FY18 Budget Performance

FY19 Budget Outlook

San Mateo County Transit District
Objectives

• Provide background necessary for thoughtful consideration of intermediate-term fiscal pressures
  • Service levels
  • Ridership
  • Member contributions
  • Budget picture (operating & capital)
  • Introduce preliminary indicators from Fare Study
  • Consider alternatives for addressing intermediate-term structural deficits
Service

- 92 Weekday Trains
  - Express ("Baby Bullets")
  - Limited (incl 6 Gilroy trains)
  - Locals
- 28 / 24 Weekend Trains
- Travel times (mainline)
  - <60 min for “bullets”
  - >100 min for locals
- Station Stops (mainline)
  - 6 to 7 for “bullets”
  - 24 for locals
Service Distribution

Caltrain Schedule: Weekday Northbound

AM

PM

San Francisco
Millbrae
San Mateo
Hillsdale
Redwood City
Palo Alto
Mountain View
Sunnyvale
Diridon

Local Service
Limited Service
Baby Bullet Service

Graphic Courtesy of Alex Gude
Ridership and Capacity

Maximum Loads - Northbound
Caltrain 2017 Annual Count

Maximum Loads - Southbound
Caltrain 2017 Annual Count

Max Seating Capacity - 760 (6-car Bombardier or 6-car Gallery)
Max Seating Capacity - 650 (5-car Gallery)
Ridership

- 62,000 average weekday boardings
- Distribution
  – 52% traditional peak
  – 31% reverse peak
  – 12% midday
  – 5% evening
- 22.8 mile average trip-length
Ridership

- Average Weekday Ridership - based on annual passenger counts
- Annual Passenger Miles - based on National Transit Database
- Annual Ridership - based on fare media sales
<table>
<thead>
<tr>
<th>Date</th>
<th>Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 2009</td>
<td><strong>Base</strong> fare from $2.25 to $2.50.</td>
</tr>
<tr>
<td>Jan 2011</td>
<td><strong>Zone</strong> fare from $1.75 to $2.00.  Go Pass from $140 to $155.</td>
</tr>
<tr>
<td>July 2011</td>
<td><strong>Base</strong> fare from $2.50 to $2.75.</td>
</tr>
<tr>
<td>July 2012</td>
<td><strong>Base</strong> fare paper tickets increase $0.25 for One-way and $0.50 for Day Pass. 8-ride ticket discount lowered from 15% to 7.5% and the validity period shortened from 60 days to 30 days; Go Pass from $155 to $165.</td>
</tr>
<tr>
<td>Oct. 2014</td>
<td><strong>Base</strong> fare for paper tickets increases $0.25 for One-way and $0.50 for Day Pass (Clipper card price remains at $2.75 base); Go Pass increase from $165 to $180, with minimum participation rate of $15,120.</td>
</tr>
<tr>
<td>Jan. 2016</td>
<td>Go Pass from $180 to $190, with minimum participation rate of $15,960. Caltrain plus Muni Pass on Clipper was discontinued. Clipper receive $0.50 transfer credit to Muni within 60 minutes of tagging off on Caltrain.</td>
</tr>
<tr>
<td>Feb. 2016</td>
<td><strong>Base</strong> fare from $3.25 to $3.75. Clipper card holders continue to get an approximate 15 percent discount on the base fare over paper tickets.</td>
</tr>
<tr>
<td>Oct. 2017</td>
<td>Adult <strong>zone</strong> fare increase from $2 to $2.25; Monthly Pass multiplier increase from 26.5 to 28 One-way fare; monthly parking multiplier increase from 10 to 15 daily parking; 8-ride Ticket eliminated.</td>
</tr>
<tr>
<td>Jan. 2018</td>
<td>Go Pass increase from $190 to $237.50 per eligible user, with minimum participation rate of $19,950.</td>
</tr>
<tr>
<td>July 2018</td>
<td>Monthly Pass multiplier increase from 28 to 30 One-way fare.</td>
</tr>
<tr>
<td>Jan. 2019</td>
<td>Go Pass increase from $237.50 to $285 per eligible user, with minimum participation rate of $23,940.</td>
</tr>
</tbody>
</table>
Farebox & OPEX (per Passenger)

*FY16 OPEX was abnormally low due to release of insurance reserves.
Farebox and Contribution (per Passenger)
Operating Contribution (in millions)


SM VTA SF

Total Contributions

<table>
<thead>
<tr>
<th>Year</th>
<th>SM</th>
<th>VTA</th>
<th>SF</th>
<th>Total Contributions</th>
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<tbody>
<tr>
<td>FY2008</td>
<td>$38.3</td>
<td>$39.4</td>
<td>$39.4</td>
<td>$38.3</td>
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<tr>
<td>FY2009</td>
<td>$39.4</td>
<td>$39.4</td>
<td>$39.4</td>
<td>$39.4</td>
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<tr>
<td>FY2010</td>
<td>$35.1</td>
<td>$35.1</td>
<td>$35.1</td>
<td>$35.1</td>
</tr>
<tr>
<td>FY2011</td>
<td>$25.3</td>
<td>$25.3</td>
<td>$25.3</td>
<td>$25.3</td>
</tr>
<tr>
<td>FY2012</td>
<td>$33.5</td>
<td>$33.5</td>
<td>$33.5</td>
<td>$33.5</td>
</tr>
<tr>
<td>FY2013</td>
<td>$17.2</td>
<td>$19.8</td>
<td>$19.7</td>
<td>$19.7</td>
</tr>
<tr>
<td>FY2014</td>
<td>$19.7</td>
<td>$19.7</td>
<td>$19.7</td>
<td>$19.7</td>
</tr>
<tr>
<td>FY2015</td>
<td>$20.4</td>
<td>$20.4</td>
<td>$20.4</td>
<td>$20.4</td>
</tr>
<tr>
<td>FY2016</td>
<td>$20.4</td>
<td>$20.4</td>
<td>$20.4</td>
<td>$20.4</td>
</tr>
<tr>
<td>FY2017</td>
<td>$20.4</td>
<td>$20.4</td>
<td>$20.4</td>
<td>$20.4</td>
</tr>
</tbody>
</table>
Operating Budget Results

Sources of Funds:

FY08 (Actual)
- Total $88.6M
  - Farebox: 43%
  - JPB Member Agencies: 3%
  - Other Operations Revenue: 9%
  - Other Contributions & Use of reserves: 15%

FY18 (Forecast)
- Total $140.3M
  - Farebox: 70%
  - JPB Member Agencies: 9%
  - Other Operations Revenue: 6%
  - Other Contributions & Use of reserves: 17%

Uses of Funds:

FY08 (Actual)
- Total $87.8M
  - Rail Operator Service: 60%
  - Fuel and lubricants: 7%
  - Other Operating Expense: 16%
  - Wages and Benefits: 13%

FY18 (Forecast)
- Total $140.3M
  - Rail Operator Service: 59%
  - Fuel and lubricants: 11%
  - Other Operating Expense: 6%
  - Wages and Benefits: 7%
Capital Budget

Sources of Funds:

FY08 (Actual) Total $54.4M
- Federal: 54%
- State: 21%
- Other: 24%
- JPB Member: 7%

FY18 (Budget) Total $71.3M
- Federal: 48%
- State: 21%
- Other: 24%
- JPB Member: 7%

Uses of Funds:

FY08 (Actual) Total $54.4M
- Op Facilities & Equipment: 91%
- Legal Mandates: 0%
- SOGR: 6%
- Capital Prog Mgmt./Others: 3%

FY18 (Budget) Total $71.3M
- Op Facilities & Equipment: 50%
- Legal Mandates: 44%
- SOGR: 2%
- Capital Prog Mgmt./Others: 4%
FY18 BUDGET PERFORMANCE
# FY18 Budget Performance

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Forecast</th>
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<tbody>
<tr>
<td>Operating Revenue</td>
<td>$110,493,655</td>
<td>$110,898,230</td>
</tr>
<tr>
<td>Contributed Revenue</td>
<td>26,509,964</td>
<td>26,509,964</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>137,003,619</td>
<td>137,408,194</td>
</tr>
<tr>
<td>Operating Expense</td>
<td>119,664,879</td>
<td>116,737,878</td>
</tr>
<tr>
<td>Administrative Expense</td>
<td>24,531,044</td>
<td>22,226,909</td>
</tr>
<tr>
<td>Long Term Debt Expense</td>
<td>1,298,675</td>
<td>1,298,675</td>
</tr>
<tr>
<td>Total Expense</td>
<td>145,494,599</td>
<td>140,263,462</td>
</tr>
<tr>
<td><strong>Surplus / (Deficit)</strong></td>
<td><strong>$(8,490,979)</strong></td>
<td><strong>$(2,855,269)</strong></td>
</tr>
</tbody>
</table>

We are currently projecting lower than budgeted use of reserves due primarily to lower TASI and consultant expenses.
FY19 BUDGET OUTLOOK
## FY19 Preliminary Budget Outlook

<table>
<thead>
<tr>
<th></th>
<th>FY18 Budget</th>
<th>FY18 Forecast</th>
<th>Preliminary FY19 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>$110,493,655</td>
<td>$110,898,230</td>
<td>$120,637,338</td>
</tr>
<tr>
<td>Contributed Revenue</td>
<td>26,509,964</td>
<td>26,509,964</td>
<td>25,916,321</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>137,003,619</td>
<td>137,408,194</td>
<td>146,553,659</td>
</tr>
<tr>
<td>Operating Expense</td>
<td>119,664,879</td>
<td>116,737,878</td>
<td>125,751,334</td>
</tr>
<tr>
<td>Administrative Expense</td>
<td>24,531,044</td>
<td>22,226,909</td>
<td>25,823,785</td>
</tr>
<tr>
<td>Long Term Debt Expense</td>
<td>1,298,675</td>
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<tr>
<td>Total Expense</td>
<td>145,494,599</td>
<td>140,263,462</td>
<td>152,873,794</td>
</tr>
<tr>
<td><strong>Surplus / (Deficit)</strong></td>
<td><strong>$(8,490,979)</strong></td>
<td><strong>$(2,855,269)</strong></td>
<td><strong>$(6,320,135)</strong></td>
</tr>
</tbody>
</table>
Key Expense Driver - TASI Contract

- Majority of TASI contract costs are governed by negotiated escalators
  - Labor and G&A

- Remaining costs categories support ongoing sustenance of operation
  - Limited potential for savings

FY18 Budget - Operating Contract

- Labor: 70.5%
- Materials: 4.4%
- Services: 11.1%
- Other: 4.5%
- G&A: 5.3%
- Perf. Fee: 4.3%
Key Expense Drivers

**Diesel Fuel**
- FY18 budget of $2.00 / gallon
- Current invoice price is $1.94 / gallon and has ranged between $1.47 and $2.09
- Preliminary projection for FY19 cost of $2.10/gallon
- FY18 fuel forecast is $9.9M, FY19 preliminary budget is $10.8M

**PTC Operating Expenses**
- FY19- half of the year anticipated system maintenance costs ($2.5M) and BCCF rent ($380K)
- FY20- full year of anticipated system maintenance and BCCF rent; additional TASI costs

**Insurance**
- Assuming a 10% increase in premiums, driven primarily by market issues; pricing will be firm prior to budget adoption in June
- FY18 insurance forecast is $5.5M, FY19 preliminary budget is $6.1M
Key Expense Driver – Agency Staffing

• 2.4 annualized FY18 new FTEs
• 2.25 new operating FTE requests
• Adjustment in wage and fringe benefit
• Included vacancy factor of 6%
FY19 Operating Budget - Staff Allocation for Caltrain

<table>
<thead>
<tr>
<th>Division</th>
<th>Operating FTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations</td>
<td>39.0</td>
</tr>
<tr>
<td>Grants and Administrative Support</td>
<td>10.7</td>
</tr>
<tr>
<td>Marketing and Communication</td>
<td>15.1</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>64.8</strong></td>
</tr>
</tbody>
</table>

Another 64.3 FTEs are allocated to Caltrain capital projects - either directly charged, or through capital overhead charges.
FY19 Fare Assumptions

Adopted Fare Increases
- Month Pass increases from 14 to 15 day equivalent on 7/1/2018
- Go Pass increases 20% on 1/1/2019
Surplus/ (Deficit)

Without additional revenue, FY19 anticipated deficit of $6.3M

*Includes adopted FY19 fare increases (no other fare increases assumed).
Anticipated 2018 Financing

Refinancing of 2007 Farebox Revenue Bonds
• Potential debt service savings
• Potential restructuring

Refinancing of 2015 Farebox Revenue Bonds
• Address mandatory purchase (January 2019)
• Potential restructuring

New money needs
• PTC owner costs
• Real property acquisition
FY19 CAPITAL PROGRAM
## FY19 Capital Budget (in millions)

<table>
<thead>
<tr>
<th>Category</th>
<th>FY19* $ Submitted</th>
<th>FY19** $ Request</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOGR</td>
<td>$66.25</td>
<td>$34.81</td>
<td>$(31.44)</td>
</tr>
<tr>
<td>Legal</td>
<td>1.45</td>
<td>1.45</td>
<td>-</td>
</tr>
<tr>
<td>Operational Improvements</td>
<td>4.09</td>
<td>1.52</td>
<td>(2.57)</td>
</tr>
<tr>
<td>Planning/Other</td>
<td>6.69</td>
<td>3.37</td>
<td>(3.33)</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$78.48</strong></td>
<td><strong>$41.14</strong></td>
<td><strong>$(37.34)</strong></td>
</tr>
</tbody>
</table>

*Does not include potential TIRCP funded projects or additional PTC funding requests

**Estimated FY19 Capital Budget
Capital Program Funding – FY19

- **Capital Funding Requests:** $41.1M

- **FY19 Funding Sources:**
  - FTA $14.5
  - STA-SOGR $1.24
  - STA-CAP $2.87
  - Partners $15.0

  **Total** $33.6M

- **Unfunded Need:** $7.5M
# SOGR Projections (in millions)

<table>
<thead>
<tr>
<th></th>
<th>FY18</th>
<th>SOGR Projections (Included in FTA Core Capacity Financial Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Adopted Budget</td>
<td>FY19*</td>
</tr>
<tr>
<td><strong>SOGR</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Right of Way / Signal &amp; Communications</td>
<td>$18.4</td>
<td>$26.3</td>
</tr>
<tr>
<td>Rolling Stock</td>
<td>12.0</td>
<td>29.6</td>
</tr>
<tr>
<td>Station &amp; Intermodal Access</td>
<td>0.8</td>
<td>10.3</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>$31.2</td>
<td>$66.3</td>
</tr>
</tbody>
</table>

• FY18 SOGR budget significantly constrained

*Preliminary FY19 "Ask"
Impacts of Deferred Capital Investment

- Utilize a “failure” maintenance approach rather than “preventative” maintenance approach results in:
  - Slow Orders
  - Locomotive failures and associated delays
  - Car component failures and associated delays
  - Verified safety defects result in truncation of service
  - Cancellation of special event trains
  - Signal system delays
  - Deferral of scope tests limits of organizational capacity
- Introduction of complex systems (TPSS, EMU, PTC) requires proactive maintenance approach from the commencement of service
FY19 DEFICIT & POTENTIAL SOLUTIONS
Deficit – Potential Solutions

- Budgetary Savings
- Use of One-Time Reserves
- Other - advertising, station naming, transit-oriented development etc.
- Fare structure modifications
- Additional Member Agency Contributions
Caltrain System’s Demand Elasticity

- Calculated using Caltrain’s newly developed Fare Elasticity Model
- Elasticity Findings:
  - Caltrain’s price elasticity of demand is inelastic
  
  Fare increases are unlikely to result in steep drops in ridership on Caltrain and should be revenue positive

Resulting policy question: how much revenue should Caltrain generate from its fares?
Testing Potential Fare Changes with Fare Elasticity Model

• Scenarios of potential fare changes that were tested using model:
  1. Increasing Base Fare by $0.25
  2. Increasing Zone Fare by $0.25
  3. Reducing current Clipper Card discount from $0.55 to $0.20 off Base Fare
  4. Completely removing current Clipper Card discount of $0.55 off Base Fare
Scenario Testing

• All of the scenarios tested had relatively modest negative impacts on ridership
• Each of the scenarios tested would generate incremental revenue:

1. Increasing Base Fare by $0.25 - $5.0M - $6.1M
2. Increasing Zone Fare by $0.25 - $6.4M - $9.0M
3. Reducing Clipper Card discount to $0.20 off Base Fare - $5.3M - $7.4M
4. Removing Clipper Card discount of $0.55 off Base Fare - $6.4M - $8.8M
Gap Closing Proposal

- Remaining FY19 preliminary budget gap of $6.3M
- To close this gap, staff recommends increased member funding for operations of $5M for a total of $25.448M
  - San Francisco $7,023,652
  - San Mateo $7,634,404
  - VTA $10,789,958
- Additionally, staff recommends establishment of a “Revenue Stabilization Fund” in the amount of up to $5M, and the utilization of up to $1M of the Revenue Stabilization Fund to balance the FY19 budget
- To the extent that some or all of the increased member funding may not be realized, staff recommends that the Board consider the need for increased fare revenue in FY19
In order to address the need for safe and reliable operations, staff is recommending that each member agency increase its funding for Caltrain capital from $5M annually to $7.5M annually.

Finally, lacking a structural solution, FY19 is the first of several increasingly difficult budget years that will require increased levels of member contribution, fare adjustments and potentially severe budget cuts.