



BOARD OF DIRECTORS 2018

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# SPECIAL MEETING AGENDA

## PENINSULA CORRIDOR JOINT POWERS BOARD

Bacciocco Auditorium, 2<sup>nd</sup> Floor  
1250 San Carlos Avenue, San Carlos CA 94070

**April 5, 2018 – Thursday**

**9:00 a.m.**

1. Call to Order/ Pledge of Allegiance
2. Roll Call
3. Preliminary Fiscal Year 2018/2019 and Fiscal Year 2020 Budget Outlook
4. Adjourn
5. Date/Time of Next Regular Meeting: Thursday, April 5, 2018 10:30 a.m. at San Mateo County Transit District Administrative Building, Bacciocco Auditorium, 2<sup>nd</sup> Floor, 1250 San Carlos Avenue, San Carlos, CA 94070

### **INFORMATION FOR THE PUBLIC**

All items appearing on the agenda are subject to action by the Board. Staff recommendations are subject to change by the Board.

If you have questions on the agenda, please contact the JPB Secretary at 650.508.6242. Agendas are available on the Caltrain website at [www.caltrain.com](http://www.caltrain.com). Communications to the Board of Directors can be e-mailed to [board@caltrain.com](mailto:board@caltrain.com).

#### **Location, Date and Time of Regular Meetings**

Regular meetings are held at the San Mateo County Transit District Administrative Building located at 1250 San Carlos Avenue, San Carlos, one block west of the San Carlos Caltrain Station on El Camino Real, accessible by SamTrans bus Routes ECR, FLX, 260, 295 and 398. Additional transit information can be obtained by calling 1.800.660.4287 or 511.

The JPB meets regularly on the first Thursday of the month at 10 a.m. The JPB Citizens Advisory Committee meets regularly on the third Wednesday of the month at 5:40 p.m. at the same location. Date, time and place may change as necessary.

#### **Public Comment**

If you wish to address the Board, please fill out a speaker's card located on the agenda table and hand it to the JPB Secretary. If you have anything that you wish distributed to the Board and included for the official record, please hand it to the JPB Secretary, who will distribute the information to the Board members and staff.

Public testimony by each individual speaker shall be limited to two minutes and items raised that require a response will be deferred for staff reply.

#### **Accessibility for Individuals with Disabilities**

Upon request, the JPB will provide for written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in public meetings. Please send a written request, including your name, mailing address, phone number and brief description of the requested materials and a preferred alternative format or auxiliary aid or service at least two days before the meeting. Requests should be mailed to the JPB Secretary at Peninsula Corridor Joint Powers Board, 1250 San Carlos Avenue, San Carlos, CA 94070-1306; or emailed to [board@caltrain.com](mailto:board@caltrain.com); or by phone at 650.508.6242, or TDD 650.508.6448.

#### **Availability of Public Records**

All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body will be available for public inspection at 1250 San Carlos Avenue, San Carlos, CA 94070-1306, at the same time that the public records are distributed or made available to the legislative body.



# 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**

# BACKGROUND

# Service

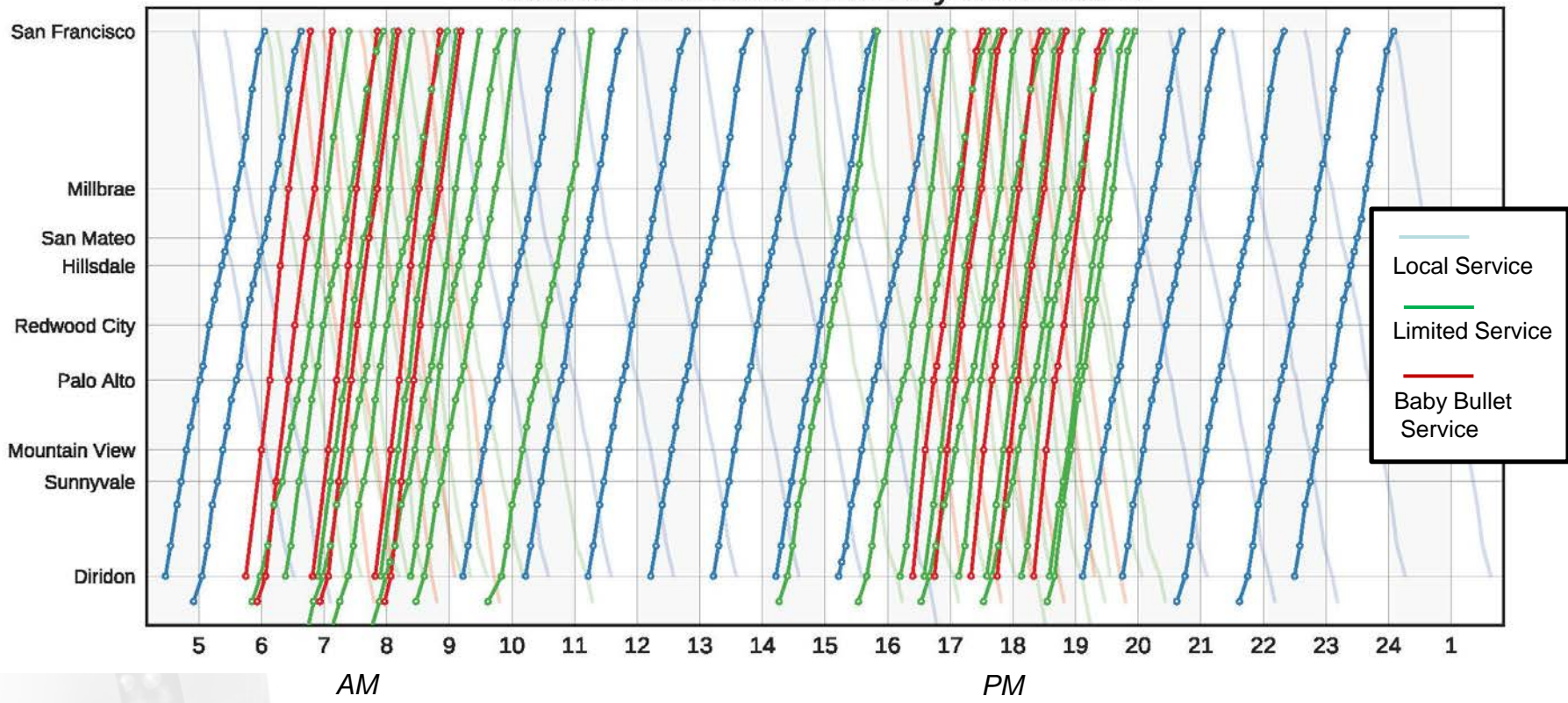
- 92 Weekday Trains
  - Express (“Baby Bullets”)
  - Limited (incl 6 Gilroy trains)
  - Locals
- 28 / 24 Weekend Trains
- Travel times (mainline)
  - <60 min for “bullets”
  - >100 min for locals
- Station Stops (mainline)
  - 6 to 7 for “bullets”
  - 24 for locals





# Service Distribution

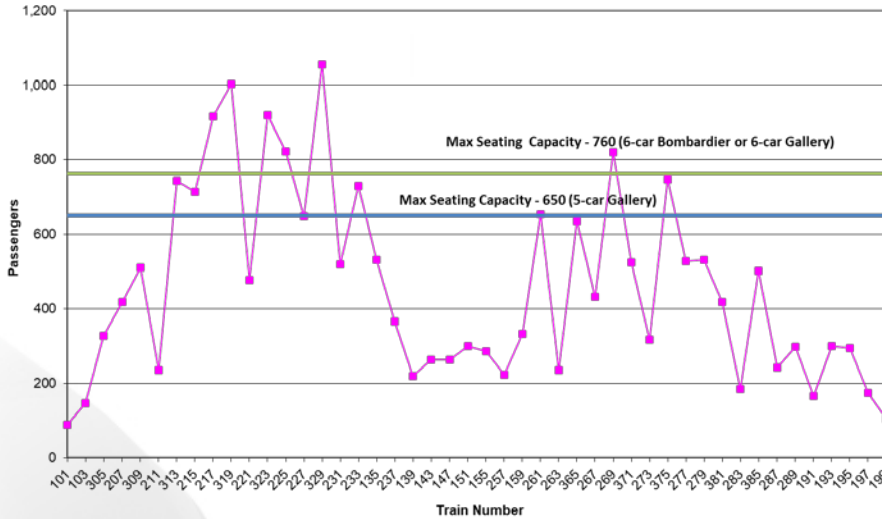
Caltrain Schedule: Weekday Northbound



Graphic Courtesy of Alex Gude

# Ridership and Capacity

Maximum Loads - Northbound  
Caltrain 2017 Annual Count



Maximum Loads - Southbound  
Caltrain 2017 Annual Count



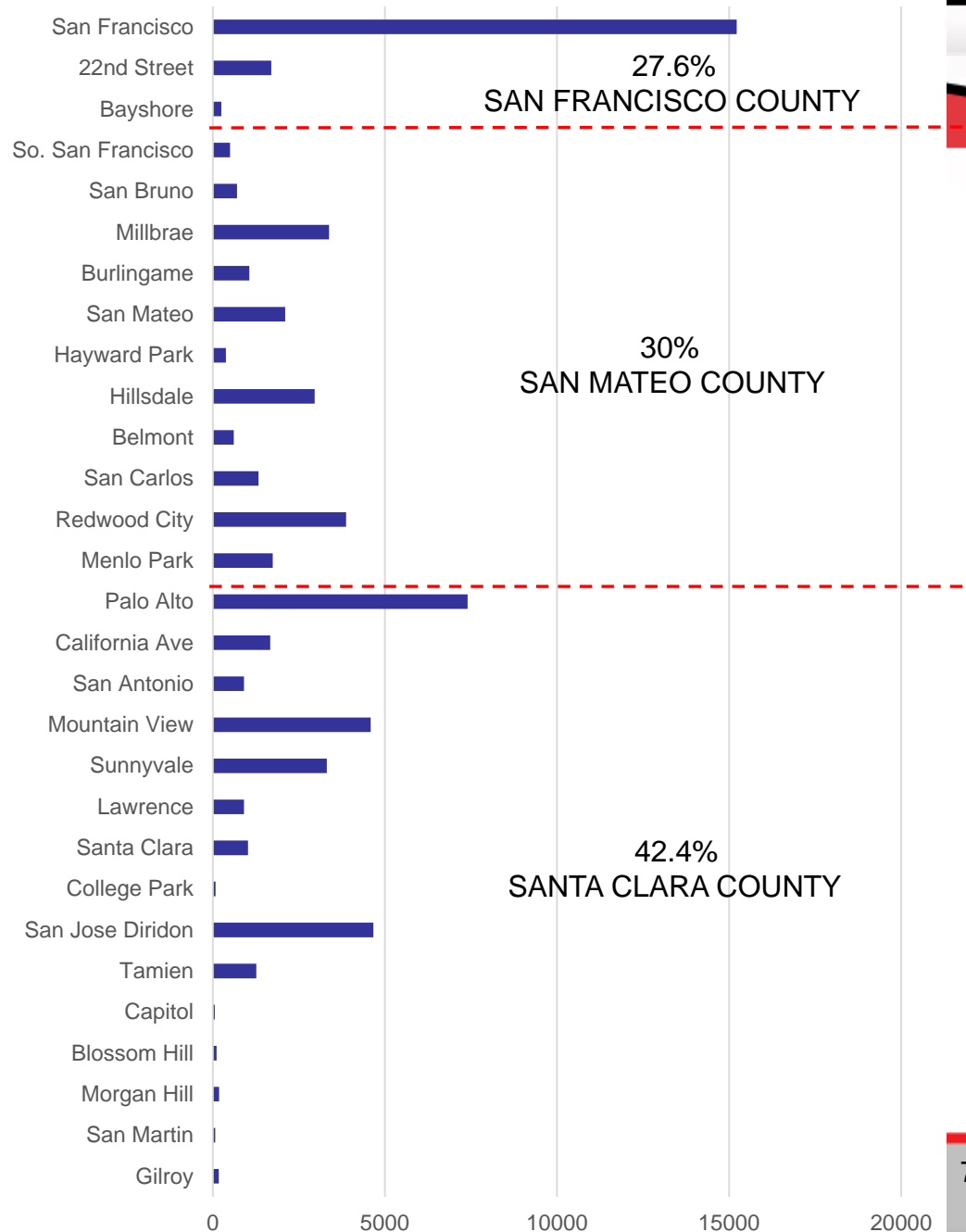




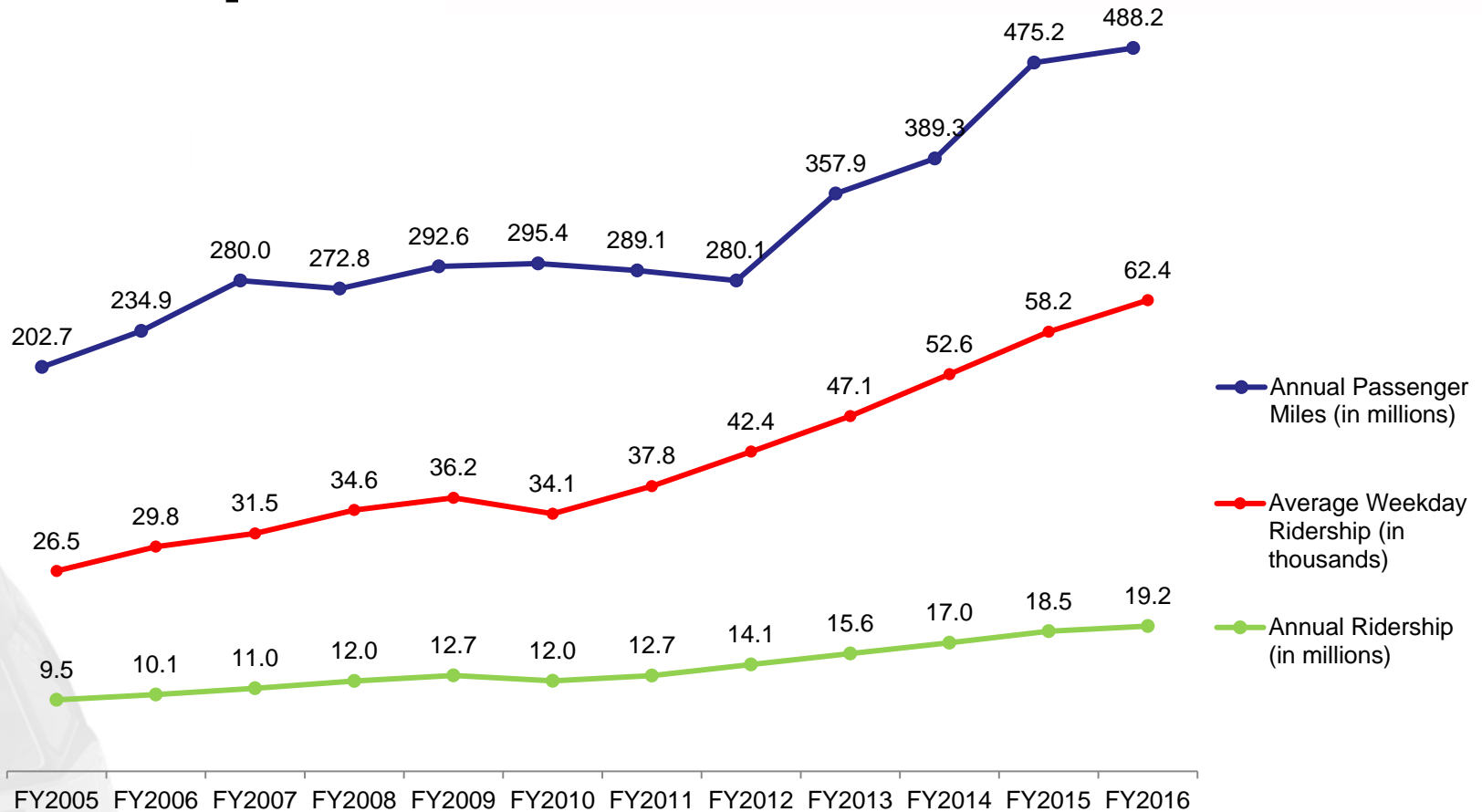
# Ridership

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

2017 Average Weekday Boardings



# Ridership



- Average Weekday Ridership - based on annual passenger counts
- Annual Passenger Miles - based on National Transit Database
- Annual Ridership - based on fare media sales

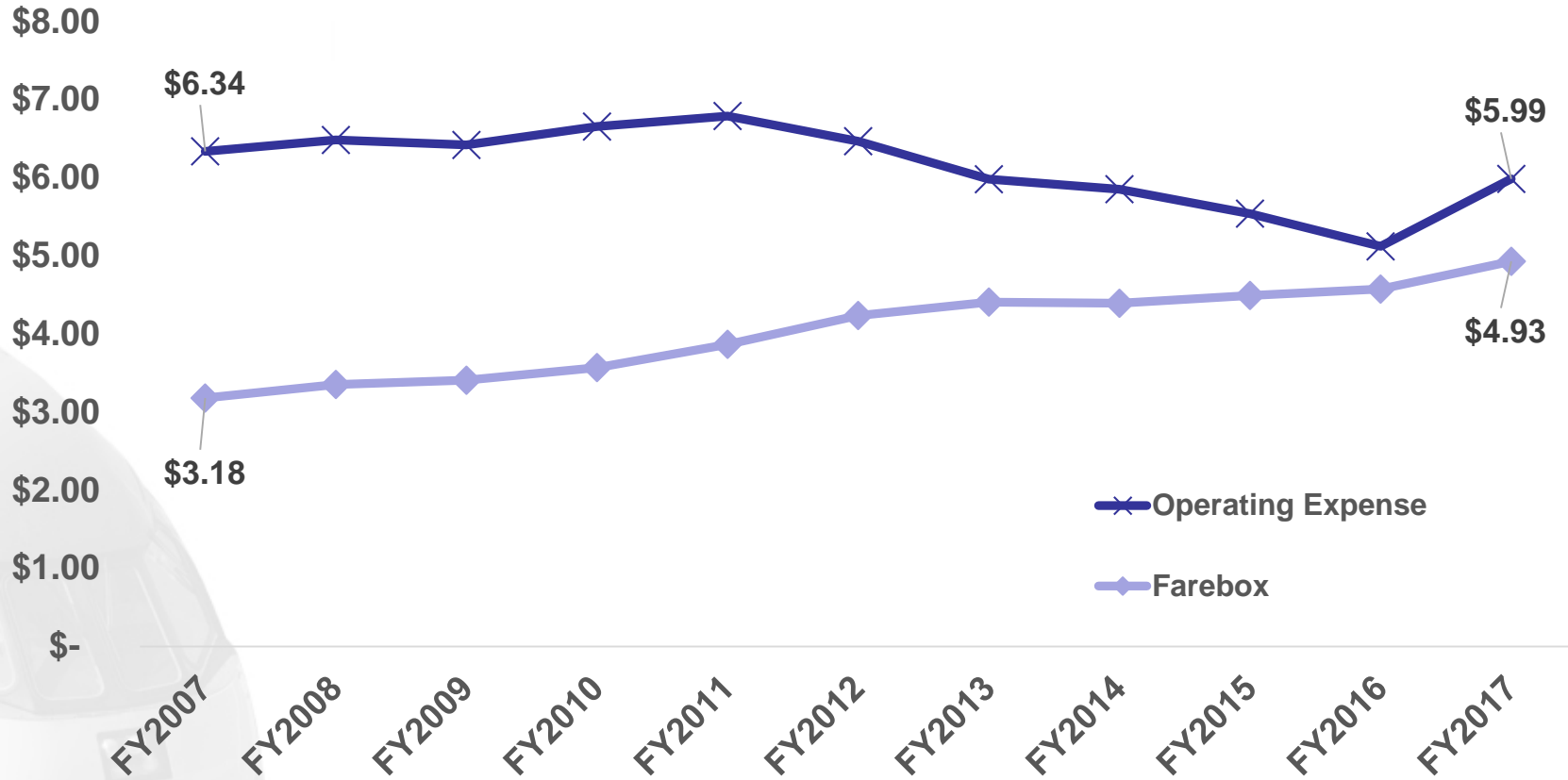


# Fare History

- 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.



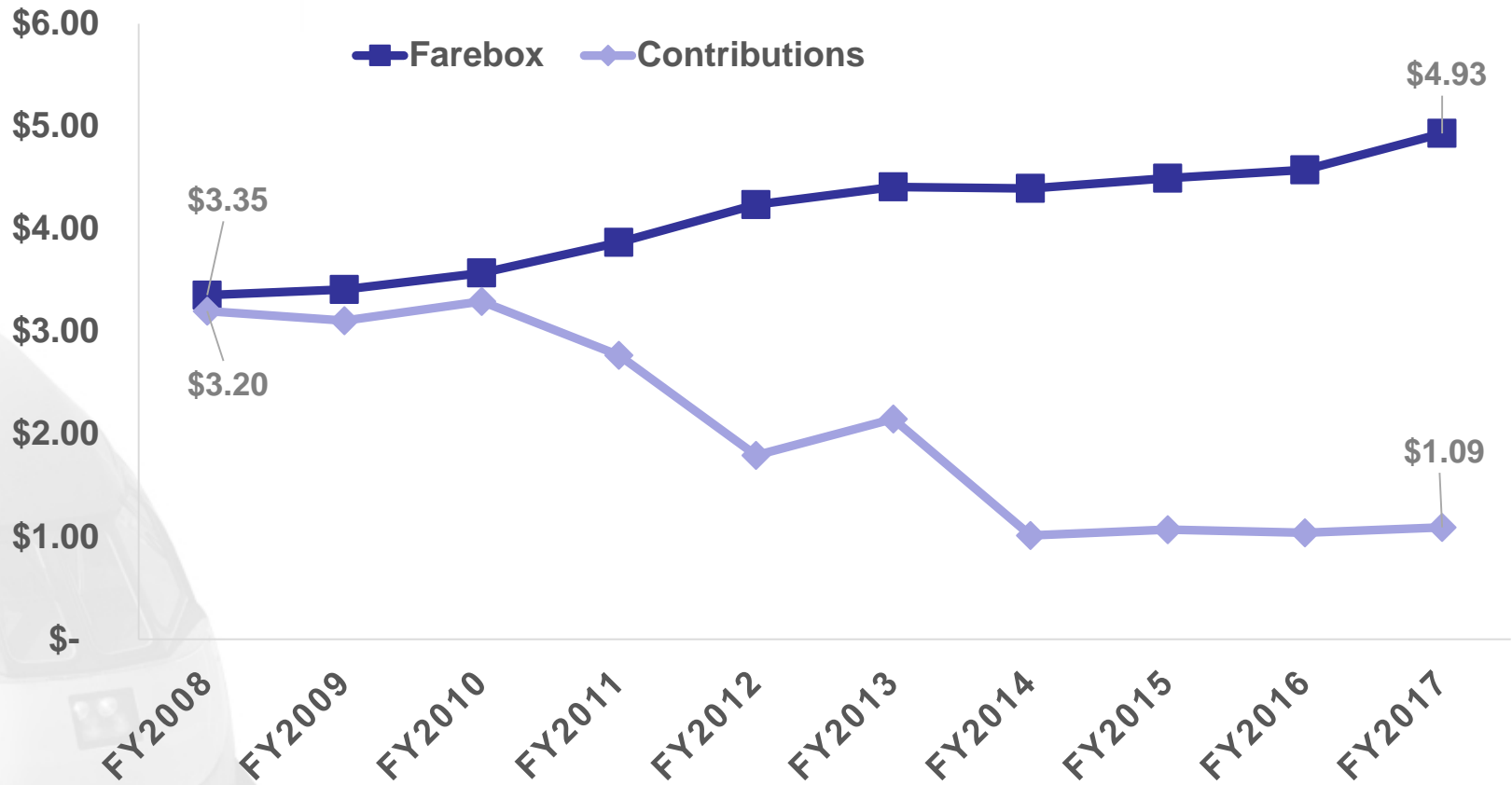
# Farebox & OPEX (per Passenger)



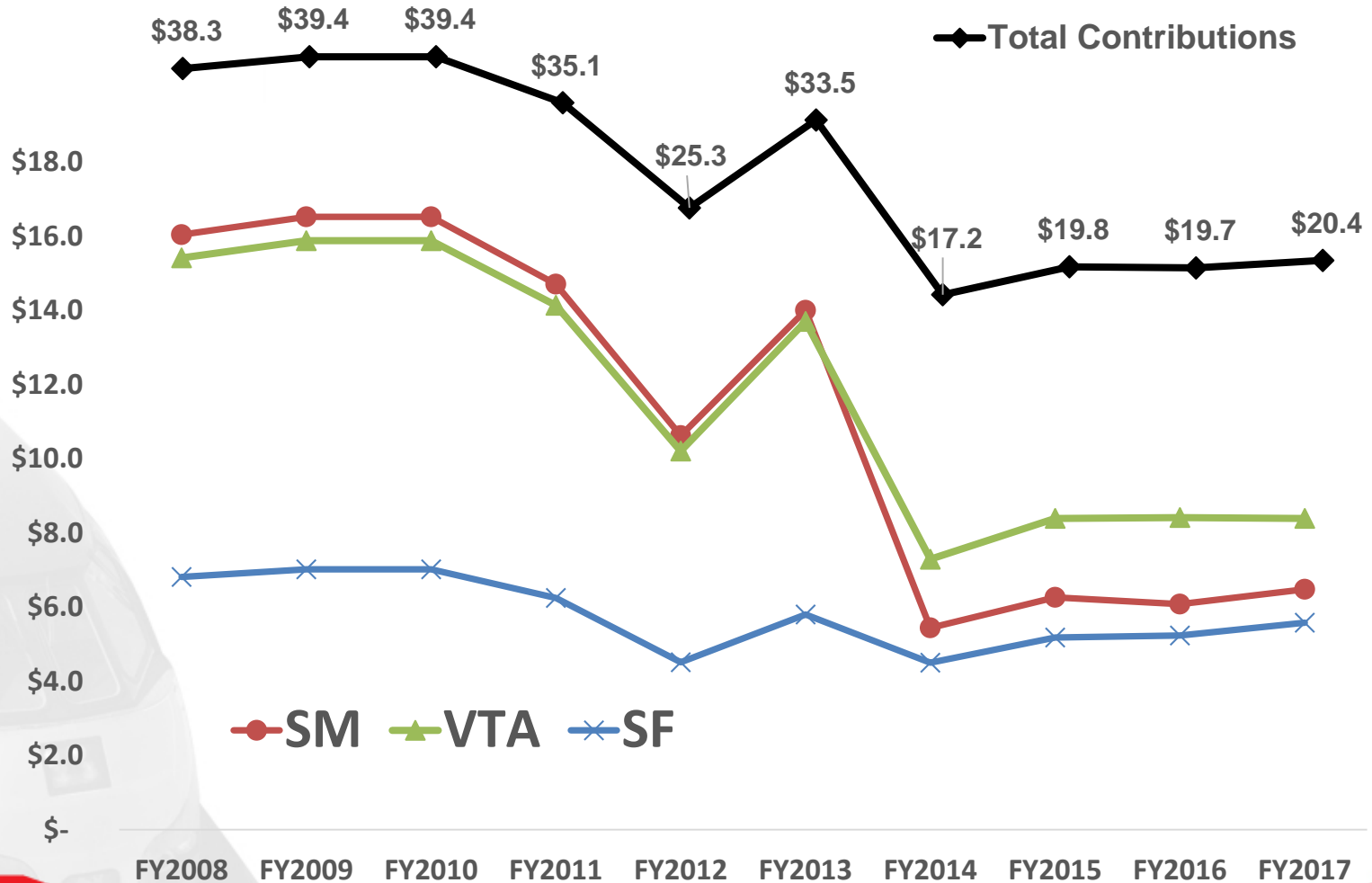
\*FY16 OPEX was abnormally low due to release of insurance reserves.



# Farebox and Contribution (per Passenger)



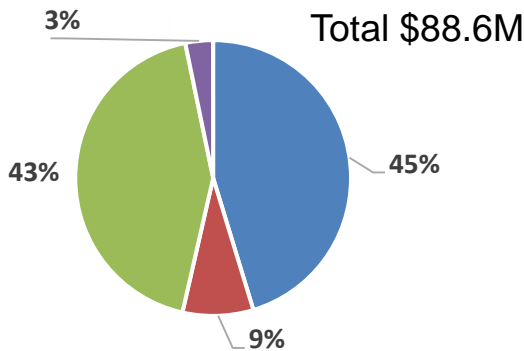
# Operating Contribution (in millions)



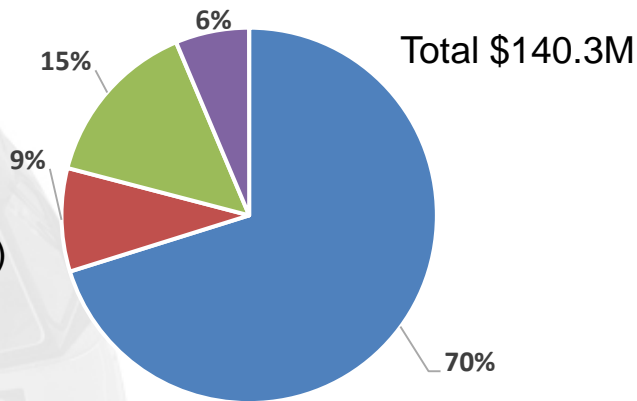
# Operating Budget Results

## Sources of Funds:

**FY08**  
(Actual)

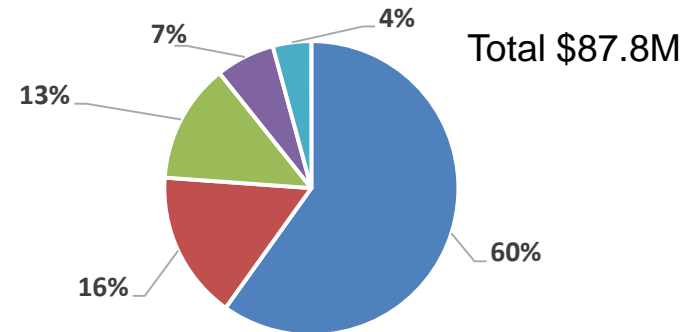


**FY18**  
(Forecast)

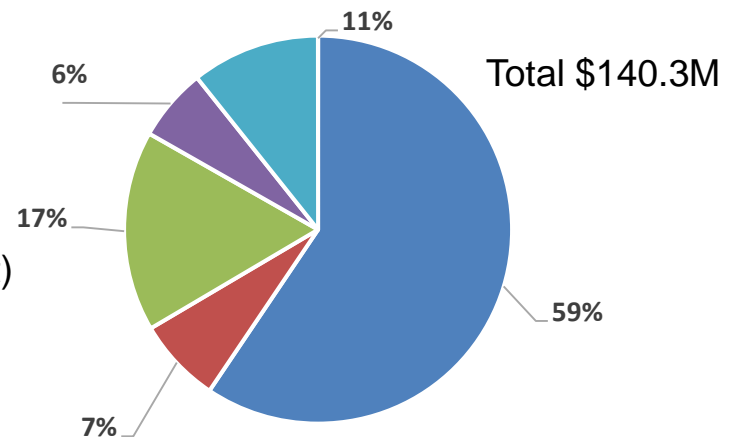


## Uses of Funds:

**FY08**  
(Actual)



**FY18**  
(Forecast)



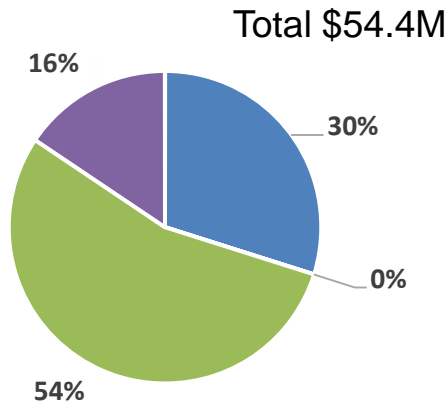
- Farebox
- JPB Member Agencies
- Other Operations Revenue
- Other Contributions & Use of reserves

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

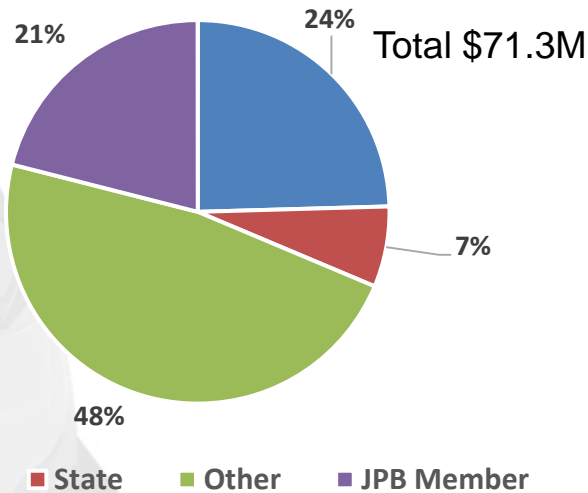
# Capital Budget

## Sources of Funds:

**FY08**  
(Actual)



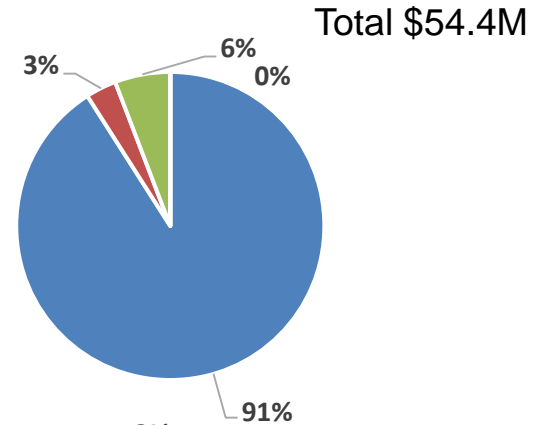
**FY18**  
(Budget)



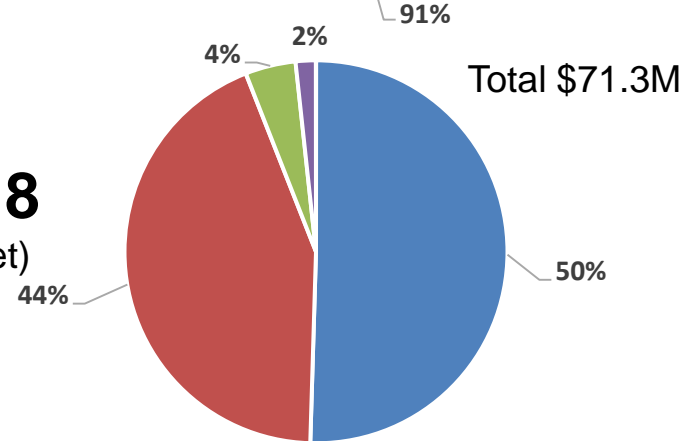
■ Federal   
 ■ State   
 ■ Other   
 ■ JPB Member

## Uses of Funds:

**FY08**  
(Actual)



**FY18**  
(Budget)



■ SOGR   
 ■ Op Facilities & Equipment  
■ Capital Prog Mgmt./Others   
 ■ Legal Mandates



# FY18 BUDGET PERFORMANCE

# FY18 Budget Performance

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

We are currently projecting lower than budgeted use of reserves due primarily to lower TASI and consultant expenses.

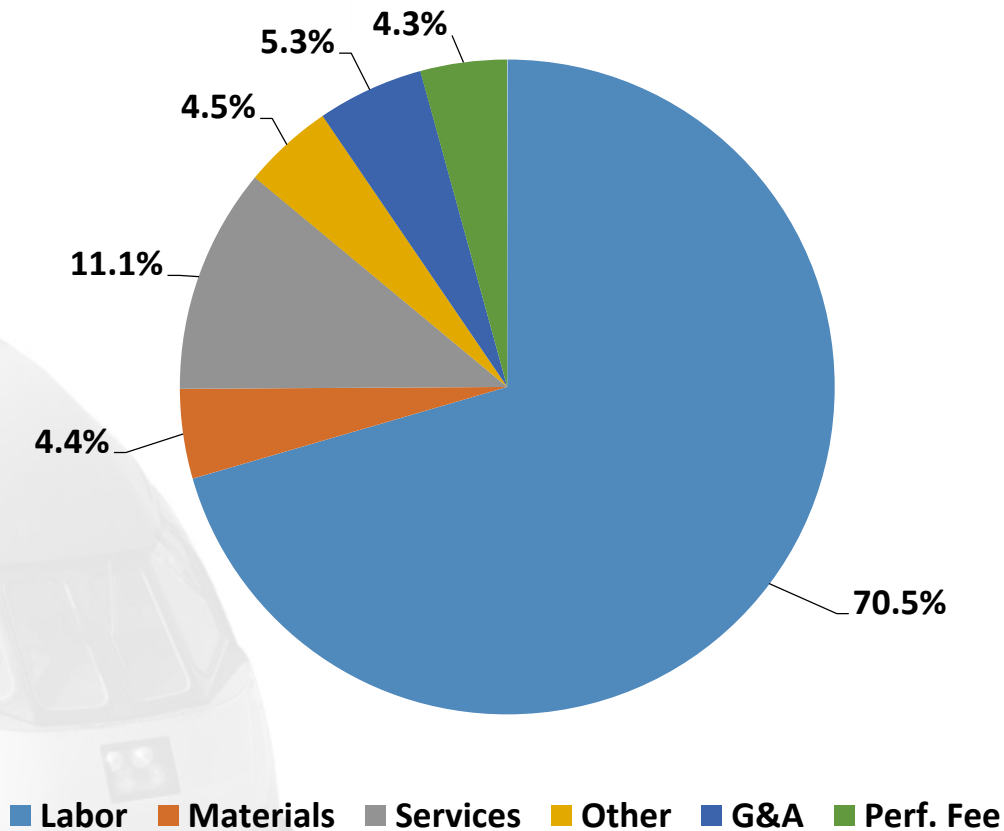
# FY19 BUDGET OUTLOOK

# FY19 Preliminary Budget Outlook

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

# Key Expense Driver - TASI Contract

FY18 Budget - Operating 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

# 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%**



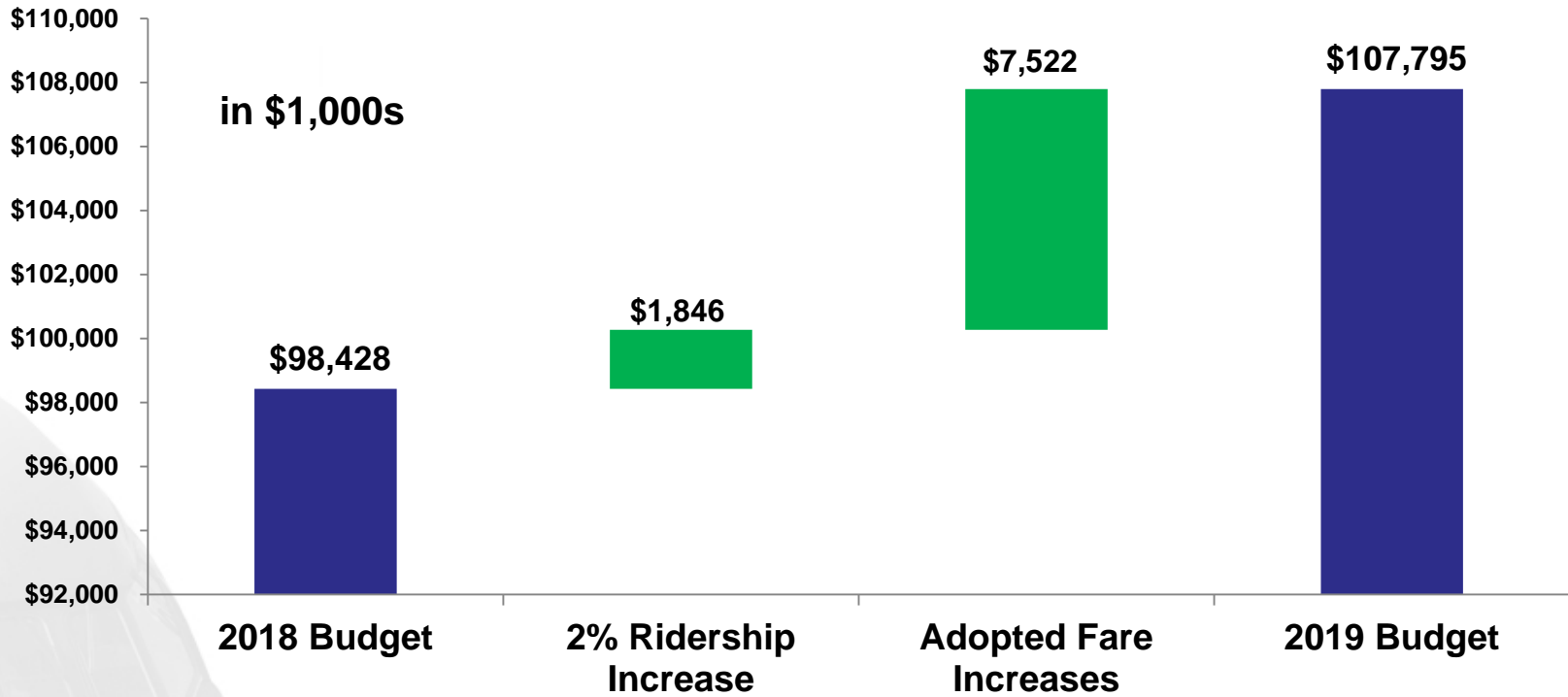
# FY19 Operating Budget - Staff Allocation for Caltrain

| Division                          | Operating FTE |
|-----------------------------------|---------------|
| Operations                        | 39.0          |
| Grants and Administrative Support | 10.7          |
| Marketing and Communication       | 15.1          |
| <b>Grand Total</b>                | <b>64.8</b>   |

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



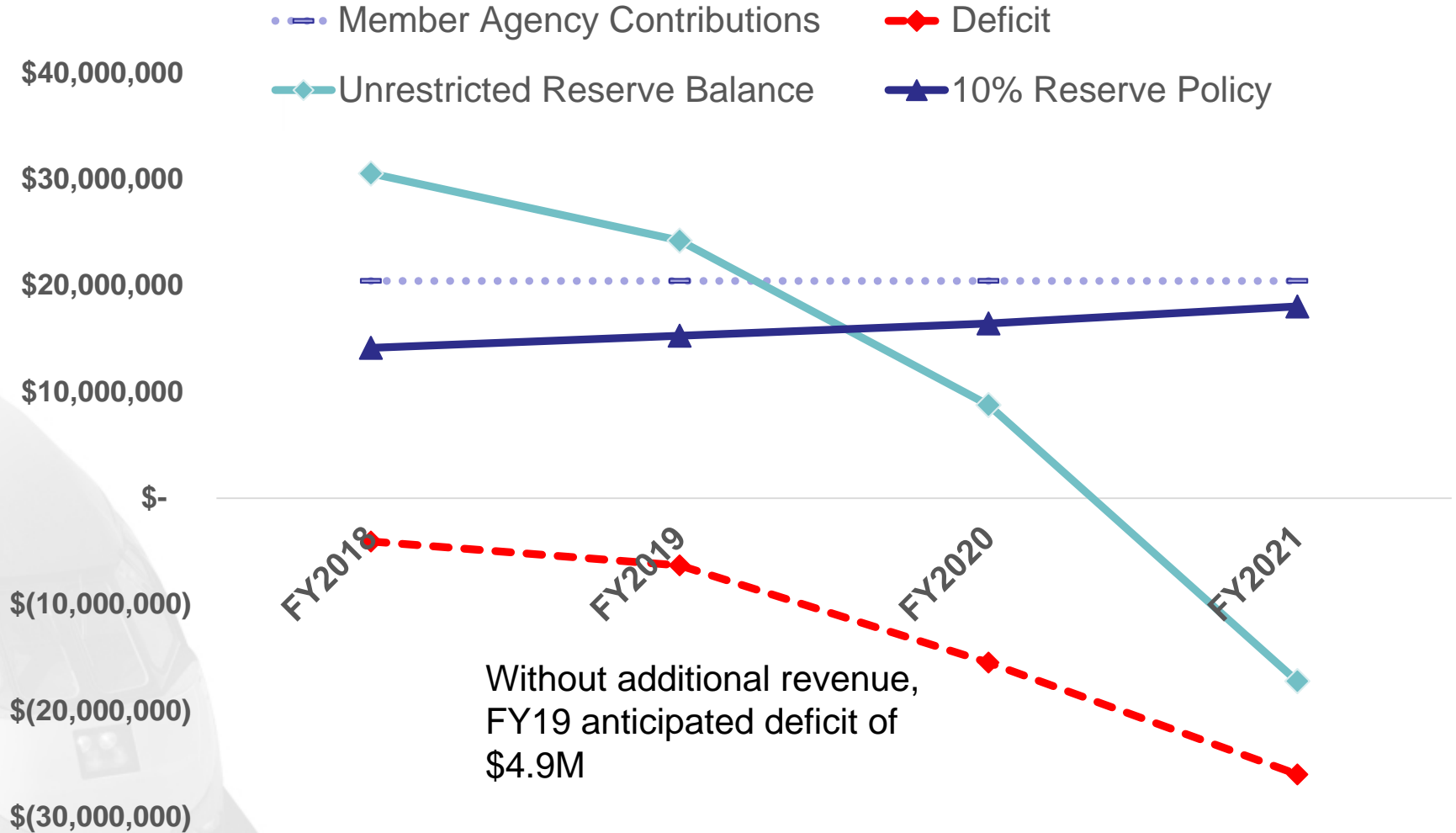
# FY19 Fare Assumptions



## 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)



\*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)

| Category                 | FY19*<br>\$ Submitted | FY19**<br>\$ Request | Variance         |
|--------------------------|-----------------------|----------------------|------------------|
| SOGR                     | \$66.25               | \$34.81              | \$(31.44)        |
| Legal                    | 1.45                  | 1.45                 | -                |
| Operational Improvements | 4.09                  | 1.52                 | (2.57)           |
| Planning/Other           | 6.69                  | 3.37                 | (3.33)           |
| <b>TOTAL</b>             | <b>\$78.48</b>        | <b>\$41.14</b>       | <b>\$(37.34)</b> |

\*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)

|  | FY18                  | SOGR Projections (Included in FTA Core Capacity Financial Plan) |               |               |
|--|-----------------------|---|---------------|---------------|
|  | <i>Adopted Budget</i> | FY19*   | FY20          | FY21          |
| <b>SOGR</b>                            |                       |   |               |               |
| Right of Way / Signal & Communications | \$18.4                | \$26.3  | \$20.5        | \$14.3        |
| Rolling Stock                          | 12.0                  | 29.6  | 25.2          | 25.3          |
| Station & Intermodal Access            | 0.8                   | 10.3  | 15.5          | 0.5           |
| <b>Subtotal</b>                        | <b>\$31.2</b>         | <b>\$66.3</b>   | <b>\$61.2</b> | <b>\$40.1</b> |

- 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

# Gap Closing Proposal (continued)

- **Staff recommends an additional \$5M (for a total of \$30.448M) be funded by member agencies in FY20**
  - **This would likely need to be supplemented by a package of FY20 fare increases and continued budgetary restrictions in order to allow the agency to operate within its means**
- 
- **Finally, 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**

# DISCUSSION