the identification of all associated costs and ridership projections. The business plan also establishes, among other things: fares, operating strategies, and other initiatives designed to meet performance standards established in the ITA.

### ***Discussion***

The initial LOSSAN Agency business plan was submitted to CalSTA concurrent with the ITA in June 2016, and covered FY 2015-16 and FY 2016-17. It included a detailed background and history on the Pacific Surfliner service as it was the first business plan prepared by the LOSSAN Agency. The business plan for FY 2018-19 and FY 2019-20 will largely focus on charting the LOSSAN Agency's progress toward meeting the goals and objectives set forth in the first three business plans, as well as outlining planned updates, operational strategies, equipment, and marketing initiatives, as well as a discussion of upcoming planning studies. Draft budget projections will also be provided as part of the updated business plan as a placeholder, but will be revised and resubmitted for final approval by June 15, 2018, following receipt of operating cost estimates from Amtrak for federal FY 2018-19. These cost estimates are typically received March 31, with the deadline for submitting the business plan being April 1.

The following key assumptions are proposed to be incorporated into the FY 2018-19 and FY 2019-20 business plan:

- Implementation of a new roundtrip between San Diego and San Luis Obispo, creating a 13<sup>th</sup> roundtrip between San Diego and Los Angeles, a 6<sup>th</sup> roundtrip between San Diego and Goleta, and a 3<sup>rd</sup> roundtrip between San Diego and San Luis Obispo
- Additional seasonal service for holidays and special events
- 3 percent ridership growth and a 4 percent revenue growth

- Continuation of Rail 2 Rail Program with Metrolink at a reimbursement rate of \$7 per boarding, consistent with the average Metrolink fare per boarding
- Continuation of Rail 2 Rail Program with COASTER at a reimbursement rate consistent with average COASTER fare per boarding, subject to possible changes in operating policy
- Continuation of Pacific Surfliner Transit Transfer Program using remaining Transit and Intercity Rail Capital Program (TIRCP) funds, to be supplemented with future state operating funds
- Twelve full-time staff positions, with the addition of one part-time intern, a Transportation & Analysis Manager, Marketing Programs Administrator, and Senior Accounting Analyst
- Four percent performance-based merit increase pool for administrative employees and three percent special award pool, consistent with Orange County Transportation Authority budget proposal for FY 2018-19
- Annual marketing budget of \$2 million, plus use of prior year surplus
- Minor capital revenue from state of \$500,000 per year with multi-year program of projects
- Professional services budget of \$200,000 to fund audit and on-call consulting services for planning, modeling, and project management
- TIRCP funding of \$1 million to support corridor optimization study, including update of capital improvement and operating plans
- State Rail Assistance funding of \$4.9 million in FY 2018-19 and \$5.1 million in FY 2019-20
- Assumes the renewal of ITA for a five-year term

#### Next Steps

Staff will finalize the draft business plan and budget for FY 2018-19 and FY 2019-20, and return to the Board for review and approval prior to the April 1, 2018 submittal deadline.

***Summary***

Staff has developed key assumptions for use in the Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency budget and business plan for fiscal year 2018-19 and fiscal year 2019-20. Staff will finalize the draft business plan and budget and return to the Board of Directors for final review and approval prior to the April 1, 2018 submittal deadline.

***Attachment***

None.

**Prepared by:**

A handwritten signature in black ink, appearing to read 'J. Jewell', is written over a light gray rectangular background.

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