

10. ANNUAL FUNDING REQUIREMENT

The annual state budget includes a line item for the operating costs of the three state-supported intercity rail services. For each service, the state budget provides funding for intercity train operations, a marketing budget, minor capital projects, and the administrative staff budgets. The California Legislature approved the FY 2017/18 State budget that continues this support.

A primary purpose of this Business Plan is to request the annual funds required by SJJPA to operate, administer, and market the San Joaquins for agreed-upon service levels. This chapter documents ridership and revenue projections; FY 2016/17 financial numbers (actuals); operating, marketing, and administrative funding requests of SJJPA for FY 2018/19 and FY 2019/20; and special funding requests for the marketing of new rail services and to conduct market analysis. Also documented are cost savings due to management decisions, and proposed uses for these funds per the ITA.

Ridership and Revenue Projections

Ridership projections by Amtrak for Federal FY 2017 (October 2016 – September 2017) for the San Joaquins anticipated a 1.0% increase from FY 2016 actual ridership (increasing from 1,122,301 million in FY 16 to 1,130,730 million in FY 17). Actual Federal FY 17 ridership was 4.4% less than was forecasted by Amtrak (1,120,037 million actual vs. 1,171,979 million forecast). Actual ridership for FY 17 dropped slightly compared with FY 16 (1,120,037 million vs. 1,122,301 respectively).

For FY 2017, Amtrak forecasted an increase in ticket revenue of 1.4%, from \$35,585,570 million in FY 16 (actuals) to \$36,101,000 million in FY 17 (forecasted). FY 2017 actual San Joaquins ticket revenue was about 1.1% less than was forecasted by Amtrak (\$35,702,920 million actual vs. \$36,101,000 million forecast) and slightly more than the actual ticket revenue for FY 16 (\$35,585,570 million actual).

Amtrak's Federal FY 2018 (October 2017 – September 2018) forecast for San Joaquins ridership is 1,184,700 million. This represents an increase of 5.5% from actual FY 17 ridership. Ticket revenue for Federal FY 2018 is estimated at \$37,687,000 million (an increase of 5.6% from actual FY 17 ticket revenues).

SJJPA expects to receive Amtrak's forecasts for FY 2019 (October 2018 – September 2019) for both ridership and ticket revenue in March of 2018. Amtrak does not yet have San Joaquins ridership and revenue forecasts for FY 2020.

FY 2016/17 Operating Fiscal Report (Actuals)

The net operating costs (expenses less revenue) for Amtrak to operate the San Joaquins for FY 2016/2017 was \$40,059,447, which was \$3,879,658 below the FY 2016/17 allocation of \$43,939,105. There were no other operating costs incurred outside of the Amtrak contract.

Operating Funding Request (FY 2018/19 and FY 2019/20)

The financial performance of the San Joaquins is dependent on several institutional arrangements. The most important arrangement is the contract with Amtrak to operate the service and maintain any assigned equipment and facilities.

San Joaquins operating expenses that fall under the Amtrak contract include:

- Onboard labor;
- Equipment maintenance;
- Railroad performance incentives;
- Train fuel and power;
- Property insurance for state-owned rolling stock operated (maintained by Amtrak);
- Liability insurance and indemnification;
- Lease of Amtrak equipment;
- Commissary and station costs;
- Terminal yard costs;
- Police presence;
- Support of Amtrak's national and local operation (e.g. phone information and reservations system); and
- Connecting bus service and other operating expenses.

The CTC allocated SJJPA \$49,133,285 in operating funding for FY 2017/18. Of this, \$45,260,010 is being utilized for the Amtrak contract. SJJPA is planning to use the remaining \$3,873,275 for several opera-

tional items outside of the Amtrak contract, which are described below. The funding request for FY 2018/19 is \$45,432,984 for the Amtrak contract and \$3,989,437 for the non-Amtrak operational items (see Table 10.1). For FY 2019/20 the San Joaquins projected funding request is \$48,016,345 for the Amtrak contract and \$4,109,157 for non-Amtrak operational items, for an increase of 3% over the FY 2018/19 funding request. An additional \$731,030 is a projected for one month of service expansion associated with the 8th and 9th Daily Round-Trips.

Difference between the Amtrak State Payment Forecast and the Operations Budget

No difference is anticipated.

New Operating Service Level Costs above Minimum Service Level

The ITA states that the Minimum Service Level consists of six daily round trips for the first three years. Beginning in June 2016, a 7th Daily Round-Trip was added, which added operational costs. This operational cost was estimated at \$5,712,370 for FY 2016/17.

Table 10.1: SJJPA Funding Request for the San Joaquins

SJJPA State Funding Request for the San Joaquins (FY 2017/18 - FY 2019/20)			
Expense Category	FY 2017/18 (Approved/Current)	FY 2018/19 (Requested)	FY 2019/20 (Projected)
Operating			
-Amtrak Contract	\$45,260,010	\$45,432,984	\$48,016,345
-Other Operations ¹	\$3,873,275	\$3,989,473	\$4,109,157
-8th/9th Round-Trips ²	---	---	\$731,030
Administrative	\$2,110,414	\$2,181,424	\$2,231,660
Marketing	\$1,000,000	\$1,000,000	\$1,000,000
Minor Capital	\$500,000	\$500,000	\$500,000
Morning Express Express Service Launch Advertising	\$500,000	\$500,000	---
8th/9th Daily Round-Trips Launch Advertising	---	---	\$500,000
Market Analysis (Bi-Annual)	---	\$150,000	---
State Rail Assistance (SRA)	---	TBD	TBD
Total Request	\$52,243,699	\$53,753,882	\$56,088,192
¹ Expenses under the "Other Operations" category (i.e. outside of the Amtrak contract) include, but not limited to: On-Time Performance (OTP) payments; ROW clean-up crew for the corridor; operation of the Wi-Fi and Onboard Information System (starting in late 2019); leased parking (e.g. adjacent to Fresno Station); and the Passenger Information Display System (PIDS). ² SJJPA plans to commence operations of the 8th and 9th Daily Round-Trips in June 2020. The funding request includes one month of operations in State FY 2019/20. The projected amount is based on calculations done for the 2018 SJJPA-SJRRRC TIRCP application. This number will be refined as operating costs for the new service are negotiated with Amtrak.			

Operating Costs not included in Amtrak State Payment Forecast

SJJPA is in the process of taking on more direct responsibility for the operations of the San Joaquins outside of the Amtrak operating contract for operational items such as On-Time Performance Payments, leased parking around stations, ongoing railroad ROW clearance work (in partnership with the host railroads), and eventually Wi-Fi and Onboard Information System (in partnership with CCJPA and the State respectively). See Table 10.1 for a total estimated budget for non-Amtrak items.

SJJPA is also considering partnering with private and/or public bus operators to improve connecting bus service for San Joaquins passengers that would be outside of the Amtrak operating contract. Costs for these services are not determined yet, but a net savings is anticipated in costs as these partnerships would replace existing Thruway Bus services, and fill excess seating capacity, potentially as early as FY 2019/20.

Administrative Funding Request (FY 2018/19 and FY 2019/20)

Funds are required for the SJJPA to provide administrative support for the San Joaquins. SJJPA administrative costs for FY 2018/19 are proposed at \$2,181,424. For FY 2019/20, SJJPA administrative costs are estimated at \$2,231,660. See Table 10.1 for a summary of these administrative costs alongside operations and marketing costs. These costs are based on a 2.5% increase for cost escalation, plus the continuation of funds for outside consulting assistance with ongoing planning efforts, as well as funds for railroad liability insurance. See Table 10.2 for a breakout of budgeted administrative costs.

Special Administrative Funding Requests

- **On-Call Planning Consultant (Annual):** In SJJPA's 2017 Business Plan, funds were requested to contract with a planning consultant to assist with planning work associated with the 8th Daily Round-Trip. Since these funds were approved, SJJPA has submitted a TIRCP application for 8th Daily Round-Trip (and the 9th Daily Round-Trip) with a complex pulse schedule that will require ongoing planning resources to successfully implement. Additionally, work to lay the

ground work for hourly service between Sacramento and Fresno is necessary. Given these aggressive expansion plans, SJJPA believes the best solution is to procure an on-call planning consultant. Specific tasks an on-call consultant could provide include but are not limited to: environmentally clearing new parking facilities and other capital improvements for existing and new San Joaquins stations, provide cost estimating services to assist in planning various capital improvements, identifying infrastructure needed at Cabral Station to enable transfers between Sacramento trains and Bay Area trains, evaluate options for reducing operating times to under six hours between Oakland and Bakersfield, operations and scheduling analysis, etc. This request is for \$150,000 FY 2018/19, and then for it to be a budget line item going forward.

- **Railroad Liability Insurance (Annual):** SJJPA has recently begun capital improvements at stations and along the railroad ROW. This requires railroad liability insurance, which SJJPA previously did not need. Due to this annual expense, SJJPA is requesting \$22,000 for the FY 2018/19, and then for it to be a budget line item going forward.

Marketing Funding Request (FY 2018/19 and 2019/20)

For FY 2018/19 and FY 2019/20, SJJPA assumes "Marketing Expenses" of \$1,000,000 for the ongoing annual marketing program, for which SJJPA has developed a Marketing and Outreach Plan. The marketing expenses represent only those direct expenses attributed to SJJPA and do not include any costs for marketing programs provided solely by Amtrak or the State.

Minor Capital Funding Request (FY 2018/19 and FY 2019/20)

SJJPA is requesting the continuation of the \$500,000 per year provided for "Minor Capital" projects (projects valued at \$291,000 or less). This funding is critical to keeping the San Joaquins Corridor in a state of good repair, as well as making small service improvements.

Table 10.2: Detail of Administrative Budget for the San Joaquins

Administrative Budget for the San Joaquins - Detail (FY 2017/18 - FY 2019/20)			
Expense Category	FY 2017/18 (Approved/Current)	FY 2018/19 (Requested)	FY 2019/20 (Projected)
Salaries/Benefits/Contract Help	\$1,505,369	\$1,544,966	\$1,595,250
Office Expenses/Postage/Memberships, etc.	\$15,489	\$20,489	\$20,489
Computer Systems	\$13,429	\$5,000	----
Communications	\$28,200	\$28,905	\$29,628
Motor Pool	\$12,000	\$21,314	\$21,487
Transportation/Travel	\$30,000	\$30,000	\$30,750
Audits/Regulatory Reporter	\$20,000	\$20,000	\$20,500
Professional Services - Legislative	\$50,000	\$50,000	\$50,000
Professional Services - Legal	\$50,000	\$50,000	\$50,000
Professional Services - General	\$30,518	\$69,500	\$74,562
Professional Services - Operations	\$45,000	\$20,000	\$20,500
Professional Services - Grants	\$67,000	\$67,000	\$67,000
Professional Services - Planning	----	----	\$150,000*
Commnications - Operations	\$10,000	\$10,250	\$10,506
Publication/Legal Notices	\$2,000	\$5,000	\$5,000
Maintenance of Headquarters	\$55,409	\$48,500	\$46,113
Insurance - Admin	\$15,000	\$16,000	\$15,375
Insurance - Railroad	----	----	\$22,000*
Insurance Management Fees	\$1,000	\$2,500	\$2,500
Security Services/Safety Programs	\$10,000	----	----
Sub-Total	\$1,960,414	\$2,009,424	\$2,231,660
Professional Services - Planning	\$150,000	\$150,000*	----
Insurance - Railroad	----	\$22,000*	----
Total	\$2,110,414	\$2,181,424	\$2,231,660

**Note: These budget line items are being requested to be included in the annual budget, rather than as "one-time" expenses. Therefore, they are included in main the administrative budget request for FY 2019/20.*

Morning Express Service Launch Advertising Funding Request (FY 2018/19)

SJJPA is requesting \$500,000 in funding for FY 2018/19 for advertising for the initiation of the Morning Express Service to the Bay Area. Service is planned to start in mid-2019 during FY 2018/19.

8th and 9th Daily Round-Trip Launch Advertising Funding Request (FY 2019/20)

SJJPA is requesting \$500,000 in funding for FY 2019/20 for advertising for the initiation of the 8th and 9th Daily Trips. Service is planned to start in June of 2020.

Market Analysis Funding Request (FY 2018/19)

SJJPA is currently utilizing market analysis reports performed by Amtrak and Caltrans to inform SJJPA marketing efforts and to tailor messaging. However, Caltrans has indicated its suspension of further market analysis programs. Additionally, the market analysis Amtrak provides SJJPA is insufficient to meet the needs for planning and marketing the San Joaquins, as SJJPA is unable to control the data points that are captured. To continue to gather necessary market data, SJJPA is requesting additional funds in the amount of \$150,000 to perform market analysis research on a bi-annual basis. Marketing analysis research will be per-

formed both onboard to gather current ridership data and via other means (phone surveys, online surveys, in person intercepts etc.) to collect non-rider data.

Management Actions Resulting in Operating Cost Reductions/Revenue Enhancements

Per the ITA, SJJPA is currently planning to program cost savings realized as a result of management actions from FY 2015/16 and FY 16/17 to service improvements. Cost savings are identified below (see Table 10.3), followed by a list of potential items that could utilize these cost savings.

Potential Cost Savings Utilization

- California Passenger Information Display System (Cal PIDS) Upgrade – SJJPA portion of the project;
- New Parking Lot for Turlock-Denair Amtrak Station – Construction costs (if necessary);
- New Parking Lot for Merced Amtrak Station – Land acquisition and construction costs;
- New Parking Lot for Fresno Amtrak Station – Land acquisition and construction costs;
- Accessibility improvements to Allensworth Station; and
- Contribute to the SJJPA's reserve account.

Table 10.3: Operating Cost Savings Analysis

Operating Cost Savings Analysis (FY 2015/16 and FY 2016/17)		
State Fiscal Year	Cost Savings Item	Cost Savings
FY 2015/16 and FY 2016/17	In response to substantially increasing costs related to the Thruway Bus Route 99 (Emeryville – San Francisco), SJJPA staff decided to reduce the number of bus stops from four to two in the City of San Francisco. This management action was undertaken at a time when labor costs were being increased per hour to accommodate higher union wages. Annual costs were scheduled to go up significantly for the same level of service when the bus contract was up for renewal. By deciding to cut the number of bus stops to two, driver hours were lowered, allowing the SJJPA to renew the contract with a smaller increased cost, providing a saving.	\$65,017/yr
FY 2016/17	SJJPA staff utilized nearly two decades of rail operating experience to optimize equipment utilization by working with Amtrak to re-evaluate the trainset cycling, which allowed SJJPA to use only two instead of the originally planned three Comet Car trainsets, thereby reducing costs by approximately \$1.5 million. SJJPA staff was involved in the negotiations of price and service options with Amtrak and potential Thruway Bus providers. The involvement, input and recommendations provided by staff helped realize a savings just over \$1.0 million in savings over previous Thruway Bus contracts prior to SJJPA's involvement.	\$2,512,716