# Caltrain Board Budget Workshop

May 29, 2025

# Workshop Agenda

1. Workshop Stage & Goal Setting
2. FY26 & FY27 Operating Budget & 10-Year Strategic Financial Plan
3. Strategies to Address Operating Shortfall
4. Capital Budget & Funding Strategy
5. Discussion & Next Steps

# Workshop Stage & Goal Setting

*Executive Director: Michelle Bouchard*

# Stage Setting

- The FY2026 operating budget is balanced but ***remains at risk due to uncertainties in state funding***
- A projected **operating deficit of $67 million is anticipated for FY2027** and will require additional external funding
- The capital improvement program has identified critical projects that will require a grants funding strategy. **Not all of it can be funded and will require prioritization.**
- The timeline and **uncertainty surrounding the regional measure** indicate it cannot alone be relied upon for near-term financial relief
- A plan for **long-term fiscal stability** needs to be developed. Caltrain has potential on both the cost containment and revenue enhancement side to supplement new external funding.

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# Workshop Goals

- Provide an update on Caltrain's ***FY2026 Operating Budget*** and ***10-Year Strategic Financial Plan***
- Discuss strategies to regain financial stability and resiliency ***with the focus on strategies over which Caltrain has more control***
- Receive Board general direction on ***strategies to focus on to balance FY2027 Operating Budget***
- Receive Board general direction on **priorities to pursue to enhance long term financial outlook**
- Ensure understanding of the ***policy and resource implications*** for each direction and priority considered

# Where Should Staff & Funding Resources Go?

## *Quick Board Survey*

### Grow Ridership

- Promoting electrified service
- Special events
- Partnerships and promotions
- Engage employers in return-to-office efforts

### Increase Fare Revenue

- Increase price for existing fare products
- Go Pass reform and promotion
- Evaluate alignment of ridership and revenue growth

### Generate Non-Fare Revenue

- Advertising & Naming Rights
- Fiber Optic Leasing
- Energy Storage and Solar
- Transit Oriented Development
- Real Estate assets/lease management

### Cost Containment/Reductions

- Reduce rail operator costs
- Ongoing effort to control and reduce wage and benefit costs
- Control and reduce non-labor costs

### Funding Advocacy Efforts

- Operating funding support from State
- SB 63 – Regional Measure
- Transit Development Act reform
- Cap and Invest program

### Member Agency Contributions

- Feasibility of contributions for operations
- Partner with member agencies to utilize the funding dedicated to Caltrain timely and effectively
- Explore Caltrain-only measure

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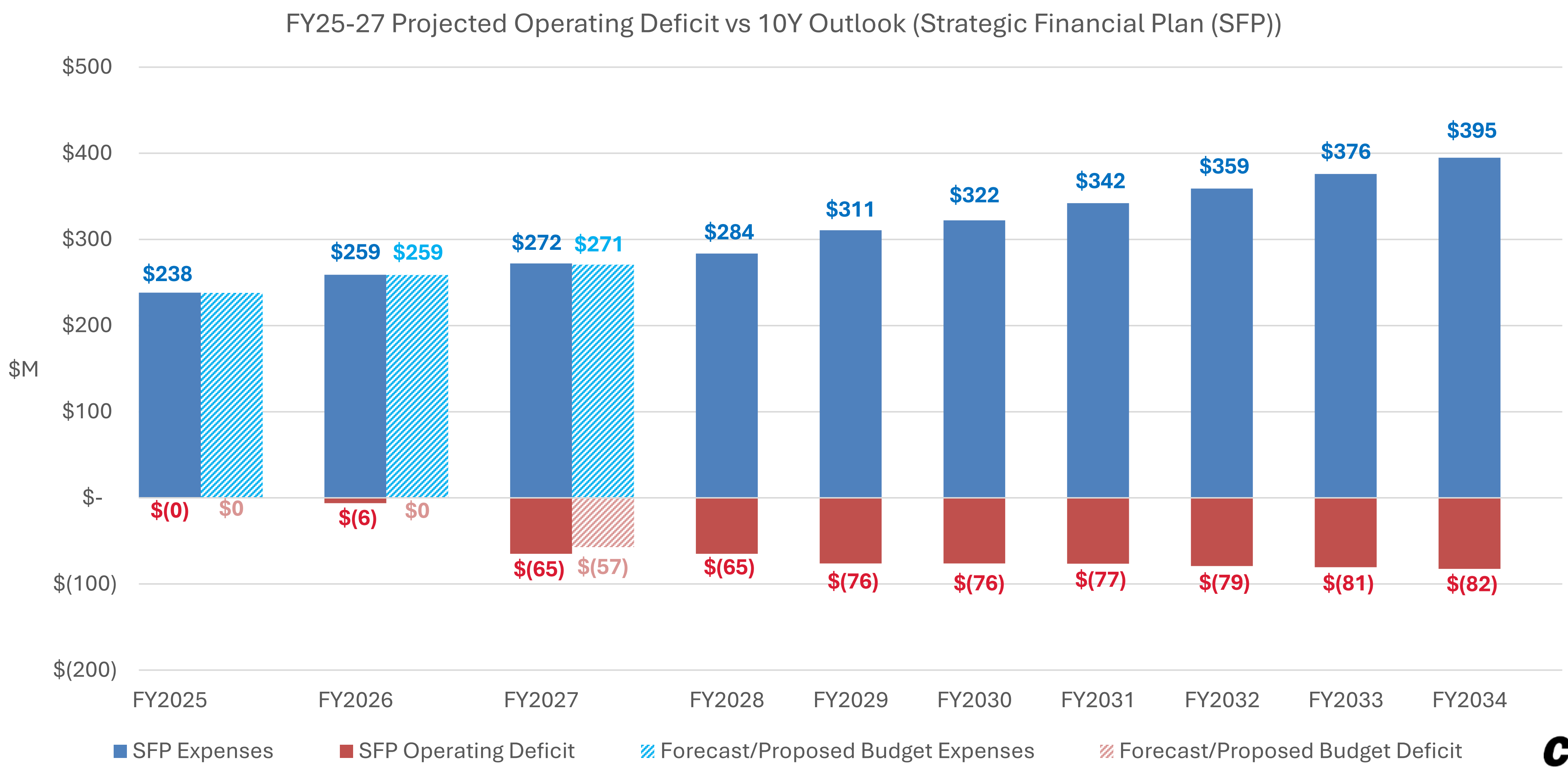
# FY26 & FY27 Operating Budget and 10-Year Strategic Financial Plan

# FY26 & FY27 Operating Budget Update

***Chief Financial Officer: Kate Jordan Steiner***

# FY26 & FY27 Operating Budget Update

## *FY25-FY27 Budgets : January 2025 10-Year Strategic Financial Plan*

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# FY26 & FY27 Operating Budget Update

## *FY26 Uses & Reductions (in $ Millions)*

- **Proforma Budget: $269.9M**

  ($11.1M (4.2%) unfavorable to SFP)

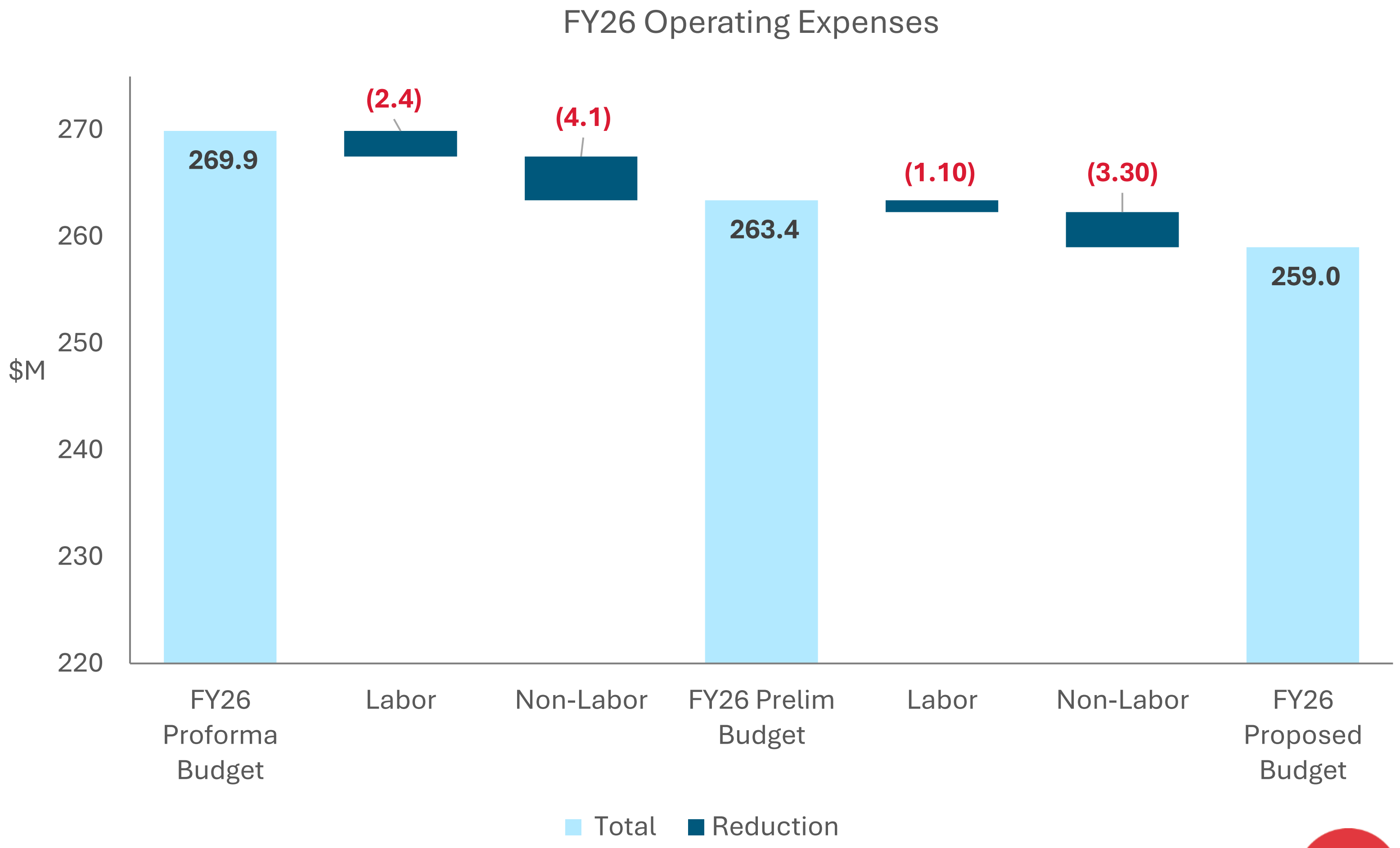
- **Preliminary Budget presented at May Board: $263.4M**

  ($4.4M (1.7%) unfavorable to SFP)

- **Proposed Budget: $259.0M**

  ($0.1M (0.03%) unfavorable to SFP)

Most reductions flow through FY27 and out years



# FY26 & FY27 Operating Budget Update

## *Reductions in FY26 Budget*

### Categories of reductions and impacts

1. **Labor: $9.8M**
   - Operating: $3.5M, 18.6 FTE
   - Capital: $6.3M, 32.4 FTE

2. **Non-Labor: $7.4M**
   - $1.9M Consultant and Other Contracted Services
   - $1.4M Rail Operator Service
   - $1.3M Interest and Bank Fees
   - $0.7M System Software
   - $0.6M Clipper Operator Charges
   - $0.6M Software Maintenance and License
   - $0.9M Other Various Reductions

# FY26 & FY27 Operating Budget Update

### *Operating Budget Risks*

- Insurance premiums & claims
- Sales tax
- Electricity/ Fuel
- State: Transportation Bill, LCTOP (formula), SB125 (allocation)

### *Capital Budget Risks*

- Federal: 5337 SOGR
- State: AHSC for EMUs, SB125, TIRCP
- Increasing project costs

# FY26 & FY27 Operating Budget Update

## *FY27 Budget Scenarios*

- **Goal: Address funding shortfall while growing ridership and maintaining customer experience**
- Continue cost containment
- Grow revenue including fare and parking fee increases
- Seek bridge funding

### Measure Succeeds

- Maintain and enhance customer experience
- Continue cost containment and reductions
- Maintain operating transfers for State of Good Repair
- Seek bridge funding until external revenue is available (subject to availability)

### Measure Fails & External Support

- Pursue new funding, including member contributions for operations
- Aggressive cost reduction such as hiring freeze, reduce reliance on consultant support, reduce rail operator costs
- Service cuts

### Measure Fails & No External Funding

- Drastic service cuts including hourly service, reduced operating hours, eliminating sections of service, weekend service, and some station closures
- Reduction in Force

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# FY26 & FY27 Operating Budget Update

## *FY27 Budget Development Schedule*

- Budget Scenarios – November 2025
- Member Agency operating contribution commitments - January 2026
- Budget Workshop – Feb/ March 2026
- Preliminary Budget – May 2026
- Proposed Budget – June 2026

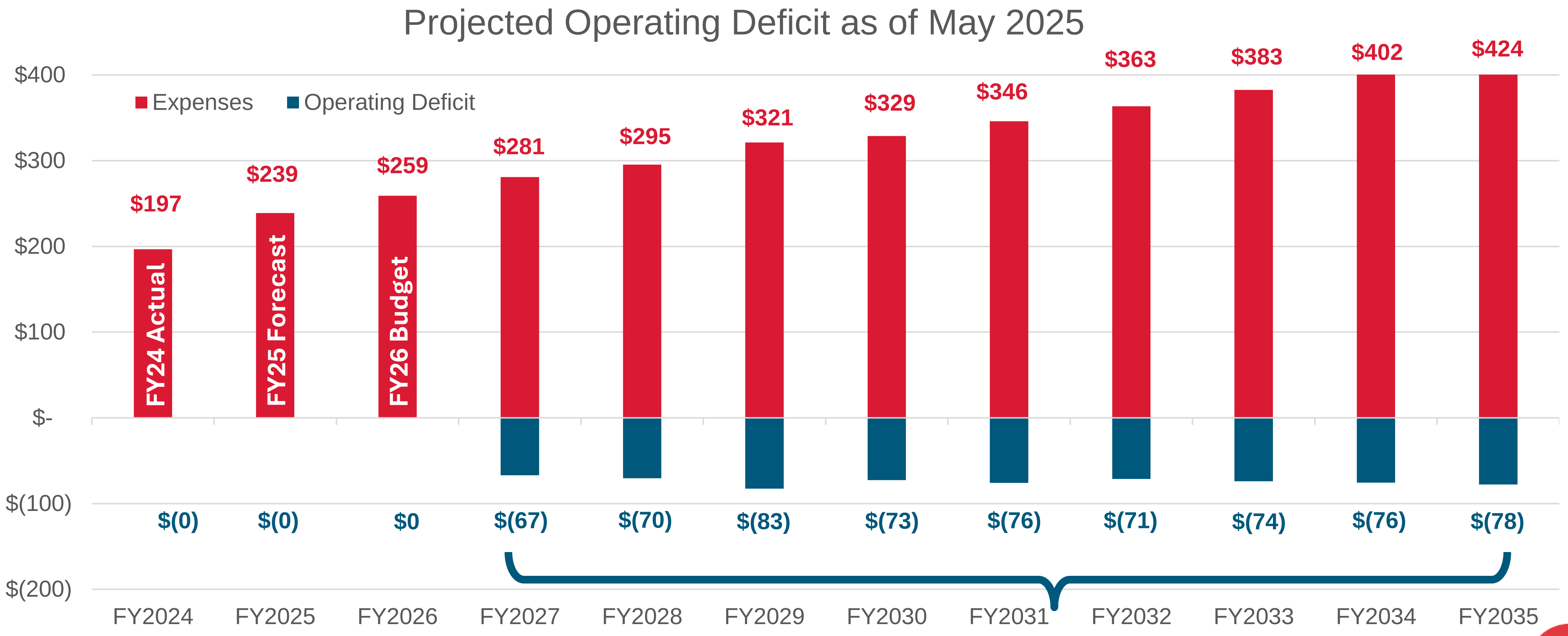
# 10 Year Strategic Financial Plan Update

***BBA Consultant: Alex Burnett***

# 10-Year Strategic Financial Plan Update

## *Projected Operating Deficit – May 2025*

**Cumulative Projected 10 Year Operating Deficit is ~$670M**

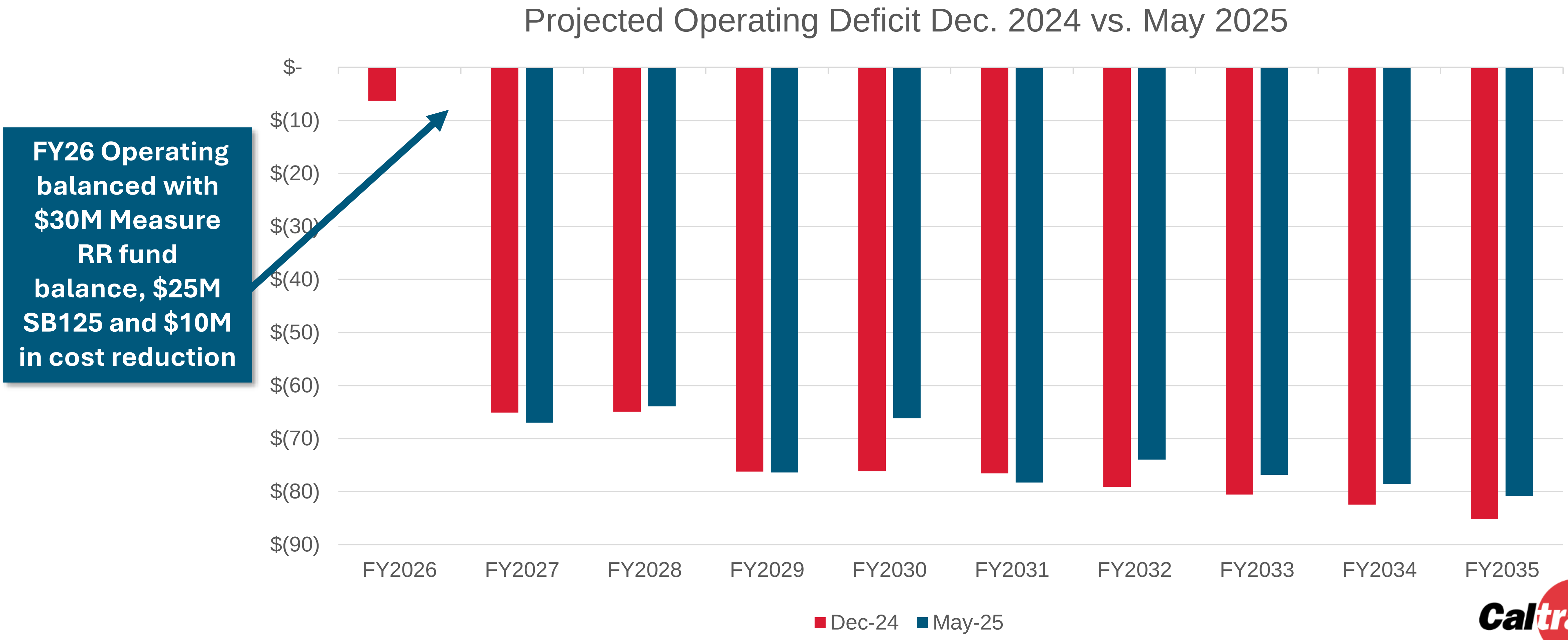



**Average Annual Deficit (FY27 to FY35) = $74M/yr**

# 10-Year Strategic Financial Plan Update

## *Projected Operating Deficit – Dec 2024 vs May 2025*

**May 2025 Forecast in line with December 2024**

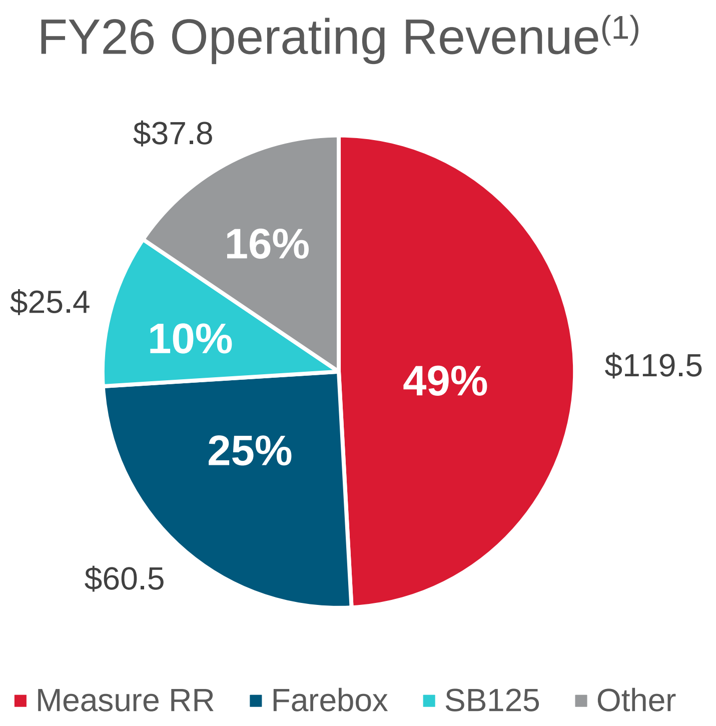


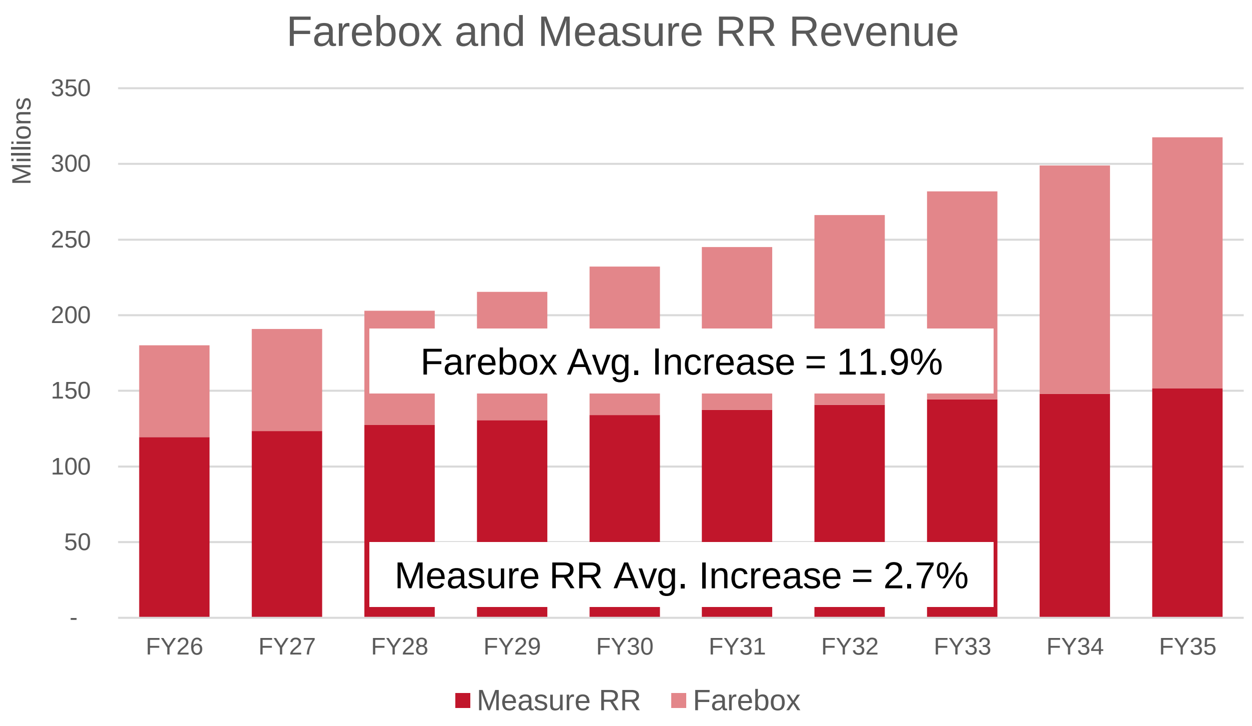
# 10-Year Strategic Financial Plan Update

## *Key Revenue Drivers*

**Largest revenue drivers are Measure RR and Farebox, which are ~75% of total revenues.**

- One challenge is that the revenue drivers have limited growth potential outside of farebox.



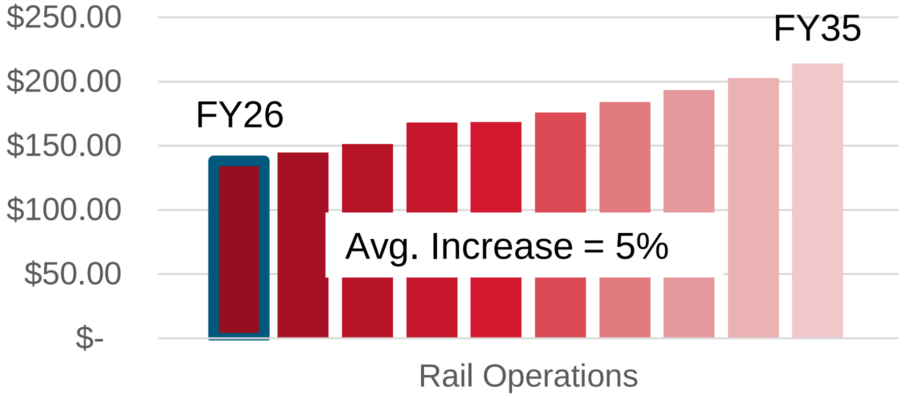

(1) Does not include $30M in one-time Measure RR revenues to balance FY26 Budget.

# 10-Year Strategic Financial Plan Update

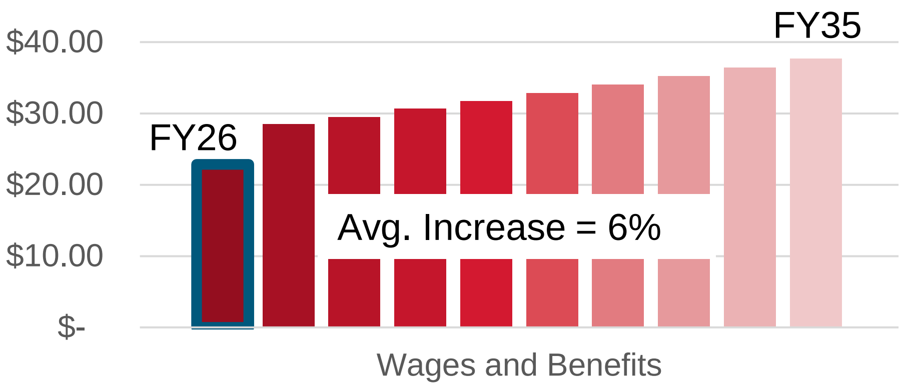
## *Key Expense Drivers*

**Largest forecasted expense increases over the next 10 years vs. 10-year forecast in Dec. 2024 are: Rail Operations ($80M), Wages and Benefits ($76M) and Insurance/Claims ($35M).**

**Rail Ops.(1)(2)**



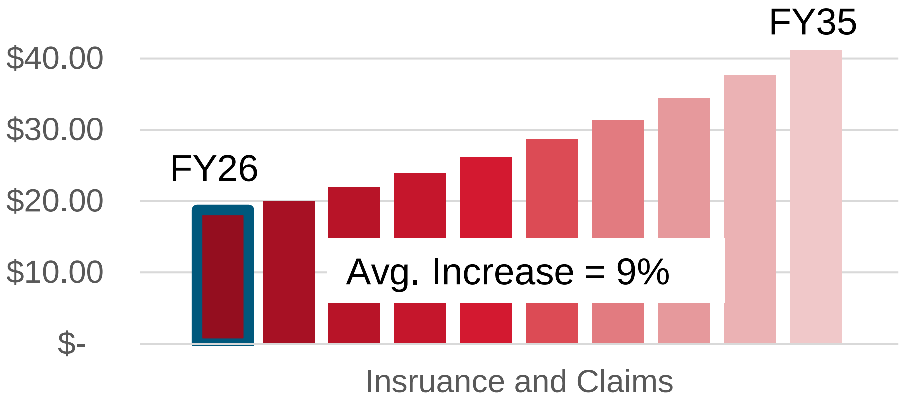

**Wages and Benefits(1)(2)(3)**



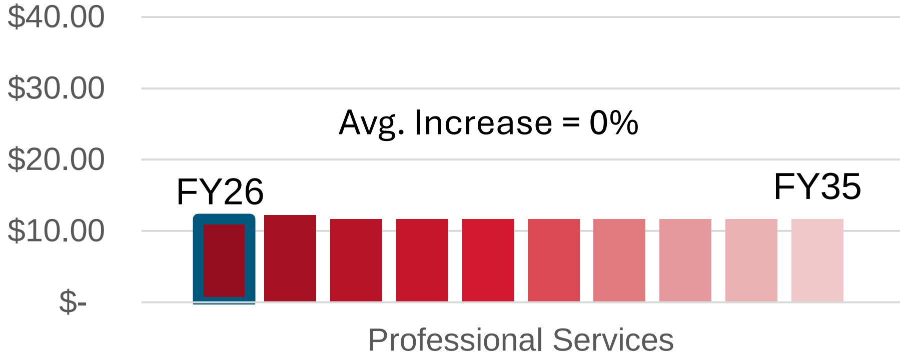

**FY26 Budget**

(1) For illustration purposes only; Subject to change. Actual Results will vary.
(2) Avg. Growth is from FY26 to FY35.
(3) Direct Caltrain costs, including shared services but not Managing Agency Overhead.

**Insurance and Claims(1)(2)**




**Professional Services(1)(2)**



# 10-Year Strategic Financial Plan Update

## *Potential Service Cuts*

**Caltrain has evaluated potential service reductions, and the question is what long-term expense reductions could Caltrain make to offset the loss of farebox revenues.**

- The provision of hourly service might reduce ridership by 30% to 50%.
- FY26 Electricity Budget is $16.8M – a 30% to 50% reduction would save $5 to $8M per year or $50M to $80M over the next 10 years.
- Potential financial savings require lasting systemic cuts with Federal approval.
  - Eliminating significant portions of service
  - Renegotiating Rail Operator Contract
  - Reduction in labor/crewing
  - Deferring capital, SOGR investments, and maintenance
  - Retiring/mothballing portions of the fleet

| Scenario | Farebox Revenues | Impact |
| --- | --- | --- |
| Current Forecast | $1.1 Billion | |
| ~30% Decline | $770 Million | ($330 Million) |
| ~50% Decline | $550 Million | ($550 Million) |

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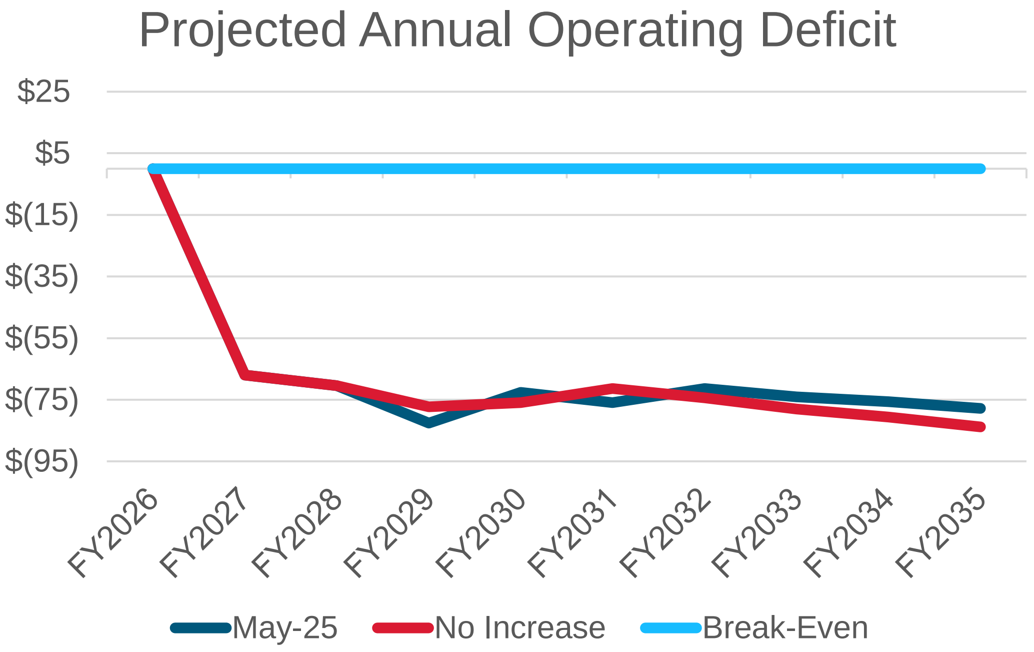
# 10-Year Strategic Financial Plan Update

## *Service Sensitivity*

**The SFP assumes an increase to 5 trains per hour (tph) peak in FY29 and 6 tph peak in FY31.**

- We also evaluated the impact of maintaining current service levels through FY35.
- While highly assumption driven, the reduction in expenses is offset by reduction in farebox revenues.




| AVG. Ridership Growth FY26 to FY35 | Est. FY35 Avg. Weekday Ridership | Est. FY35 Total Expenses | Est. FY35 Annual Deficit | Est. Cumulative Deficit FY26 to FY35 |
|---|---|---|---|---|
| 9.9% | 76K | $425M | $78M | $670M |
| 8.6% | 66K | $410M | $84M | $675M |

# Discussion Questions

## Additional information and alternatives

- Over the next year, some combination of member contributions, state/ federal funding, fare increases, and expense reductions are necessary to balance the FY 27 budget and address the long-term funding gap. What additional information/alternatives would be helpful to inform the Board's decisions on addressing FY 27 and beyond over the next 6 months?

## Process and timeline

- What process would best serve the Board for developing the FY 27 budget and engaging with member agencies and the public in rolling out new policies to address the funding gap?

## Potential service cuts and cost reductions

- If no additional revenue is secured, service cuts and expense reductions will need to be considered and evaluated. Ridership losses from any service cuts could offset savings and have lasting impacts on revenue. Are there other alternatives we should be considering? What should staff prioritize in FY 27?

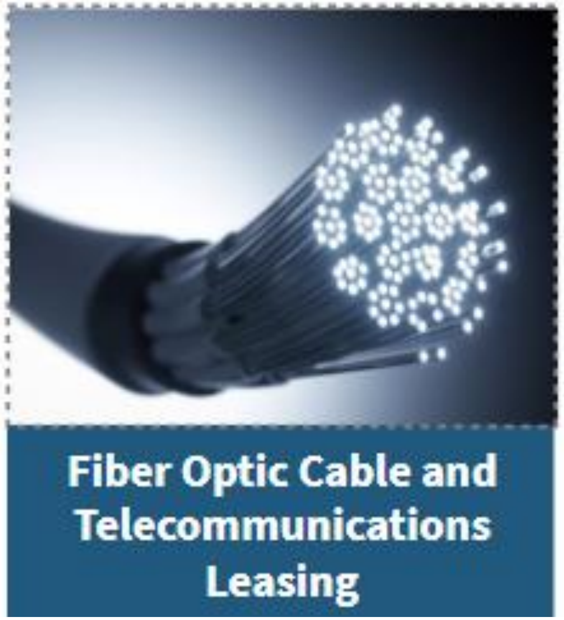
# Strategies to Address Operating Deficit

*Chief, Commercial & Business Development: Li Zhang*

# Strategies to Focus on Today


Fare Revenue

Ridership Growth




Non-Fare Revenue Strategies

# Setting Expectations

In the short term, these strategies **will not address Caltrain's near-term budget deficits**, but in the middle-long run, they will be critical in helping the agency regain financial resiliency and stability:

**Diversify** revenue sources to allow greater fiscal **resiliency** in the long run

Help maintain current service level while bringing **innovations** (e.g., energy storage systems)

**Wholistically** manage the limited resources and track the results of each strategy

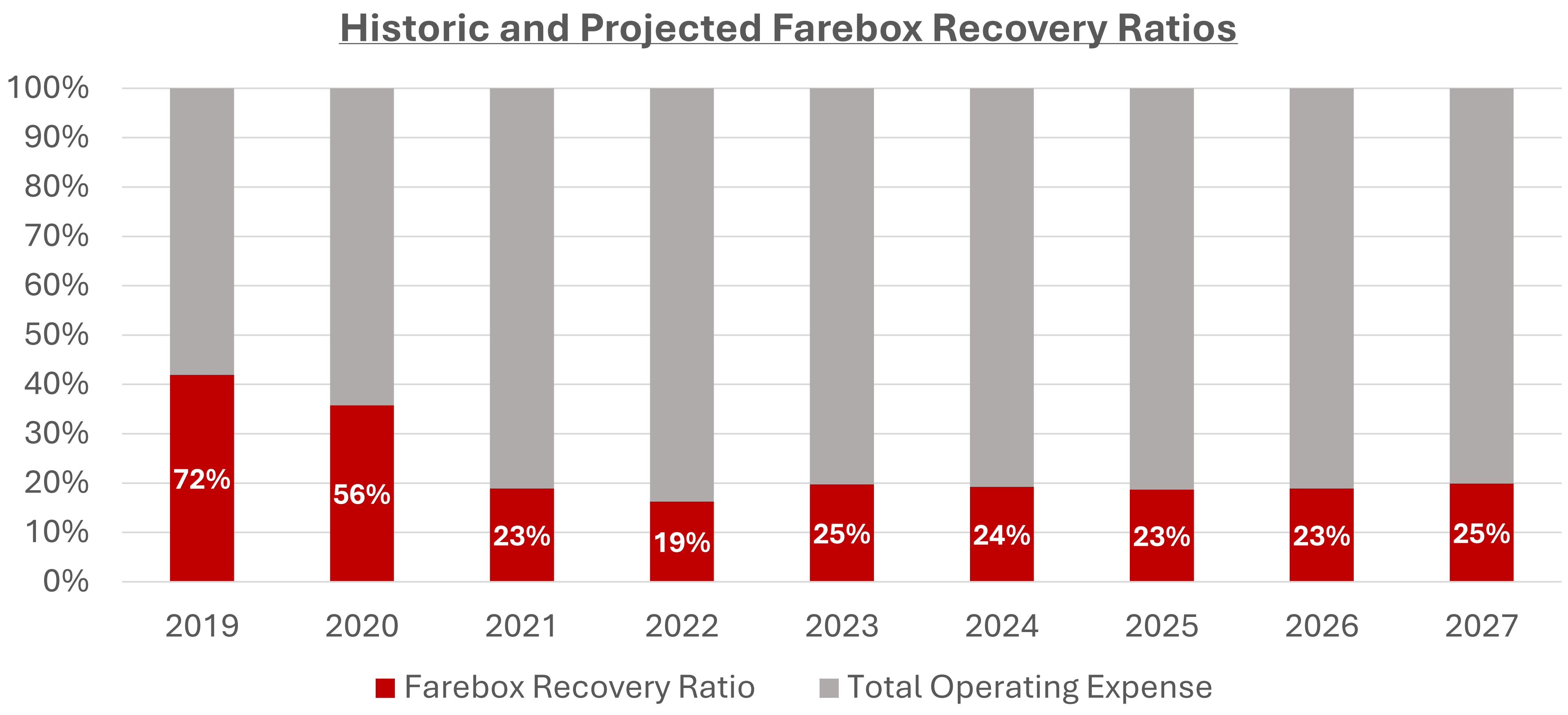
# Fare Revenue

***Deputy Director, Caltrain Policy Development: Melissa Jones***

# Fare Revenue

## *Role of Fares in Caltrain's Business*

- **Before the COVID-19** pandemic, fare and parking revenue comprised **over 70%** of Caltrain's operating revenue.
- **Now**, they are projected to account for approximately **one quarter** of Caltrain's near-term revenue.




*Includes Go Pass Revenue and Farebox Revenue.*

# Fare Revenue

## *Current Fare Structure Overview*

**Caltrain fare pricing is based on the number of zones in a passenger's trip:**

- ***Fare charged*** *=* ***Base Fare*** *for first zone traveled +* ***Zone Upgrade*** *for each additional zone traveled.*
- *Caltrain has* ***6 zones*** *from San Francisco to Gilroy.*

Adopted fare increases alternate annually between $0.25 increases in **Base Fare** and **Zone Upgrade** through FY28.

| Adopted Fare Structure Changes* | NOW | FY26 (07/25) | FY27 (07/26) | FY28 (07/27) |
|---|---|---|---|---|
| **Base Fare - Adult** | $3.75 | **$4.00** | $4.00 | **$4.25** |
| **Zone Upgrade - Adult** | $2.25 | $2.25 | **$2.50** | $2.50 |
| **One-Way Youth Fare** | $1 | $1 | $1 | $1 |

*NOTES:*
*Excludes Go Pass. *All fares in table do NOT include $0.55 discount off Base Fare for Clipper purchases.*

# Fare Revenue

## *Current Fare Structure provides "levers" that can be changed, or "pulled"*

**Key Levers That Could Be Pulled**

- **Base Fare**
- **Clipper Discount**
- **Zone Upgrade Fare**
- **Monthly Pass Product**

**Post-Clipper Next Generation Fare Structure**

Adopted – May 6, 1992
Last Revised – April 3, 2025
Effective – TBD by Metropolitan Transportation Commission, upon Clipper Next Generation Going Live

**PENINSULA CORRIDOR JOINT POWERS BOARD**
**STATE OF CALIFORNIA**
* * *
**CALTRAIN FARE STRUCTURE**

This document establishes the fare structure for use of Caltrain passenger rail service, which operates between San Francisco and Gilroy, California. For pricing, refer to Section V, Fare Chart.

I. **FARE CATEGORIES**

A. **Full Fare**
Full Fares apply to all customers except those who qualify for an Eligible Discount Fare, Youth Fare or Clipper START.

B. **Eligible Discount Fare**
Customers qualifying for the Eligible Discount Fare receive at least a 50% discount off full fares. A customer qualifies for the Eligible Discount Fare by meeting or possessing any one or more of the requirements below. Proof of age or appropriate identification may be necessary when ticket is requested by the conductor or fare inspector.

1. Aged 65 years or older.
2. Disabled Person Placard Identification Card issued by the California State Department of Motor Vehicles (DMV).
3. Medicare Card.
4. Regional Transit Connection (RTC) Discount Card for persons with disabilities, including Clipper® cards that are designated as RTC Discount Cards. A personal care attendant travelling with an RTC Discount Card holder can pay the Eligible Discount Fare if the RTC Discount Card is marked with an attendant symbol.
5. Valid transit discount card issued by another California transit agency, which is equivalent to the RTC Discount Card.

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# Fare Revenue

## *Thinking beyond the Current Fare Structure...*

**Key Levers Can Be Pulled To Increase Revenue**

***High-Level, Preliminary Estimates of Additional Revenue Gains from Individual Fare Changes (beyond already adopted changes):***

- *Base Fare increase by $0.25: $1.2 - $1.4M/year*
- *Zone Upgrade Fare Increase by $0.25: $1.8M - $2.0M/year*
- *Clipper Discount Eliminated: $1.4M - $1.6M/year*

Ridership is more directly impacted by changes to **service levels**, **macro-economic and employment trends**

Higher fares can be a **barrier to long-term ridership growth** and attracting new riders

The public generally tolerates higher fares only to a certain point; higher fares can also introduce concerns related to **equity and access**

# Fare Revenue

## *Draft Schedule for Launching Additional Fare Changes*

The soonest Caltrain could implement additional changes to its Fare Structure is **January 1, 2026**. The draft schedule for achieving the January 1, 2026 launch is shown here.

In FY27 and beyond, Next Generation Clipper could enable more substantial changes to Caltrain's Fare Structure, such as introducing a new product called accumulators or changing from zones to station-to-station pricing. Caltrain staff would need to study potential changes and their impacts before recommending changes to the Board.

**September 2025**

- Finance Committee holds public hearing and approves Title VI analysis and fare recommendations

**October 2025**

- Board approves recommended Fare Structure & Title VI analysis findings

**January 2026**

- Fare changes go live

# Ridership Growth

***Chief of Staff: Casey Fromson***

# Ridership Growth

***Ridership reaching post-pandemic records***

- Nearly 60% increase ridership from April 2024 to April 2025
- Total monthly ridership April, nearly 925,000 riders
- Weekend ridership, highest in Caltrain's history
- Cross Departmental Ridership Growth Taskforce created to continue to monitor, evaluative, track and implement strategies

Current ridership: 56% of 2019 levels

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# Ridership Growth

## *Current Growth Focus*

| | |
|---|---|
| **Go Pass Program Revitalization** | Redesign of Caltrain’s successful 20-year-old employer pass program in response to participant feedback. Greater flexibility. |
| **Marketing / Special Event Promotion** | An "always on" campaign targeted at many different types of rider (worker, student, tourist, families, etc.) and special event partnership and promotion |
| **City Partnerships Toolkit** | Working with cities to drive ridership through changes in land use and development policies, Go Pass participation, strategic plans. |

# Ridership Growth

## *Revitalized Go Pass Program*

***In April**, The Board approved the removal of Go Pass from the fare structure and provide the ED the authority to set prices/terms to **allow timely adjustment to the post-pandemic commuting environment and build partnerships that align with ridership recovery and revenue stabilization and growing goals***

**Recent Program Updates:**

- Outreach emails to 175 identified leads and past participants; 15 specific meetings
- 2 organizations enrolled under revised structure
- Larger organizations have expressed interest in enrolling in 2026
- Actively working with a commuter benefits provider to explore integration of Go Pass into their platform for streamlined administration
- Plan comprehensive update at December board

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# Ridership Growth

## *Special Events / Partnerships*


BayFC Partnership and Promotion


“Always On” marketing campaign

Enhanced Giants Partnership and Promotion


Summer of Caltrain Activations Planned

Themed Concert Cars

# Ridership Growth

***City Partnerships Toolkit***

- City Worker Go Passes
- Transportation Demand Management
- Development Agreements
- Local Ordinances
- Transportation Management Associations
- Station Access
- Parking Management
- Transit Oriented Development

Refining first tier target cities and programs

# Non-Fare Revenue Strategies

*Director, Budgets and Financial Analysis: Oscar Quintanilla Lopez*
*Manager, Intelligent Infrastructure: Uhila Makoni*
*Manager, Energy: John Passmann*
*Hatch Consultant: Laura Aldrete*

# Non-Fare Revenue Strategies

## *Roadmap Overview*

**Special Events**

Private Car, Charter Train, Sports Events with Tailored Service/Pricing


**Advertising and Naming Rights**

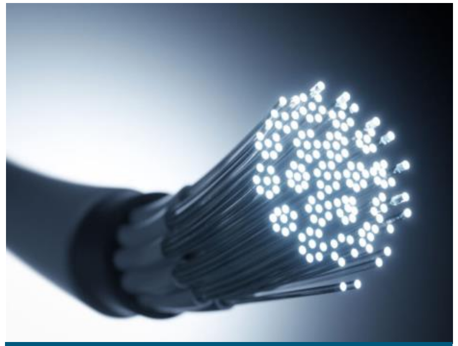
Expand Advertising & Media Package, Train Wrapping, Naming Rights of Rolling Stock and Stations

1 – 2 Year Short Term

Potential Annual Revenue: $0.2 to $1M

**Solar, Energy Storage Systems, EV Charging Leasing**

Solar Farm, Energy Storage Facility for Traction Power, and Station Energy Needs



**Fiber Optic Cable and Telecommunications Leasing**

Cell Tower Land Leasing and Fiber Optic Conduit Leasing

2 – 5 Year Medium Term

Potential Annual Revenue: $10 to $20M


**TOD and Commercial Leasing**

Property Conveyance Lease, Commercial Leasing, Transit-Oriented Development

5 – 20 Year Long Term

Potential Annual Rev: $4 to $8M

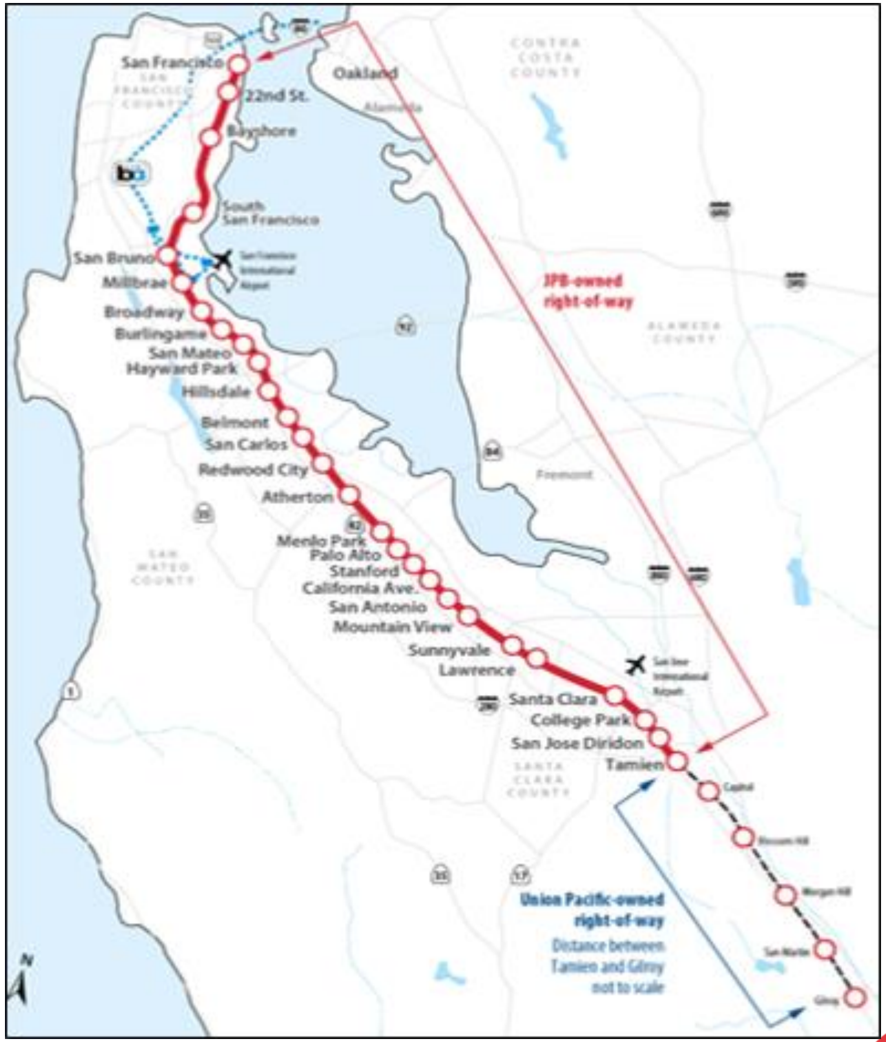
# Non-Fare Revenue Strategies

## *Focus: Wireless & Fiber Optic Leasing*

### Caltrain

As part of the Caltrain Modernization Program, Caltrain installed 52 miles of conduit and fiber optic cable within the Caltrain right-of-way from San Jose to San Francisco

- Opportunity to monetize existing fiber optics infrastructure
- Requires identifying and repairing inner-ducts, laying new fiber cable, and exploring options for monetizing the asset



# Non-Fare Revenue Strategies

***Focus: Fiber Optic Leasing***

## Case Study: BART

20-Year revenue sharing agreement for commercial fiber and wireless telecommunications with private company

- 200 miles of fiber optic cabling
- Private firm committed $48 million infrastructure investments and ongoing maintenance
- BART expected to generate $243 million over 20 years.
- Revenue in FY 24 $9 million, anticipated to grow to $11.2 million in FY 25.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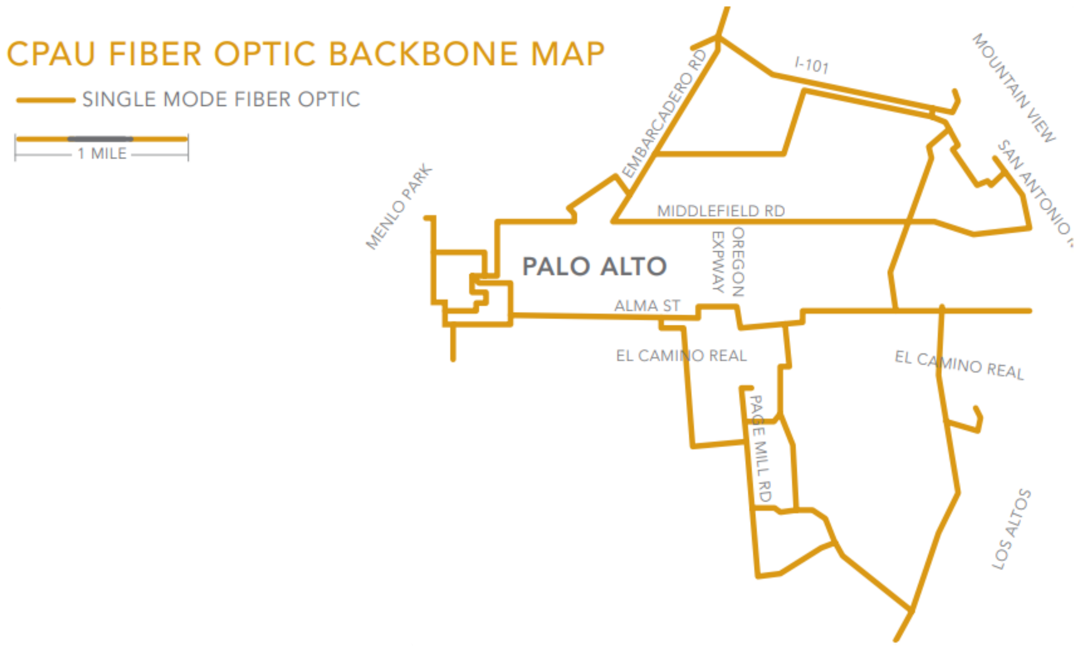
# Non-Fare Revenue Strategies

## *Focus: Fiber Optic Leasing*

### Case Study: City of Palo Alto Utilities

The City of Palo Alto leases its fiber infrastructure to businesses, connecting commercial buildings to internet providers

- 58 route miles of fiber cable
- 164 commercial buildings connected
- Reported $934,000 in net revenue in FY 24
- The City of Palo Alto is working to expand its services and provide broadband high-speed internet directly to homes and businesses



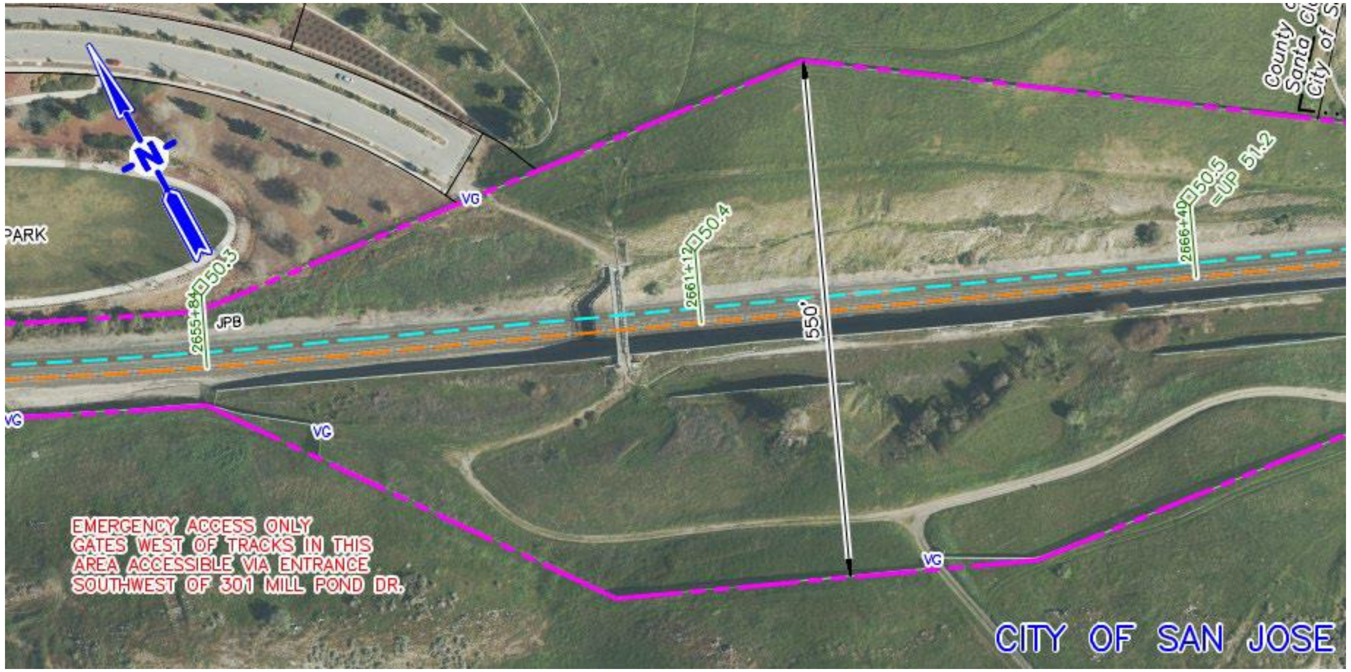
# Non-Fare Revenue Strategies

## *Focus: Solar*

### Caltrain

Communication Hill Site:

- 3.3 acres
- 2 MW
- Potential for 3,000,000 kWh annual production
- Caltrain could explore owning panels, power purchase agreement options, or leasing site to solar developer



# Non-Fare Revenue Strategies

## *Focus: Solar*

### Case Study: Santa Clara County

| Site | MW | Acres | Annual kWh | Annual Savings |
|---|---|---|---|---|
| Malech Road | 3.84 | 9 | 6,384,883 | $ 481,084.28 |
| Guadalupe Parkway | 2.07 | 6 | 3,421,713 | $ 234,813.64 |
| Reid Hillview Airport | 1.04 | 3 | 2,109,316 | $ 161,494.68 |
| San Martin Airport | 1.36 | 6 | 2,827,478 | $ 268,381.92 |
| Hellyer Park Landfill | 2.74 | 7 | 4,609,800 | $ 349,507.60 |
| Holden Ranch | 0.31 | 1 | 650,896 | $ 92,065.32 |

- Contracted with SunPower to identify sites, build, and maintain solar generation facilities on County land
- 11 acres with no other uses identified
- Offsets 20% of SCC's electricity consumption
- Facilities built prior to behind the meter export compensation changes in 2023 which decreased compensation by ~75%

# Non-Fare Revenue Strategies

## *Focus: Energy Storage*

### Caltrain

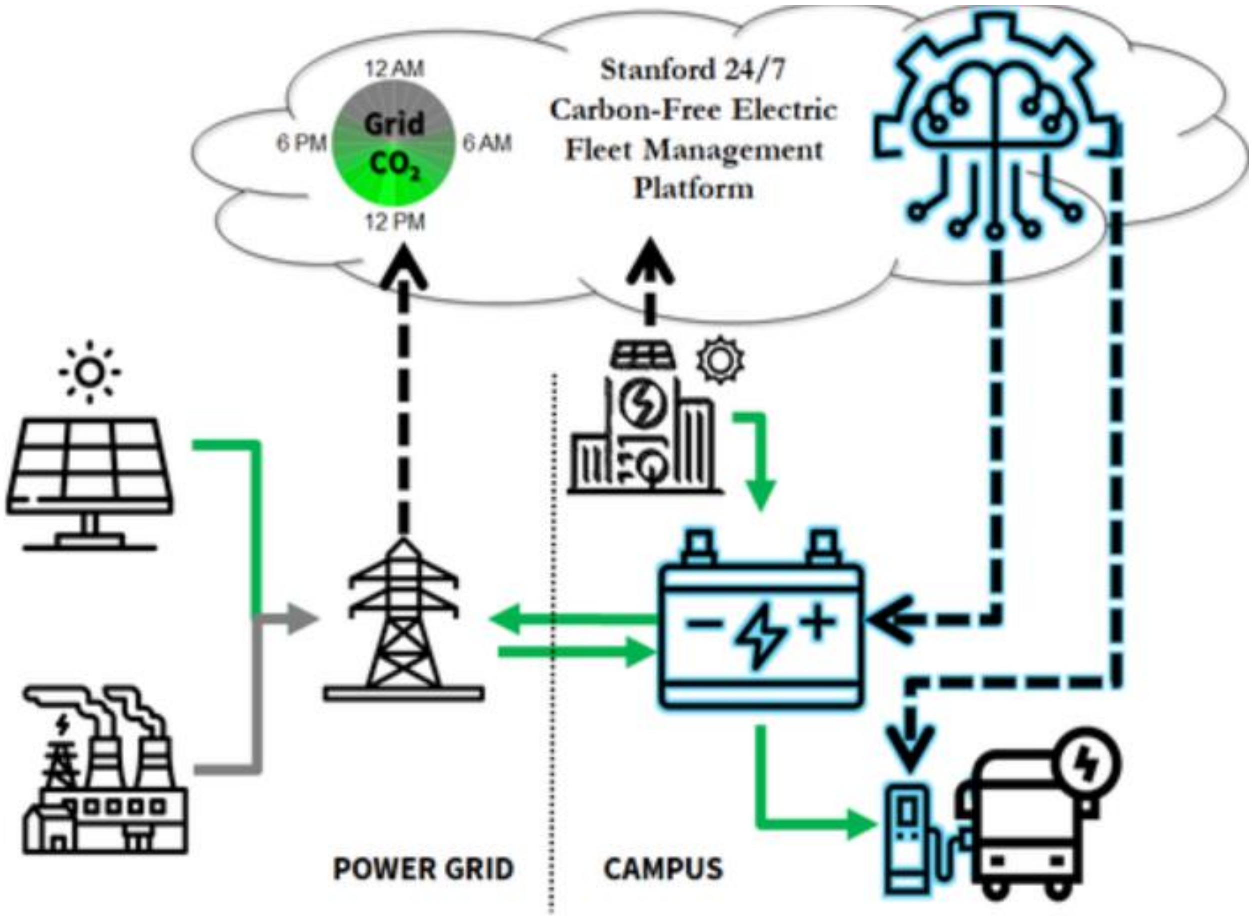
- Potential for solar + battery at major stations such as:
  - Diridon
  - Gilroy
- Reduce peak demand charges and overall energy costs
- Requires comprehensive assessment of opportunities across all stations

# Non-Fare Revenue Strategies

## *Focus: Energy Storage*

### Case Study: Stanford University

- Combination of battery storage and solar
- Battery helps cover time periods without solar generation which tends to be the most expensive and dirtiest electricity
- $2.3M savings in electricity costs forecasted over 10 years; $1.4M from demand charges
- 98% reduction in emissions
- EMU traction power is a more challenging use case



# Non-Fare Revenue Strategies

## *Focus: Energy Storage*

### Caltrain

Caltrain is pursuing an RFI to explore available options to achieve the following goals:

1. Reduce peak energy usage (potential for $3+ million in annual savings)
2. Capture regenerative braking energy for use on the system ($1-3 million in annual savings)
3. Create system resiliency in instances of broad grid outages (non-financial benefits)

Potential solutions:

- Battery storage
- Flywheels
- Capacitors

Regenerative braking energy is generated in very spiky (high MW over short duration) bursts presenting an unusual and difficult use case for traditional battery storage

# Non-Fare Revenue Strategies

## *Focus: Utility Agreements*

### What Exists Today?

**Offered by Caltrain?** Fees are collected today

**Revenue:** Not less than $1,500 annual payment **per** agreement

**Relevant Policies:** Property Conveyance Resolution; Rail Corridor Use Policy

**Condition of Assets:**

- JPB has old agreements, including those inherited from Southern Pacific Railroad at the time of the corridor's purchase, that require updates

**Staff Involved Today:**

- Planning, Real Estate
- Rail Operations & Maintenance

### What are Potential Opportunities?

**Ensure and collect market rate fees from utility agreements**

*Rough Estimate of Revenue Potential:*

~$200,000 to $400,000 annually[1]

### Potential Challenges

- Needs thorough review and management of agreements, primarily stored in paper files
- Technical review of utility locations relative to JPB ROW

*1. Based on potential fees received by JPB from license and lease agreements that have potential for renegotiation.*

# Non-Fare Revenue Strategies

## *Focus: Commercial Property Leasing*

### What Exists Today?

**Offered by Caltrain?** Commercial leasing: Yes; Vending, pop-ups, and interim programming: Some

**Revenue:** $1.2M annually from rents

**Relevant Policies:** Property Conveyance Resolution; RCUP; Currently drafting a Commercial Lease Strategy

**Condition of Assets:**

- There are vacant or underutilized commercial spaces in stations or along the ROW

**Staff Involved Today:**

- Planning, Real Estate
- Rail Operations & Maintenance

### What are Potential Opportunities?

**Pilot commercial strategy complemented by pop-up retail use and special events**

*Rough Estimate of Revenue Potential:*

~$75,000 to $250,000 **annually**[1]

### Potential Challenges

- Commercial asking rates are down with pandemic-induced hybrid work patterns and drop in foot-traffic
- Near-term market conditions may affect attracting tenants
- Property characteristics may deter tenants seeking “Class A”
- Historic properties require significant up-front improvements and associated cost

*1. This is in addition to the average of $1.2M per year in commercial leases today. This estimate is based on preliminary study on select station leases ranging from 1,000 to 3,000-square feet in rentable area.*

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# Non-Fare Revenue Strategies

## *Focus: Transit-Oriented Development*

### What Exists Today?

**Offered by Caltrain?** No, but one agreement is in place

**Revenue:** $0

**Relevant Policies:** RCUP, TOD Policy, Adopted 2019 Service Vision, Surplus Land Act (SLA), Local Land Use Regulations

**Condition of Assets:**

- JPB has a limited number of properties suitable for TOD, around 17-acres total excluding SF Railyards
- Five key TOD sites from 2019 Service Vision

**Staff Involved Today:**

- Planning, Real estate
- Rail Operations & Maintenance

### What are Potential Opportunities?

**Expand Caltrain's TOD Program**

*Rough Estimate of Revenue Potential:*

~$4.0 to $8.0M Per Year Portfolio-Wide Depending on the Number Sites[1]

### Potential Challenges

- Local and statewide affordable housing requirements could exceed JPB's TOD Policy requirements
- Complex regulatory and entitlement processes
- Cost of replacement transit parking cost prohibitive, if required
- Some TOD properties identified are in poor condition
- Two of the five sites require partnerships to advance

*1. This is in addition to the average of $1.2M per year in commercial leases today. This estimate is based on preliminary study on select station leases ranging from 1,000 to 3,000-square feet in rentable area.*

# Non-Fare Revenue Strategies

***Focus: Transit Oriented Development***

- Five current priority sites:
    - San Francisco Railyard
    - Hayward Park TOD
    - Redwood City Station property
    - Mountain View Station property
    - Diridon TOD

- Additional sites may be identified based on updates to the Adopted Service Vision and Rail Corridor Use Policy

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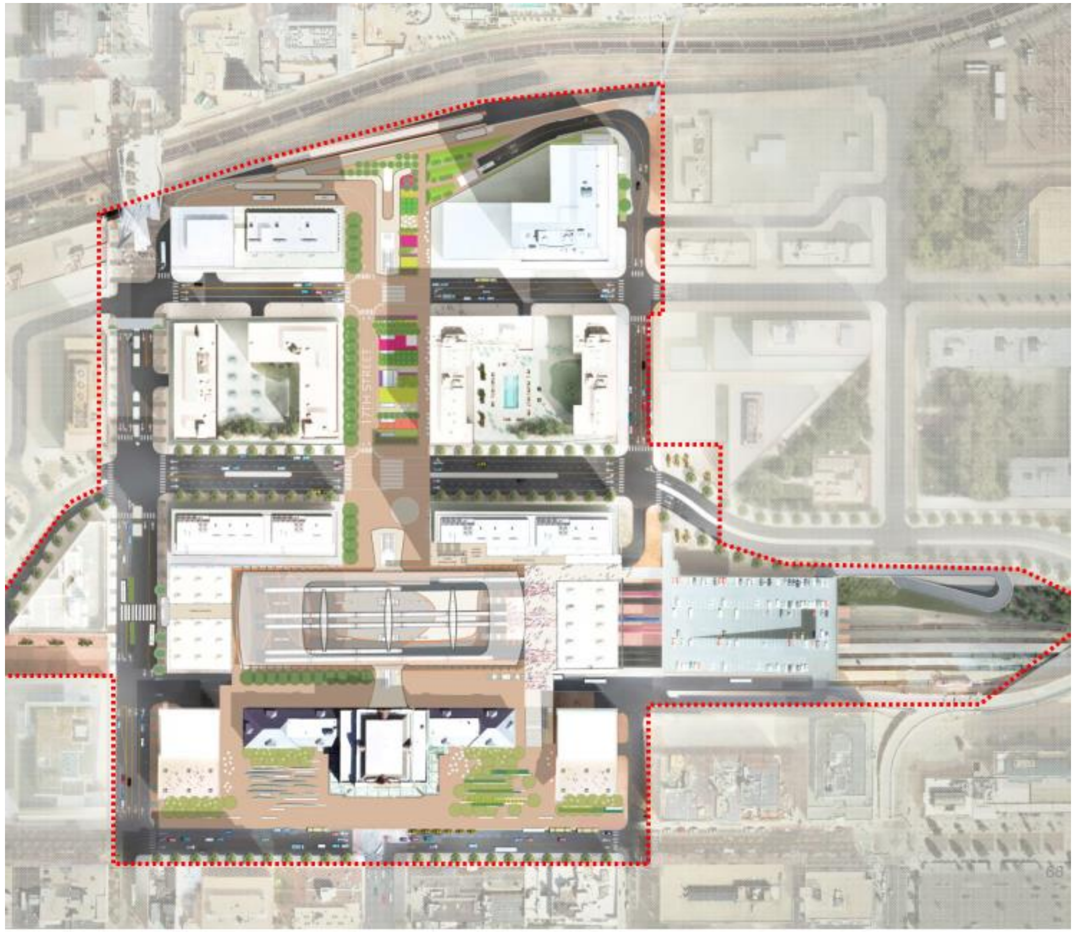
# Non-Fare Revenue Strategies

## *Focus: Transit Oriented Development*

### Denver Union Station (DUS) Overview

- 19-acre project, surrounded by a master-planned area
- Completed in 2014
- Transit components included: underground bus facility, heavy rail, light rail, shuttle
- Mixed-use development: residential including affordable housing, office, retail, hotel, public space
- Renovation of the historic station as a separate project/transaction by RTD
- Project Cost: $480M
- Tax Increment generated over 11 years: $1.1B



# Non-Fare Revenue Strategies

## *Focus: Transit Oriented Development*

### Key Takeaways for DUS' Successful Delivery

**Require extensive and sustained local, regional, and state support and collaboration**

**Create a governance structure with authority to finance and deliver transit elements**

**Communicate a consistent, clear, and compelling messaging of the project's value for the city, region and state**

**Take advantage of multiple financing tools and creative sources of funds while managing financial risks**

**Partner with the private sector early to ensure feasibility and often during implementation**

**Maintain momentum, with civic and political will to deliver milestones and ensure continued funding and support**

# Discussion Questions

## Fare Revenue & Ridership Growth

- If necessary, should staff prioritize fare revenue growth over ridership growth?
- What other changes could Caltrain consider to its Fare Structure in the longer-term, with the new capabilities and data from forthcoming Next Generation Clipper? What would be the desired outcomes from these changes?

## Non-Fare Revenue Strategies

- Of the non-fare revenue strategies, how would the board guide staff in prioritize resources needed for the short-, medium-, and long-term strategies?
- To support the implementation of various strategies, is the Board open to necessary policy updates, such as service vision plan, TOD/affordable housing policy, and unsolicited proposal policy?

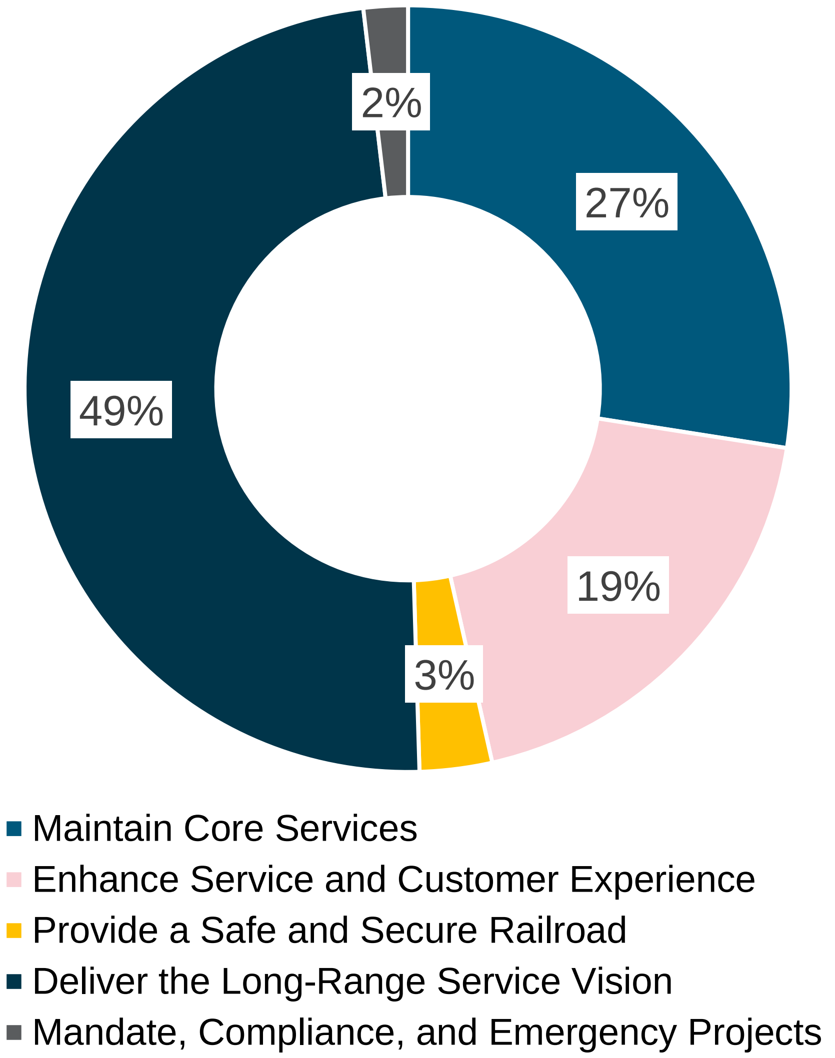
# Capital Budget & Funding Strategy

*Director, Grants and Fund Management: Michelle Stewart*

# 10-Year Capital Improvement Plan

## *CIP adopted in November 2024*

| Caltrain's owned Strategic Initiative | Total Funding Needs for FY2026-FY2035 ($M) |
|---|---:|
| Maintain Core Services | $ 960 |
| Enhance Service and Customer Experience | $ 660 |
| Provide a Safe and Secure Railroad | $ 110 |
| Deliver the Long-Range Service Vision | $ 1,700 |
| Mandate, Compliance and Emergency Projects | $ 70 |
| **Total** | **$ 3,500** |



# Capital Program Funding Priorities & Challenges

## Program Priorities

- **SOGR Projects and Programs:** Prioritized to ensure safe and reliable service. Guadalupe River Bridge Replacement is a critical infrastructure project.
- **Safety Projects:** Collaborating with Caltrain's Member Agencies to fund local-level initiatives, including *grade crossing enhancements, new ROW fencing, CCTV installations at stations*.
- **Enhancement & Customer Experience:** Temporarily deferred as Guadalupe work is finalized.
- Exception: Small improvements or necessary completions.
- Locally funded projects (e.g., Diridon Station - Environmental).

## Challenges

- **Operating deficits** redirected flexible funds away from capital needs.
- **Federal funding** outlook is uncertain, currently the largest remaining source.
- **Increased construction costs** are limiting what we can deliver with existing funds.

# Capital Budget & Funding Strategy

## *Funding Challenges for Systemwide Projects*

Needs for systemwide projects far exceed the available funding

Each member contributes equally ($5M/year). Contributions can't increase unless all counties match

→ **Counties must be in the same financial position**

**Potential Solutions:**

- Moving away from an annual equal-share model for TA contributions to a longer-term structure.
- Identify elements within systemwide projects that could be delivered as local project with significant localized benefits

# Capital Budget & Funding Strategy

## *Improving Flexibility in TA Funding Contributions*

**Current Situation:**

- Annual 1/3 equal funding contribution from each member agency
- Annual funding level set by the member agency with lowest funding capacity which limit overall funding

**Proposed Approach:**

- Use the 4-Year Rolling Program to assess the member contributions over a longer period.
- Total equal contribution over a 4-year period.
- Define reporting procedures to ensure accountability and tracking.

**Benefits:**

- Enables counties with more resources to fully utilize their tax measure funds to advance priority projects
- Provides greater flexibility in funding capital project priorities
- Maintains a fair overall contribution across counties over time

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# Capital Budget & Funding Strategy

## *Refocusing on Local Projects*

- Counties have dedicated tax measures that fund Caltrain
- These measures vary in size and fund flexibility/eligibility by county
- Some counties have available funds **now** (additional to their $5M) and can fund critical local projects without the requirement of the matches from other member agencies.

**Critical projects that could be implemented at the local level:**

Safety Enhancements
Grade Crossing Rapid Deployment
Grade Crossing Safety Projects
Right-of-Way Fencing

Station Specific Enhancements
CCTV at Stations
Access/Accessibility improvements
Wayfinding

# Capital Budget & Funding Strategy

*Refocusing on Local Projects*

## Proposed Approach

- Develop county-specific **expenditure plans** over the life of each tax measure.
- Match local funding to **Caltrain-prioritized** local projects.

## Benefits of This Approach

- Position Caltrain as a **collaborative partner** in investing local dollars and **demonstrating visible community impact.**
- Enables progress despite uneven funding capacity
- Increases transparency and long-term planning stability

# Capital Budget & Funding Strategy

## *State & Federal Advocacy*

### State Cap and Trade

- **May Revision to the Governor's Proposed Budget**
- **Caltrain projects with synergy to California High-Speed Rail:**

  **"Book-End" Projects:**
  - **Safety-Focused**: Crossing improvements and bridge SOGR
  - **Capacity-Enhancing**: Projects such as level boarding, signal modernization to improve throughput and operational efficiency
  - **Northern California Major Regional Projects:** The Portal/DTX, Diridon Station, UP right-of-way improvements (south of Tamien), and grade separations
  - **Caltrain Operations & Maintenance**: Ongoing support for electrified service and system reliability

### Federal

- **Transportation Reauthorization bill likely 2026**
- **Priorities: Formula Funding, Safety funding, CIG, Regulatory Streamlining**

# Discussion Questions

## Local Priorities

- Staff will be working to match local sales tax measure resources with priority projects through an Caltrain-TA capital program delivery plan/process, so we can fully utilize the funding available (namely San Mateo’s Measure A, Santa Clara’s Measure B, and San Francisco) timely and cost effectively. How can staff leverage the Board's support during this process?

## State & Federal Advocacy

- The Governor’s May Revise proposes reductions to key Cap and Trade funded programs that Caltrain has historically depended on to support Capital investments, such as Transit and Intercity Rail Capital Program (TIRCP) and Affordable Housing and Sustainable Communities (AHSC). Does the Board have strategic guidance for staff as we advocate on behalf of Caltrain to maintain funding for these program?

- Caltrain's state of good repair program (SOGR) relies heavily on federal formula funds, namely Federal Transit Administration (FTA) 5337 funding of which funding is not yet appropriated starting in FY27. Staff will continue to advocate for funds in the reauthorization and appropriation process and other feedback from the Board?

# Discussions & Next Steps

*Executive Director: Michelle Bouchard*

# Where Should Staff & Funding Resources Go?

## *Quick Board Survey - Retake*

### Grow Ridership

- Promoting electrified service
- Special events
- Partnerships and promotions
- Engage employers in return-to-office efforts

### Increase Fare Revenue

- Increase price for existing fare products
- Go Pass reform and promotion
- Eliminate Clipper discount
- Evaluate alignment of ridership and revenue growth

### Generate Non-Fare Revenue

- Advertising & Naming Rights
- Fiber Optic Leasing
- Energy Storage and Solar
- Transit Oriented Development
- Real Estate assets/lease management

### Cost Containment/Reductions

- Reduce rail operator costs
- Ongoing effort to control and reduce wage and benefit costs
- Control and reduce non-labor costs

### Funding Advocacy Efforts

- Operating funding support from State
- SB 63 – Regional Measure
- Transit Development Act reform
- Cap and Invest program

### Member Agency Contributions

- Feasibility of contributions for operations
- Partner with member agencies to utilize the funding dedicated to Caltrain timely and effectively
- Explore Caltrain-only measure

# Any additional comments from the Board?

# Next Steps

- Adoption FY26 Operating and FY26-FY27 Capital Budget (June 2025)
- Ongoing FY27 Operating Budget development/strategy effort with the Budget workshop Feb/March 2026 and adoption in June 2026
- Recommendation for January 1, 2026 Fare Increase to the Board in the fall
- Fiber and energy storage project implementation plans update (Fall 2025)
- Ridership growth effort/Go Pass updates (December 2025)
- Next 10-Year SFP update (Winter 2026)
- Real Estate and TOD related policy and strategy update (Winter 2026)

# Public Comments