



**June 15, 2020**

**To:** Members of the Board of Directors  
*Donna DeMartino*  
**From:** Donna DeMartino, Managing Director  
**Subject:** State Rail Assistance Program Funding and Pacific Surfliner Operations

### **Overview**

The Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency is working to restore the Pacific Surfliner service to pre-pandemic levels despite the potential for reduced state funding in fiscal year 2020-21. The State Rail Assistance program, an element of Senate Bill 1, provides funding for both operations and capital improvements to commuter and intercity rail services. The Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency is seeking Board of Directors approval to use State Rail Assistance funds for the costs of ongoing Pacific Surfliner operations through fiscal year 2020-21.

### **Recommendations**

- A. Approve the use of \$11,536,500 in State Rail Assistance formula funds for the costs of ongoing operations of the Pacific Surfliner intercity rail service for federal fiscal year 2020-21.
- B. Authorize the Managing Director to negotiate and execute all necessary agreements to facilitate the utilization of State Rail Assistance funding as described herein.

### **Background**

The impact of the novel coronavirus (COVID-19) on both intercity rail and the economy at large has been unprecedented. The shelter-in-place orders that resulted from the pandemic prompted dramatic cuts in Pacific Surfliner service and, over just a few short weeks, brought ridership to less than a tenth of what it was this time last year. As the Los Angeles – San Diego – San Luis Obispo (LOSSAN) Rail Corridor Agency (Agency) actively undertakes efforts to restore the Pacific Surfliner intercity passenger rail service to pre-pandemic levels, discussions with the State of California (state) have included the possibility of significantly reduced state subsidy in fiscal year (FY) 2020-21.

Senate Bill 1 (SB 1) is intended to provide a significant source of funding to improve California's transportation infrastructure and includes approximately \$440 million specifically for commuter and intercity rail services through the State Rail Assistance (SRA) program. The SRA is intended to fund both operations and capital improvements. The LOSSAN Agency is a recipient of SRA funds and has been allocated a total of \$13.1 million as part of the initial cycle of funding.

### ***Discussion***

Due to the significant reduction in ridership and revenue across the statewide intercity passenger rail system, and in anticipation of state budget reductions for FY 2020-21, the state has requested that all intercity rail services plan for operating no more than 60% of their federal fiscal year (FFY) 2018-19 train miles for the remainder of FFY 2019-20 and into FFY 2020-21. Despite the FFY 2019-20 federal assistance provided to Amtrak in effort to contain the state subsidies needed for ongoing operations, the benefit of this assistance is expected to be insufficient to allow for a return to full service during the remainder of FFY 2019-20, and possibly through FFY 2020-21. Amtrak is requesting additional federal assistance for state supported services for FFY 2020-21; however, it is currently unknown if this assistance will be available.

### **Cost Saving Measures**

The LOSSAN Agency has been working with Amtrak, as well as the other two California intercity passenger rail services, to determine areas for potential cost reductions. In addition to right sizing service levels to meet customer demand, the LOSSAN Agency is looking at adjustments to equipment usage and consist size, costs associated with unfilled Amtrak Police positions, operating costs at stations, and adjustments to the Amtrak Thruway Bus service. Efforts to control administrative costs are also being undertaken. Travel related expenses are being reduced and other cost saving measures are being explored.

### **SRA Funding**

In addition to coordination with the other state-supported corridors, discussions have been ongoing with the California State Transportation Agency (CalSTA) on ways to ensure that sufficient funding will exist to maintain ongoing Pacific Surfliner operations, even at the reduced level requested by the state. As part of those discussions, the Chief Deputy Secretary for Rail and Transit requested that staff look into the possibility of using currently unspent SRA funds to fund operating costs.

As part of the initial cycle of SRA funding, the LOSSAN Agency was allocated approximately \$13.1 million. Of this, approximately \$7.2 million has been

approved by the Board for use on specific capital projects. A summary of the previously approved SRA funded capital projects is shown in Attachment A. A number of these projects have experienced delays in implementation, in part due to issues with the original estimates Amtrak engineering staff supplied for the project costs. Additionally, as a result of the COVID-19 pandemic, all capital projects not currently in process have been put on hold by Amtrak engineering until at least FFY 2020-21.

Current SRA guidelines allow the funds to be used for operations. Staff is proposing to redirect funds programmed to projects currently on-hold by Amtrak, as well as any unprogrammed funds, to be used as necessary for ongoing operating costs through FFY 2020-21. The proposed adjustments are detailed in Attachment B. Projects that are safety sensitive or are necessary for the ongoing operation of the Pacific Surfliner service will have their funding maintained. The SRA funding will only be used as needed to maintain Pacific Surfliner operations and a status on the expenditure of the funds would be included in the quarterly budget status update.

The LOSSAN Agency anticipates receiving more detailed information regarding the state approved funding and operating levels by July 2020, but a clear picture of the federal budget and the any additional federal funding may not be available until the end of calendar year 2020. If Amtrak receives additional federal funding, or the state budget situation allows for full funding of Pacific Surfliner operations, the unused SRA funds could then be reallocated back to the previously approved capital improvement projects. If the priorities for capital improvements have changed at that time, any projects not previously vetted and approved by the Technical Advisory Committee and Board will be brought through that approval cycle before being allocated funding.

#### **Next Steps**

Upon Board approval of the use of SRA formula funds for Pacific Surfliner operations, staff will work with CalSTA to submit the necessary documentation to allocate the funds. Staff will return with regular updates on the impacts of the state budget as information becomes available.

#### **Summary**

The Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency is working to restore the Pacific Surfliner service to pre-pandemic levels despite the potential for reduced state funding in fiscal year 2020-21. Staff is seeking Board of Directors approval to use State Rail Assistance funds for the costs of ongoing Pacific Surfliner operations through fiscal year 2020-21.

***Attachments***

- A. State Rail Assistance Program, Approved Project List
- B. State Rail Assistance Program, Proposed Project List

**Prepared by:**

A handwritten signature in black ink, appearing to read 'Roger M. Lopez', with a long horizontal line extending to the right.

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