Preliminary FY2019 Operating and Capital Budget

Board of Directors
May 3, 2018
Agenda Item #9
Outline of Discussion

- Update on FY 2018 performance against budget
- FY 2019 Preliminary Operating Budget
  - Summary
  - Detail
  - Key Issues
- FY 2019 Preliminary Capital Budget
  - Sources and Uses
  - State of Good Repair
- Next Steps
## FY18 Operating Budget Performance

<table>
<thead>
<tr>
<th></th>
<th>FY18 Budget</th>
<th>FY18 Forecast</th>
<th>Variance $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>$110,493,655</td>
<td>$109,617,111</td>
<td>($876,544)</td>
</tr>
<tr>
<td>Contributed Revenue</td>
<td>26,509,964</td>
<td>26,509,964</td>
<td>-</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>137,003,619</td>
<td>136,127,075</td>
<td>(876,544)</td>
</tr>
<tr>
<td>Operating Expense</td>
<td>119,664,879</td>
<td>116,737,878</td>
<td>(2,927,001)</td>
</tr>
<tr>
<td>Administrative Expense</td>
<td>24,531,044</td>
<td>22,226,909</td>
<td>(2,304,135)</td>
</tr>
<tr>
<td>Long Term Debt Expense</td>
<td>1,298,675</td>
<td>1,298,675</td>
<td>-</td>
</tr>
<tr>
<td>Total Expense</td>
<td>145,494,598</td>
<td>140,263,463</td>
<td>(5,231,136)</td>
</tr>
<tr>
<td>Surplus / (Deficit)</td>
<td>($8,490,979)</td>
<td>($4,136,388)</td>
<td>($4,354,591)</td>
</tr>
</tbody>
</table>
## FY19 Operating Budget

<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>$109,617,111</td>
<td>$119,389,629</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>136,127,075</td>
<td>145,305,950</td>
</tr>
<tr>
<td>Operating Expense</td>
<td>119,664,879</td>
<td>116,737,878</td>
<td>124,214,334</td>
</tr>
<tr>
<td>Administrative Expense</td>
<td>24,531,044</td>
<td>22,226,909</td>
<td>26,359,968</td>
</tr>
<tr>
<td>Long Term Debt Expense</td>
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<tr>
<td>Total Expense</td>
<td>145,494,598</td>
<td>140,263,463</td>
<td>151,872,977</td>
</tr>
<tr>
<td>Surplus / (Deficit)</td>
<td>($8,490,979)</td>
<td>($4,136,388)</td>
<td>($6,567,027)</td>
</tr>
</tbody>
</table>
Key Expense Drivers

Diesel Fuel
- FY18 budget of $2.00/gallon
- Current invoice price is $2.13/gallon and has ranged between $1.47 and $2.13
- Preliminary projection for FY19 cost of $2.10/gallon

PTC Operating Expenses
- FY19 – a portion of the anticipated system maintenance costs and BCCF rent that is not attributed to the capital project ($1.4M)
- FY20- full year of anticipated system maintenance and BCCF rent; additional TASI costs

Insurance
- Reduction in premium tied to favorable loss history, history with underwriting syndicate, and increase in self-insured retention
- FY18 insurance forecast is $5.5M, FY19 preliminary budget is $6.1M
Key Expense Driver – Agency Staffing

- 2.4 annualized FY18 new FTEs
- 2.4 new operating FTE requests in FY19 spread across 8 positions
- Adjustment in wage and fringe benefits
- Included vacancy factor of 6%
# Staff Allocation for Caltrain

<table>
<thead>
<tr>
<th>FUNCTION</th>
<th>FTE allocated to JPB</th>
<th>JPB Full-Time Personnel</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>OPERATING</td>
<td>CAPITAL</td>
</tr>
<tr>
<td>Operations</td>
<td>39.7</td>
<td>44.8</td>
</tr>
<tr>
<td>Grants and Administration</td>
<td>11.5</td>
<td>24.1</td>
</tr>
<tr>
<td>Marketing, Communications and Customer Service</td>
<td>15.1</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>66.3</strong></td>
<td><strong>68.9</strong></td>
</tr>
</tbody>
</table>
## SamTrans Managing Agency OH Cost

<table>
<thead>
<tr>
<th>Agency OH COST (in millions)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor (Wages and Fringe Benefits)</td>
<td>$ 11.1</td>
</tr>
<tr>
<td>Non Labor</td>
<td>$  5.3</td>
</tr>
<tr>
<td>- Executive Recruitments</td>
<td></td>
</tr>
<tr>
<td>- Office Supplies/Paper</td>
<td></td>
</tr>
<tr>
<td>- PeopleSoft Support</td>
<td></td>
</tr>
<tr>
<td>- Software Maintenance and License</td>
<td></td>
</tr>
<tr>
<td>- Office Space</td>
<td></td>
</tr>
<tr>
<td>- Other</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 16.4</strong></td>
</tr>
</tbody>
</table>
## ALLOCATION OF Agency OH Cost

<table>
<thead>
<tr>
<th>AGENCY BUDGET</th>
<th>Total Cost (in millions)</th>
<th>% of Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>SamTrans Operating</td>
<td>$8.2</td>
<td>50%</td>
</tr>
<tr>
<td>SamTrans Capital</td>
<td>0.5</td>
<td>3%</td>
</tr>
<tr>
<td>Caltrain Operating</td>
<td>5.9</td>
<td>36%</td>
</tr>
<tr>
<td>Caltrain Capital</td>
<td>1.2</td>
<td>7%</td>
</tr>
<tr>
<td>TA Operating</td>
<td>0.3</td>
<td>2%</td>
</tr>
<tr>
<td>TA Capital</td>
<td>0.3</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$16.4</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
Surplus / Deficit

- Member Agency Contributions
- Deficit
- Unrestricted Reserve Balance
- 10% Reserve Policy
FY19 PRELIMINARY CAPITAL PROGRAM
## FY19 Capital Budget (in millions)

<table>
<thead>
<tr>
<th>Category</th>
<th>FY19* $ Unconstrained</th>
<th>FY19** $ Preliminary</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOGR</td>
<td>$65.25</td>
<td>$36.01</td>
<td>($9.24)</td>
</tr>
<tr>
<td>Legal</td>
<td>1.45</td>
<td>1.33</td>
<td>(.12)</td>
</tr>
<tr>
<td>Operational Improvements</td>
<td>6.29</td>
<td>2.05</td>
<td>(4.24)</td>
</tr>
<tr>
<td>Planning/Other</td>
<td>6.39</td>
<td>3.36</td>
<td>(3.03)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$79.38</strong></td>
<td><strong>$42.75</strong></td>
<td><strong>($36.63)</strong></td>
</tr>
</tbody>
</table>

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

** FY19 Preliminary Capital Budget Request
FY19 Capital Program Funding

- Preliminary Funding Requests: $42.75M

- FY19 Funding Sources: $35.23M
  - FTA $13.27
  - STA-SOGR $1.24
  - STA-CAP $2.82
  - Partners $15.00
  - Other $2.90

- Funding Gap ($ 7.52M)
Impact of Deferred Capital Investment: F40 Midlife Overhaul

In FY13, JPB deferred mid-life overhaul of 3 F40-Locomotives

<table>
<thead>
<tr>
<th>Activity</th>
<th>Qty</th>
<th>FY13</th>
<th>FY18</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>F40 Overhaul</td>
<td>3</td>
<td>$5.29M</td>
<td>$6.12M</td>
<td>$830K</td>
</tr>
</tbody>
</table>

Above deferral resulted in major component work in the interim:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Est. Life Cycle</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-Frame Engine Rebuild</td>
<td>7 Years</td>
<td>$1.44M</td>
</tr>
<tr>
<td>SEP-HEP Replacement</td>
<td>5 Years</td>
<td>$609k</td>
</tr>
<tr>
<td>Traction Motor Replacement</td>
<td>4 Years</td>
<td>$93k</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td></td>
<td><strong>$2.14M</strong></td>
</tr>
</tbody>
</table>
Impacts of Deferred Capital Investment

- Utilize a “failure” maintenance approach rather than a “preventative” maintenance approach results in:
  - Locomotive failures and associated delays
  - Car component failures and associated delays
  - Verified safety defects result in truncation of service
  - Cancellation of special event trains
  - Slow Orders
  - 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
Next Steps

- Continue working with members to finalize the operating and capital investments for FY2019

- Based on input from the Board and finalized investments, develop budgets for presentation in June

- Continue to work with the Board and members to study and address funding gaps for FY2020 and beyond