




October 3, 2024

To: Members of the Technical Advisory Committee
From: Jason Jewell, Managing Director 
Subject: Annual Business Plan and Budget Assumptions for Fiscal Years 2025-26 and 2026-27

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 2025-26 and 2026-27 is presented.

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 years 2025-26 and 2026-27.

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 2024-25 and 2025-26 was heavily impacted by efforts to rebuild and restore the Pacific Surfliner service. The ABP for FY 2025-26 and 2026-27 will focus on the LOSSAN Agency's efforts to restore and enhance the Pacific Surfliner service in the following general areas:

- Developing and implementing strategies aimed at restoring and growing service, while keeping operating costs down and increasing revenue, including:
 - o Instituting a pilot of a demand pricing model for Pacific Surfliner fares
 - o Continuing to look for operational efficiencies in areas such as station staffing, thruway bus routes, and baggage services
 - o Increasing revenue through the sale of train wrap advertising space
- Implementation of the Board approved 2023 Strategic Plan
- Focusing on marketing initiatives to incentivize both new and returning passengers.
- Continued coordination with the 2028 Summer Olympics organizers is needed to prepare for the increased demand for public transportation due to the city's "car-free" initiative. Service expansion would benefit both the games and the Pacific Surfliner by enhancing mobility during the event.

Draft budget projections will also be provided as part of the ABP as a placeholder and may be revised and resubmitted for final approval by June 30, 2025, contingent on the receipt of an operating forecast from Amtrak. The operating forecast is planned to be received from Amtrak by May 15. LOSSAN Agency staff also plans on coordinating with the California Department of Transportation Division of Rail, and the other two California Joint Power Authorities on operating forecast estimates.

The following key assumptions are proposed to be incorporated into the FY 2025-26 and 2026-27 ABP:

- Operation of 12 daily round trips, and continued restoration of service with a planned increase to 13 daily round trips in FY 2025-26.
- Service expansion, including 1 new roundtrip between San Diego and Goleta or San Luis Obispo (contingent on the availability of funding and equipment).
- Additional service for holidays and special events.
- Ridership and revenue proportionate to the service level, including assumptions for demand pricing revenue.
- Continued coordination with Metrolink and the North County Transit District on improving the existing Rail 2 Rail Programs.
- 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 the Orange County Transportation Authority budget proposal for FY 2025-26. These percentages are unknown at this point.
- Annual marketing budget consistent with planned 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 2025-26 and 2026-27, using these assumptions. The draft chapters will be provided to the Technical Advisory Committee (TAC) for review and comment in December 2024. 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 2025.

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 years 2025-26 and 2026-27. Staff will finalize the draft business plan and budget and return to the Board of Directors for initial review and approval in February 2025.

Attachment

None.