



November 4, 2021

To: Members of the Technical Advisory Committee

From: Donna DeMartino, Managing Director

Subject: Annual Business Plan and Budget Assumptions for Fiscal Years 2022-23 and 2023-24

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 business plan and budget for fiscal years 2022-23 and 2023-24 is presented for the Board of Directors' review.

Recommendation

Recommend approval to the Board of Directors the key assumptions for the development of the Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency business plan for fiscal years 2022-23 and 2023-24.

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 develop an annual business plan (ABP) to be approved by the LOSSAN Agency Board of Directors (Board). The ABP must be submitted to the Secretary of the California State Transportation Agency (CalSTA) by April 1 of each year. It is a two-year planning, operations, and budget document that serves as the LOSSAN Agency's formal plan and funding request to CalSTA. CalSTA is required to review and approve the ABP by September 1 of each year. The ABP must be consistent with the most recently adopted State Rail Plan and California High-Speed Rail Authority business plan.

The ABP is required to include a report on performance of the Pacific Surfliner passenger rail 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 ABP 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 ABP 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 estimated costs, revenue and ridership projections. The ABP also establishes, among other things: fares, operating strategies, and other initiatives designed to meet performance standards established in the ITA.

Discussion

The development of the assumptions for FY 2022-23 and 2023-24 was heavily impacted by the ongoing coronavirus (COVID-19) pandemic and the uncertainty associated with the amount of future available funding. The ABP for FY 2022-23 and 2023-24 will focus on the LOSSAN Agency's efforts to restore and rebuild the Pacific Surfliner service in the following general areas:

- Outlining service restoration to bring the Pacific Surfliner passenger service back to pre-COVID-19 pandemic levels contingent on the availability of equipment
- Updating operational strategies that continue to use the restoration of service as an opportunity to implement optimization methodology
- Preparing for current and future equipment needs
- Focusing on marketing initiatives to encourage passengers to return to elective travel

Draft budget projections will also be provided as part of the ABP as a placeholder and will be revised and resubmitted for final approval by June 30, 2022, contingent on the receipt of operating cost estimates from Amtrak. These costs estimates are typically received March 31, with the deadline for submitting the ABP being April 1.

The following key assumptions are proposed to be incorporated into the FY 2022-23 and 2023-24 ABP:

- Maintaining service at current levels in FY 2022-23 (10 daily round trips), with a planned increase to pre-pandemic service levels in FY 2023-24 (13 daily round trips)

- Additional service for holidays and special events
- Ridership and revenue proportionate to the service level
- Modification of the existing Rail 2 Rail Programs with both Metrolink and COASTER
- 18 full-time staff positions consistent with the current staffing levels
- A performance-based merit increase and special award pool for administrative employees consistent with Orange County Transportation Authority budget proposal for FY 2022-23. These percentages are unknown at this point
- Annual marketing budget consistent with the level of service and state funding availability
- An ongoing capital improvement program that identifies and uses all available funding sources.

Next Steps

Staff will prepare the draft ABP and budget for FY 2022-23 and 2023-24, using these assumptions. The draft chapters will be provided to the Technical Advisory Committee (TAC) for review and comment in December 2021. A redline version, incorporating TAC feedback as appropriate, will be returned to the TAC prior to returning to the Board for initial review and approval in February 2021.

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 2021-22 and fiscal year 2022-23. Staff will finalize the draft business plan and budget and return to the Board of Directors for initial review and approval in February 2021.

Attachment

None.

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