



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

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



FY19 Operating Budget

| | FY18 Budget | FY18 Forecast | Preliminary FY19 Budget |
|----------------------------|----------------------|----------------------|-------------------------|
| Operating Revenue | \$110,493,655 | \$109,617,111 | \$119,389,629 |
| Contributed Revenue | 26,509,964 | 26,509,964 | 25,916,321 |
| Total Revenue | 137,003,619 | 136,127,075 | 145,305,950 |
| Operating Expense | 119,664,879 | 116,737,878 | 124,214,334 |
| Administrative Expense | 24,531,044 | 22,226,909 | 26,359,968 |
| Long Term Debt Expense | 1,298,675 | 1,298,675 | 1,298,675 |
| Total Expense | 145,494,598 | 140,263,463 | 151,872,977 |
| Surplus / (Deficit) | (\$8,490,979) | (\$4,136,388) | (\$6,567,027) |

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

| FUNCTION | FTE allocated to JPB | | JPB Full-Time Personnel |
|--|----------------------|-------------|-------------------------|
| | OPERATING | CAPITAL | |
| Operations | 39.7 | 44.8 | 79 |
| Grants and Administration | 11.5 | 24.1 | 11 |
| Marketing, Communications and Customer Service | 15.1 | - | - |
| Total | 66.3 | 68.9 | 90 |

SamTrans Managing Agency OH Cost

| Agency OH COST (in millions) | |
|-------------------------------------|----------------|
| Labor (Wages and Fringe Benefits) | \$ 11.1 |
| Non Labor | \$ 5.3 |
| ▪ Executive Recruitments | |
| ▪ Office Supplies/Paper | |
| ▪ PeopleSoft Support | |
| ▪ Software Maintenance and License | |
| ▪ Office Space | |
| ▪ Other | |
| Total | \$ 16.4 |

SamTrans Managing Agency OH Cost

| ALLOCATION OF Agency OH Cost | | | |
|-------------------------------------|---------------------------------|------------------------|--|
| <u>AGENCY BUDGET</u> | <u>Total Cost (in millions)</u> | <u>% of Total Cost</u> | |
| SamTrans Operating | \$ 8.2 | 50% | |
| SamTrans Capital | 0.5 | 3% | |
| Caltrain Operating | 5.9 | 36% | |
| Caltrain Capital | 1.2 | 7% | |
| TA Operating | 0.3 | 2% | |
| TA Capital | 0.3 | 2% | |
| Total | \$ 16.4 | 100% | |

Surplus / Deficit



FY19 PRELIMINARY CAPITAL PROGRAM

FY19 Capital Budget (in millions)

| Category | FY19* \$ Unconstrained | FY19** \$ Preliminary | Variance |
|--------------------------|---------------------------|--------------------------|------------------|
| SOGR | \$65.25 | \$36.01 | (\$9.24) |
| Legal | 1.45 | 1.33 | (.12) |
| Operational Improvements | 6.29 | 2.05 | (4.24) |
| Planning/Other | 6.39 | 3.36 | (3.03) |
| Total | \$79.38 | \$42.75 | (\$36.63) |

* 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

| Activity | Qty. | FY13 | FY18 | Variance |
|--------------|------|---------|---------|----------|
| F40 Overhaul | 3 | \$5.29M | \$6.12M | \$830K |

Above deferral resulted in major component work in the interim:

| Activity | Est. Life Cycle | Amount |
|----------------------------|-----------------|----------------|
| In-Frame Engine Rebuild | 7 Years | \$1.44M |
| SEP-HEP Replacement | 5 Years | \$609k |
| Traction Motor Replacement | 4 Years | \$93k |
| Total: | | \$2.14M |

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**