FY18 Budget Performance

FY19 Budget Outlook

San Mateo County
Transit District

Objectives

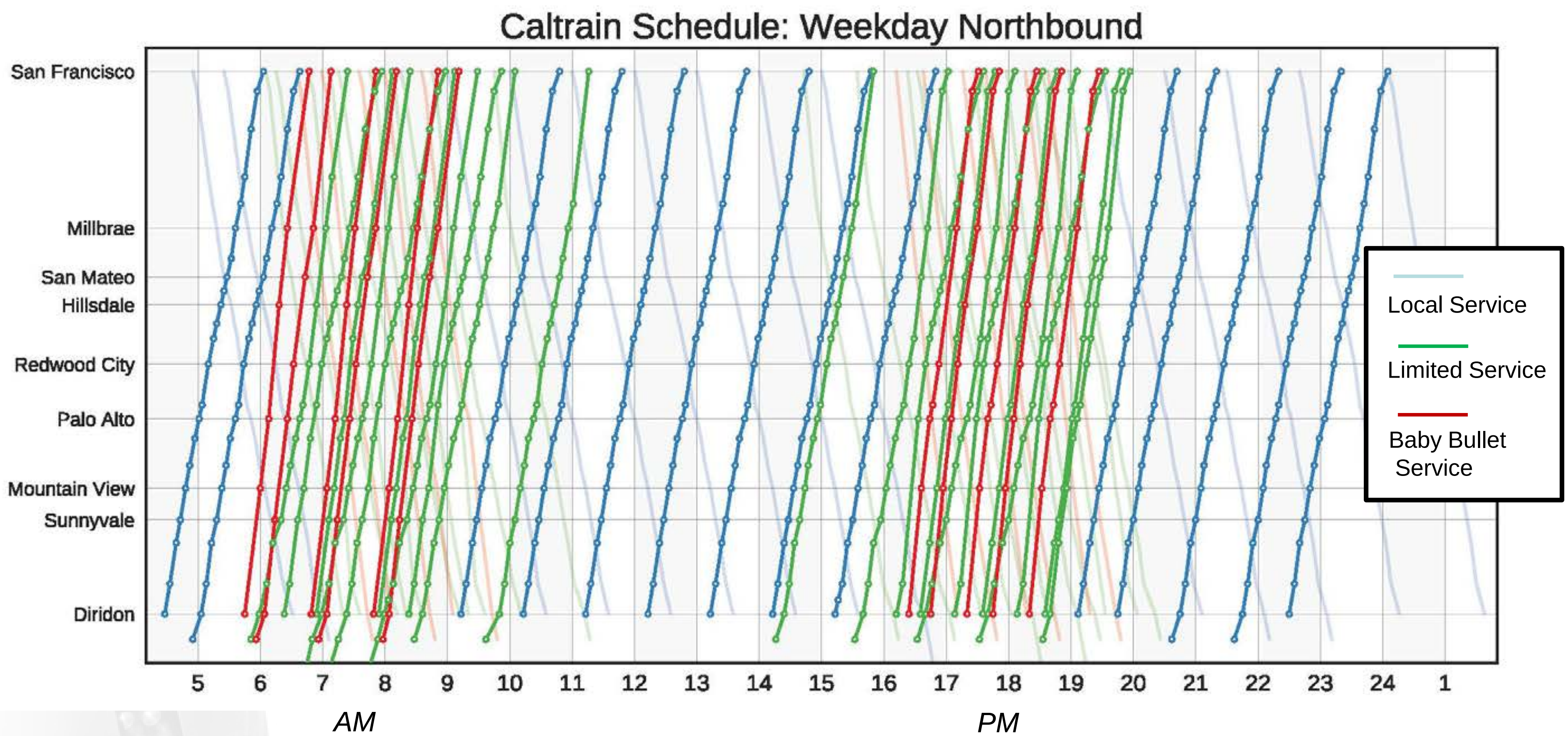
- Provide background necessary for thoughtful consideration of intermediate-term fiscal pressures
    - Service levels
    - Ridership
    - Member contributions
    - Budget picture (operating & capital)
- Introduce preliminary indicators from Fare Study
- Consider alternatives for addressing intermediate-term structural deficits

BACKGROUND

Service

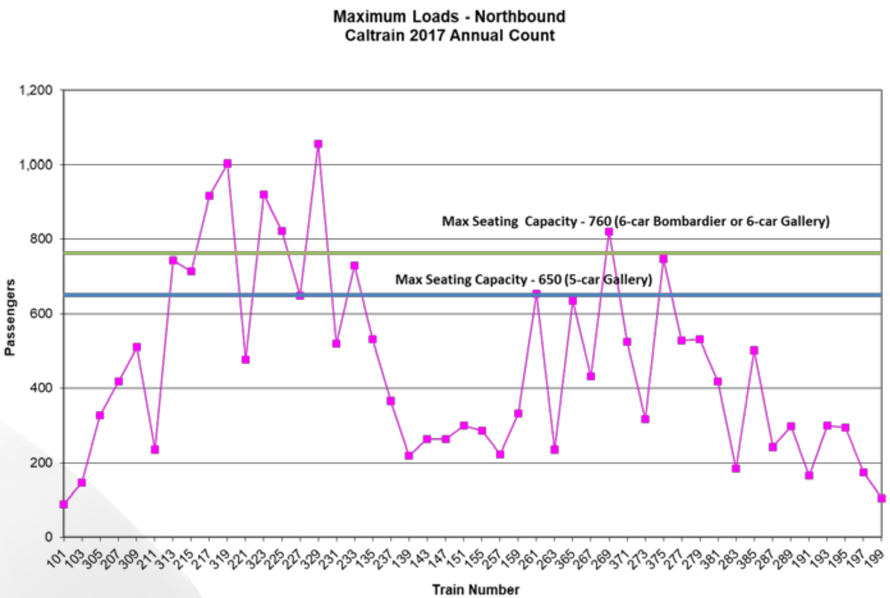
- 92 Weekday Trains
  - – Express (“Baby Bullets”)
  - – Limited (incl 6 Gilroy trains)
  - – Locals
- 28 / 24 Weekend Trains
- Travel times (mainline)
  - – <60 min for “bullets”
  - – >100 min for locals
- Station Stops (mainline)
  - – 6 to 7 for “bullets”
  - – 24 for locals

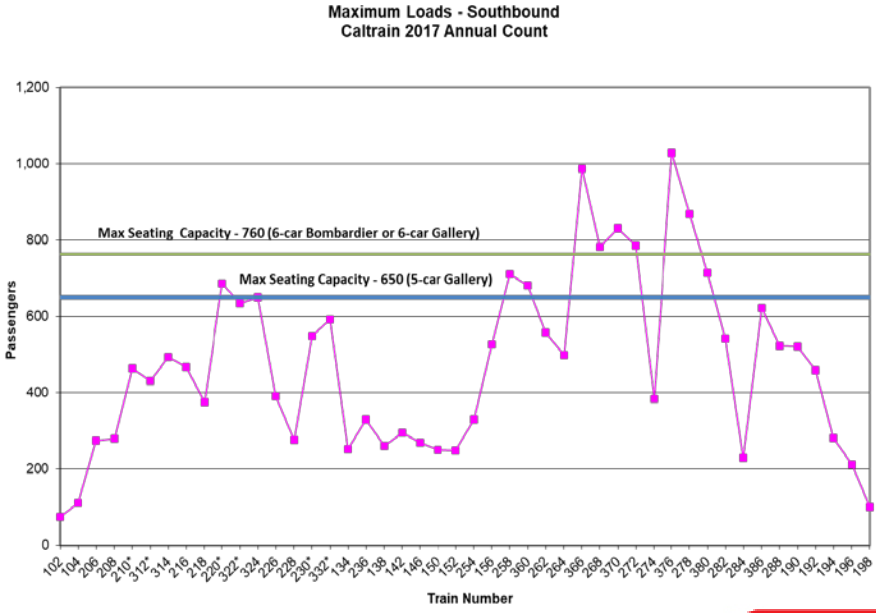
Service Distribution



Graphic Courtesy of Alex Gude

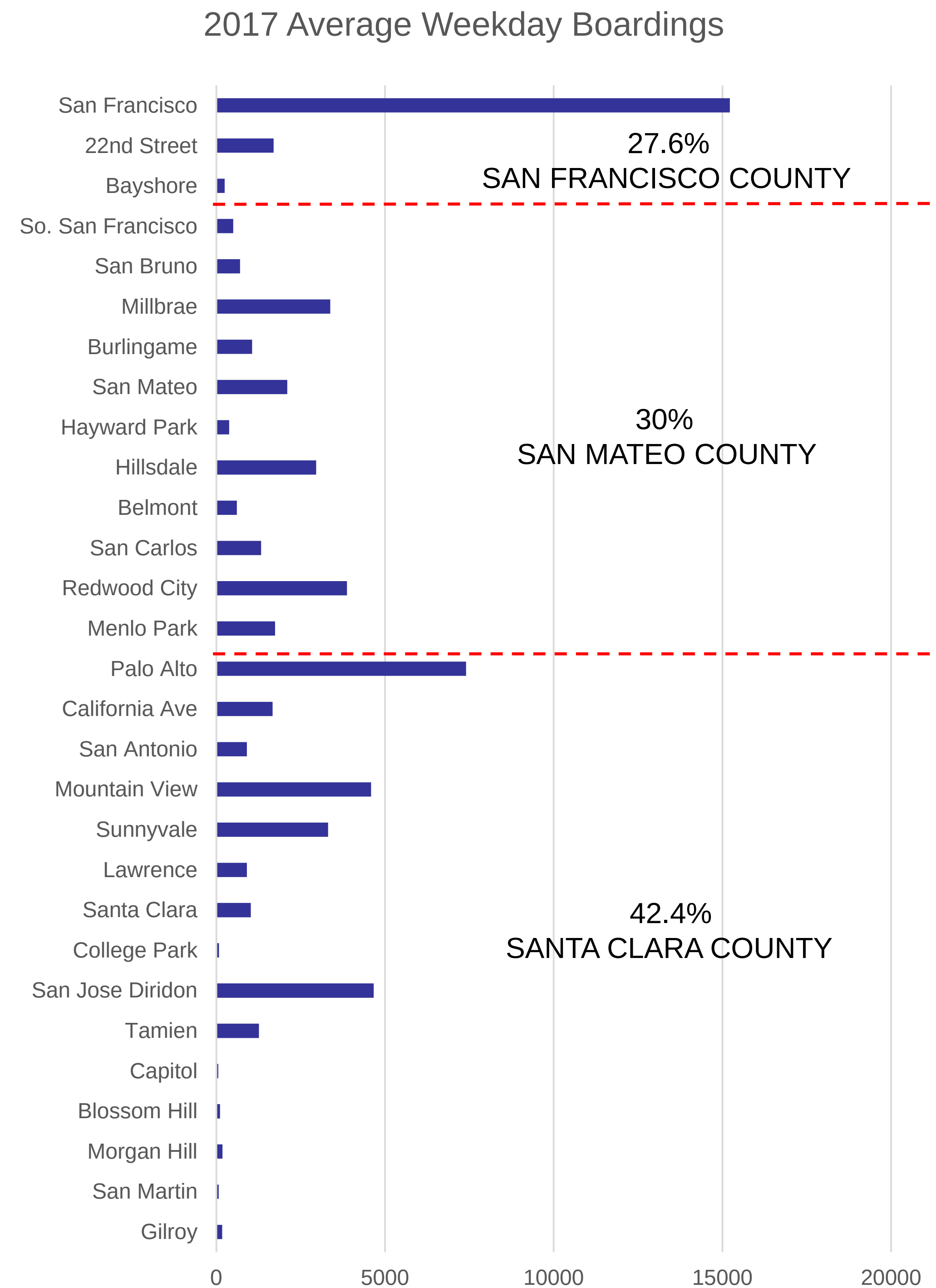
Ridership and Capacity



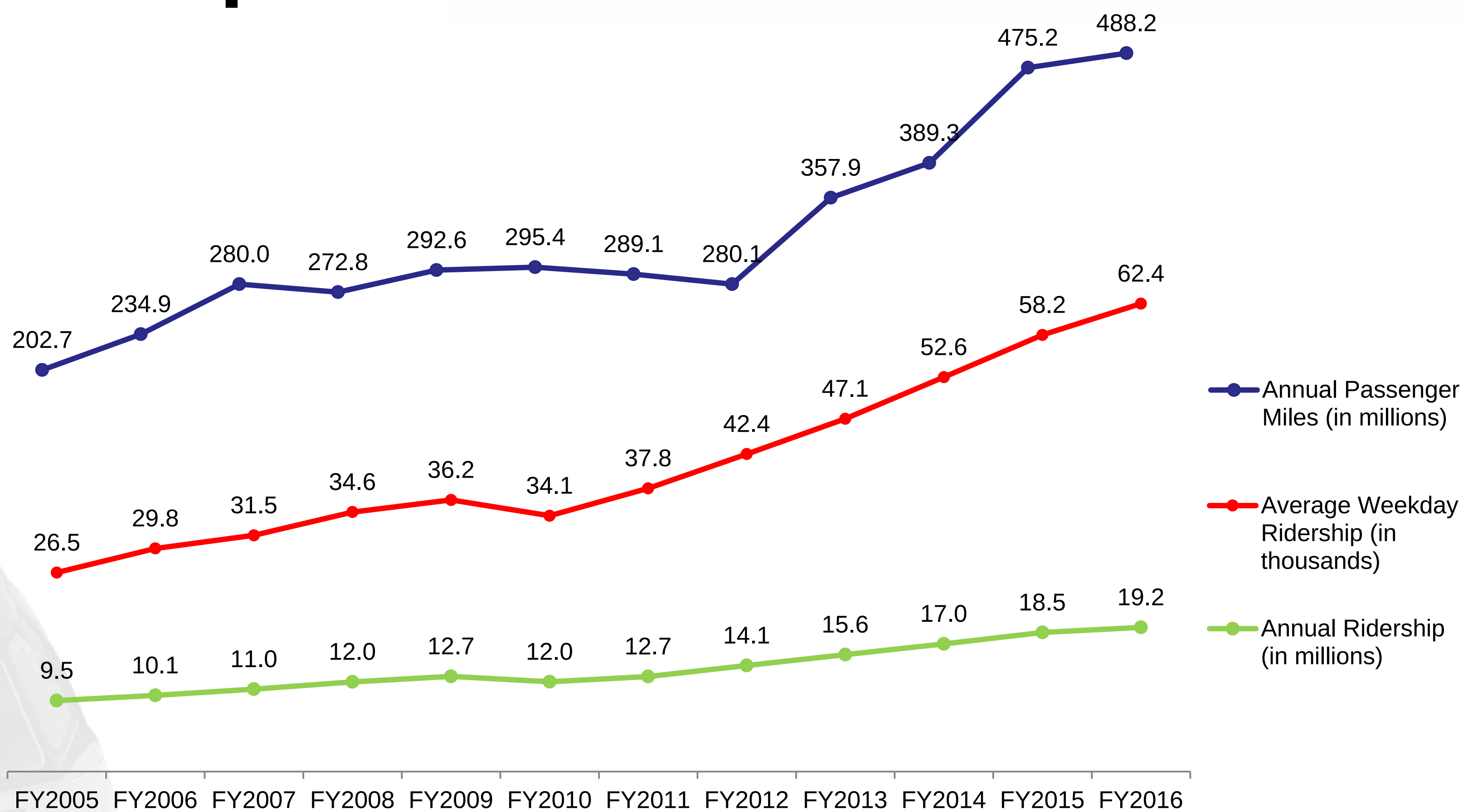


Ridership

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



Ridership

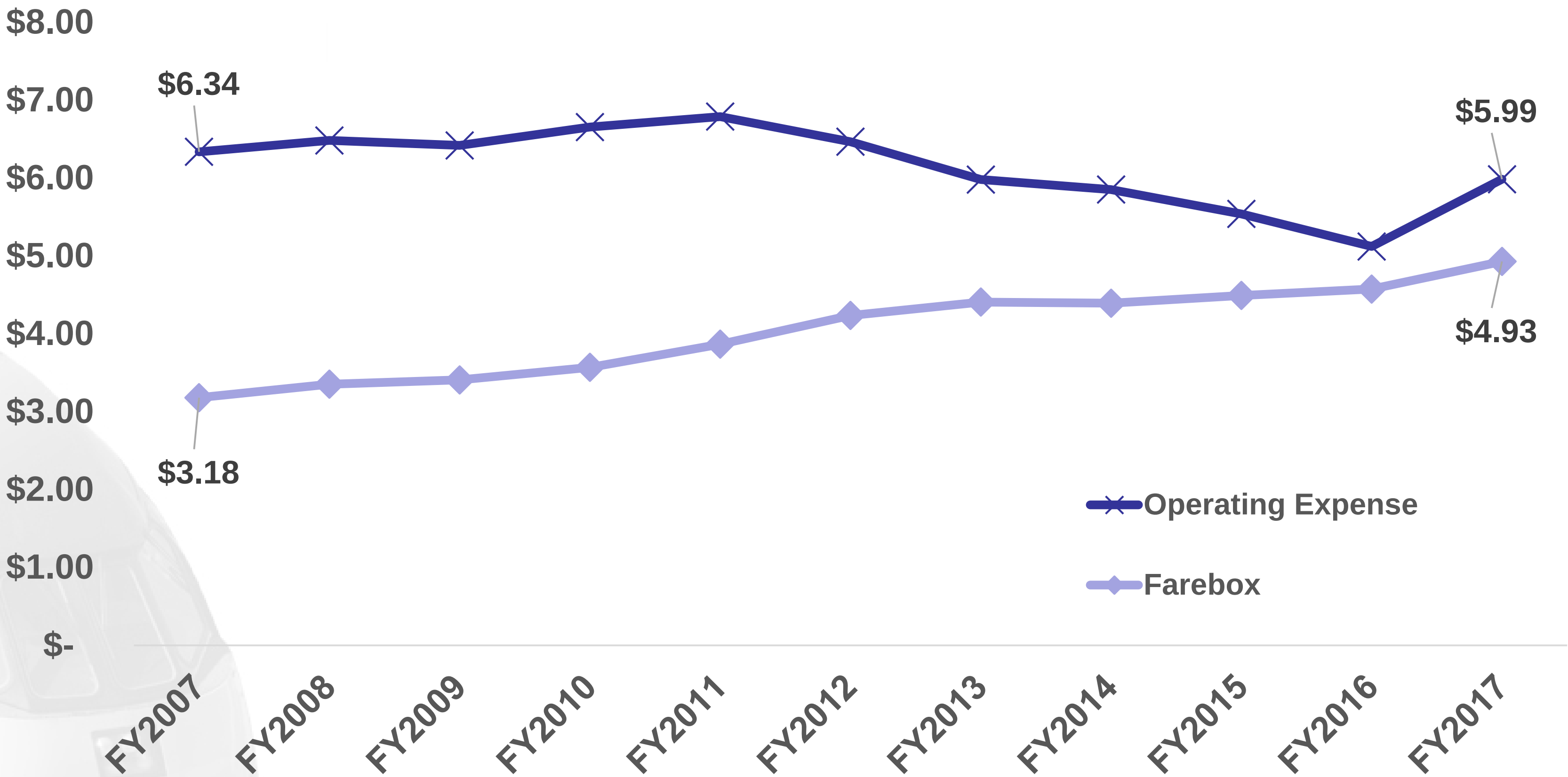


- Average Weekday Ridership - based on annual passenger counts
- Annual Passenger Miles - based on National Transit Database
- Annual Ridership - based on fare media sales

Fare History

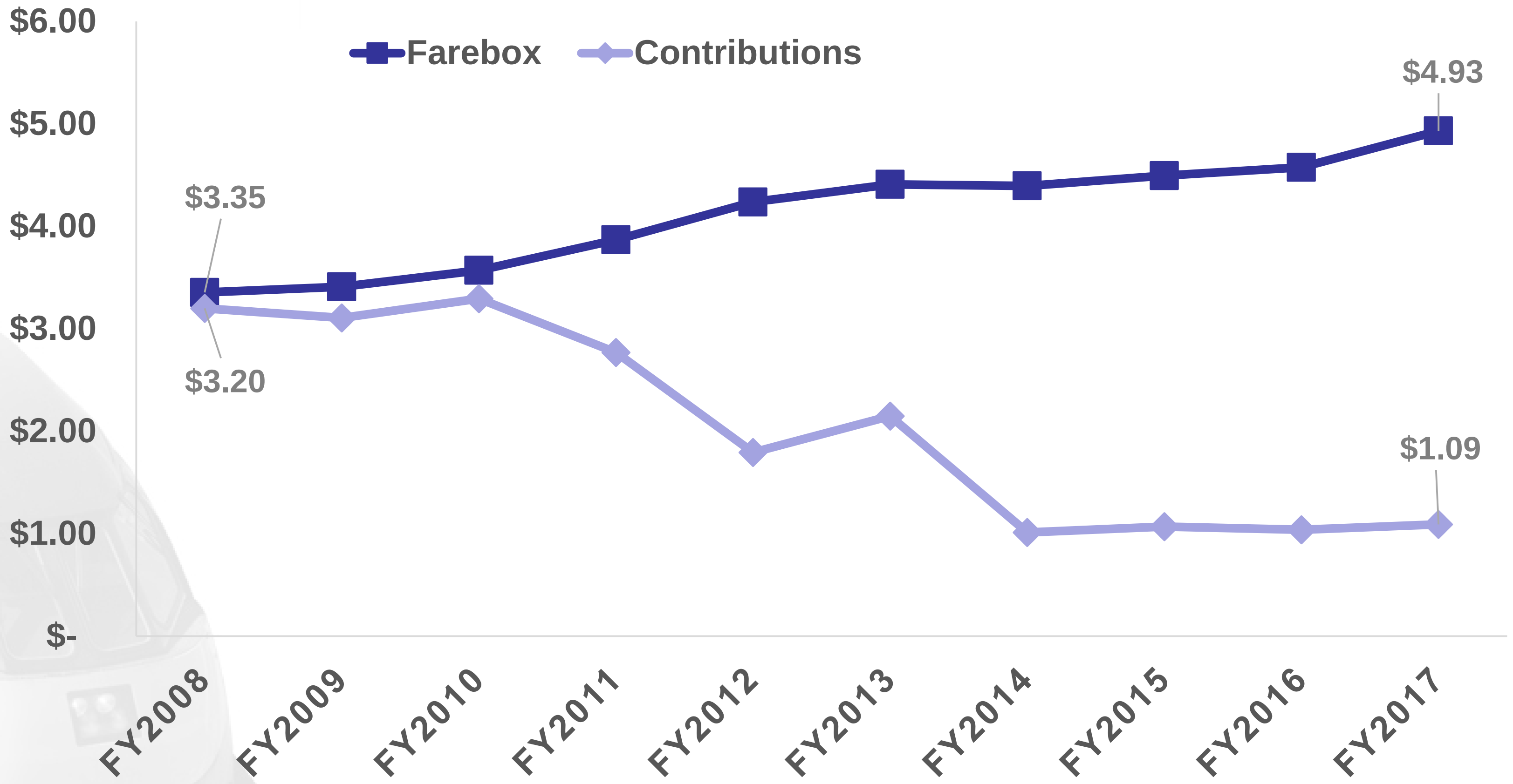
Jan 2009	**Base** fare from **$2.25 to $2.50**.
Jan 2011	**Zone** fare from **$1.75 to $2.00**. Go Pass from $140 to $155.
July 2011	**Base** fare from **$2.50 to $2.75**.
July 2012	**Base** fare paper tickets increase **$0.25 for One-way and $0.50** for Day Pass. 8-ride ticket discount lowered from 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)

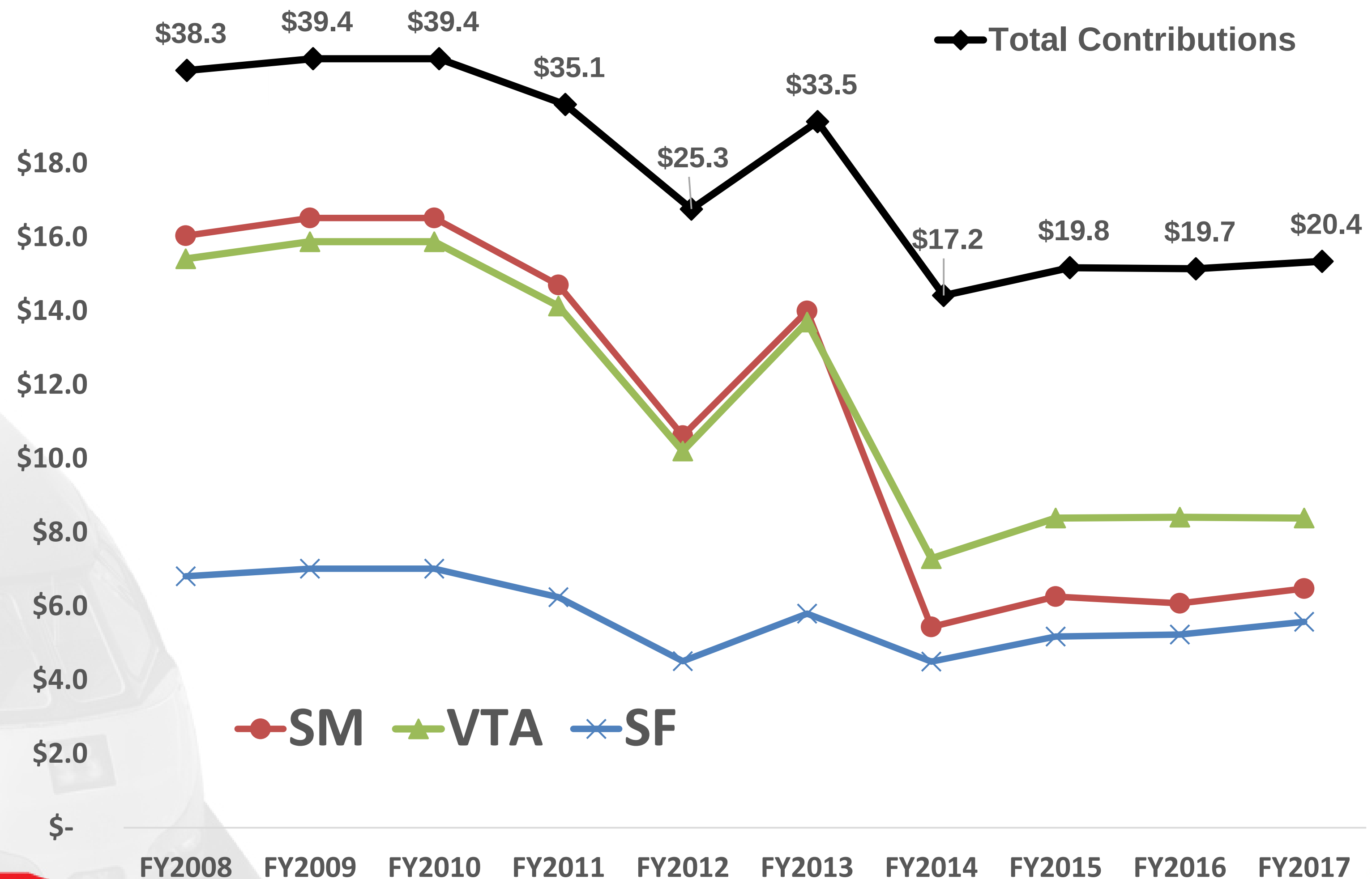


*FY16 OPEX was abnormally low due to release of insurance reserves.

Farebox and Contribution
(per Passenger)



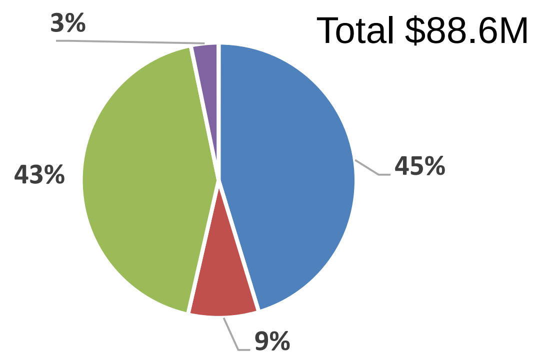
Operating Contribution (in millions)



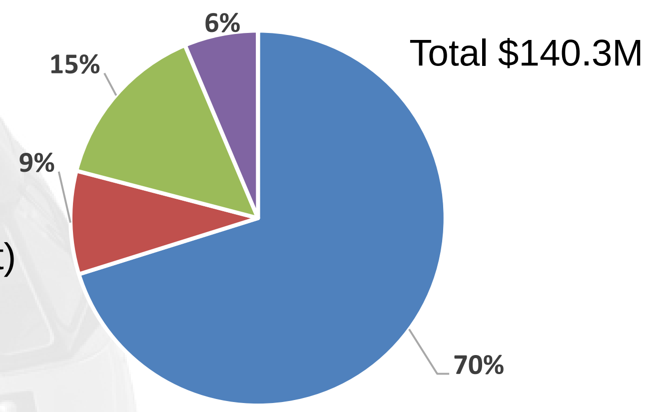
Operating Budget Results

Sources of Funds:

FY08
(Actual)



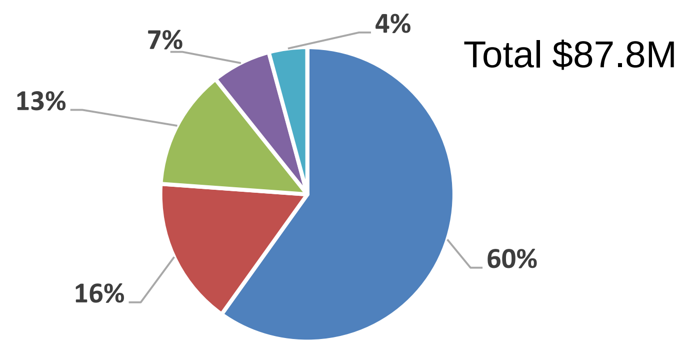
FY18
(Forecast)



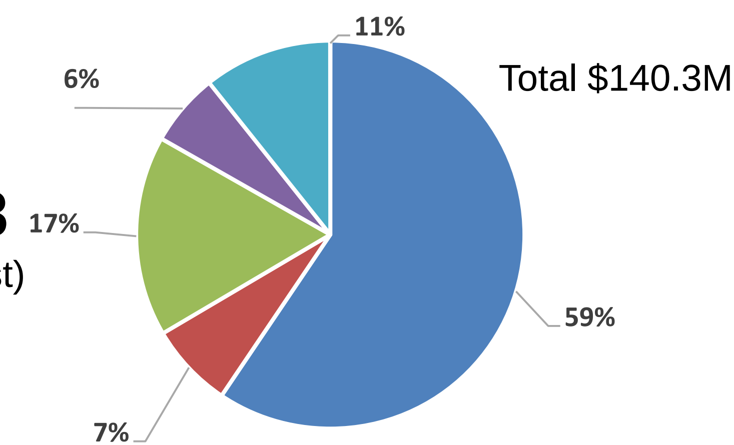
Farebox
Other Operations Revenue
JPB Member Agencies
Other Contributions & Use of reserves

Uses of Funds:

FY08
(Actual)



FY18
(Forecast)



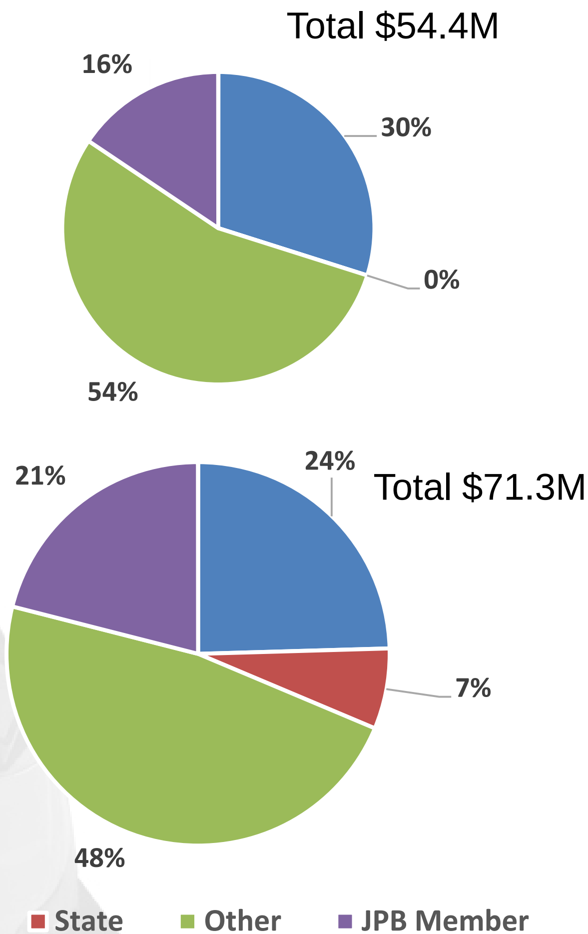
Rail Operator Service
Fuel and lubricants
Other Operating Epense
Wages and Benefits
Other Administrative Expense & Debt

Capital Budget

Sources of Funds:

FY08
(Actual)

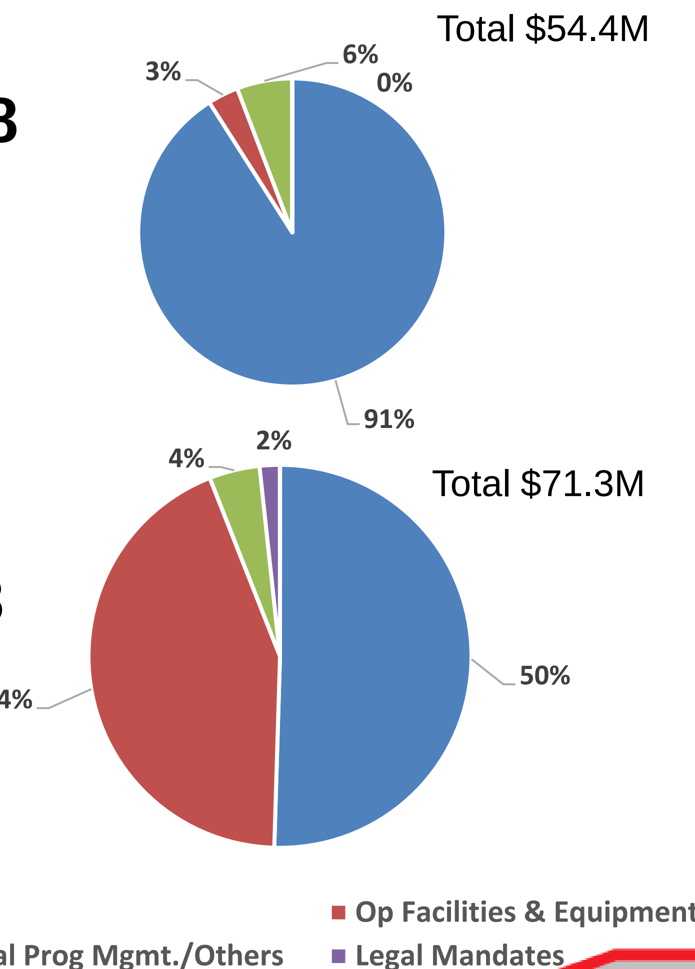
FY18
(Budget)



Uses of Funds:

FY08
(Actual)

FY18
(Budget)



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
Surplus / (Deficit)	$(8,490,979)	$(2,855,269)

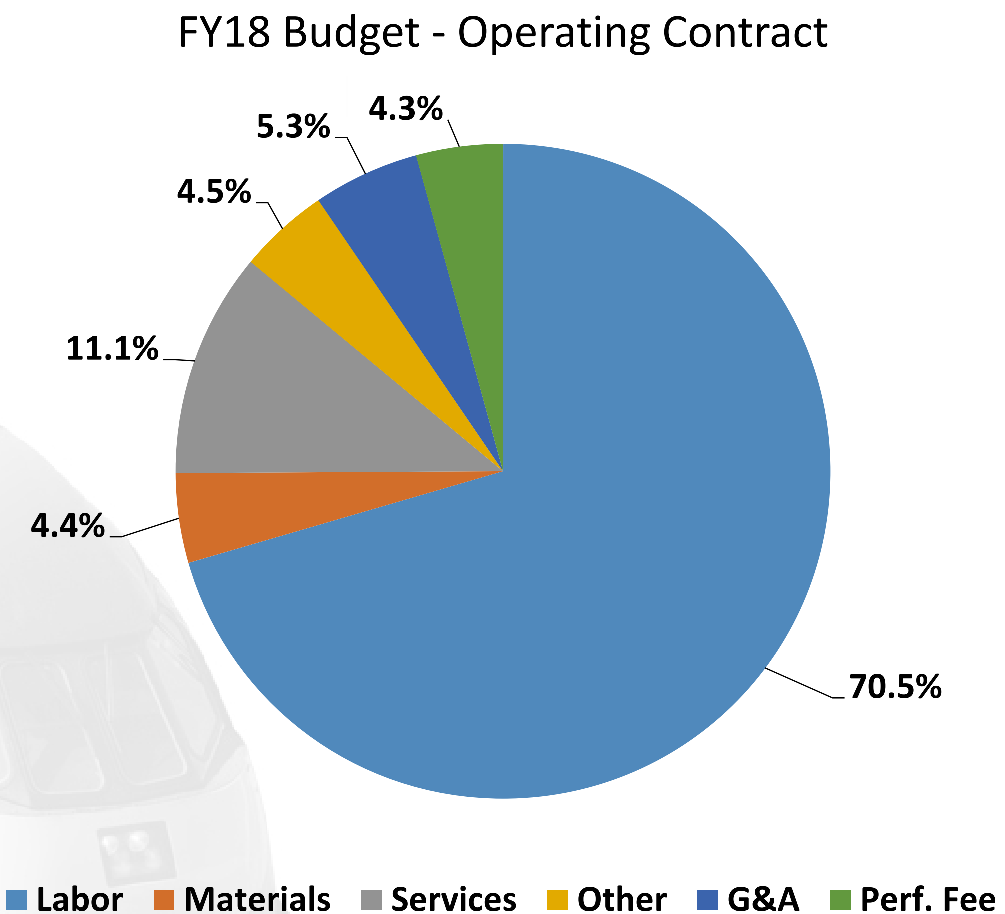
We are currently projecting lower than budgeted use of reserves due primarily to lower TASI and consultant expenses.

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
Surplus / (Deficit)	$(8,490,979)	$(2,855,269)	$(6,320,135)

Key Expense Driver - TASI 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

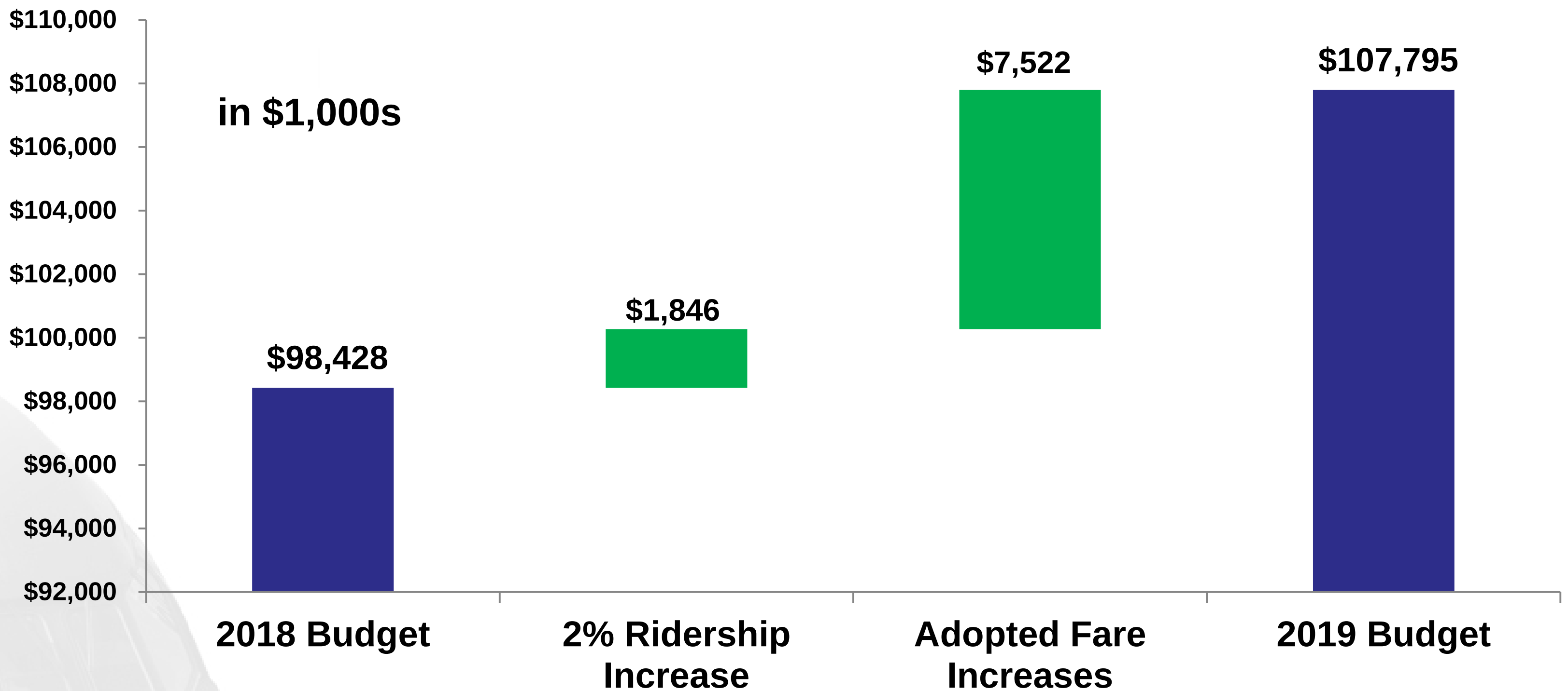
- 2.4 annualized FY18 new FTEs
- 2.25 new operating FTE requests
- Adjustment in wage and fringe benefit
- Included vacancy factor of 6%

FY19 Operating Budget - Staff Allocation for Caltrain

Division	Operating FTE
Operations	39.0
Grants and Administrative Support	10.7
Marketing and Communication	15.1
Grand Total	**64.8**

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

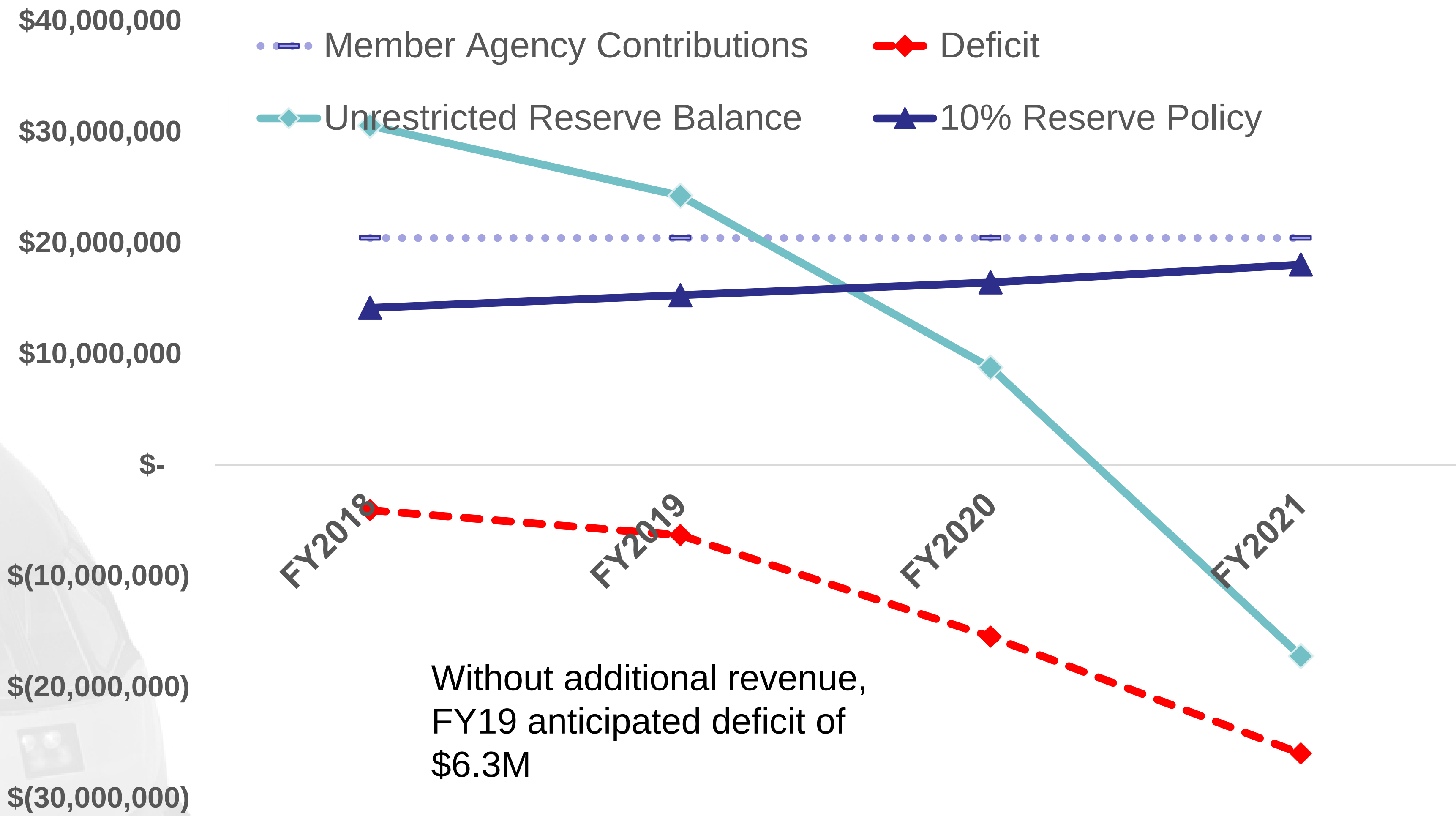
FY19 Fare Assumptions



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* $ Submitted	FY19** $ 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)
TOTAL	**$78.48**	**$41.14**	**$(37.34)**

*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)		
	Adopted Budget	FY19*	FY20	FY21
SOGR				
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
Subtotal	**$31.2**	**$66.3**	**$61.2**	**$40.1**

- 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)

- 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
- Finally, lacking a structural solution, FY19 is the first of several increasingly difficult budget years that will require increased levels of member contribution, fare adjustments and potentially severe budget cuts.

DISCUSSION