Strategic Financial Plan Update

Citizens Advisory Committee
March 20, 2024
Agenda Item 8

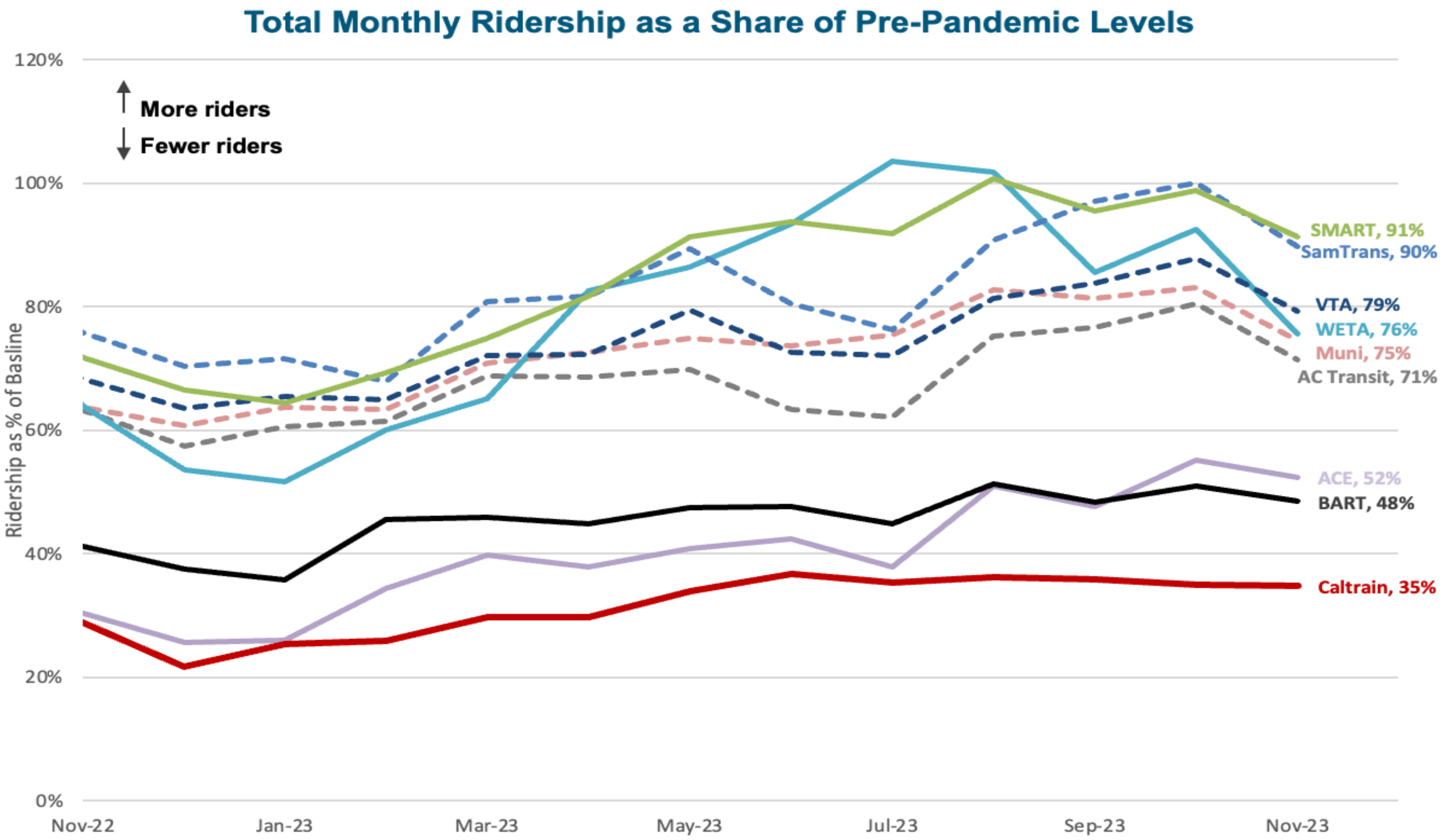
Caltrain

Key Driver – Ridership Trends

Ridership continues to lag. In FY19, there were 18.5M annual riders, compared to 5.1M in FY23.

Fiscal YTD Performance	Current Year Nov 2023	Pre-Pandemic Nov 2019	Current Year as % of Nov 19	Last Year Nov 2022	Current Year to Last Year
Total Ridership	2,489,651	8,159,969	**30.5%**	2,290,186	**8.7%**
Avg. Weekday	**20,581**	**70,884**	**29.0%**	**17,867**	**15.2%**
Avg. Saturday	7,554	16,071	47.0%	9,172	**-17.6%**
Avg. Sunday	6,023	11,530	52.2%	7,942	**-24.2%**

Key Driver – Ridership Trends

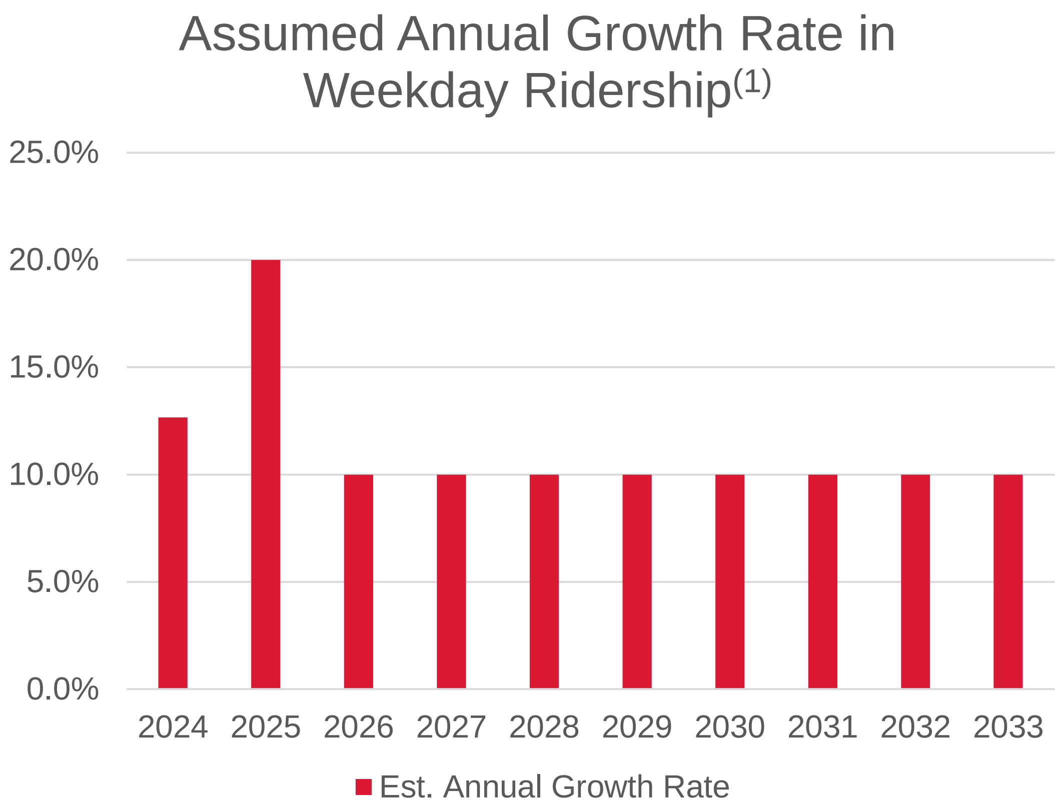


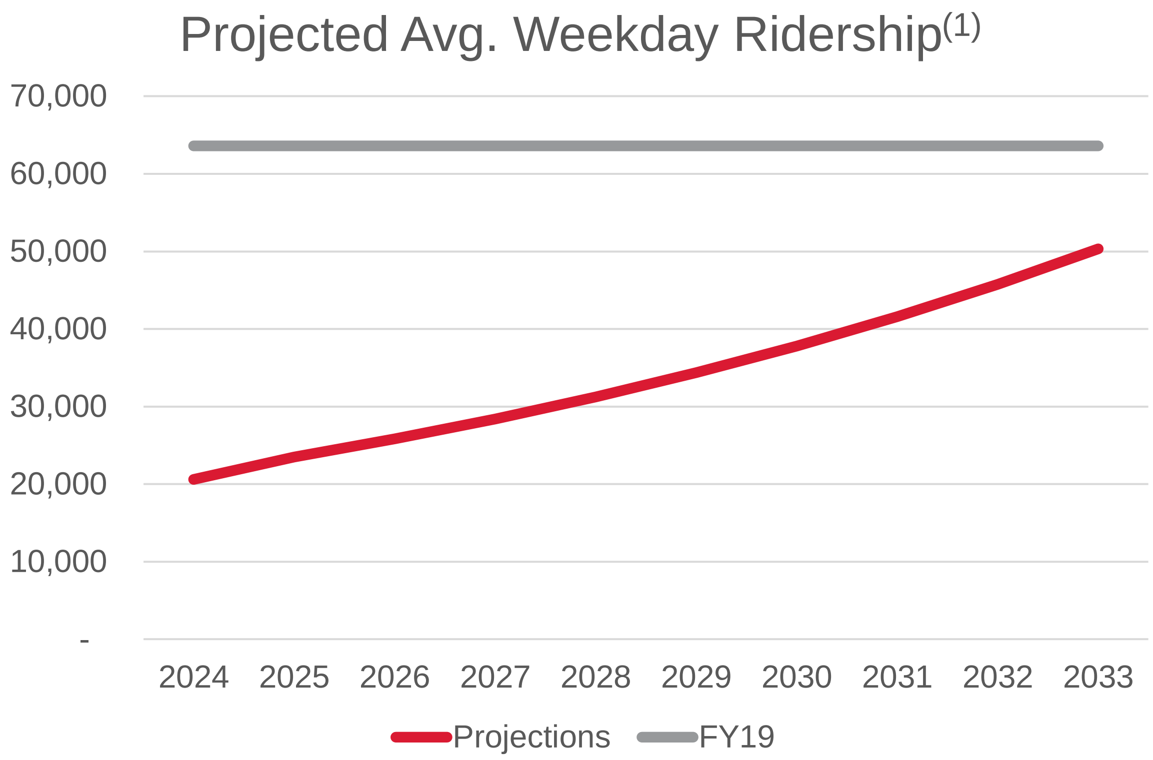
Caltrain has also faced some of the slowest relative recovery

Source: Executive Director Monthly Report January 2024.

Key Driver – Projected Ridership

- **Current assumption is 20% growth with electrification <u>and</u> 10% annual growth through FY33, resulting in avg. weekday ridership of 50,000 in FY33 or ~80% of 2019 levels (64K).**



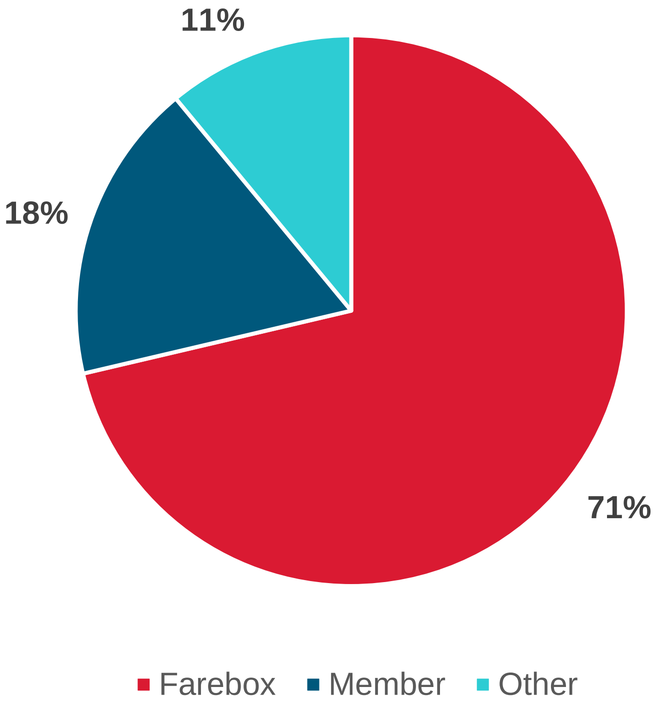


(1) For illustration purposes only; Subject to change. Actual Results will vary.

Key Driver – Farebox Revenues

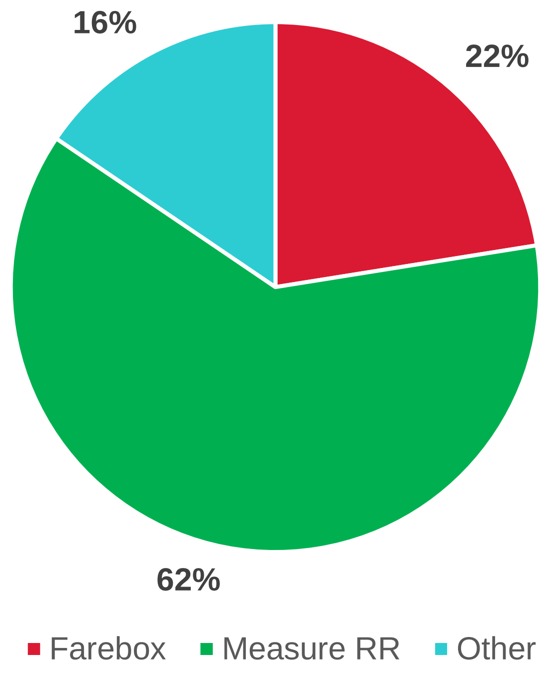
In FY19, total operating revenues were $142M with farebox (including GoPass) accounting for over 71%.

2019 Operating Revenues(1)



$225M Federal Aid (FY20 – FY22)

FY24 Operating Revenues (Budget)(1)

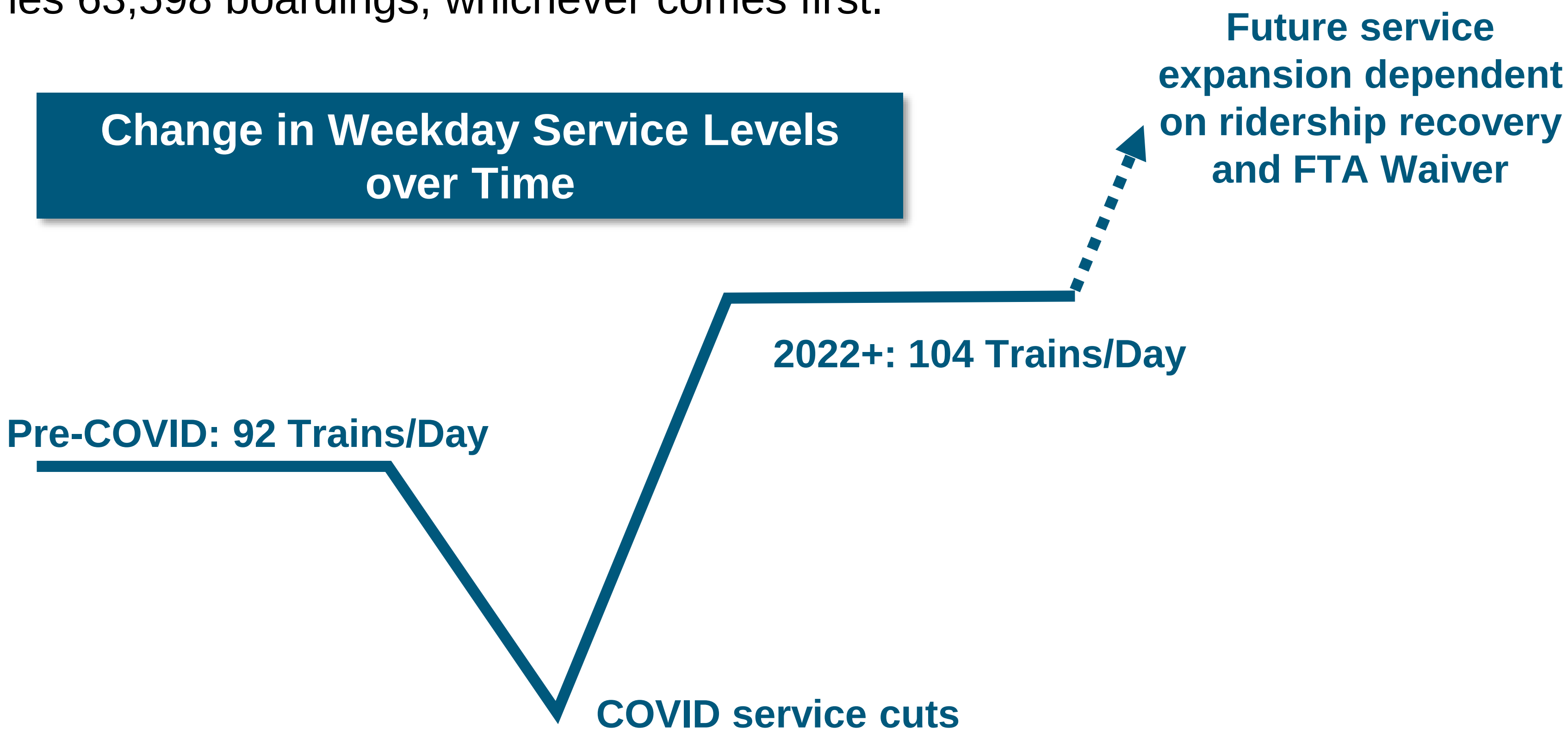


In FY24, projected operating revenues are $193M with farebox accounting for 22%.

(1) Other includes parking, shuttles, rental, operating grants, and SRA/LCTOP.

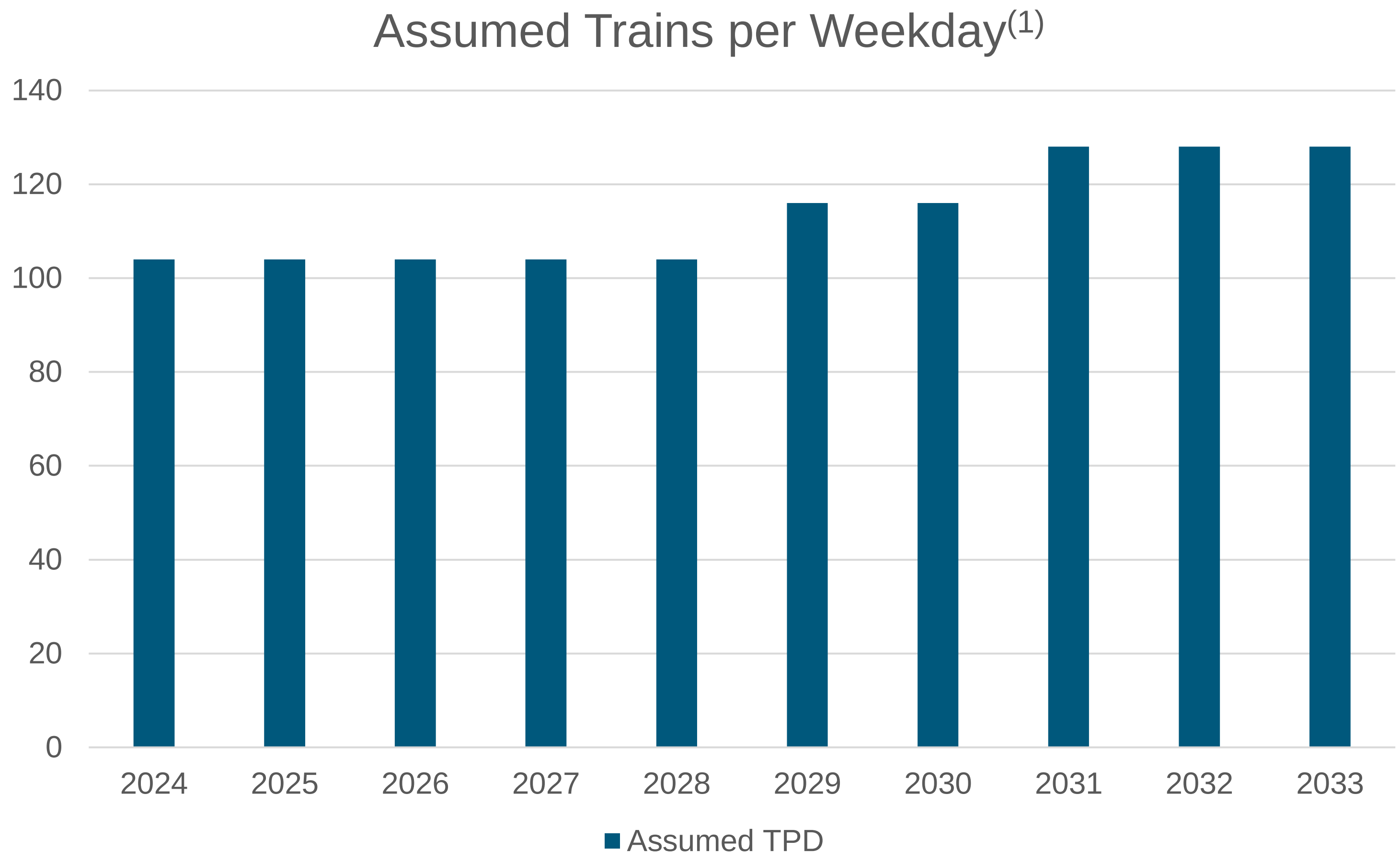
Key Driver – Service Levels

- **Consistent with the FY24 and FY25 Budget, Caltrain is currently expecting to run 104 tpd with 4 trains per peak hour while expanding weekend service to 66 tpd.**
  - On November 27, 2023, FTA approved a temporary waiver for three years or when average weekday ridership reaches 63,598 boardings, whichever comes first.



Key Driver – Assumed Service Levels

- **The Strategic Financial Plan assumed a gradual increase in service levels from 104 tpd (FY24) to 128 tpd (FY31) with the potential return of ridership.**
    - However, the ability to increase service is directly tied to Caltrain's financial wherewithal to do so.



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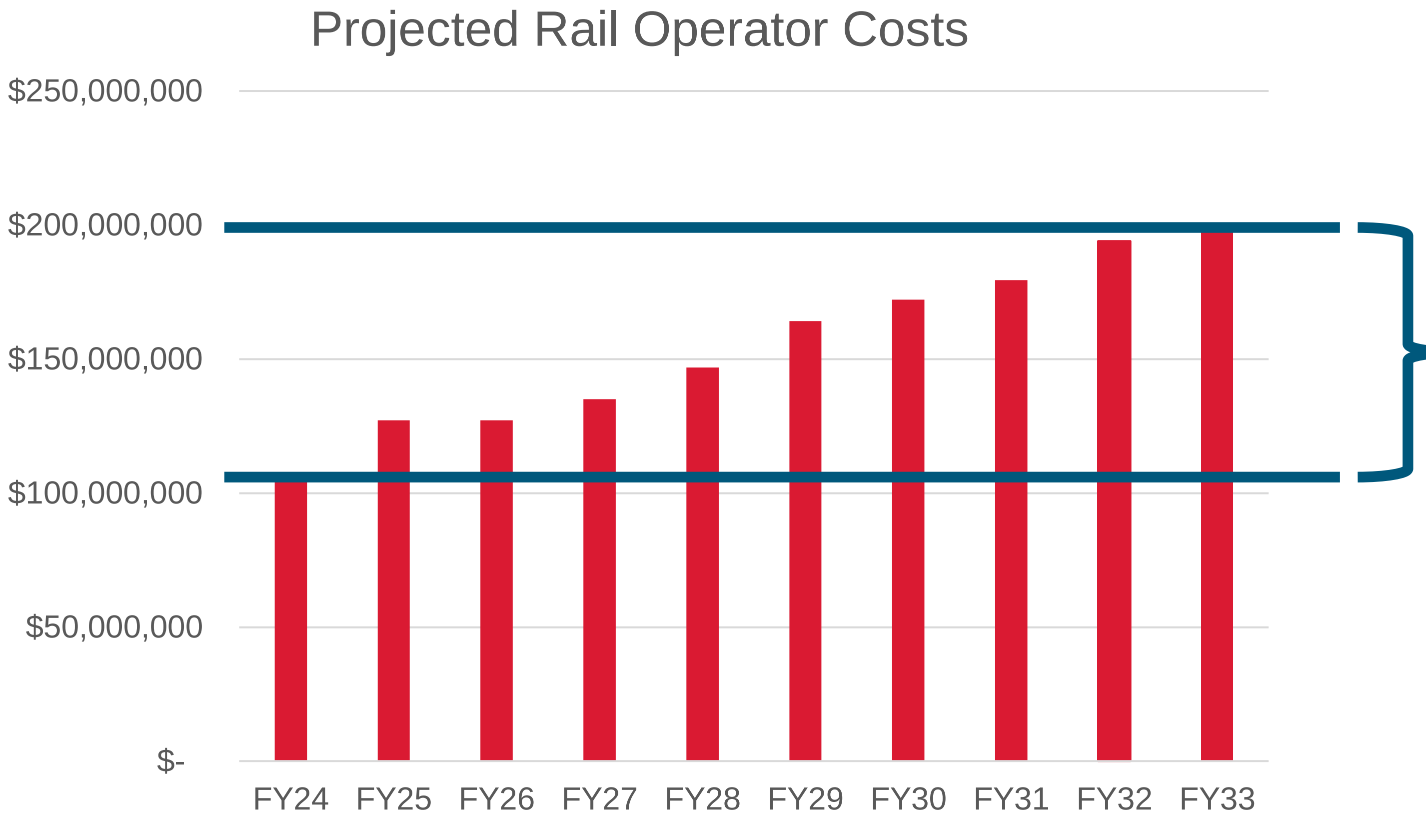
Key Driver - Rail Operator Costs

- **Potential expansion of service and electrification operating costs will continue to put significant pressure on forecasted rail operating costs.**
  - Caltrain continues to review and optimize crewing based on projected electric service.



With the assumed expansion of service to 116 tpd in FY29 and 128 tpd in FY31, rail operator costs are projected to almost double over the next ten years.

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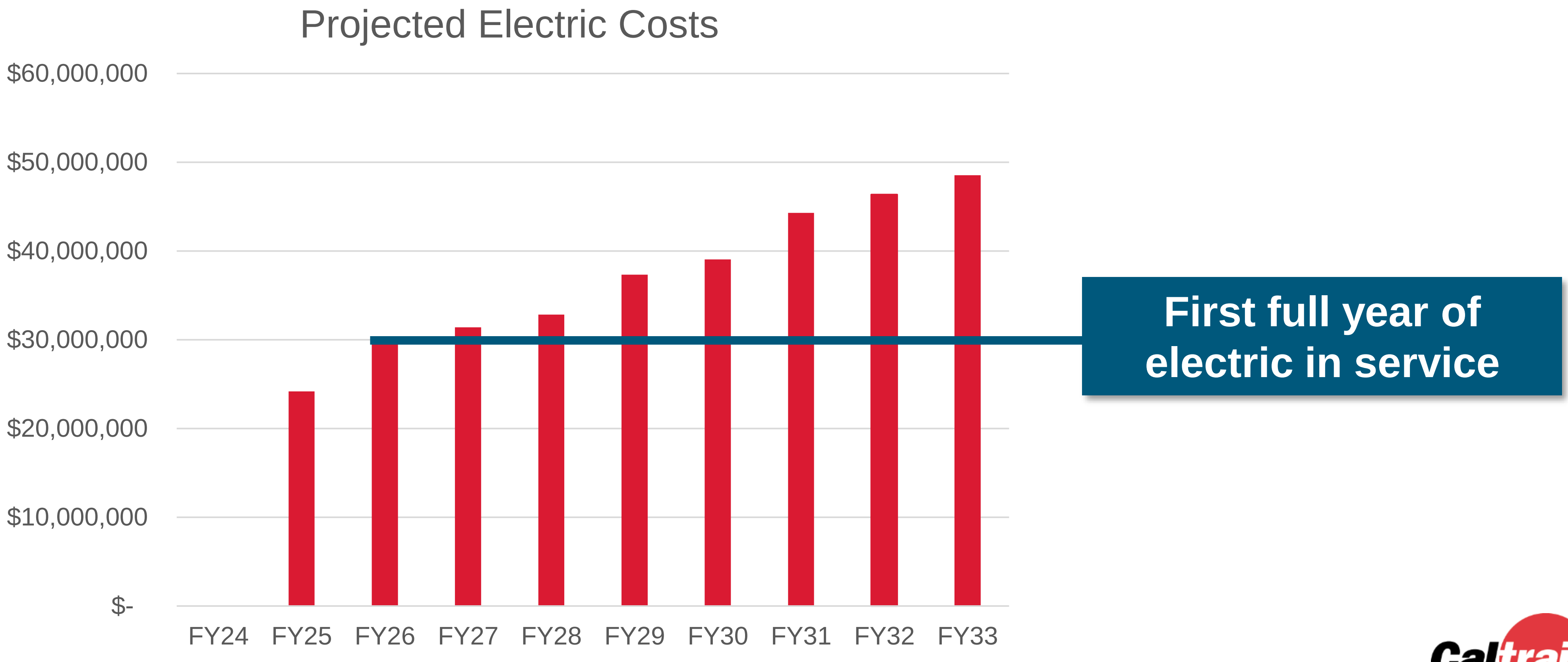
Key Driver – Electric Costs[1]

- **Annual electric costs could eclipse $30M[1] by FY26, the first full year of electric service, and will become Caltrain's largest operating expense after the Rail Operator.**
  - Caltrain will not know the full extent of projected electric costs until the trains are fully in service.



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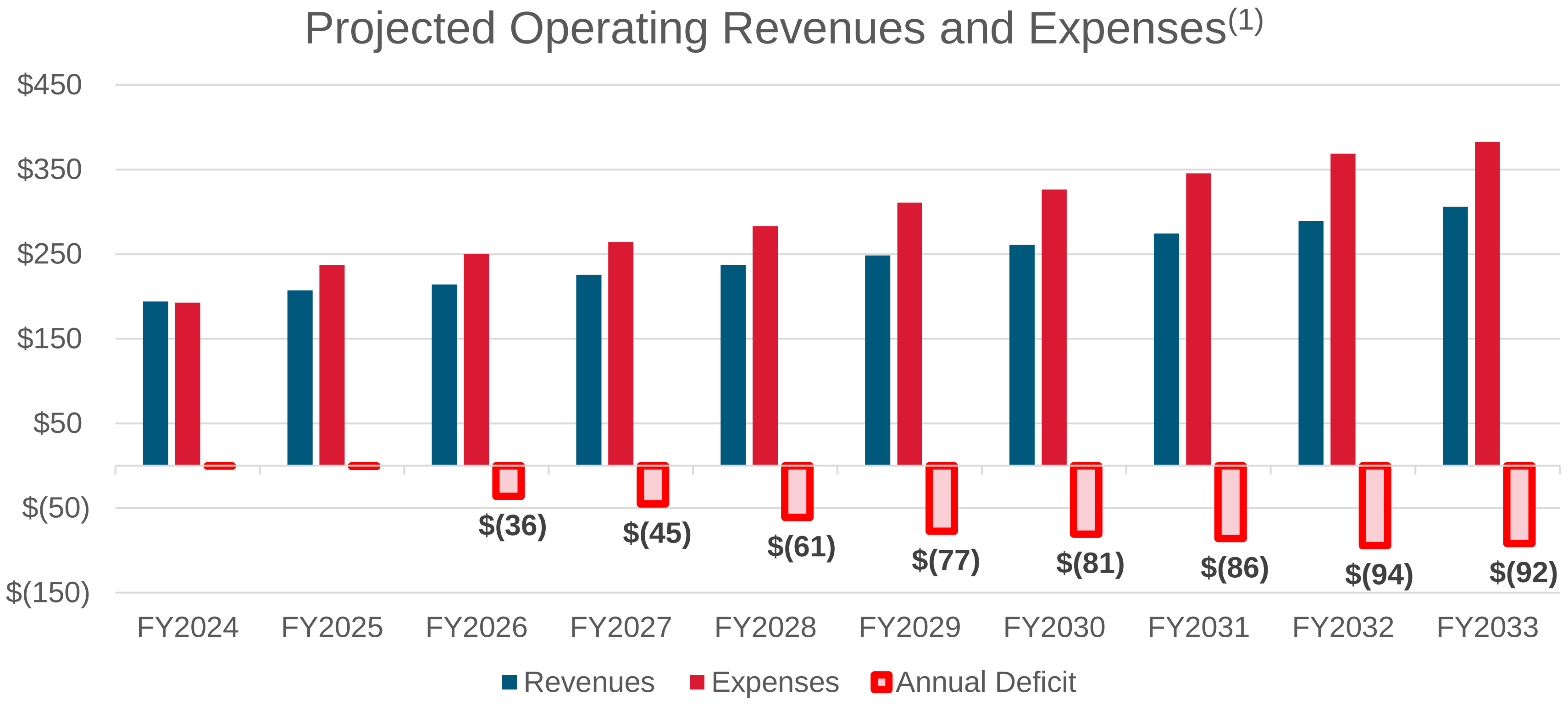
2024 SFP - Projected Operating Deficit

- **Projected Annual Operating Deficit ranges from $36M (FY26) to $91M (FY33).**
  - One-time revenues are offsetting short-term deficit (FY24/25) and does not include $25M in State funds from MTC in FY26.
  - Includes Measure RR allocation for SOGR/capital of $15M annually beginning in FY26.



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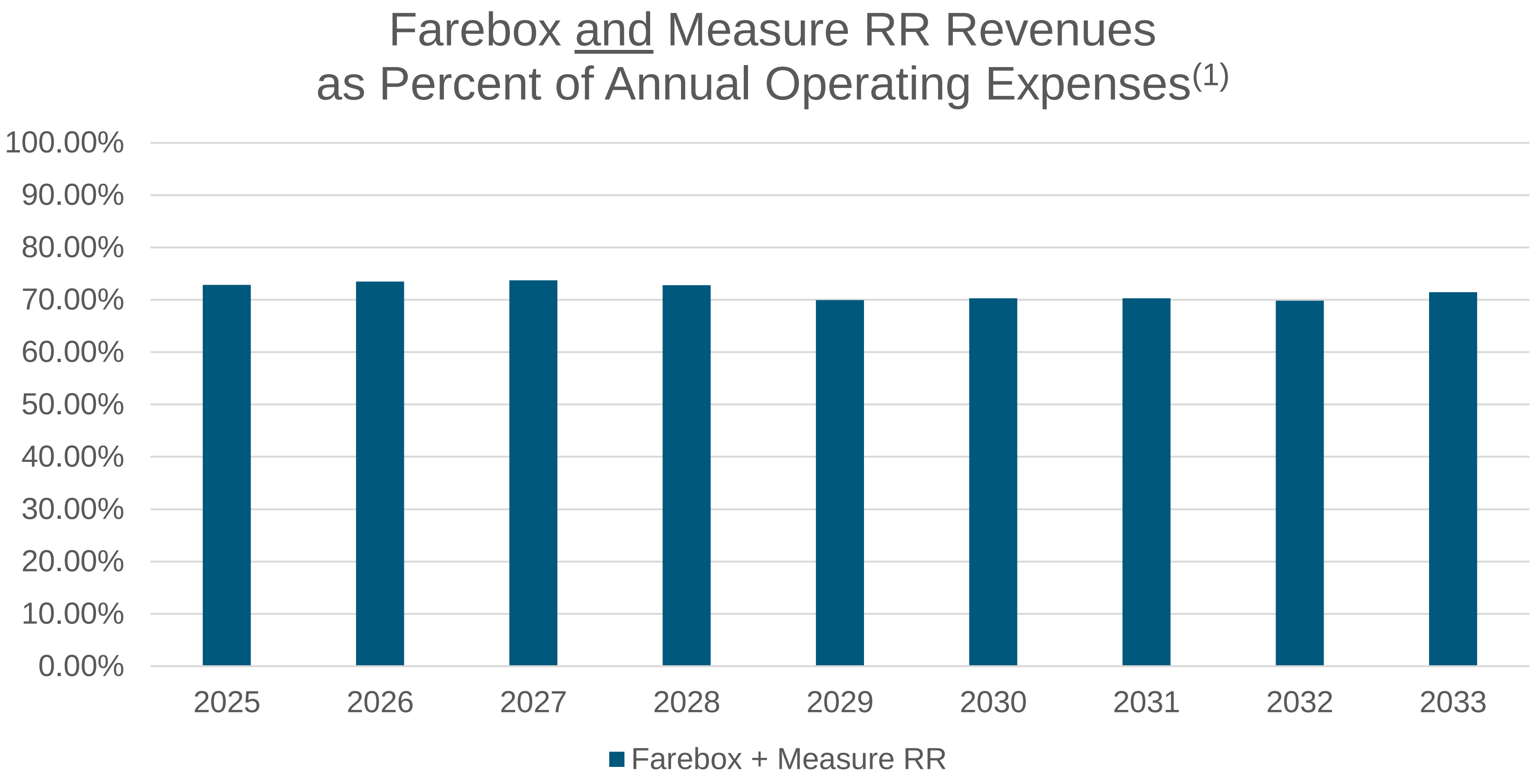
Farebox + Measure RR Revenues vs. Expenses

- **Farebox and Measure RR are projected to cover ~70% of annual operating expenses.**



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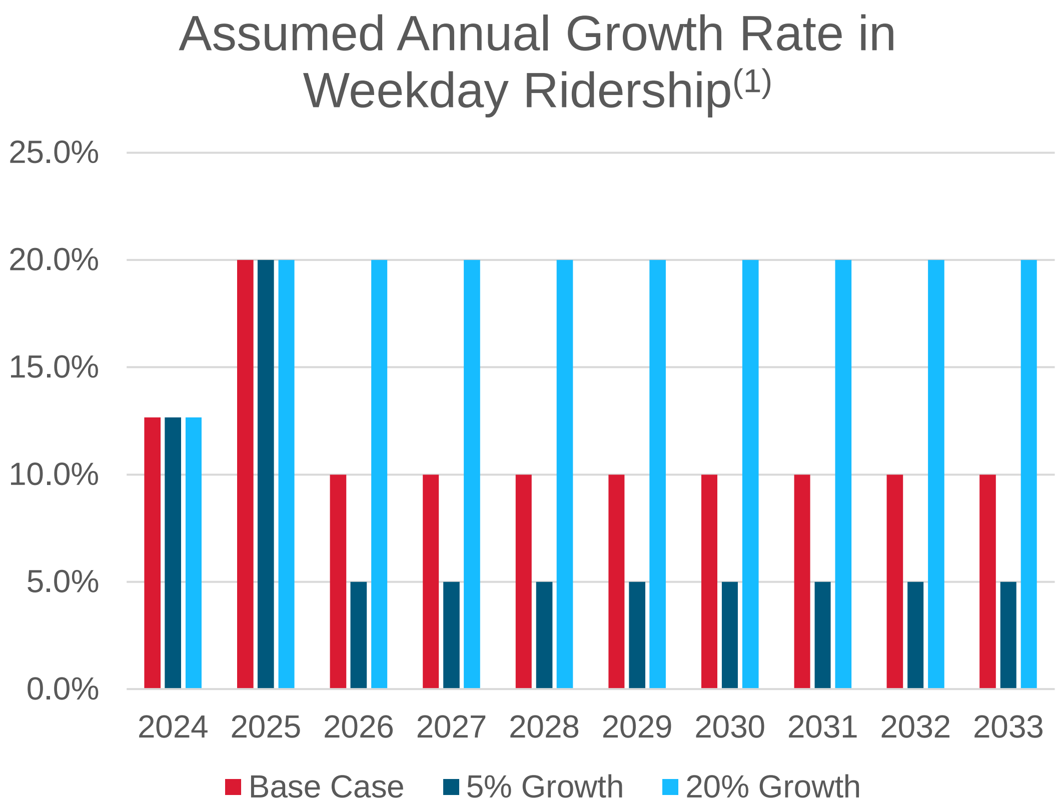
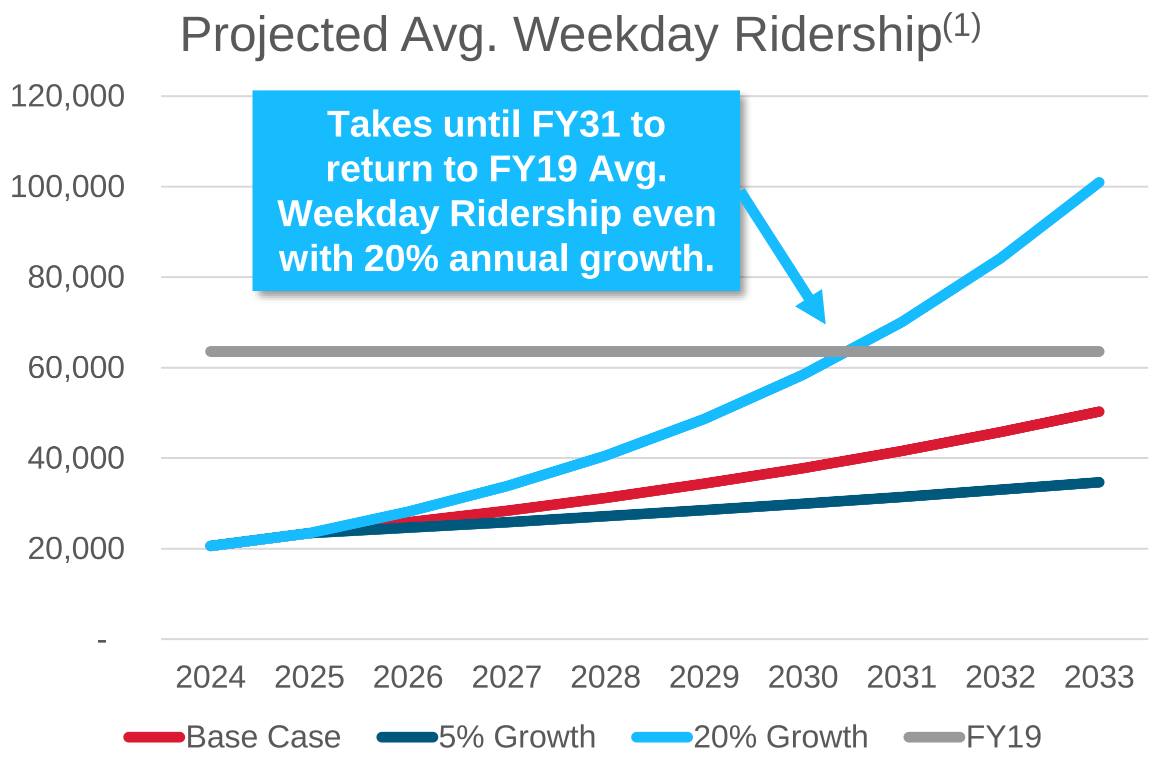
Ridership is Important

- **Magnitude and pace of ridership return is material in Caltrain's long-term outlook.**





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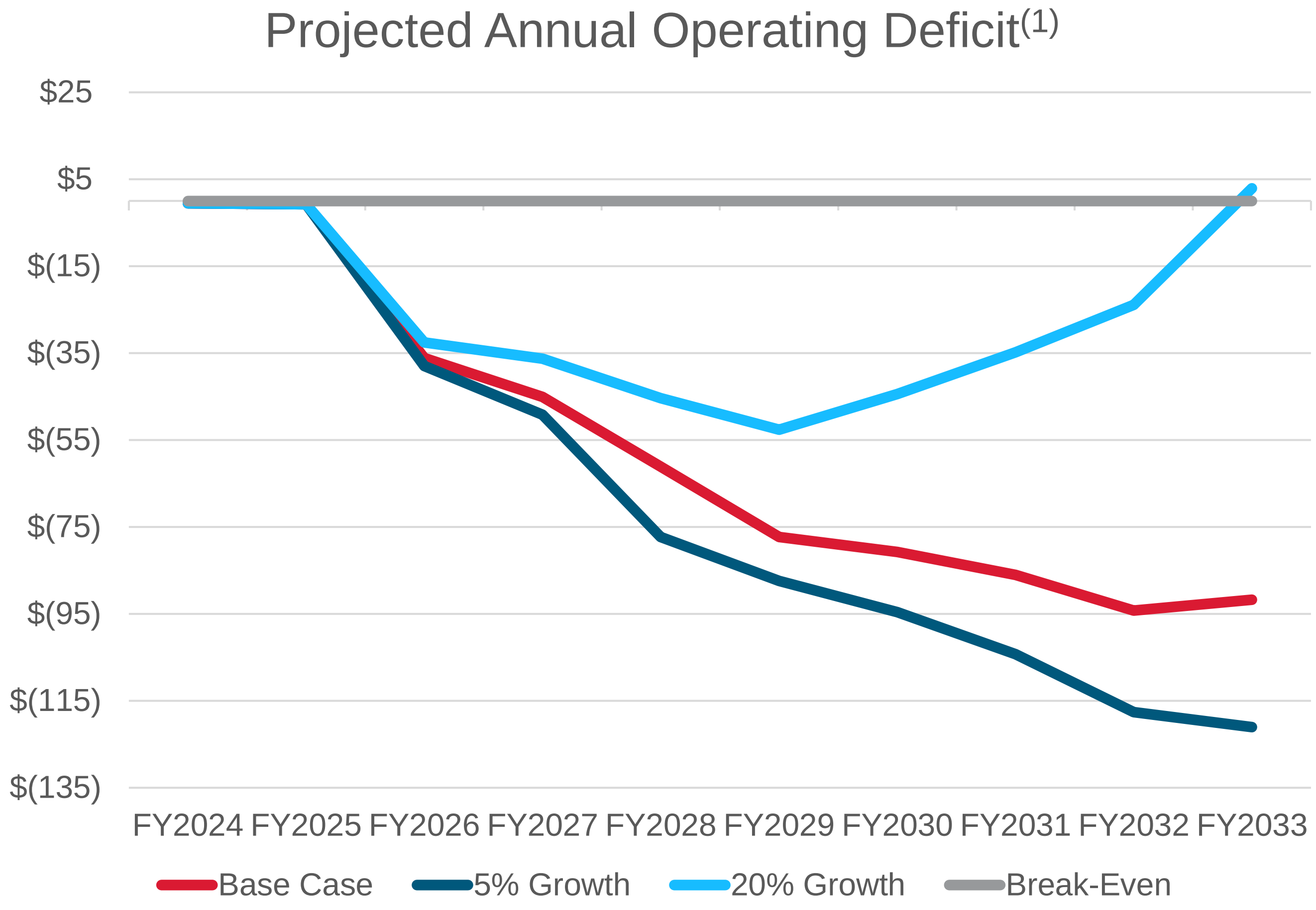
Impact on Projected Operating Deficit[1]

- **Ridership return alone is not likely to solve all of Caltrain's financial challenges.**



Assumed Ridership Growth FY26 to FY33	Est. FY33 Avg. Weekday Ridership[1]	Est. FY33 Annual Deficit[1]	Est. Cumulative Deficit FY24 to FY33[1]
20%	100K	$0M	$270M
10%	50K	$91M	$575M
5%	35K	$120M	$680M

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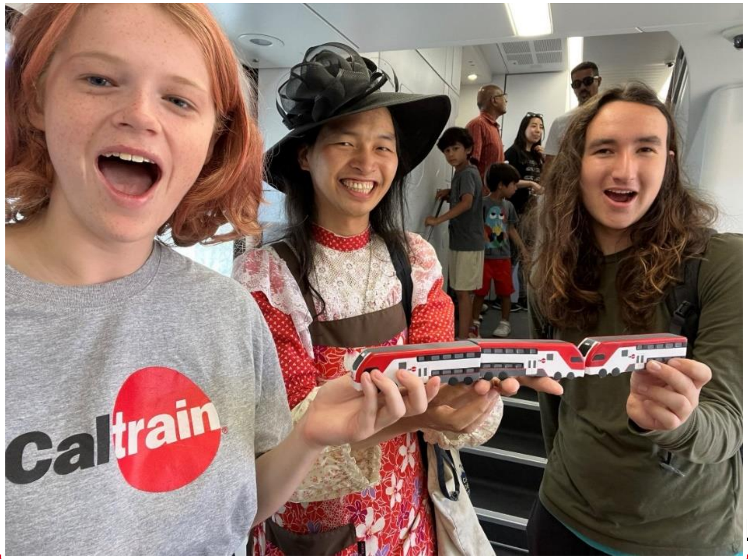
Key Take-Aways

- **Caltrain is facing continuing operating deficits, which will ultimately be dependent on actual in-service operating costs, farebox revenues, and any external funding support.**
- **Over the next ten years, the cumulative operating deficit could eclipse $575M, putting significant pressure on the provision of service.**
  - Assumes 20% growth in ridership in FY25 with electrification and 10% annually through FY33.
  - Assumes 50,000 avg. weekday ridership or 80% of 2019 levels of 64,000 by FY33.
  - Farebox and Measure RR revenues combine to cover 70% of projected annual costs.
- **Several key drivers will impact the future operating deficit, including:**
  - ***Revenue drivers:*** ridership and farebox, including declining Go Pass revenues.
  - ***Cost drivers:*** rail operator costs, service levels, maintenance costs, and electricity.

Caltrain

Key Take-Aways



- **Additional short-term funding and cost containment will both be necessary.**
  - Ensuring receipt of $25M State funds in FY26.
  - Managing electric costs and optimizing crewing and rail operating costs.
  - Advancing reimbursement through TIRCP.
- **Growth in ridership and Measure RR may not be enough and prioritizing long-term funding strategy is critical.**
  - With depletion of one-time monies, projected meaningful operating shortfalls by FY27.
  - Even with a return in ridership, there will be an operating funding gap given the potential pace of the return.
  - Any funding strategy will likely have a long lead time.
  - Caltrain may want to consider both local, if any, and regional solutions.

Next Steps and Recommendations

- **First and foremost, complete and successfully deliver PCEP!**
- **Manage short-term costs as best as possible to buy time as circumstances evolve:**
  - **Recommendation #1: Proactive priority on growing ridership.**
    - Explore service and customer experience enhancements to focus on growing ridership.
    - Near-term assessment of Go Pass program, including review of objectives, pricing, and strategies to expand base of core users.
    - Proactive participation in the development of permanent Bay Pass program.
  - **Recommendation #2: Continue to focus on cost containment and reduction.**
    - Implement energy procurement strategy.
    - Continue to optimize crewing and operations given electric service.
  - **Recommendation #3: Develop and implement multi-faceted funding strategy.**
    - Continue to pursue incremental additional funding from the State and other external stakeholders and participate in and advocate for larger regional solution.
    - Identify and pursue potential local funding options, including maximizing revenues from non-operating assets and new external funding sources.

FOR MORE INFORMATION

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