

13. ANNUAL FUNDING REQUIREMENT

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. Previous chapters describe the proposed operating plan and strategies, planned service improvements, and capital improvements for FY 2017/18 and FY 2018/19. This chapter documents ridership and revenue projections, followed by the operating, marketing, and administrative fund requests of SJJPA for FY 2017/18 and FY 2018/19.

Ridership and Revenue Projections

Ridership projections by Amtrak for Federal FY 2016 (October 2015 – September 2016) for the San Joaquins anticipated a 3.3% decrease from FY 2015 (decreasing from 1.18 million in FY 15 to 1.14 million in FY 16). Actual Federal FY 16 ridership was about 1.4% less than was forecasted by Amtrak (1.12 million actual vs. 1.14 million forecast) and about 4.7% less than the actual ridership for FY 15 (1.12 million actual vs. 1.18 million actual).

For FY 2016, Amtrak forecasted a decrease in ticket revenue of 3.5% (from \$37.4 million to \$36.1 million). FY 2016 actual San Joaquins ticket revenue was about 1.3% less than was forecasted by Amtrak (\$35.6 million actual vs. \$36.1 million forecast) and about 4.8% less than the actual ticket revenue for FY 15 (\$35.6 million actual vs. \$37.4 million actual).

Amtrak's Federal FY 2017 (October 2016 – September 2017) forecast for San Joaquins ridership is 1.21 million. This represents an increase of 7.8% from actual FY 16 ridership. Ticket revenue for Federal FY 2017 is estimated at \$38.6 million (an increase of 8.4% from actual FY 16 ticket revenues).

SJJPA received Amtrak's forecasts for FY 2018 (October 2017 – September 2018) for both ridership and ticket revenue in March of 2017. Ridership increased by 80,000 over FY 2016. Amtrak does not yet have San Joaquins ridership and revenue forecasts for FY 2019.

FY 2017/18 and FY 2018/19 Net Operating Costs / Funding Request

The net operating costs (expenses less revenue) for Amtrak to operate the San Joaquins for FY 2015/2016 was \$39,372,643. This included the entire Thruway bus network associated with the San Joaquins. Based

on the CTC allocation for FY 2016/17 of \$43,939,105, and discussions with Caltrans and Amtrak, the current projection of net operating costs for FY 2017/18 is \$49,133,285 (see Table 13.1). This represents an 11.8% increase from the FY 2016/17 allocation. This is based on the operating forecast received from Amtrak on March 31, 2017.

Amtrak has stated that the primary reasons for the increase are:

- 1) The Federal Fiscal Year (FFY) 2018 Forecast is based on actuals from FFY 2016, which is based on revenues and expenses of 6 daily round trips and extrapolated to add the current 7 train schedule.
- 2) An increase in Performance payments to host railroads if they get to 85% On-Time Performance.
- 3) The addition of 11 staff in Train and Engine Crew (T&E) labor over the exiting staff operating the 7 daily round trips in FFY 2017.
- 4) The unknown cost of Maintenance of Equipment (MoE) labor for maintaining the new Tier 4 Charger Locomotives and the addition of DEF used in the after burn system to reduce emissions.
- 5) An increase on the support additives associated with Train and Crew labor (32.4% on top of the T&E labor) and Maintenance of Equipment labor (27.1% on top of the MoE labor).

Staff is working with Amtrak to refine the forecast to reflect the actual expenses of 7 daily round trips operated in FFY 2017 to provide an accurate estimate for the FFY 2018 Operating Contract. Through this process, SJJPA anticipates costs coming down significantly.

For FY 2018/19 the San Joaquins operating costs is projected to be \$50,607,284, an increase of 3.0% over the FY 17/18 projection.

New Operating Service Level Costs above Minimum Service level

For FY 2016/17, FY 2017/18, and FY 2018/19, SJJPA is not anticipating costs above the Minimum Service Level.

Operating Costs not included in Amtrak State Payment Forecast

SJJPA is considering partnering with private and/or public bus operators to improve connecting bus ser-

vice 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 2017/18.

Management Actions Resulting in Operating Cost Reductions and Planned Future Utilization

Per the ITA, SJJPA is looking at reprogramming the cost savings a result of management actions from FY 2015/16 and FY 2016/17 to projects related to the Morning Express Service, which could include additional parking and station enhancement projects in FY 2017/18 and FY 2018/19 (see Table 13.1).

During FY 15/16, SJJPA negotiated the consolidation of bus stops in San Francisco, which led to cost savings for Thruway Route 99. Savings began in April of 2016 and continued through the remainder of the fiscal year. SJJPA is planning to apply these savings to the above mentioned Morning Express Service improvements. The amount is still being determined.

Costs savings are also anticipated to be realized from the implementation of the Morning Express Service, which would shorten the operational time/distance for two of the seven daily round-trips by starting them mid-corridor in Fresno. SJJPA is requesting that these savings be made available to fund parking projects, station enhancements, safety and security projects, and other service improvements.

SJJPA is also pursuing several operational efficiencies listed below that are anticipated to further reduce operating costs.

- Reduce run times to under six hours for the current full-corridor round trips which eliminates the need for a crew change at Merced.
- Adjust Thruway bus routes by shortening and/or speeding up routes to reduce labor costs.
- Partner with private and/or public bus operations to allow excess seating capacity to be filled, which would likely raise revenue and/or reduce labor costs.

FY 2017/18 and 2018/19 Marketing Funding Request

For FY 2017/18 and FY 2018/19, 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.

Table 13.1: Summary of State Funding Request for the San Joaquins

| Summary of State Funding Request for the San Joaquins for FY 2017/18 and FY 2018/19 (\$ Millions) | | |
|---|------------------------|------------------------|
| Expense Category | FY 2017/18 (Projected) | FY 2018/19 (Projected) |
| Operating | \$49,133,285 | \$50,607,284 |
| Morning Express Service Capital -Additional Parking and Station Enhancements | TBD* | TBD** |
| Marketing | \$1,000,000 | \$1,000,000 |
| Morning Express Service Launch Advertising | \$500,000 | \$500,000 |
| Administrative | \$2,110,414 | \$2,007,749 |
| Total | \$52,743,699 | \$54,115,033 |

**Funds would be derived from cost savings from FY 15/16.
 **Additional cost savings from FY 2016/17 would also be applied to Morning Express Service capital projects when the amount of savings are determined.*

FY 2017/18 and 2018/19 Morning Express Service Launch Advertising Funding Request

SJJPA is requesting \$500,000 in funding for FY 2017/18 for advertising for the initiation of the Morning Express Service to Sacramento, and \$500,000 in FY 2018/19 for advertising for the initiation of the Morning Express Service to the Bay Area.

FY 2017/18 and 2018/19 Morning Express Service Funding Request

SJJPA is seeking the utilization of cost savings for parking expansion and station enhancement projects.

FY 2017/18 and FY 2018/19 Administrative Funding Request

Funds are required for SJJPA to provide administrative support for the San Joaquins. SJJPA administrative costs for FY 2017/18 are proposed at \$2,110,414. For FY 2018/19, SJJPA administrative costs are estimated at \$2,007,749. See Table 13.1 for a summary of these number alongside operations and marketing costs. These costs are based on a 2.5% increase for cost escalation, plus the following:

1) Addition of one marketing staff position. Due to the overall length of the San Joaquins Corridor and extensive nature of the Thruway Bus System, current marketing staff are unable to equitably reach all the communities served. The additional marketing position would be focused on direct outreach to communities, organizations, and agencies, especially including those along Thruway bus routes so as to expand efforts to promote the San Joaquins. This effort is in line with SJJPA's commitment to target underserved and disadvantaged communities. (\$120,000/yr)

2) Consultant assistance to develop SJJPA's Transit and Intercity Rail Capital Program (TIRCP) applications and other grant programs created in 2017's SB 1 legislation. (\$67,000 in FY 17/18 and \$67,000 in FY 18/19)

3) Consultant assistance with planning work to optimize implementation for the 8th Daily Round Trip and additional service expansion. Planning activities related to this include: working with freight railroads to determine improvements needed for service expansion; exploration of utilizing capital access fees to host railroads to free up needed capacity; conducting a corridor-wide rolling stock layover strategy study; and new station and connectivity planning. (\$150,000 for FY 2017/18)

See Table 13.2 for a breakout of budgeted administrative costs.

The primary role of SJJPA is the day-to-day management of the San Joaquins. As directed by SJJPA, the Managing Agency staff will continue to perform the following general functions:

- Plan, supervise, and implement (through contracted operators) San Joaquins and Thruway bus services and related capital projects/programs;
- Coordinate the daily activities with and monitor the performance of the contract operator and other contracted entities;
- Work with BNSF and UPRR in the oversight of train dispatching and railroad related issues;
- Develop and implement marketing, public information, communications, and advocacy programs;
- Coordinate the planning and implementation of the San Joaquins with the State as part of the statewide intercity rail system;
- Coordinate with the State and CCJPA for the allocation of rolling stock for the San Joaquins; and
- Coordinate with local, regional, state, and federal agencies, and organizations to promote improved connectivity and accessibility, integration with other modes, and sustainable development. Address connectivity and integration with the rest of the intercity rail network, both State rail corridors and long distance trains.

SJJPA selected the San Joaquin Regional Rail Commission (SJRRRC) as their Managing Agency for an initial three-year term, with the agreement extended at the May 2016 Board Meeting for an additional three years (through September 2019). SJRRRC is the owner/operator of the Altamont Corridor Express (ACE) rail service between Stockton and San Jose.

The San Joaquins, as administered by SJJPA, will remain a part of the State's intercity rail system and continue to be funded by the State. SJJPA will provide the level of service consistent with funding appropriated by the State and any cost savings identified by SJJPA or revenues in excess of the Business Plan projections during the term of the ITA may be used by SJJPA for service improvements in the San Joaquins Corridor.

Table 13.2: Projected Administrative Budget for the San Joaquins

| Projected Administrative Budget for the San Joaquins - Detail (FY 2017/18 and FY 2018/19) | | |
|--|---------------------------|---------------------------|
| Expense Category | FY 2017/18 (Projected) | FY 2018/19 (Projected) |
| Salaries/Benefits/Contract Help | \$1,497,528 | \$1,540,541 |
| Office Expenses/Postage | \$15,489 | \$16,126 |
| Computer Systems | \$13,429 | \$13,764 |
| Communications | \$28,200 | \$28,905 |
| Motor Pool | \$19,841 | \$20,337 |
| Transportation/Travel | \$30,000 | \$30,000 |
| Audits/Regulatory Reporter | \$20,000 | \$20,000 |
| Professional Services - Legislative | \$50,000 | \$50,000 |
| Professional Services - Legal | \$50,000 | \$50,000 |
| Professional Services - General | \$30,518 | \$31,282 |
| Professional Services - Operations | \$45,000 | \$45,000 |
| Professional Services - Grants | \$67,000 | \$67,000 |
| Professional Services - Planning | \$150,000 | ---- |
| Communications - Operations | \$10,000 | \$10,000 |
| Publication/Legal Notices | \$2,000 | \$2,000 |
| Maintenance of Headquarters Structure/Grounds | \$55,409 | \$56,794 |
| Insurance | \$15,000 | \$15,000 |
| Insurance Management Fees | \$1,000 | \$1,000 |
| Security Services/Safety Programs | \$10,000 | \$10,000 |
| Total | \$2,110,414 | \$2,007,749 |