



FY21 2nd Quarter Operating Budget, and Strategies for Closing the FY2021 Operating Budget Gap

Introduction

Budget Overview

- Previously identified \$18.5 million shortfall for FY21
- Current (reduced) service levels, some ridership recovery, continued GoPass
- Challenges include gap filling, risks to ridership/GoPass, and beginning to scope FY22

Introduction

Areas of Uncertainty

- Measure RR – Success/timing implications
- Additional federal relief
- Path of the pandemic / ridership recovery

Options

- Revenue generation
- Cost containment (beyond existing measures)

FY21 Budget Outlook and Application of CARES Act

(in \$ millions)

	FY20 Forecast	FY21 Proposed
Revenue	\$122.8	\$ 87.3
Expense	<u>144.8</u>	<u>147.3</u>
Operating Surplus (Deficit)	(\$22.0)	(\$60.0)
CARES Act	<u>23.1</u>	<u>\$41.5</u>
Net Surplus (Deficit)	\$1.1	(\$18.5) *

* Does not include funding requirements for Measure RR ballot measure or for costs associated with new legal counsel/external auditor services

Changes from FY21 Q1 Adopted Budget

	FY21 Q1 Adopted	FY21 Q2 Proposed
Revenue	\$22.8	\$17.0
Expense	<u>43.0</u>	<u>35.1</u>
Operating Surplus (Deficit)	(\$20.2)	(\$18.1)
CARES Act	<u>0</u>	<u>\$38.3</u>
Net Surplus (Deficit)	(\$20.2)	\$20.2

Changes from FY21 Q1 Adopted Budget

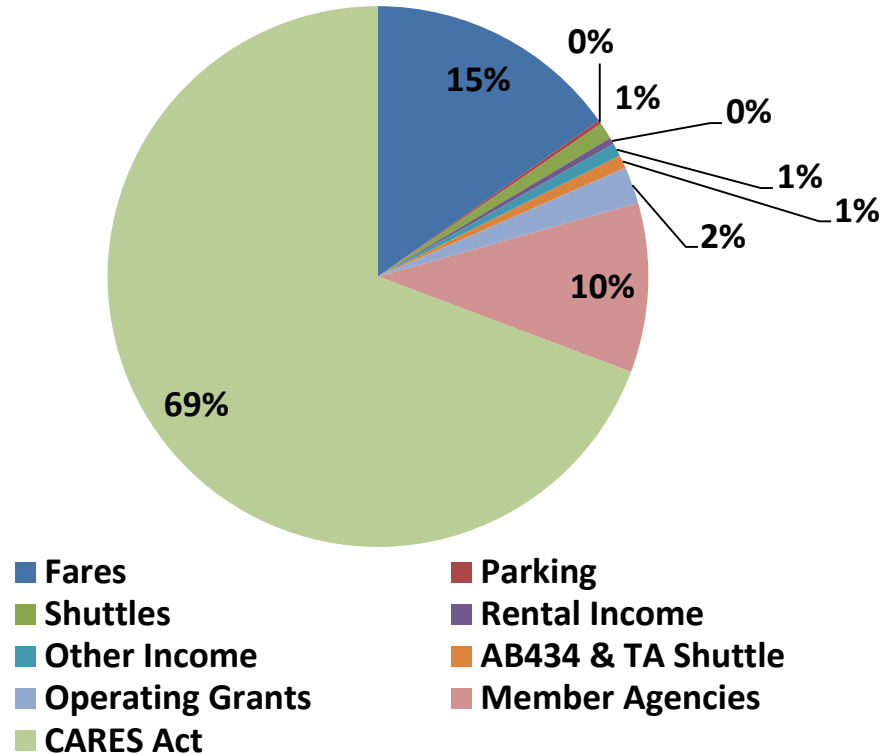
	Changes from FY21 Q1
	Revenue
Farebox Revenue	0.4
Shuttle Revenue	0.2
Rental Income	(0.1)
JPB Member Agencies	(6.4)
CARES ACT	38.3
Others*	0.1
	<u>\$ 32.5</u>

	Changes from FY21 Q1
	Expense
Rail Operator Service	(3.4)
Shuttle Service	0.4
Fuel and Lubricants	(0.2)
Insurance	(5.0)
Admin Expenses	0.2
Others	0.1
	<u>\$ (7.9)</u>

*Includes Operating Grants & Other Income

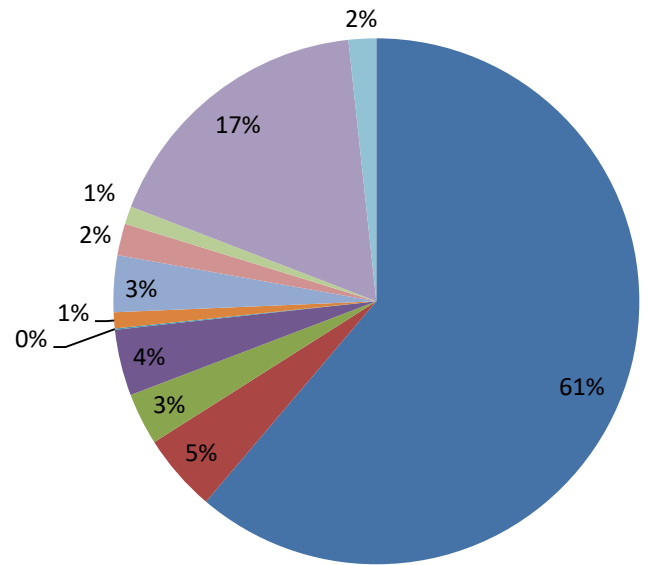
FY21 Q2 Proposed Revenues (in \$ millions)

Fares	\$8.4
Parking	0.1
Shuttles	0.6
Rental Income	0.2
Other Income	0.4
AB434 & TA Shuttle	0.5
Operating Grants	1.2
Member Agencies	5.6
CARES Act	<u>38.3</u>
Total Revenue	<u>\$55.3</u>



FY21 Q2 Proposed Expenses (in \$ millions)

Rail Ops & PTC	\$21.5
Security Services	1.7
Shuttle Services	1.1
Fuel	1.4
Timetables & Tickets	0.1
Insurance	0.3
Facilities and Equip Maint	1.2
Utilities	0.7
Maint & Services	0.4
Administrative	6.1
Long-term debt	<u>0.6</u>
Total Expenses	<u>\$35.1</u>



- Rail Ops & PTC
- Shuttle Services
- Timetables & Tickets
- Facilities and Equip Maint
- Maint & Services
- Long-term debt
- Security Services
- Fuel
- Insurance
- Utilities
- Administrative

FY21 Revenue Assumptions

FAREBOX

- Extension of Go Pass thru March 2021
- No further reduction in CY2020 Go Pass revenue
- Increasing monthly ridership recovery rate of 5% in July-Aug, 10% Sept to Oct, 20% Nov-Dec and 30% in Jan to June
- Significant risk to these assumptions

MEMBER AGENCY – reduced levels for operating commitments

Sensitivity of Revenue to Ridership

- Each 10% of ridership recovery is worth approx. \$675,000/month

Period	Proposed FY21 Budget Assumption	Sensitivity Case	Revenue Adjustment
July / August	5%	5%	
September / October	10%	5%	-\$675,000
November / December	20%	5%	-\$2,025,000 (3 times \$675k)
		Total	-\$2,700,000

- If ridership remains at 5% of pre-COVID levels through the fiscal year, revenue impact of \$12.8 million



What Does it Cost to Operate Caltrain?

Estimated costs shown in millions of dollars

Service Level	92 Trains (Pre- COVID)	70 Trains (Full Staffing)	70 Trains	70 Trains (No Weekend)	40 Trains (No Weekend)
TASI Costs	92.3	92.3	78.5	72.5	57.8
Other Operating Expenses	37.6	34.4	34.4	33.6	31.3
Total Operating Expense	129.9	126.7	112.8	106.1	89.1
Administrative Expense	24.7	22.7	22.0	21.6	20.5
Debt & Liability	3.5	3.5	3.5	3.5	3.5
Grand Total Expense	\$158	\$153	\$138	\$131	\$113

Potential Gap Closing Measures

Immediate to Medium Term (1-4 months)

<u>Measure</u>	<u>Size</u>	<u>Lead Time</u>	<u>Issues</u>
Application of FY20 Balance	Low	Immediate	None
Application of Additional Reserves	Low/Medium	Immediate	Negative impact on liquidity/ Future financial flexibility
Use of FY21 SRA Funds	Medium	Immediate	Identification of matching funds for TIRCP grant
Deallocation of Capital Budget	Low/Medium	Immediate/ Medium	Pushes funding challenges into later years, defers maintenance
Operating Contract Furloughs (70 trains/day, no CARES)	Medium	Medium	Skill retention, remobilization costs
Elimination of Weekend Service	Medium	Medium	Skill retention, remobilization costs Impact on riding public

Size: Low - Less than \$2.5M, Medium - \$2.5-\$7.5M, High - More than \$7.5M

Potential Gap Closing Measures Longer Term (Beyond 4 months)

<u>Measure</u>	<u>Size</u>	<u>Lead Time</u>	<u>Issues</u>
Sponsorship/Naming Rights	Low	Long	Valuation of assets, sales campaign, timing
Fiber	Low	Long	Valuation of asset, sales campaign
LCFS Credits	High	Long	Timing of PCEP, marketability, discount
Real Estate	High	N/A	Can not be effectively monetized for FY21

Size: Low - Less than \$2.5M, Medium - \$2.5-\$7.5M, High - More than \$7.5M

The measures described above provide a number of levers, which in the aggregate, are likely to be sufficient to close the previously identified \$18.5 million gap. They may not be sufficient to fund additional shortfalls in revenue associated with ridership or other, unbudgeted expenses.

Fiscal 2022 Challenges are Looming

- **It is likely that Federal funding for operations ends before ridership recovers**
- Multi-year financial planning was built on (and finely balanced on):
 - Pre-COVID ridership levels
 - Sustained member agency funding
 - Adopted fare increases
- Early scenarios with ridership recovery ranging from 30% to 75% show pro-forma deficit of \$30 to \$75 million
 - 70 train/day schedule (no furloughs)
 - Member agency funding at new FY21 levels
 - Assumes relatively strong Go Pass renewal levels (60% to 90%)
 - Some of the multi-year gap closing measures shown above may continue to be available
 - Likely pressure to increase service (and cost) as ridership increases

Next Steps

- Requesting approval of Q2 budget, heavily reliant on CARES Act to balance
- Staff developing framework for service change toward end of calendar year
- Work on implementation of gap closing measures
- Timing/degree of implementation, based on outcome of federal funding and Measure RR, as well as ridership recovery trends