



FY2021 Proposed Operating and Capital Budgets

Finance Committee Meeting
August 24, 2020

Goals and Challenges

- To obtain budget authority for the remainder of FY21
- Through a comprehensive plan of action, build a level of trust with the public that Caltrain is ensuring health and safety on the trains
- To continue to recognize that affordable public transportation is vital to equitably support economic recovery for the region

Goals and Challenges

- To maintain service schedules that meet the changing behavior of the riding public during the gradual lift of Shelter In Place requirements as well as potential additional surges in caseload

Revenue Measures

- Explore revenue from naming and sponsorship rights, fiber and other assets
- Continued work to place a sales tax for Caltrain on the ballot, as allowed by Senate Bill 797
- Undertake steps to increase public trust and encourage the riding public to take the train
- Understand the potential use of fare products/passes to influence customer behavior

Ridership Recovery

- Caltrain is part of a regional campaign to inform the public of measures undertaken by transit agencies to ensure the safety of their health while riding the trains
- Training continues to ensure the conduct of all personnel and the maintenance of the trains are compliant with all COVID-19 prevention requirements
- Develop public timetables that will better facilitate transfers between modes, particularly BART on the peninsula

Ridership Recovery

- Caltrain joined the regional means-based pilot program administered by the Metropolitan Transportation Commission (MTC), with a 50% discount
- Caltrain staff has developed equity policies proposed for Board adoption and would be able to best implement these through funding obtained through a successful SB797 ballot measure

Cost Mitigation Measures

Fuel hedging program - strategy to manage fluctuations in fuel prices

- The fuel hedge program has 28 diesel contracts in place (to the futures month of July 2021) representing a hedge of 63.5% of expected fuel consumption.
- Currently the program has realized and unrealized gains of \$144,041 or a savings of approximately 7 cents per gallon of diesel.

Labor costs - Agency, includes only existing FTEs, no new FTEs, no universal wage increase, selected hiring freeze; TASI labor costs minimized due to elimination of overtime and shifting of resources to capital support and SOGR

FY21 Proposed Budget Outlook

(in \$ millions)

	FY20 Forecast	FY21 Proposed Budget
Revenue	\$122.8	\$88.2
Expense	<u>144.8</u>	<u>147.3</u>
Surplus (Deficit)*	(\$22.0)	(\$59.1)

* Excluding application of CARES Act funding

FY21 REVENUE ASSUMPTIONS

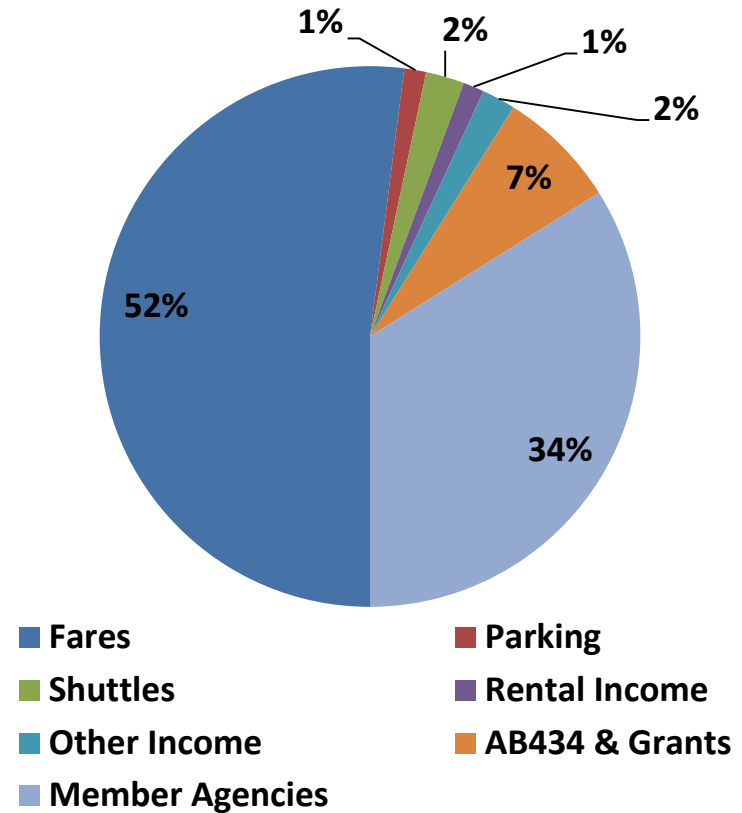
FAREBOX

- Extension of Go Pass up to March 2021.
- No further reduction in CY2020 Go Pass revenue
- Increasing monthly ridership recovery rate of 5% in July-Aug, 10% Sept to Oct, 25% Nov-Dec and 30% in Jan to June.

MEMBER AGENCY – same as FY2020 levels

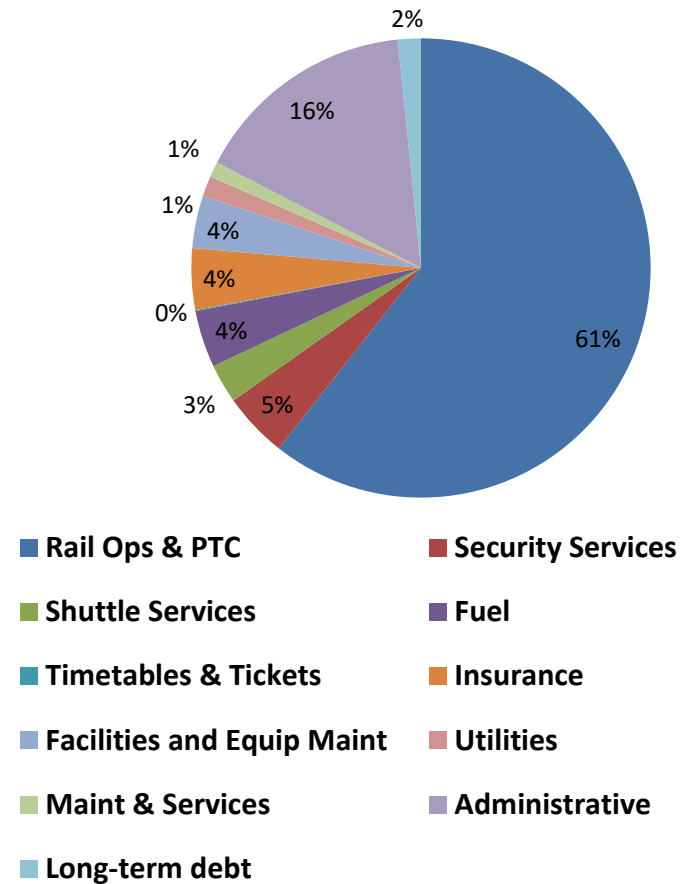
FY21 Proposed Revenues (in \$ millions)

Fares	\$45.9
Parking	1.2
Shuttles	2.0
Rental Income	1.1
Other Income	1.8
AB434 & Grants	6.3
Member Agencies	<u>29.9</u>
Total Revenue	<u><u>\$88.2</u></u>



FY21 Proposed Expenses (in \$ millions)

Rail Ops & PTC	\$89.3
Security Services	6.7
Shuttle Services	4.1
Fuel	5.9
Timetables & Tickets	0.1
Insurance	6.4
Facilities and Equip Maint	5.4
Utilities	2.1
Maint & Services	1.6
Administrative	23.3
Long-term debt	<u>2.4</u>
Total Expenses	<u>\$147.3</u>



FY21 Expense Assumptions

TASI FY20

- Hiring freeze, reduction in overtime, adjustments in health and welfare costs
- At JPB direction, shifted staff from traditional maintenance to deferred maintenance and support of capital improvements, and eliminated special services in 4th quarter

TASI FY21

- Continued hiring freeze and reduced overtime
- Contractual increases in union wages, non-labor expenses, general & admin costs
- Added PTC operations & maintenance expenses

Positive Train Control (PTC)

Started as a capital project

FY21 PTC will be operating & maintenance

PTC - TASI Contract (\$3.1 million)

Field Validation & Test Support

Maintenance of Wayside and DCS Systems

PTC Help Desk (5 technicians)

BCCF Facility Maintenance

PTC – Caltrain Costs (\$3.4 million)

Wabtec contract and other JPB engineering costs

FY21 Expense Assumptions

Fuel and Lubricants

- FY21 fuel hedge rate of \$1.30 per gallon, fuel usage 3.1 million gallons, taxes

Wages and Benefits

- No new FTEs, an administrative hiring freeze, no universal wage increase, a lower fringe benefit, and lower agency allocations to the retiree medical and OPEB plans



FY21 Key Expense Assumptions

Facilities & Equipment

- Additional PTC maintenance, including WABTEC contract
- Reduced Clipper charges

Insurance

- Increased cost in new contract due a hardened insurance market due to heavy losses, global events and litigious environment

Professional Services - Additional PTC maintenance

Security Services - No coverage for special events

*Budget amendments will be required for increased costs associated with new auditor and legal counsel, and for ballot measure

Staff Allocation for Caltrain

FUNCTION	FTE allocated to JPB		JPB Personnel
	OPERATING	CAPITAL	
Rail, Calmod, & Bus Divisions	44.2	60.0	91
Grants Billing and Administration*	13.7	15.0	12
Grants and Communications	21.2	5.3	-
Total	79.1	80.3	103

*includes Finance, Contracts & Procurement, and Safety & Security

Application of CARES Act

(in \$ millions)

	FY20	FY21
	Forecast	Proposed
Revenue	\$122.8	\$88.2
Expense	<u>144.8</u>	<u>147.3</u>
Operating Surplus (Deficit)	(\$22.0)	(\$59.1)
CARES Act	<u>23.1</u>	<u>\$41.5</u>
Net Surplus (Deficit)	\$1.1	(\$17.6)

Sensitivity of Revenue to Ridership

- Revenue estimate based on ridership recovery rate of 5.0% in July-Aug, 10% Sept to Oct, 20% Nov-Dec and 30% in Jan to June.
- Each 10% short of these estimates is worth approx. \$675,000/month

Period	Proposed Budget Assumption	Sensitivity Case	Revenue Adjustment
July/August	5%	5%	
September/October	10%	10%	
November/December	25%	15%	-\$1,350,000 (2 times \$675k)
January/June	30%	20%	-\$4,050,000 (6 times \$675k)
		Total	-\$5,400,000

CARES Act “Surplus”, Reserves, and Need for Additional Funding

- CARES Act “Surplus” of \$1.1 million
- Estimated FY20 Ending Reserve Balance (including above) \$14.8 million, which is at the policy minimum level
- Reserve balance includes variety of current assets and liabilities which are more or less “realizable” or current
- Shutdown of revenue service would accelerate certain current liabilities including deferred revenue and potentially line of credit



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

What Does it Mean to “Shut Down” Caltrain?

- **“Shutting Down” would be for passenger revenue service only. Corridor management would continue.**
- Fulfilling the JPB’s ongoing responsibilities as a “corridor manager”
 - Continuing to operate the corridor for freight and tenants
 - Continuing to advance funded capital projects
- Maintaining the value of the public’s assets
 - Securing and maintaining stations and corridor assets
 - Maintaining rolling stock and other facilities and systems
- Preserving the ability of the railroad to restore service
 - Preparing to operate electrified service
 - Maintaining rolling stock and other facilities and systems

What Does it Mean to “Shut Down” Caltrain?

- **“Shutting Down” Caltrain revenue service would occur over three phases**
 - Demobilization of Caltrain Passenger Service (6 months)
 - Revenue service would keep running but staff would engage in a series of activities to prepare for a shutdown
 - Some one-time costs incurred
 - Full Shutdown (12 months)
 - No Caltrain revenue service
 - Tenant operations, capital projects and basic maintenance continue
 - Some one-time costs incurred
 - Costs generally minimized during this period
 - Re-mobilization (12 months)
 - No Caltrain revenue service
 - Remobilization and re-training of crews
 - Testing and commissioning of electrification

What would a Shutdown Cost?

Shutdown Phase	Duration	Ongoing Cost of Operations During Phase	Added One Time Costs	Notes
Demobilization	6 months	\$75 million	\$2 million	Assumes continued operation of 70 train per day service as demobilization activities ramp up
Shutdown	12 months	\$59 million	\$ 3 million	No revenue service – corridor maintenance and management only
Remobilization (92 trains)	12 months	\$91 million	\$2 million	No revenue service – corridor management, remobilization and training

FY2021 CAPITAL BUDGET



FY21 Capital Budget

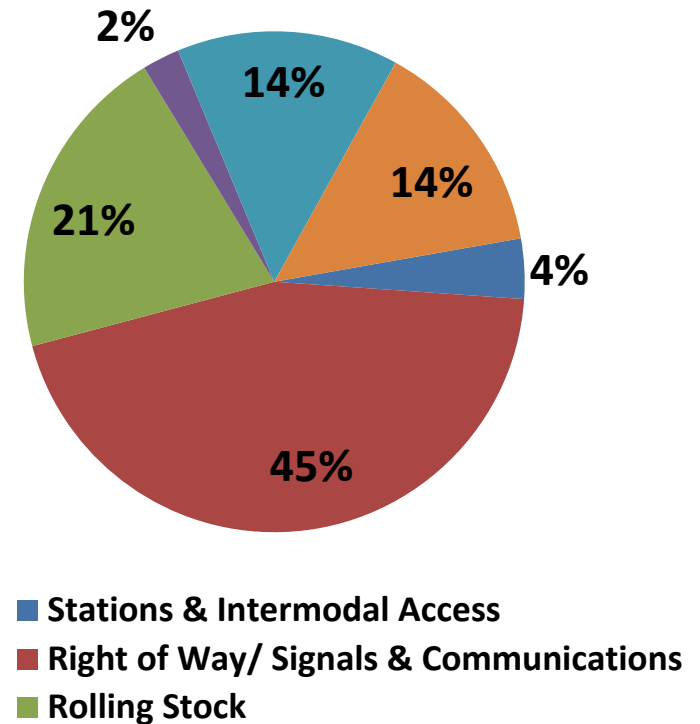
- In June, the initial FY21 capital budget included only those capital projects that had available funding, but required board authority to incur the expenditure.
Initial budget = \$19.1 million
- This amendment to the FY21 capital budget includes urgent projects eligible for the anticipated annual federal, state, local and member agency funds.
Amendment 1 = \$42.7 million

Overview of FY21 Capital Costs

(in \$ millions)

SOGR

Stations & Intermodal Access	\$2.1
Right of Way/ Signals & Communications	27.8
Rolling Stock	12.7
Legal Mandates	1.5
Operational Improvements/Enhancements	8.9
Planning/Studies	<u>8.8</u>
Total	<u>\$61.8</u>

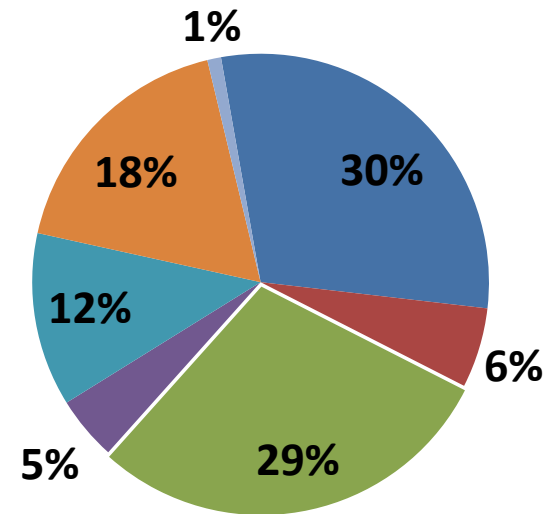




FY21 Proposed Funding Sources

(in \$ millions)

Federal Grants	\$18.3
State & Regional Grants	3.5
Members Contribution	18.0
Project Savings	2.8
Operating & Insurance Proceeds	7.6
Unfunded Board Authority	11.0
Other	<u>0.6</u>
Total	<u>\$61.8</u>



- Federal Grants
- State & Regional Grants
- Members Contribution
- Project Savings
- Operating & Insurance Proceeds
- Unfunded Board Authority
- Other

*\$6.0M contribution from each member

Next Steps

- **Staff to request approval of the FY2021 Proposed Operating and Capital budgets at the September Board**
- **Work with Members to finalize operating obligations and capital investments for FY2021**
- **Continue to work with the Board to meet the challenges of this pandemic and to address the funding gaps for FY2021 and beyond**