

***Receive Fiscal Year
2026 and Fiscal
Year 2027 Preliminary
Operating and Capital
Budgets***

**JPB Board Meeting
May 1, 2025**



Agenda

- I. Overview
- II. SFP to Budget
- III. FY26/27 Operating Budgets
- IV. FY26/27 Capital Budgets
- V. Next Steps

I. Overview

Good News



Full Electrified Service



Ridership

- up 57% from March 2024 to March 2025
- 56% of pre-pandemic levels

Challenges Ahead



Funding uncertainty



Rising expenses:

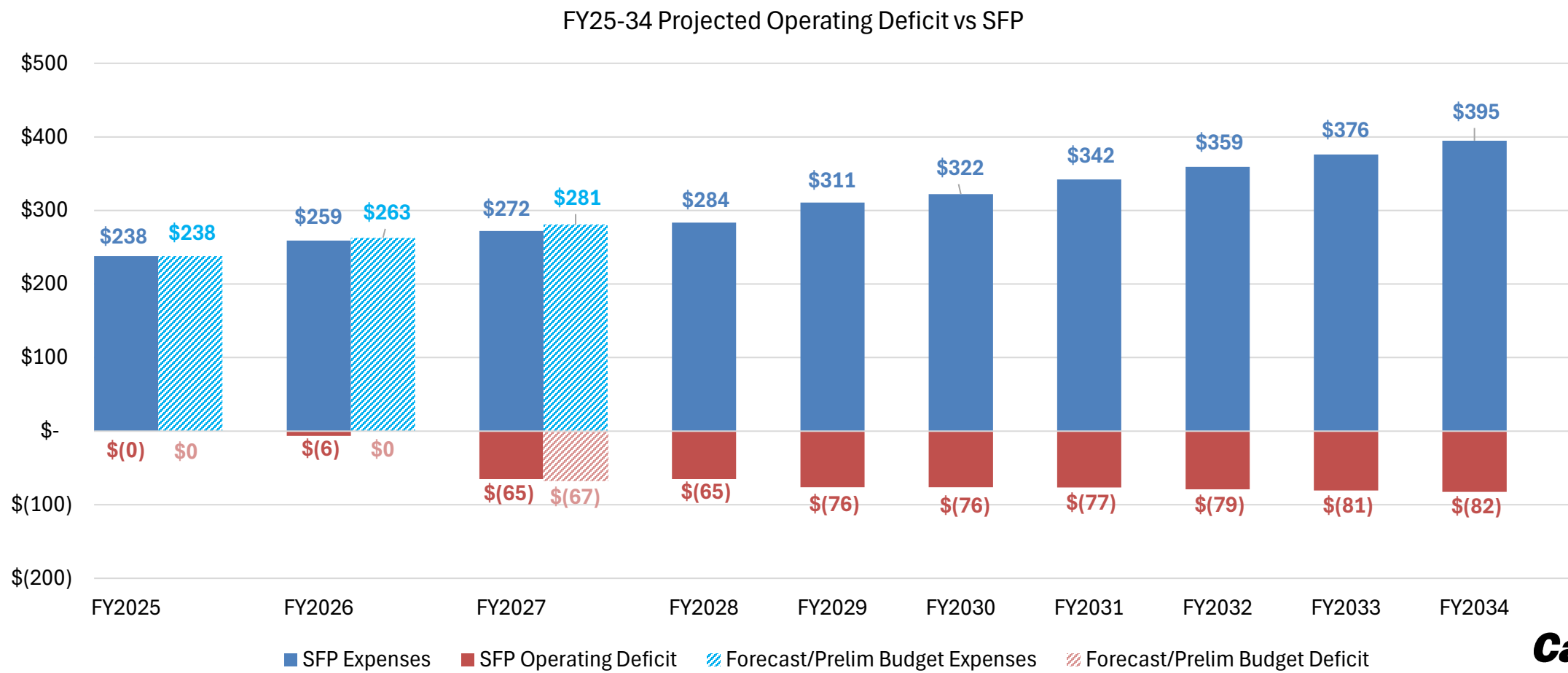
- Labor and material
- Impact of tariffs and economic climate



Structural operating deficit

II. Strategic Financial Plan (SFP) 10-year Operating Deficit Projection

- December 2024 Projected Cumulative 10-Year Operating Deficit ~\$605M



II. FY26/27 SFP compared to Budget

(in Millions)	FY26 SFP	FY26 Prelim Operating Budget	Change(\$)	Change(%)	FY27 SFP	FY27 Prelim Operating Budget	Change(\$)	Change(%)
Total Sources	\$237.1	\$243.0	\$5.9	2.5%	\$221.9	\$228.9	\$7.0	3.1%
Total Uses	(\$258.9)	(\$263.4)	(\$4.4)	1.7%	(\$272.0)	(\$281.0)	(\$8.9)	3.3%
Contribution to Reserve	\$0.0	\$0.0	\$0.0	0.0%	\$0.0	\$0.0	\$0.0	0.0%
Projected Surplus/(Deficit)	(\$21.9)	(\$20.3)	\$1.5	-7.0%	(\$50.1)	(\$52.1)	(\$2.0)	3.9%
Draw from Measure RR Reserve	\$30.6	\$30.0	(\$0.6)	-1.9%	\$0.0	\$0.0	\$0.0	0.0%
Measure RR for Capital (SOGR)	(\$15.0)	(\$9.7)	\$5.3	-35.5%	(\$15.0)	(\$15.0)	\$0.0	0.0%
Adjusted Net Surplus/(Deficit)	(\$6.3)	\$0.0	\$6.3	-100.0%	(\$65.1)	(\$67.1)	(\$2.0)	3.0%

III. FY26/FY27 Preliminary Operating Budget

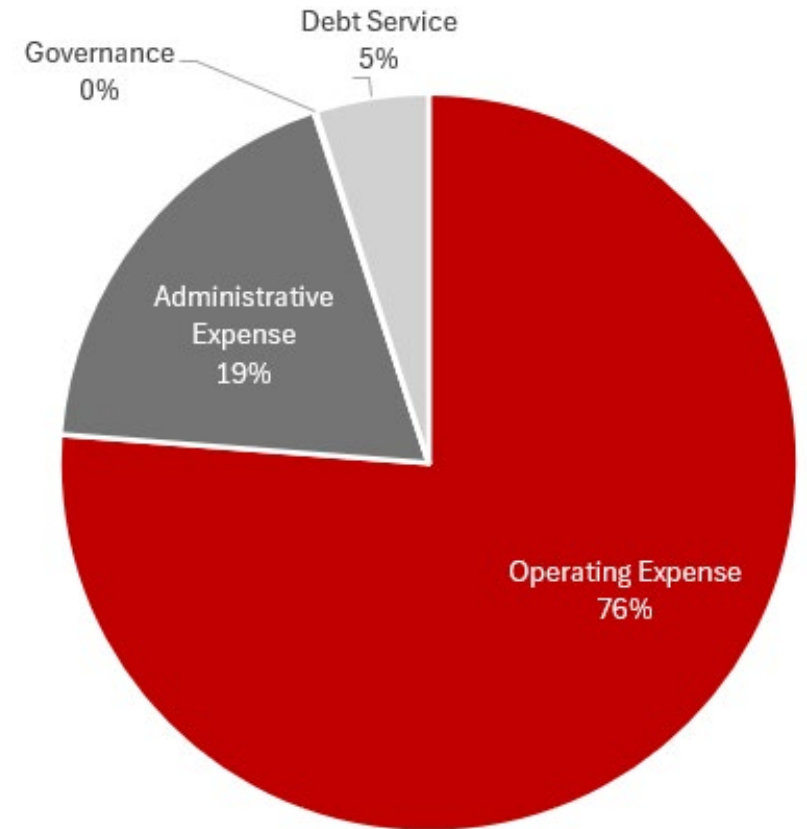
II. Sources, by FY (*FY25/26/27*)

Sources	FY25 Mar Forecast	FY26 Prelim Operating Budget	Change(\$)	FY26 vs FY25 Change(%)	FY27 Prelim Operating Budget	Change(\$)	Fy27 vs FY26 Change(%)
Fare and Parking	\$57.8	\$63.7	\$5.9	10.3%	\$70.9	\$7.2	11.3%
Rental and Other Income	\$8.4	\$5.9	(\$2.4)	-29.1%	\$5.9	(\$0.1)	-1.3%
Measure RR	\$118.4	\$119.5	\$1.1	0.9%	\$123.5	\$4.0	3.3%
External Funds	\$23.4	\$50.5	\$27.1	115.9%	\$25.1	(\$25.4)	-50.3%
4th Train to Gilroy	\$1.0	\$3.3	\$2.3	236.2%	\$3.5	\$0.2	5.0%
Total	\$209.0	\$243.0	\$34.0	16.3%	\$228.9	(\$14.1)	-5.8%

Will have exhausted one-time "External Funds" operating grant funds by FY27

III. FY26 Preliminary Budget - Uses

Use Category	FY26 Budget Uses	% of Budget
Operating Expense	200.8	76%
Rail Operator Service	138.0	52%
Security & Facilities Maintenance	25.8	10%
Insurance & Claims Expenses	18.7	7%
Operations Support	18.2	7%
Administrative Expense	49.3	19%
Wages and Benefits, Managing Agency Cost	29.6	11%
Professional Services	12.2	5%
Technology and Other	7.5	3%
Governance	0.2	0%
Debt Service	13.0	5%
Total	263.4	100%



II. Uses, by FY (FY25/26/27)

Uses	FY25 Mar Forecast	FY26 Prelim Operating Budget	Change(\$)	FY26 vs FY25 Change(%)	FY27 Prelim Operating Budget	Change(\$)	Fy27 vs FY26 Change(%)
Rail Operator Service	\$130.7	\$138.0	\$7.3	5.6%	\$144.9	\$6.8	5.0%
Operation Support	\$15.8	\$18.2	\$2.4	15.2%	\$19.2	\$1.0	5.7%
Security Services	\$9.7	\$9.7	\$0.0	0.3%	\$10.2	\$0.5	4.8%
Utilities, Facilities & Maint	\$14.8	\$16.1	\$1.3	8.9%	\$17.6	\$1.5	9.3%
Insurance & Claims	\$15.7	\$18.7	\$3.1	19.6%	\$20.0	\$1.3	6.7%
Total Operating Expense	\$186.6	\$200.8	\$14.1	7.6%	\$211.9	\$11.1	5.5%
Caltrain Direct W&B	\$20.0	\$24.0	\$4.0	20.1%	\$28.5	\$4.5	18.6%
Managing Agency Cost W&B	\$0.5	\$0.5	\$0.1	14.5%	\$0.6	\$0.1	15.1%
Board of Directors	\$0.0	\$0.1	\$0.1	546.3%	\$0.1	\$0.0	6.8%
Professional Services	\$12.8	\$12.2	(\$0.6)	-4.6%	\$12.2	(\$0.0)	-0.2%
Technology and Other	\$6.2	\$7.5	\$1.3	20.8%	\$9.3	\$1.8	24.3%
Managing Agency Cost - non-Labor	\$4.8	\$4.9	\$0.1	2.3%	\$5.1	\$0.1	2.8%
Total Administrative Expense	\$44.3	\$49.3	\$5.0	11.3%	\$55.8	\$6.5	13.1%
Governance	\$0.2	\$0.2	(\$0.0)	-5.0%	\$0.2	\$0.0	5.3%
Debt Service	\$7.8	\$13.0	\$5.3	67.9%	\$13.0	\$0.0	0.0%
Grand Total Expense	\$238.9	\$263.4	\$24.4	10.2%	\$281.0	\$17.6	6.7%
Projected Contribution to Reserve	\$0.0	\$0.0	\$0.0	0.0%	\$0.0	\$0.0	0.0%
Measure RR for Capital (SOGR)	\$0.0	(\$9.7)	(\$9.7)	0.0%	(\$15.0)	(\$5.3)	55.0%

Strategies to Regain Financial Stability

Revenue Enhancements:

- Ridership growth effort
- Parking revenue study
- Fare revenue policy review, including fare increase, removal of clipper card discount
- Non-Fare revenue generation strategy study to explore innovative ideas
- Member agency contribution discussion
- Regional measure advocacy support
- Continue Fare enforcement

Cost Reduction/Containment:

- Labor cost reductions
- Streamline administrative processes to improve efficiency
- Reduce reliance on consultant support
- Ongoing TASI cost cutting/service efficiency improvement efforts

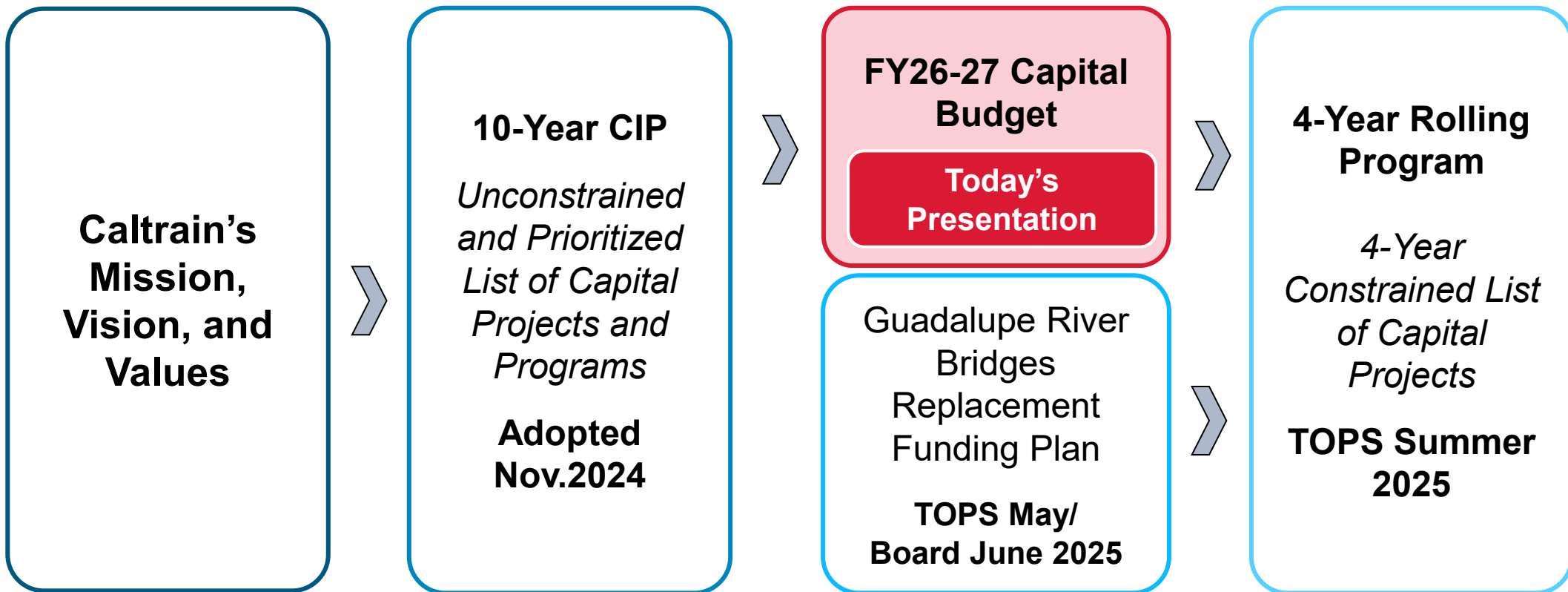
Are Service Cuts an Option?

- The January 2025 SFP update explored various service cut alternative to help reduce the deficit
- Due to farebox loss, service cut may not help reduce the deficit but will present significant uncertainty and challenges to Caltrain's long-term business and service model. Will continue to evaluate and discuss at workshop.
 - Impact on ridership could be dramatic and long-term
 - High fixed costs and low variable costs
 - Inability to ramp labor up and down easily
 - Asset disposition has long-term implications

IV. FY26/27 Preliminary Capital Budgets

IV. FY26/27 Capital Budget Development

A new approach to the development of the FY26/27 2-Year Capital Budget.



Capital Funding Priorities

Safety:

- Needs additional funds
- Aim to fund at the local level in partnership with Caltrain Member Agencies

SOG:

- Needs additional funds
- Maintained to ensure safe and reliable service.

Enhancement & Customer Experience:

- New projects temporarily deferred as Guadalupe is finalized.
- Exception: Small improvements and Locally funded projects

Capital Contingency:

- Unfunded

Capital Funding Assumptions

Based on operating deficit and the immediate needs for Guadalupe River Bridges project, majority of the member agency capital contributions are being set aside for Guadalupe with the exception of the following:

- **Portion of SFCTA Contributions:** Supports FTA matching requirements and maintains SOGR programs.
- **Prior-Year Contributions:** Leveraging unspent funds from previous member contributions.
- **Local Projects:** Funded with local measures, in addition to systemwide equal yearly member contribution.

Other funding primarily from Federal Funding (SGR 5337); staff assuming receiving programmed funds

Capital Funding Assumptions, continued

- Capital budget list was reduced to funding essential capital projects to maintain a safe and reliable railroad with emphasis on SOGR projects
- Flexible funding, available for operating or capital needs is included in the preliminary FY26/27 operating budgets
- Annual transfer of Measure RR \$9.7M to Capital (SOGR), instead of \$15M plan per SFP
- Portion of \$20M Capital Reserve will be used for Guadalupe River Bridges

FY26/27 Preliminary Capital Budget

Strategic Initiatives of the 10-Year CIP (\$M)	FY26	FY27
Mandates and Compliance	0.401	0.557
Maintain Core Services ^[1]	17.667	19.100
Enhance Service and Customer Experience	0.080	-
Contribute to the Region's Economic Vitality	2.000	2.000
Capital Contingency Funds ^[2]	1.320	1.320
<u>Total</u>	21.468	23.026

Notes:

[1] Does not include the Guadalupe Bridges Replacement project

[2] Staff finalizing funding plan.

Projects funded by external partners are not included unless agreements have already been executed.



FY26/27 Projected Sources

Funding Sources (\$M)	FY26 [1]	FY27
Federal SGR 5337	10.972	15.506
STA SGR	1.743	1.400
Local Funds (LPP, AB664)	0.300	0.700
Member Agencies Contribution	3.633	2.500
External Funding	2.000	2.000
Other [2]	1.500	1.500
Unfunded [3]	1.320	1.320
<u>Total</u>	21.468	23.026

Notes:

[1] FY2026 funding also includes prior-year funds that need to be reallocated

[2] "Other" includes settlement agreement for the repair of the Fiber Optic.

[3] Staff is still finalizing funding plan for capital contingency funds.



Capital Risks

- **Underfunded Capital program** – small portion of CIP is funded, focused on SOGR. Very few customer enhancement projects.
- **Cost escalation** – Funding gaps compounded by increasing project costs.
- **Federal Section 5337 SOGR funding** – reliance on federal funding for our SOGR program.
- **Guadalupe River Bridges** – significant cost increases put pressure on current and future capital program.
- **Member Agency Contributions** – Systemwide contributions remain flat and have not kept pace with rising construction costs and growing needs of Caltrain capital program.

V. Next Steps

May

- Finance Committee
- Board Workshop

June Board:

- Staff to present the proposed FY26 Operating Budget and FY26/27 Capital Budgets
- Guadalupe River Bridges Replacement Funding Plan

Summer 2025 TOPS Committee

- 4-Year Constrained List of Capital Projects

FOR MORE INFORMATION

WWW.CALTRAIN.COM

