FY18 Final Results
Budget Outlook, FY20-22

Objectives

- Provide background necessary for consideration of fiscal pressures that exist prior to electrification
    - Service levels
    - Ridership
    - Member agency funding
    - Operating expense expectations
- Implications of Fare Elasticity Modeling
- Consider alternatives for addressing operating deficits pre-electrification
- Discuss option for dedicated funding (SB 797)

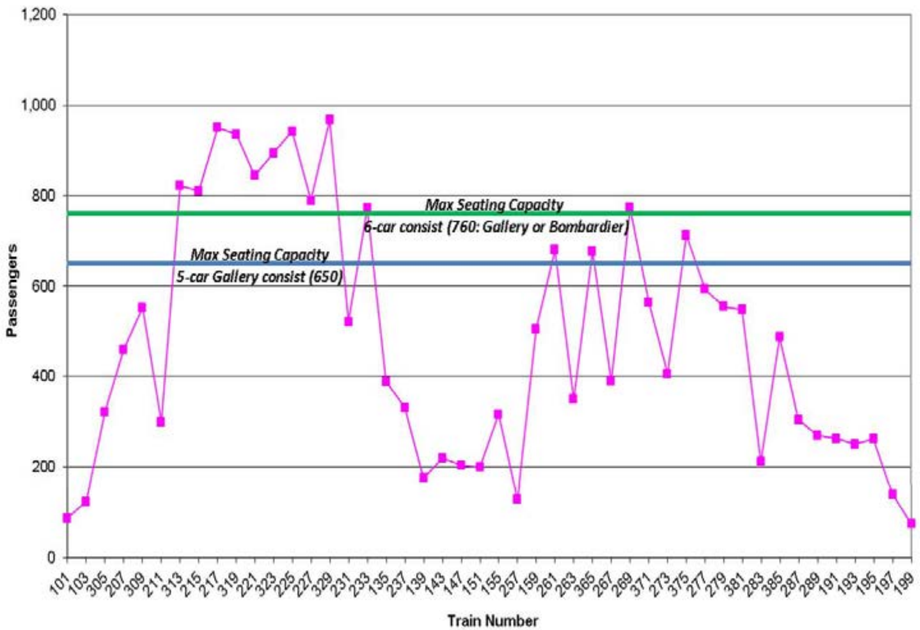
BACKGROUND

Service

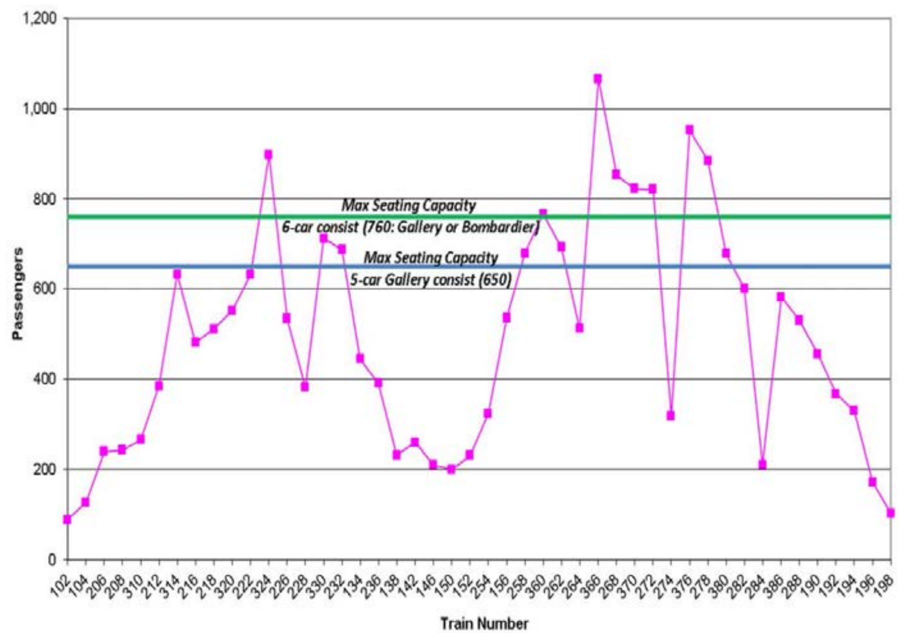
- 92 Weekday Trains
  - – Express (“Baby Bullets”)
  - – Limited (incl 6 Gilroy trains)
  - – Locals
- 28/24 Weekend Trains
- Travel times (mainline)
  - – <60 min for “bullets”
  - – >100 min for locals
- Station Stops (mainline)
  - – 6 to 7 for “bullets”
  - – 22 to 29 for locals

Ridership and Capacity

Maximum Passenger Load – Northbound

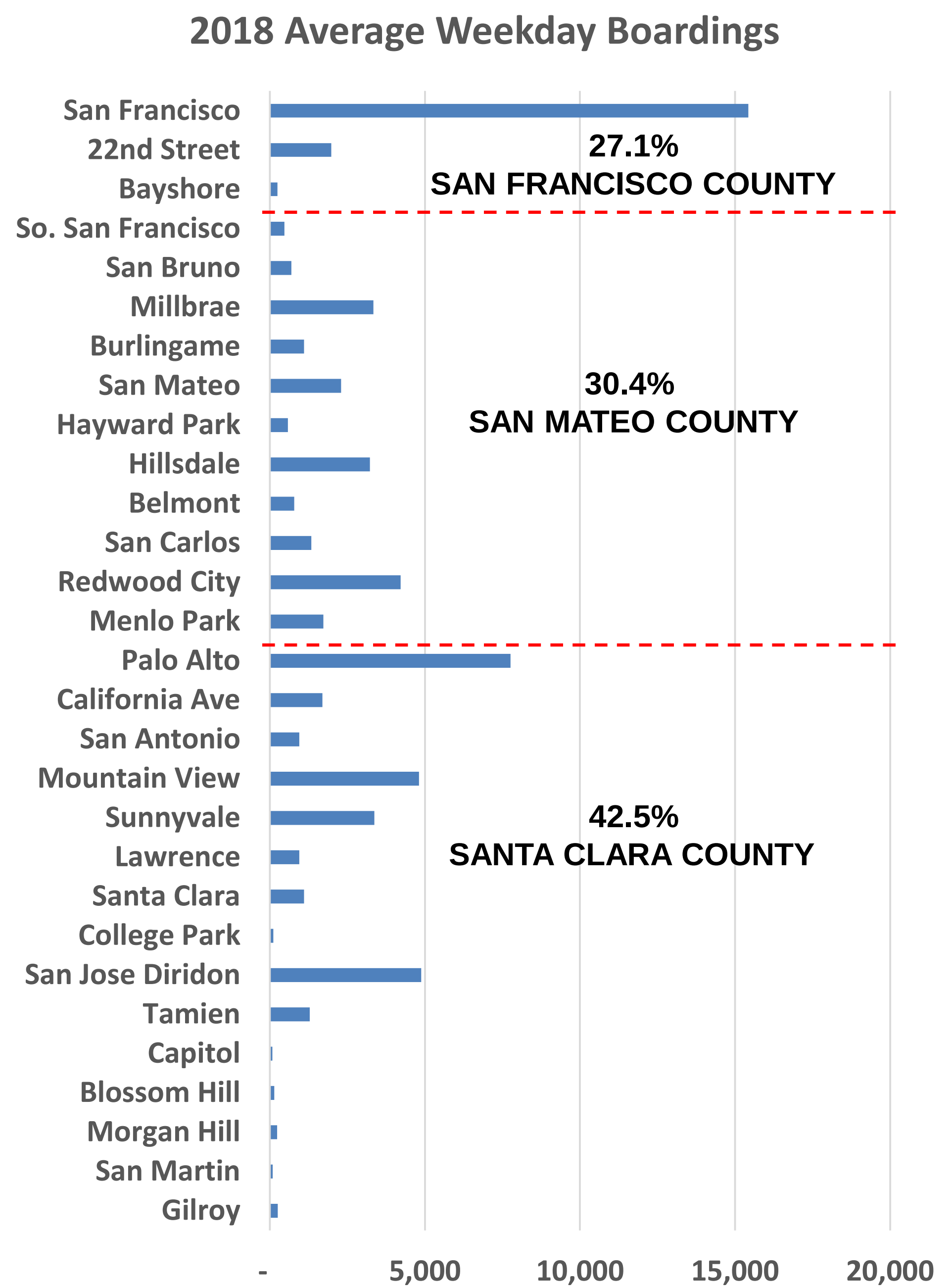


Maximum Passenger Load – Southbound

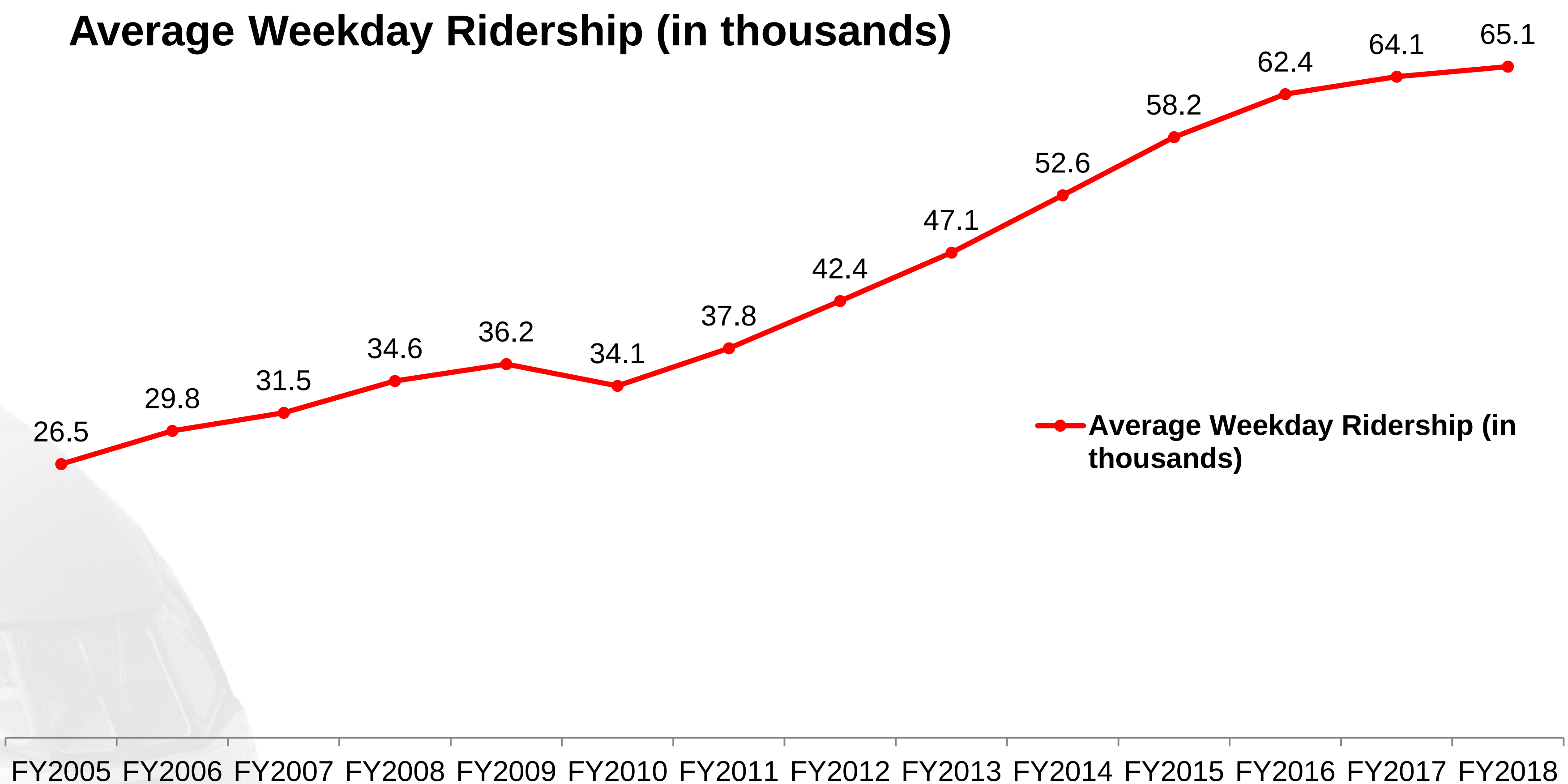


Ridership

- 65,095 average weekday boardings
- Distribution
  - 53% traditional peak
  - 32% reverse peak
  - 10% midday
  - 5% evening
- 22.9 mile average trip-length



Ridership

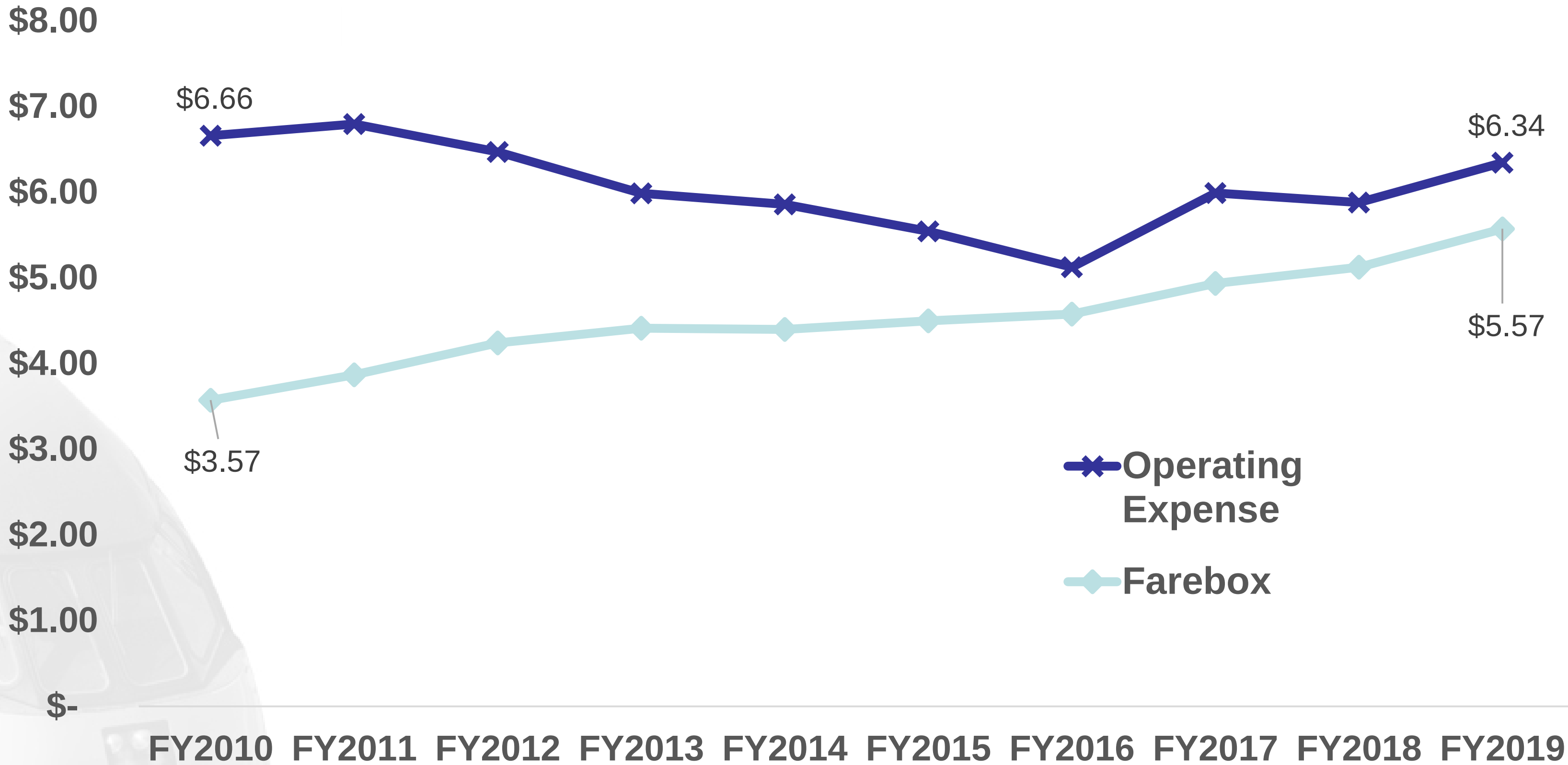


- Average Weekday Ridership - based on annual passenger counts

Fare History

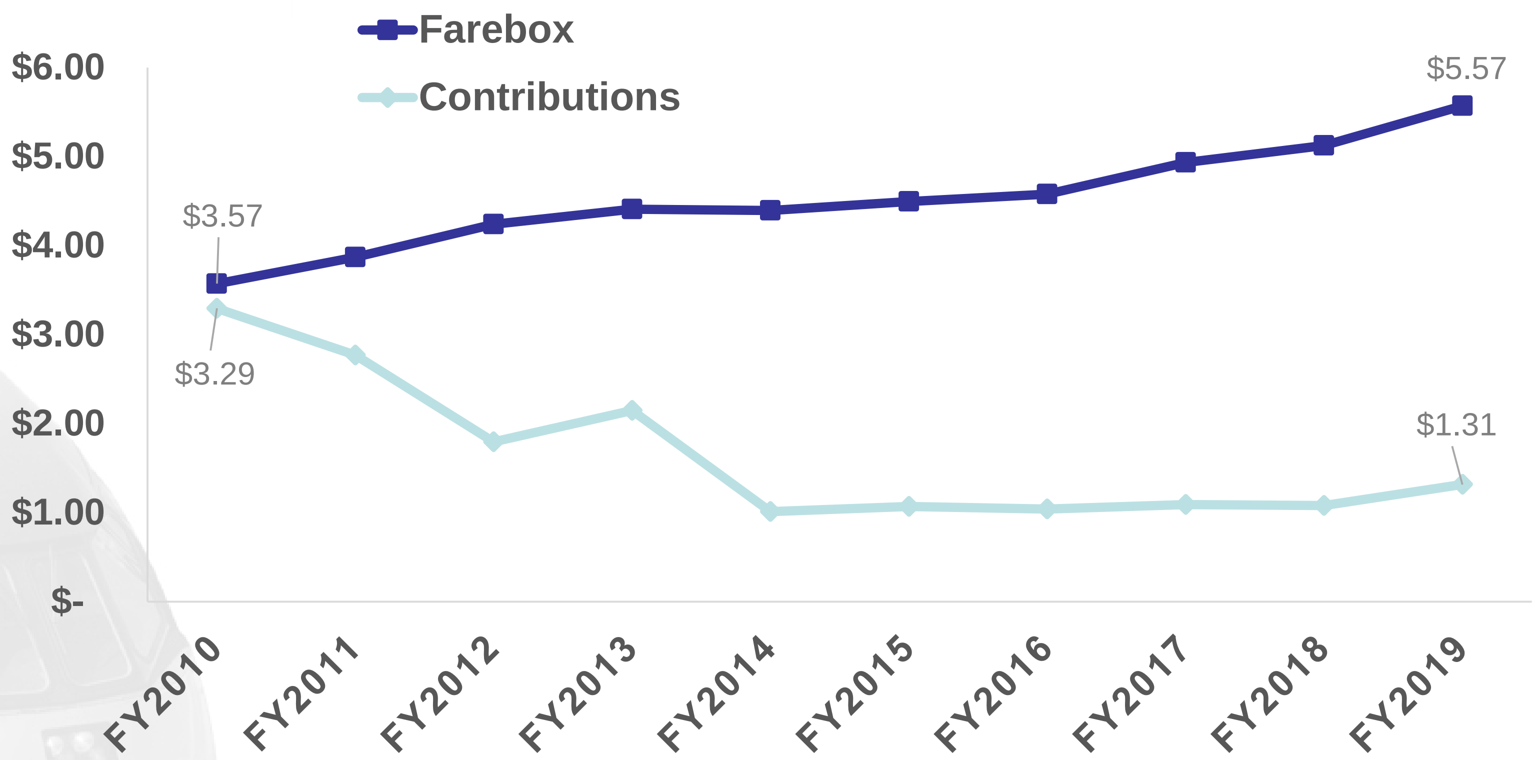
Jan 2009	**Base** fare from **$2.25 to $2.50**.
Jan 2011	**Zone** fare from **$1.75 to $2.00**. Go Pass from $140 to $155.
July 2011	**Base** fare from **$2.50 to $2.75**.
July 2012	**Base** fare paper tickets increase **$0.25 for One-way and $0.50** for Day Pass. 8-ride ticket discount lowered from 15% to 7.5% and the validity period shortened from 60 days to 30 days; Go Pass from $155 to $165.
Oct. 2014	**Base** 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.
Jan. 2016	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.
Feb. 2016	**Base** 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.
Oct. 2017	Adult **zone** 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.
Jan. 2018	Go Pass increase from $190 to $237.50 per eligible user, with minimum participation rate of $19,950.
July 2018	Monthly Pass multiplier increase from 28 to 30 One-way fare.
Jan. 2019	Go Pass increase from $237.50 to $285 per eligible user, with minimum participation rate of $23,940.

Farebox & OPEX
(per Passenger)



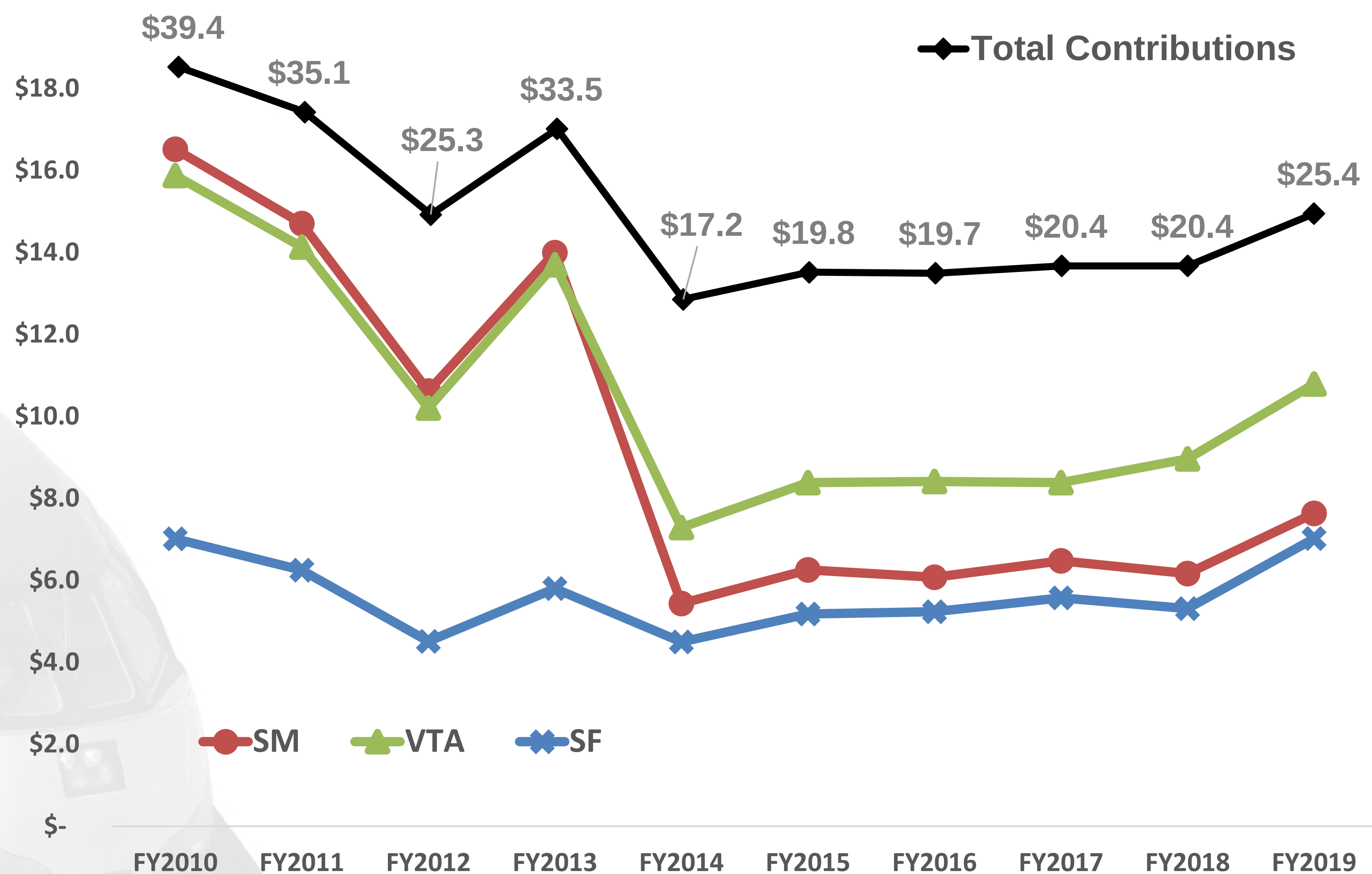
- FY18 is actuals, FY19 is forecast
- FY16 and FY18 OPEX were abnormally low due to release of insurance reserves

Farebox and Contribution
(per Passenger)



FY18 is unaudited actuals, FY19 is budget

Operating Contribution (in millions)

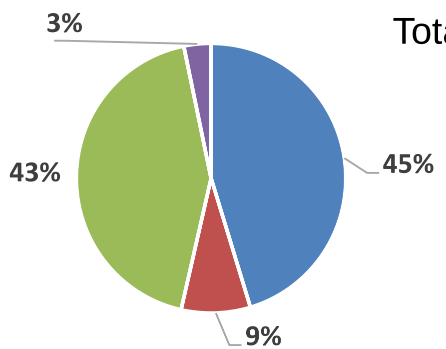


Operating Budget Results

Sources of Funds:

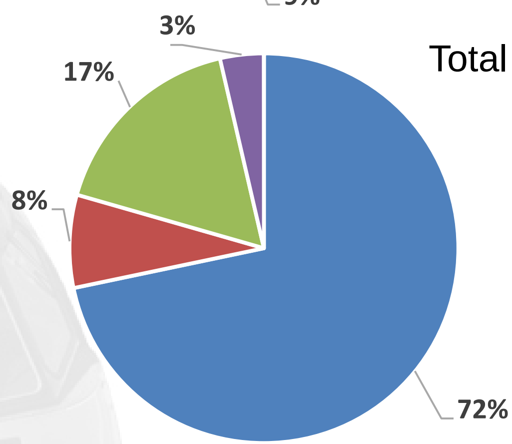
FY08
(Actual)

Total $88.6M



FY19
(Budget)

Total $151.5M

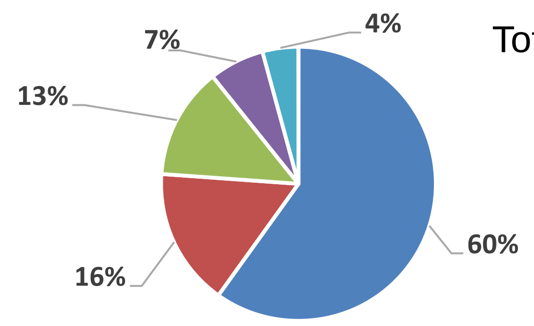


- Farebox
- Other Operations Revenue
- JPB Member Agencies
- Other Contributions

Uses of Funds:

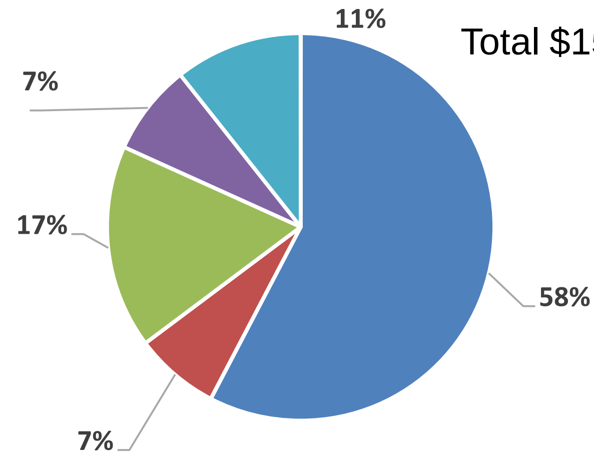
FY08
(Actual)

Total $87.8M



FY19
(Budget)

Total $151.5M

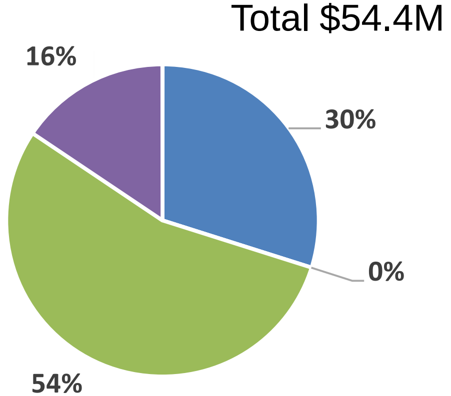


- Rail Operator Service
- Fuel and lubricants
- Other Operating Expense
- Wages and Benefits
- Other Administrative Expense

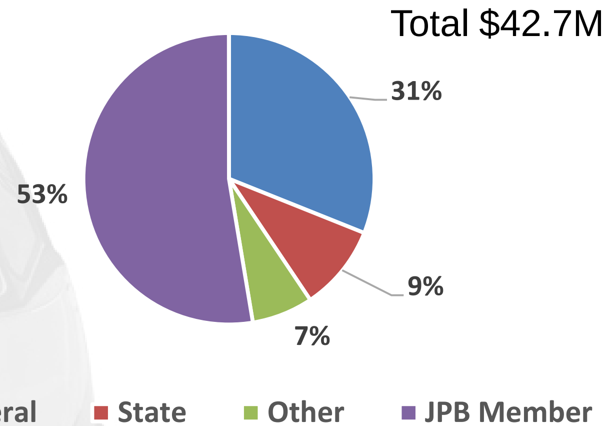
Capital Budget

Sources of Funds:

FY08
(Actual)

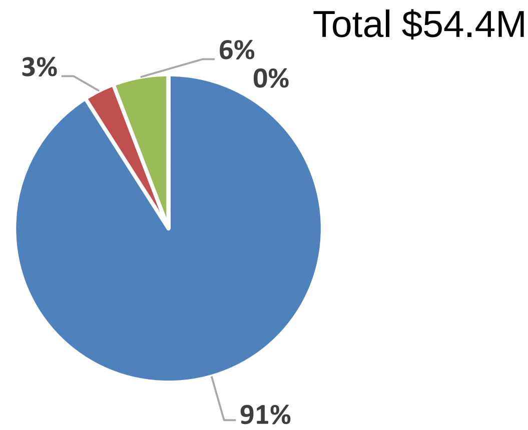


FY19
(Budget)

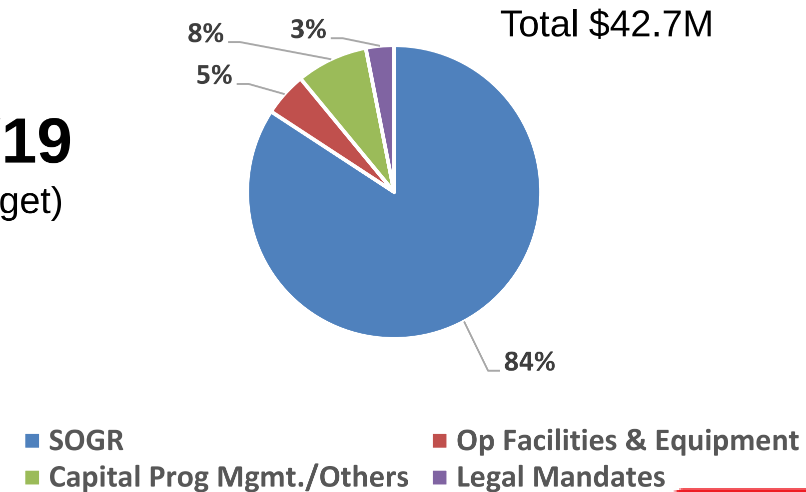


Uses of Funds:

FY08
(Actual)



FY19
(Budget)



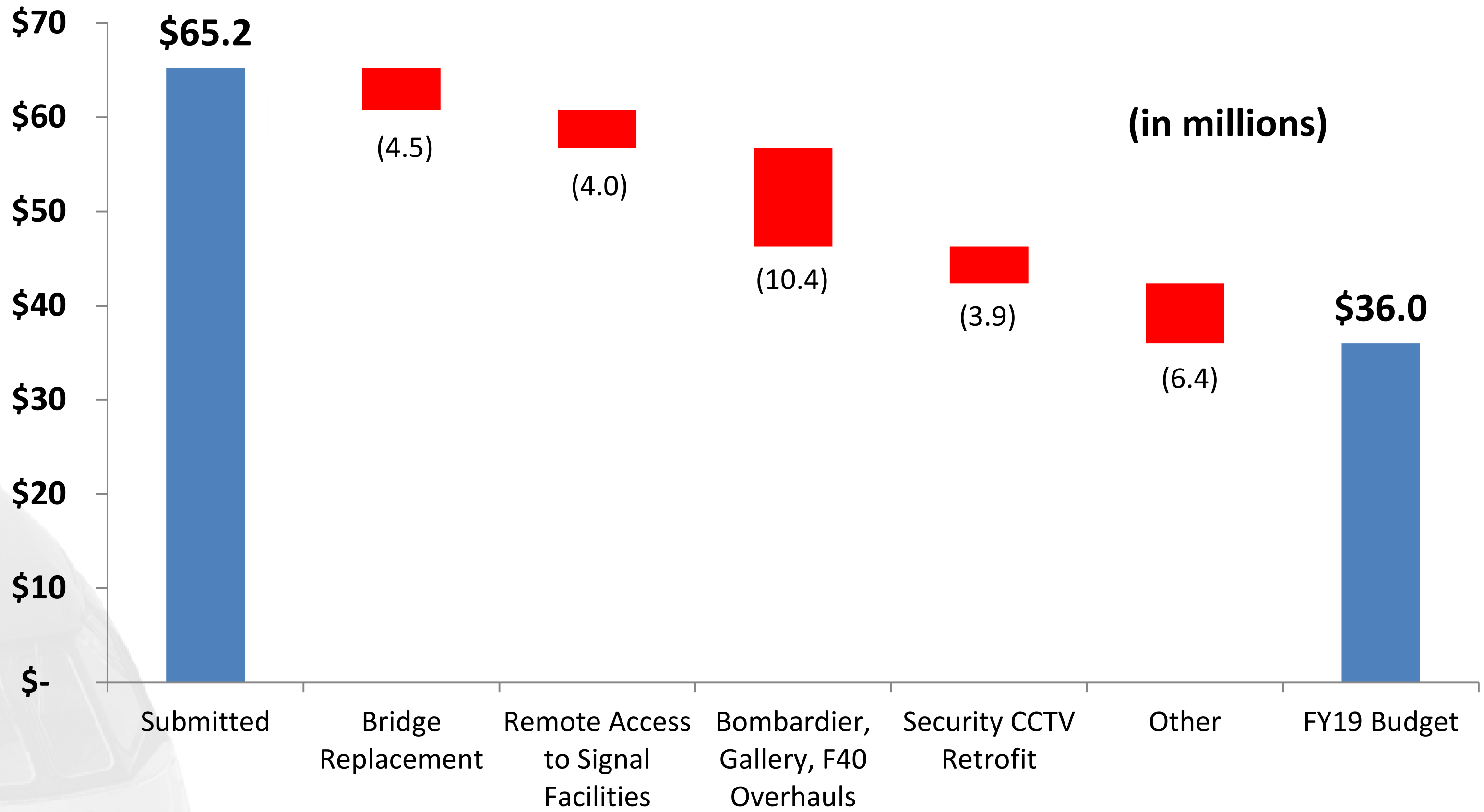
FY19 CAPITAL PROGRAM

State of Good Repair

	FY18 Submitted	FY18 Adopted	FY18 Deferred	FY19 Submitted	FY19 Adopted	FY19 Deferred
Right of Way / Signal & Communications	$23.2	$18.4	$(4.7)	$26.3	$16.4	$(10.0)
Rolling Stock	35.2	12.8	(22.4)	29.6	17.0	(12.6)
Station & Intermodal Access	4.1	0.7	(3.3)	9.3	2.6	(6.7)
TOTAL	**$62.4**	**$32.0**	**$(30.4)**	**$65.2**	**$36.0**	**$(29.2)**

- Historically we have deferred about 40-50% of submitted capital projects for SOGR

FY19 SOGR Budget Constraints



- FY19 budget constraints were primarily in Bombardier and Gallery overhauls

SOGR Projections (in millions)

	FY19	SOGR Projections (Included in FTA Core Capacity Financial Plan)		
	Adopted Budget	FY19*	FY20	FY21
SOGR				
Right of Way / Signal & Communications	$16.4	$26.3	$20.5	$14.3
Rolling Stock	17.0	29.6	25.2	25.3
Station & Intermodal Access	2.6	9.3	15.5	0.5
Subtotal	**$36.0**	**$65.2**	**$61.2**	**$40.1**

- FY19 SOGR budget significantly constrained

**FY19 submitted*

Total FY19 Capital Budget (in millions)

Category	FY19* $ Submitted	FY19 $ Adopted	Variance
SOGR	$65.2	$36.0	$(29.2)
Legal	0.9	1.3	0.4
Operational Improvements	5.9	2.0	(3.9)
Planning/Other	6.4	3.4	(3.0)
TOTAL	**$78.5**	**$42.7**	**$(35.8)**

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

Totals may not tie due to intermediate rounding

Capital Program Funding – FY19

- **Capital Funding Need: $42.7M**
- **FY19 Funding Sources:**

FTA	$13.3
STA-SOGR	$1.2
STA-CAP	$2.8
Partners	$22.5
Reserves	$2.9
Total	**$42.7M**

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

Principles of "Austerity" Capital Budgeting

- Utilize transit asset management principles to reduce to the degree possible SOGR expenditures
- Capital investment based on legal mandate, safety, reliability
- Standalone projects pursued based solely on the acquisition of grant funding that does not otherwise pull from operating sources
- Does not support capacity expansion and minimally the status quo
- End-of-life investments are featured

FY2020 – FY2022
FIRST THOUGHTS

FY20 Projection

	FY18 Actuals	FY19 Adopted Budget	FY20 Projected	FY20 Variance to FY19
Operating Revenue	$109,138,417	$119,389,629	$123,039,754	$3,650,125
Contributed Revenue	26,436,918	30,916,321	30,916,321	-
Total Revenue	135,575,334	150,305,950	153,956,075	3,650,125
Operating Expense	111,355,832	123,856,178	129,766,057	5,909,879
Administrative Expense	21,601,107	26,359,968	26,368,765	8,797
Debt Expense	1,500,522	1,298,675	2,897,474	1,598,799
Total Expense	134,457,460	151,514,821	159,032,296	7,517,475
Surplus / (Deficit)	**$1,117,874**	**$(1,208,871)**	**$(5,076,221)**	**$(3,867,351)**

Key Budget Drivers

Farebox Revenue

- Annualized Go Pass 20% price increase from 1/1/2019 ($1M)
- FY20 projected 2% ridership increase ($2M)

TASI

- FY20 projection is 4% increase to FY19 budget ($3.5M)

Diesel Fuel

- FY19 budget of $2.10 / gallon, October year to date actual is $2.24 / gallon
- FY20 projected at $2.25 / gallon

PTC Operating Expenses

- FY20- full year of anticipated system maintenance and BCCF rent; additional TASI costs ($2.4M)

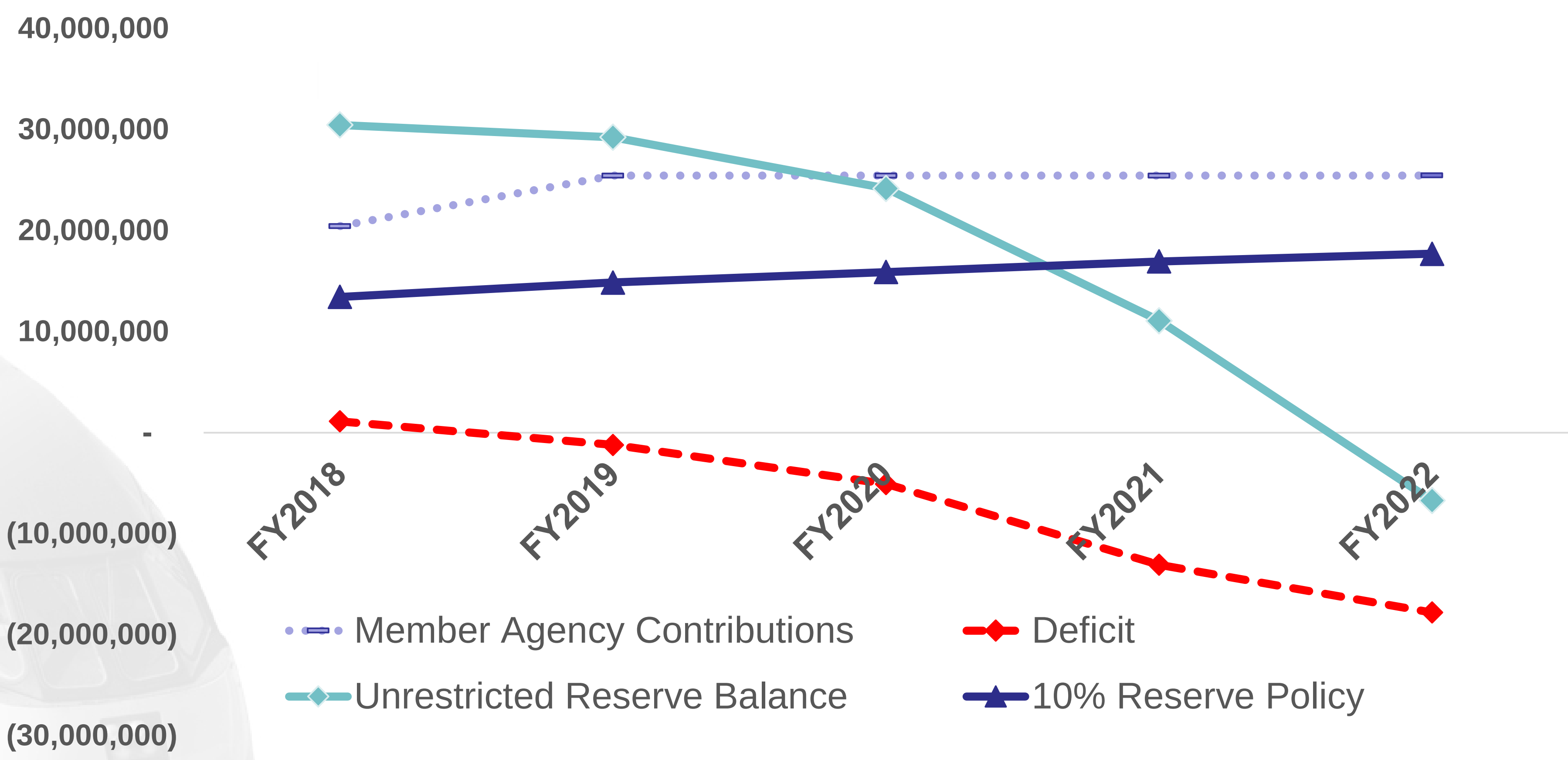
Debt

- FY20 debt increase due to principal payments on bonds ($1.6M)

FY20-22 Budget Outlook

	FY19 Budget	FY20 Projection	FY21 Projection	FY22 Projection
Operating Revenue	$119,389,629	$123,039,754	$125,532,886	$128,397,033
Contributed Revenue	30,916,321	30,916,321	30,916,321	30,916,321
Total Revenue	150,305,950	153,956,075	156,449,207	159,313,354
Operating Expense	123,856,178	129,766,057	139,445,641	146,182,367
Administrative Expense	26,359,968	26,368,765	27,208,143	28,074,811
Long Term Debt Expense	1,298,675	2,897,474	2,878,340	2,862,689
Total Expense	151,514,821	159,032,296	169,532,124	177,119,867
Surplus / (Deficit)	**$(1,208,871)**	**$(5,076,221)**	**$(13,082,917)**	**$(17,806,513)**

Surplus/(Deficit)



Includes adopted FY19 fare increases (no other fare increases assumed).

OPERATING "LEVERS"

Operating “Levers”

- Decisions we choose to make, that have implications and trade-offs
  - Fares
  - Member funding
  - Reserve levels
  - Service levels
  - Support costs
  - State Rail Assistance
  - Value Capture

“Pulling the Levers”

- **Member Funding**
  - Increasingly challenging as member agencies have their own funding challenges, and have less farebox flexibility
- **Reserve Levels**
  - One-time use – addresses budgetary concern but doesn’t address structural deficit

“Pulling the Levers”

- **Support Costs**
  - Direct and indirect costs of administering Caltrain – could be lowered through increased vacancies and position elimination
- **State Rail Assistance**
  - Small amount of annual funding is flexibly allocated between the operating and capital budgets. Use in operating budget limits funding for passenger related rolling stock maintenance
- **Value Capture**
  - Real estate, advertising, and naming rights

Service Levels

- Achieving savings from service level reductions is more complex than for many transit properties due to high farebox recovery and peak hour capacity constraints
- Service level reductions only make sense if marginal cost is higher than marginal revenue <u>or</u> there is an ability to shift passengers
- Analyzed midday weekday and weekend service and revenue

Service Levels (Sunk Costs)

- JPB not only operates a train service but also manages a corridor that requires 24/7 support for tenants even in reduced Caltrain scenarios
- Reductions in labor force for short periods of time makes little sense given long-lead training/certification times for many skills (engineers, signal maintainers, electricians, etc.)
- Union agreements have minimum paid times (shift minimums)

Service Level Analysis (in millions)

	Base Model	No Weekends	Reduced Mid-Day
Revenue Loss	**--**	**-$7.1**	**-$6.2**
Total Rail Operator Expense	87.3	82.0	86.0
Fuel	10.7	9.6	10.1
Facilities and Equipment Maint	3.1	2.9	3.0
Total Expense	**101.1**	**94.5**	**99.1**
Potential Savings	**--**	**-$0.5**	**-$4.2**

- Revenue and expense in service scenarios are based on high-level estimates.
- Weekend revenue loss includes 35% of special events ridership

Fares

- Low demand elasticity provides Caltrain with significant pricing power
- Increasing fares exacerbates equity concerns
- Increasing fares “feels” contrary to mission of encouraging transit use

Fare Modeling

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

1. Increasing Base Fare by $0.25 - **$1.4M - $1.9M**
2. Increasing Zone Fare by $0.25 - **$2.7M - $4.0M**
3. Reducing Clipper Card discount to $0.20 off Base Fare - **$1.7M - $2.4M**
4. Removing Clipper Card discount of $0.55 off Base Fare - **$2.7M - $3.9M**
5. Participating in regional means based fare program - **($0.4M) - ($1.8M)**

- Excludes Go Pass. Results are estimates based on a model derived from rider survey data.
- Regional means based fare- MTC estimates that up to 50 percent of fare revenue losses would be offset by regional financial contributions.

SB 797 DISCUSSION

SB 797 (Hill) 2017

- 3-county 1/8-cent sales tax
- 2/3 of total votes across all 3 counties
- Can exceed 2% local sales tax limit
- ~$95 million/year for operating & capital needs

Authorizing Agencies

1. JPB (2/3 vote)
2. SF Board of Supervisors (2/3 vote)
3. SMC Board of Supervisors (2/3 vote)
4. SCC Board of Supervisors (2/3 vote)
5. SFMTA (majority vote)
6. SMC Transit District (majority vote)
7. VTA (majority vote)

Issues/Considerations

- Expenditure Plan (tied to Business Plan)
- Replace vs. Supplement
- 2020 Election Timing (March, November)
- Potential 2020 Regional Measure

	(1) APRIL	(2) MAY	(3) JUNE	(4) JULY	(5) AUGUST
CCSF		05/05/2020 SFMTA: Discuss Resolution 05/19/2020 SFMTA: Approve Resolution	06/02/2020 BOS: Introduce ordinance and assign to committee	07/09/2020 BOS: Committee Approve Ordinance 07/14/2020 BOS: Introduce Ordinance 07/21/2020 BOS: Approve Ordinance 7/31/2020 BOS: Mayor's veto review period ends	
SCC	04/16/2020 VTA: Committee Discuss Resolution 04/21/2020 BOS: Direct County Administration to draft a report	05/19/202 BOS: Provide direction to staff 05/21/2020 VTA: Committee Recommend Board Adoption (Note: VTA A&F Cmt. usually does not meet in June or July)	06/02/2020 BOS: Report presented to BOS 06/04/2020 VTA: Approve Resolution 06/16/2020 BOS: Introduce Ordinance/Adopt Resolution 06/30/2020 BOS: Approve Ordinance (Note: SCC BOD usually does not meet in July)		
SMC				07/01/2020 SMCTD: Committee Discuss Resolution 07/28/2020	08/05/2020 SMCTD: Committee Recommendation & Board Approval

	(1) APRIL	(2) MAY	(3) JUNE	(4) JULY	(5) AUGUST
JPB					08/06/2020 JPB: Approve resolution 08/07/2020 Place Measure on Ballot

DISCUSSION

Questions

1. Should the pre-electrification budgets be viewed in total? Should a “bridge plan” be developed to cover the three years prior to electrified service?

2. How can the agency expand its resources in order to address the funding challenges pre-electrification, provide for short-term improvements to service, and implement the business plan during this time?

3. Should private sources of support be sought? (personnel, $)

4. How much should the farebox be tapped in order to support the agency’s funding needs pre-electrification and to provide the organizational foundation for future expansion?

Questions

1. Can member contributions be tapped to fund shortfalls in FY20-22? If not, is there an alternative to the race to the bottom?

2. Will partners be willing/able to cash flow other partners unable to fund operating deficits?

3. To what degree can local measures be used to fund Caltrain operating shortfalls?

4. Currently we use the weekday ridership numbers by county to calculate members' share of operating costs. Should JPB members discuss/update the formula used to allocate operating costs, including looking at other methodologies?

5. Should a subcommittee be established to marshal through efforts related to the FY20-22 funding solution?