

Caltrain Board Budget Workshop

April 2, 2026



Workshop Stage & Goal Setting

Michelle Bouchard & Melissa Jones

Caltrain Connects the Region



- Caltrain carries millions of riders across three counties and 20 jurisdictions.
- Caltrain's service touches 37% of the Bay Area's population
- Caltrain not only benefits riders but also non-riders by reducing traffic congestion
- Properties by Caltrain are worth more and businesses make decisions based on the service

Critical Inflection Point



External Funding Needed to Fill Ongoing Structural Deficit

One-time State loan funds balance FY27 operating budget. For FY28+, Caltrain faces average operating deficit of \$75M over the next 15 years.



Ridership & Revenue Are Growing

Caltrain will continue to grow ridership, generate revenue, and find cost savings — but growth and cuts cannot close the gap.



No External Funding Scenario

- ✘ Reduce to hourly service
- ✘ Eliminate weekend service
- ✘ End service at 9:00 PM
- ✘ Close ~1/3 of stations
- ✘ Cut segments of service



Even Significant Cuts Won't Solve the Deficit

Cutting service drives away riders, which reduces operating revenue in a downward spiral, offsetting much of the savings from cuts. Significant deficit remains.

Goals for Today

- **Provide an understanding of:**
 - Preliminary FY2027 Operating Budget
 - Strategies to reduce costs and raise revenue
 - Financial Outlook for FY2028-2041 with and without external funding
- **Receive Board input on:**
 - Draft Planning Framework for Caltrain's No External Funding Scenario

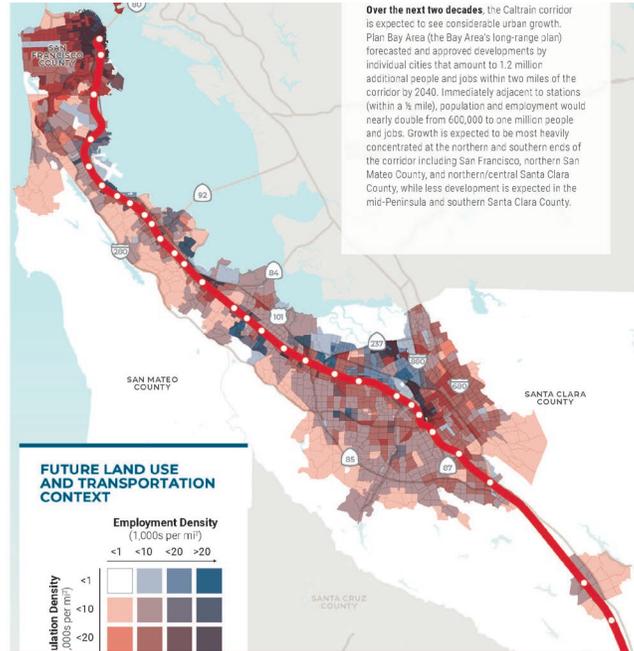
Workshop Agenda

1. Caltrain Context
2. Updates on FY2027 Operating Budget Development
3. Beyond FY2027: Service and Financial Planning, With and Without External Funding
4. Discussion and Next Steps

Every Day, Caltrain Serves the Region



Today, Caltrain carries about a total of three freeway lanes' worth of people during peak periods.* US-101 traffic is 93% of pre-pandemic levels at rush hour.**



Today, 2.9 million people, or 37% of the 9-County Bay Area's population, live in the 20 cities served by Caltrain.



Today, Caltrain enables people using other forms of transit and active transportation to extend the range of their trips: only an estimated 1 in 6 Caltrain passengers drives and parks at a station.***

*Based on Caltrain's average weekday ridership for Tuesdays. **Caltrans most recent AADT available for 2023. ***2025 Triennial Survey.

Without Caltrain, Daily, the Region Could Experience:



36,000

More car trips



828,000

More miles driven



220

More metric tons
of CO₂ emissions,
equivalent to
25,000 gallons of
gas consumed



Many riders depend on – and highly value – Caltrain service

- **93% of riders satisfied** with overall Caltrain experience*
- **40%** of riders use Caltrain > 4 days/week, and **29%** of riders use Caltrain 2-3 days a week**
- **67%** of riders use Caltrain for work** and **51%** of riders have **no access** to a car for their trip***
- **37%** of riders have low incomes** and **10%** of riders are youth, seniors, or people with disabilities**



Caltrain contributes to the local tax bases across its corridor

Proximity to Caltrain stations increases the property value for homes and increases rents for offices.

Caltrain's Current Financial Structure



Fixed Cost Structure

Rail infrastructure and fleet costs don't scale linearly with service — unlike bus agencies.



Revenue Depends on Ridership

Fares, parking, and other self-generated revenue all require high-quality, frequent service.



One-Time External Funds Filled the Gap

Mostly one-time Federal, State, and local funds, plus Measure RR, have sustained operations since the pandemic.

Discussion / Questions

Updates on FY27 Operating Budget

Oscar Quintanilla Lopez

FY2027 Budget Overview



One-Time State Loan Sustains Service

State Loan allows Caltrain to continue current service levels and support ridership growth and revenue generation efforts.



Ridership Growth and Cost Efficiencies Making Impact

Increased fare revenue and cost efficiencies have meaningful impact, but not enough to close the structural deficit.

Near-term Budget Schedule

March 2026:
State Loan

June 2026: Adopt FY27 Budget
and Framework for No
External Funding Scenario

November 2026: General
Election

Summer 2027: Measure Funds
Flow for FY28

FY2026

FY2027

FY2028

Continue FY26 Service Levels

Maintain current service level using one-time State Loan funds through FY27. Focus on ridership growth, customer experience, cost efficiencies, and non-fare revenue opportunities.

Successful Transit Revenue Measure

Continue FY26 Service Levels

One-time funds & State Loan as bridge funding until new external funds are available

Plan for financial sustainability and cash flow

Failed Transit Revenue Measure

Preparing for Service Cuts

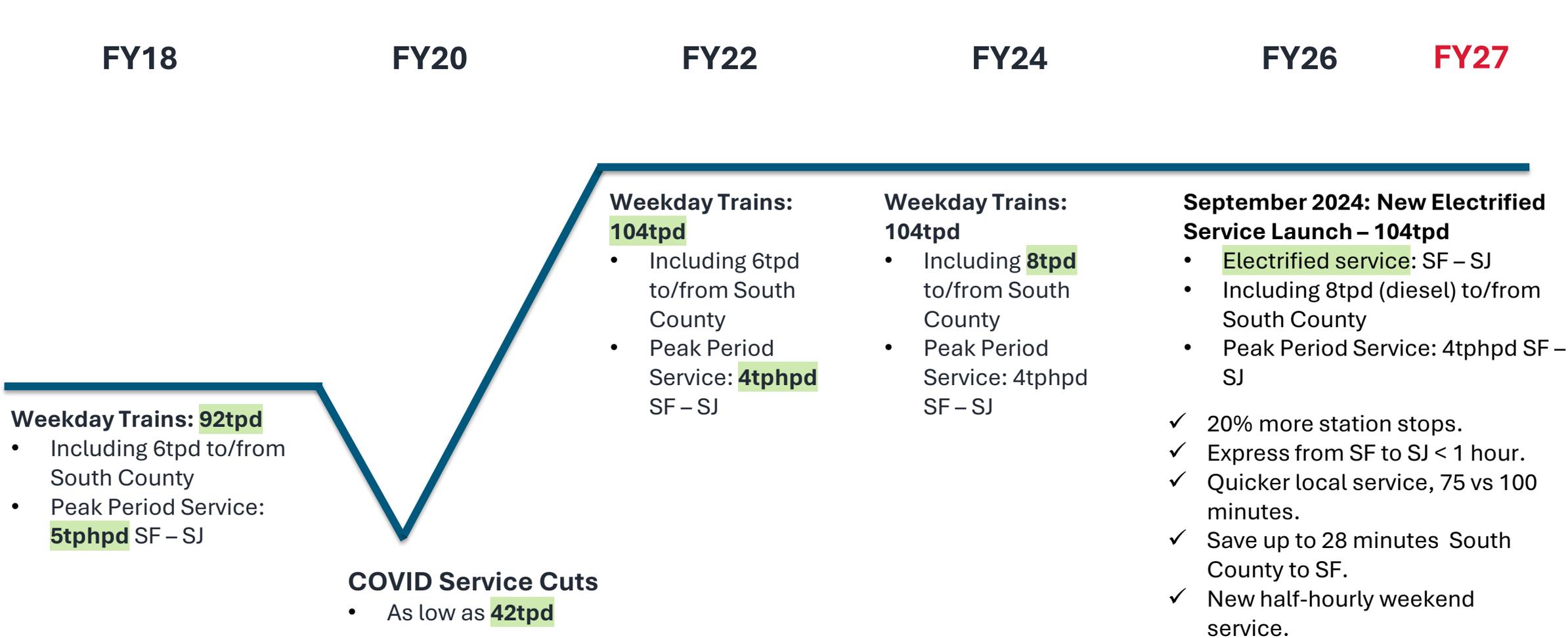
External funding still required. Plan for substantial service cuts, increased fares, increased risks.

Unsustainable service level

Fare revenue loss could lead to further service cuts

Caltrain FY18-27 Service Levels

Weekday Service Levels (trains per day)



Green = change | tpd=trains per day | tphpd=trains per hour per direction in peak periods
South County = Southern Santa Clara County Service to Gilroy

Preliminary FY27 Operating Revenue

▲ Farebox +\$11.5M from ridership growth and fare increase

▼ Go Pass -\$1.1M from reduced participation

▲ Parking & other sources modest growth

▲ Conservative Measure RR forecast

▼ Low Carbon Fuel Standard (LCFS) credits -\$3.8M below forecast due to lower credit price and reinvesting in electrification and sustainability goals

(in Millions)	DRAFT FY27 Budget (June 2025)	Preliminary FY27 Budget*	Change
Farebox	52.1	63.6	+11.5
Go Pass	15.2	14.1	(1.1)
Parking	3.6	4.0	+0.4
Other Revenue	5.9	6.2	+0.3
Operating Revenue	76.8	87.9	+11.1
Operating Grants	10.1	10.1	—
Measure RR	123.5	124.9	+1.4
LCFS Credits	6.6	2.8	(3.8)
State Grants	8.4	7.6	(0.8)
Gilroy 4 th Train	3.5	1.8	(1.7)
Contributed Revenue	152.1	147.2	(4.9)
Total Revenue	228.9	235.1	+6.2

* Preliminary FY27 Budget is still in development, updates will be presented to the JPB in May

Preliminary FY27 Operating Expenses

▼ Rail Operator Service held close to FY26 level -\$3.7M from prior forecast

▼ Traction Power -\$2.6M from prior forecast

▲ +\$3.0M Facilities & Equip Maintenance includes CCTV cameras, increased warehouse rent and positive train control fees

▲ +\$0.9M Clipper costs due to higher customer service costs and bank transaction fees

▲ +\$1.1M in Managing Agency Overhead costs

(in Millions)	DRAFT FY27 Budget (June 2025)	Preliminary FY27 Budget*	Change
Rail Operations	133.0	129.3	(3.7)
Technical Supp. & Spares	10.4	8.2	(2.2)
Security Services	10.3	10.3	-
Traction Power	17.6	15.0	(2.6)
Insurance & Claims	20.0	19.7	(0.3)
Facilities & Equip Maint	9.8	12.8	+3.0
Rev Coll. & Customer Serv	2.0	2.9	+0.9
Other Ops. Expenses	7.3	5.6	(1.7)
Operating Expenses	210.4	203.8	(6.6)
Wages and Benefits	25.4	25.7	+0.3
Professional Services	10.6	10.5	(0.1)
Managing Agency OH	5.7	6.8	+1.1
Other Admin Expenses	5.6	7.7	+2.1
Admin Expenses	47.3	50.7	+3.4
Total Operating Expenses	257.7	254.5	(3.2)

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Preliminary FY27 Operating Budget

(in Millions)	DRAFT FY27 Budget (June 2025)	Preliminary FY27 Budget*	Change
Operating Revenue	76.8	87.9	+11.1
Contributed Revenue	152.1	147.2	(4.9)
Total Revenue	228.9	235.1	+6.2
Operating Expenses	210.4	203.8	(6.6)
Administrative Expenses	47.3	50.7	+3.4
Other Expenses	28.3	30.2	+1.9
Total Expenses	286.0	284.7	(1.3)
Net Result	(57.1)	(49.6)	+7.5
State Loan	-	50.0	+50.0

▲ Total Revenue increased by \$6.2M

▼ Total Expenses reduced by \$1.3M

Ridership growth and cost efficiencies having meaningful impact, but State Loan is critical for sustaining service levels in FY27

* Preliminary FY27 Budget is still in development, updates will be presented to the JPB in May

Operating Budget Risks



Insurance premiums & claims exposure



Electricity and fuel cost fluctuations



Sales tax / Measure RR volatility



State funding uncertainty (LCTOP, Transportation Bill)

Non-Fare Revenue Strategies



Parking Revenue

Optimize parking pricing across the corridor



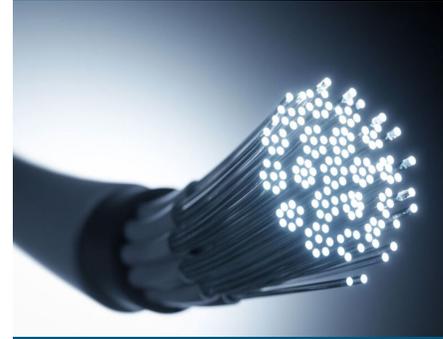
Advertising Revenue

Expand on-train and station advertising program with new electrified fleet



Energy Storage Solutions

Explore battery storage to capture regenerative braking energy and reduce costs



Fiber Optic Cable and Telecommunications Leasing

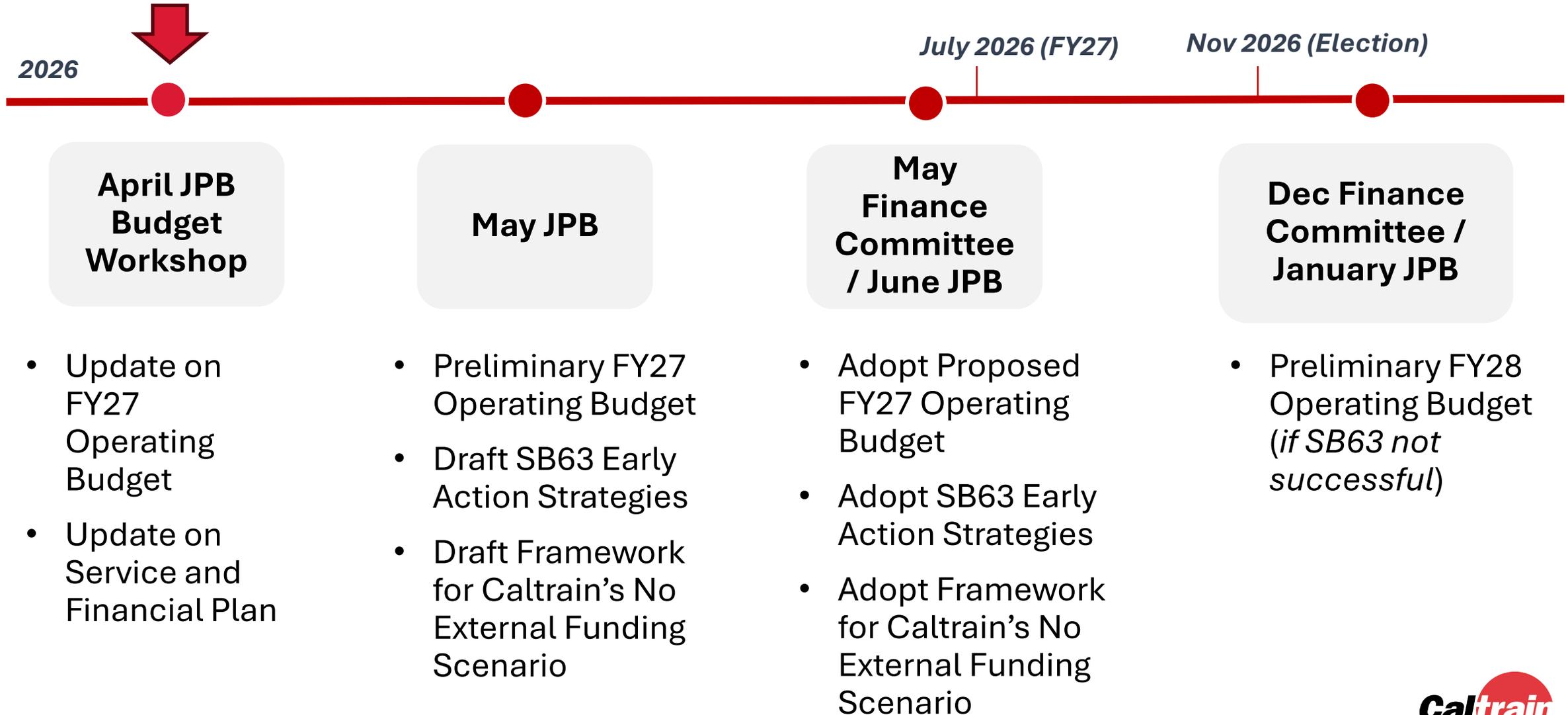
Leverage right-of-way for telecommunications infrastructure revenue



Property Holdings Revenue

Increase revenue from Caltrain's property portfolio through leasing and development

FY27 Budget Timeline



FY27 Operating Budget Discussion Questions

- Do you have any comments or questions about the updated projections for the Preliminary FY27 Budget's operating revenues and expenses?
- Do you have any comments or questions on risks contemplated by the budget?
- Do you have any comments or questions on the budget development timeline and proposed approach?

Beyond FY2027: Service and Financial Planning With and Without External Funding

Oscar Quintanilla Lopez, Melissa Jones

Why Does Caltrain Have a \$75M Annual Operating Deficit?



Commute Patterns Shifted

Sustained, significant changes in traveling across San Francisco and Silicon Valley since the pandemic.



Ridership & Revenue Less Than Before

Fewer riders meant lower fare, parking, rental, and advertising income.



Costs Rose With Inflation

Operating costs grew faster than revenue across the transit industry.



Electrification Raised Fixed Costs

51 miles of new 25KV electrical infrastructure to maintain.

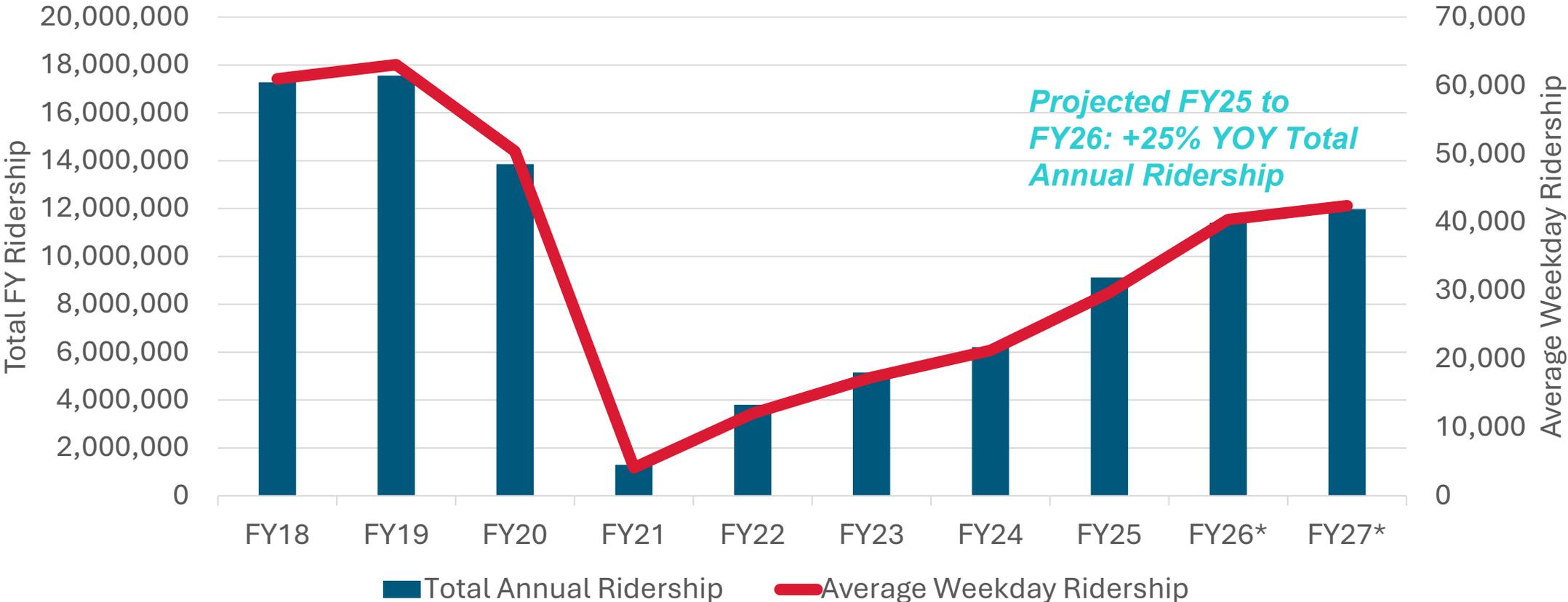


Combined result: These factors as well as the elimination of member contributions AND exhaustion of one-time funding sources have compounded to create a structural operating deficit that cannot be resolved through cuts or self-generated revenue alone.

Caltrain Ridership Trends

- Ridership demand continues to grow in response to Caltrain’s electrified service improvements, but the rate of growth is slowing down.

Total Fiscal Year and Average Weekday Ridership (FY19-27)



Sources: Caltrain Annual Ridership Reports; Caltrain Fare Media-Based Ridership Estimates.

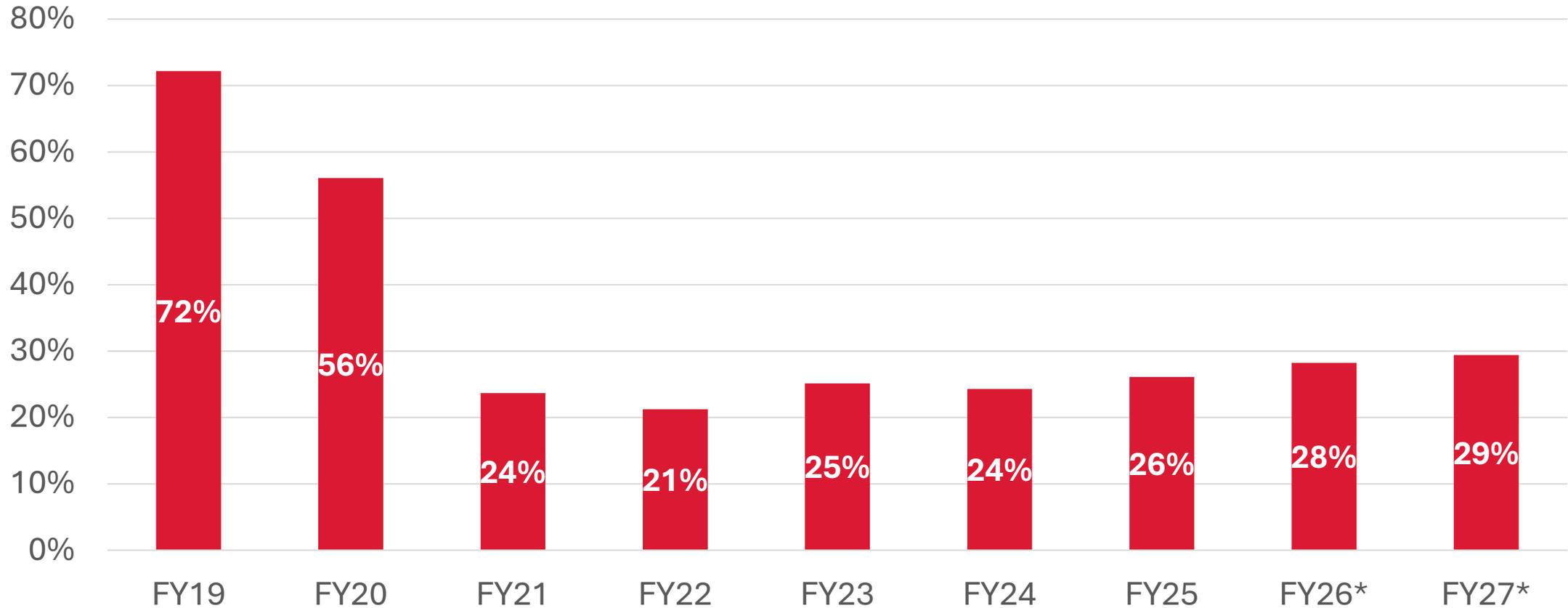
*FY26 and FY27 projected.



Farebox Recovery Ratio

- 2019, fare revenue comprised over 70% of operating revenue.
- Today, while still nation leading, fare revenue accounts for less than 30% of operating expenses.

Caltrain Farebox Recovery Ratios (FY19-27)

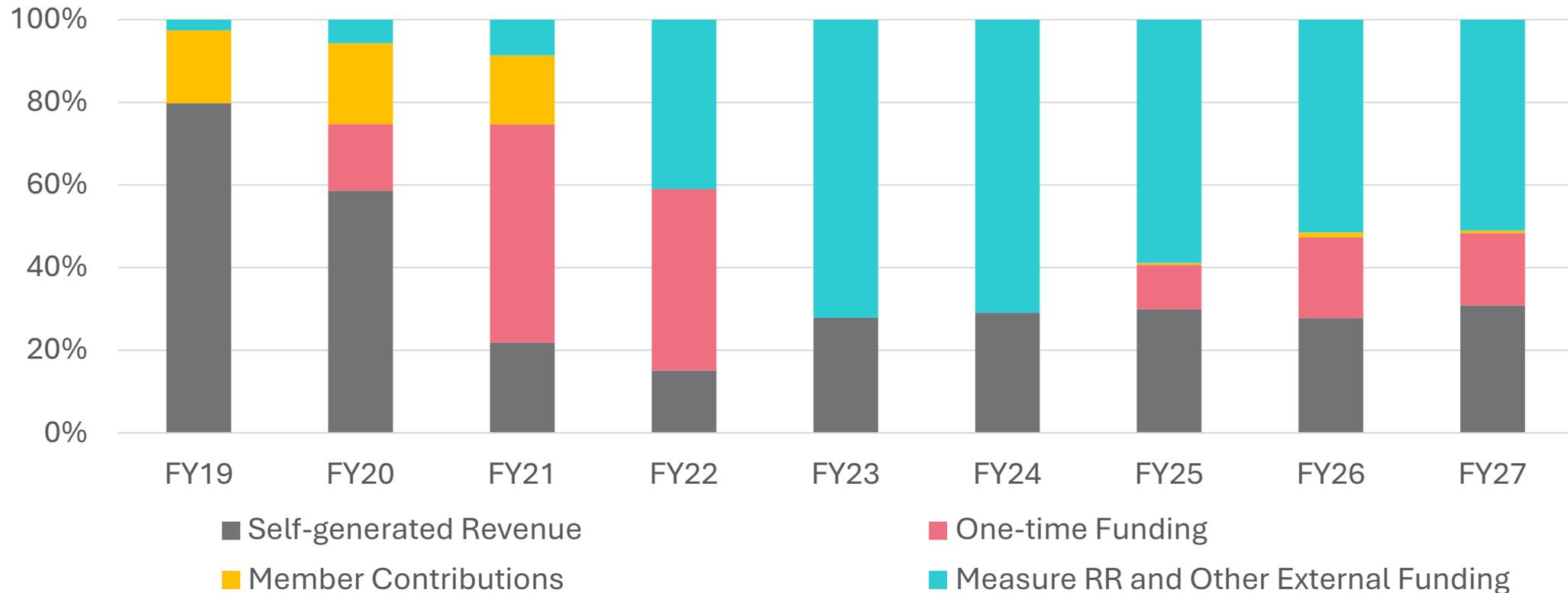


Notes: FY19-25 Actuals; FY26-27 projected.

One-time and External Funds Crucial After 2020

- While Caltrain strives to increase self-generated revenue sources – fares, rental income, advertising revenue, parking revenue, etc. – they will not be enough to sustain operations.

Percentage of Total Annual Operating Revenue, FY19-27



Notes: Self-generated revenue includes fares and income from parking, advertising, leases, etc. One-time funding includes State and federal pandemic relief funds, SB125 funds, and State Loan (FY27). Member contributions in FY25-27 are for Gilroy 4th Train. FY19-25 are actuals; FY26-27 are projections.

Fixed Costs to Maintain the Caltrain System and Rising Inflation

Between 2019 and 2025, the Bay Area's cumulative inflation rose 24.5%. During this same period, Caltrain delivered Electrification, a **once-in-a-generation investment** that transformed rail service between San Francisco and San Jose.

Now, Caltrain must **operate and maintain the investment** – raising fixed operating costs.

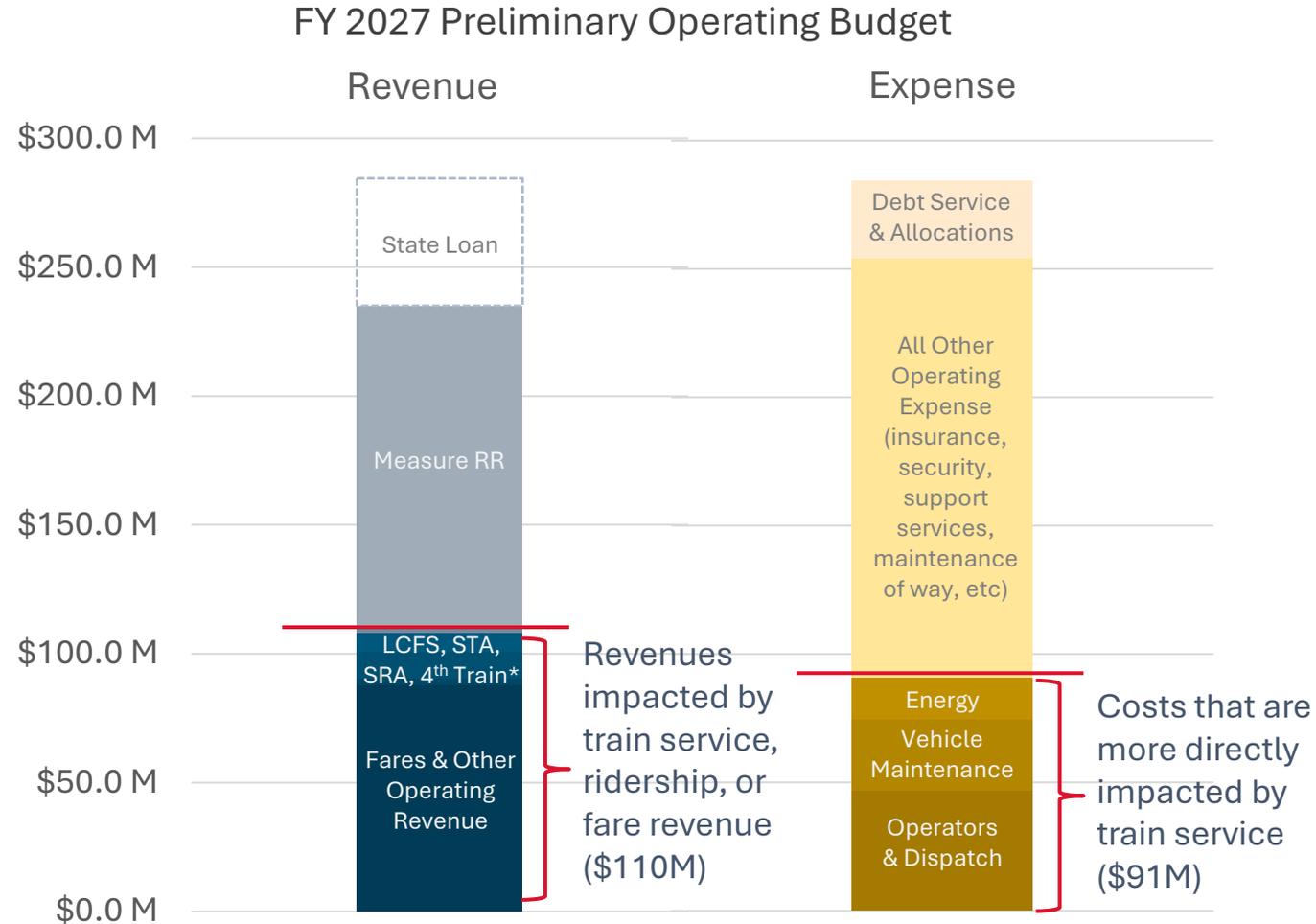
- 19 new electric train sets (7-cars each)*
- 51 miles of overhead contact system (OCS)
- 51 miles of updated signal and communications system
- 2 traction power stations, 1 switching station, and 7 paralleling substations

*Caltrain also maintains diesel fleet (6 locomotives and 41 cars).



Caltrain's Operating Structural Deficit Persists Even with Service Cuts

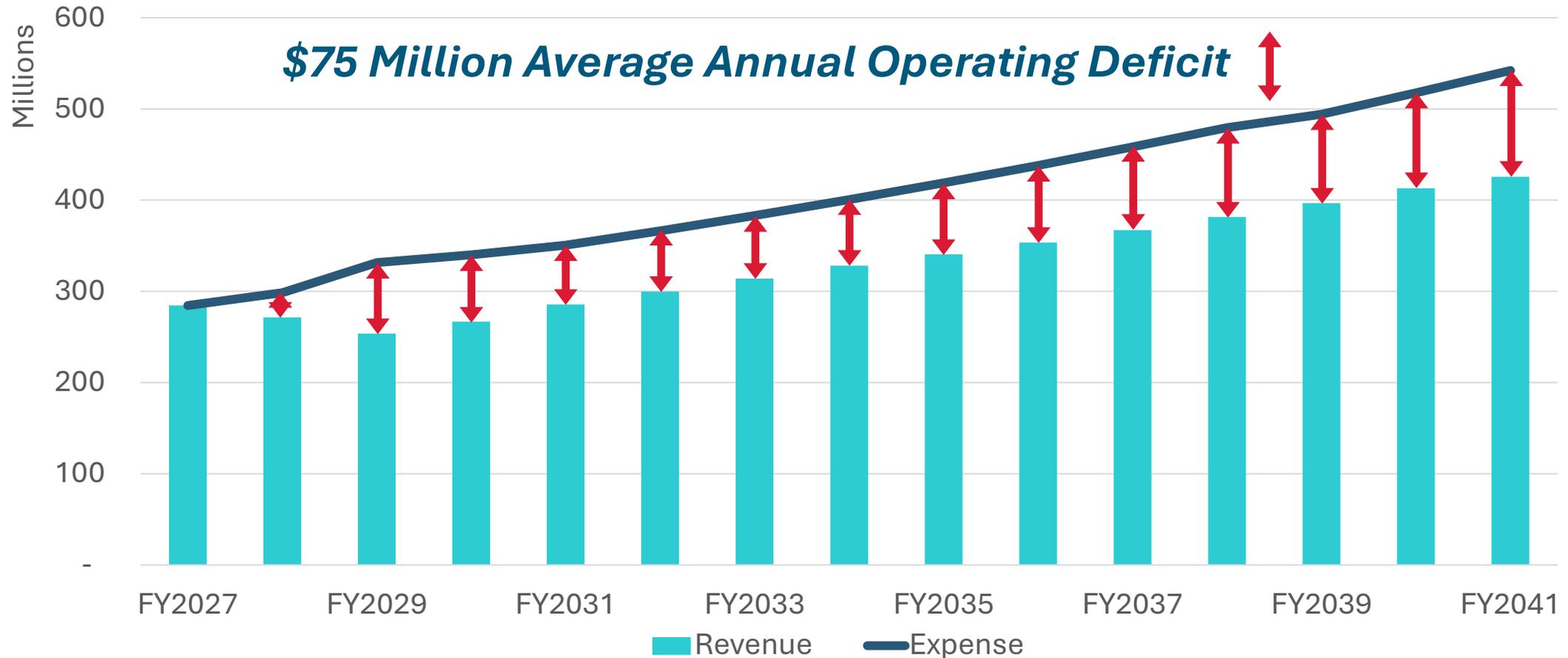
- **Service cuts will not solve the structural deficit.**
- Like all rail operators, Caltrain has high fixed costs, low marginal savings.
- Ridership and fare revenue are driven by the quality of the service provided.
- With deep service cuts, revenue losses are likely to offset cost savings.
- **External funding required to sustain service.**



* Low Carbon Fuel Standards credits, State Transit Assistance, State Rail Assistance, and VTA's Gilroy 4th Train contribution

15-Year Operating Budget Baseline Forecast Without External Funding

Projected Operating Deficit as of April 2026



Current Service

Today, Caltrain's mainline service provides reliable, frequent rail transit along the Peninsula corridor.



Peak Service

Every 15 minutes on weekdays



Off-Peak Service

Every 30 minutes on weekdays



Hours of Service

~5 AM to ~1 AM weekdays



Weekend Service

Every 30 minutes

No External Funding Scenario: Significant Service Cuts

Potential Cuts Starting FY28

Absent external funding, Caltrain would need to institute significant cuts beginning summer 2027.



Hourly Weekday Service

Reduce from every 15 minutes in the peak (30 minute off-peak) to once an hour all day



No Weekend Service

All Saturday and Sunday trains eliminated



Early Shutdowns

End operations by 9 PM



Station Closures

Close more than one-third of all stations



Segment Cuts

Eliminate segments of existing service



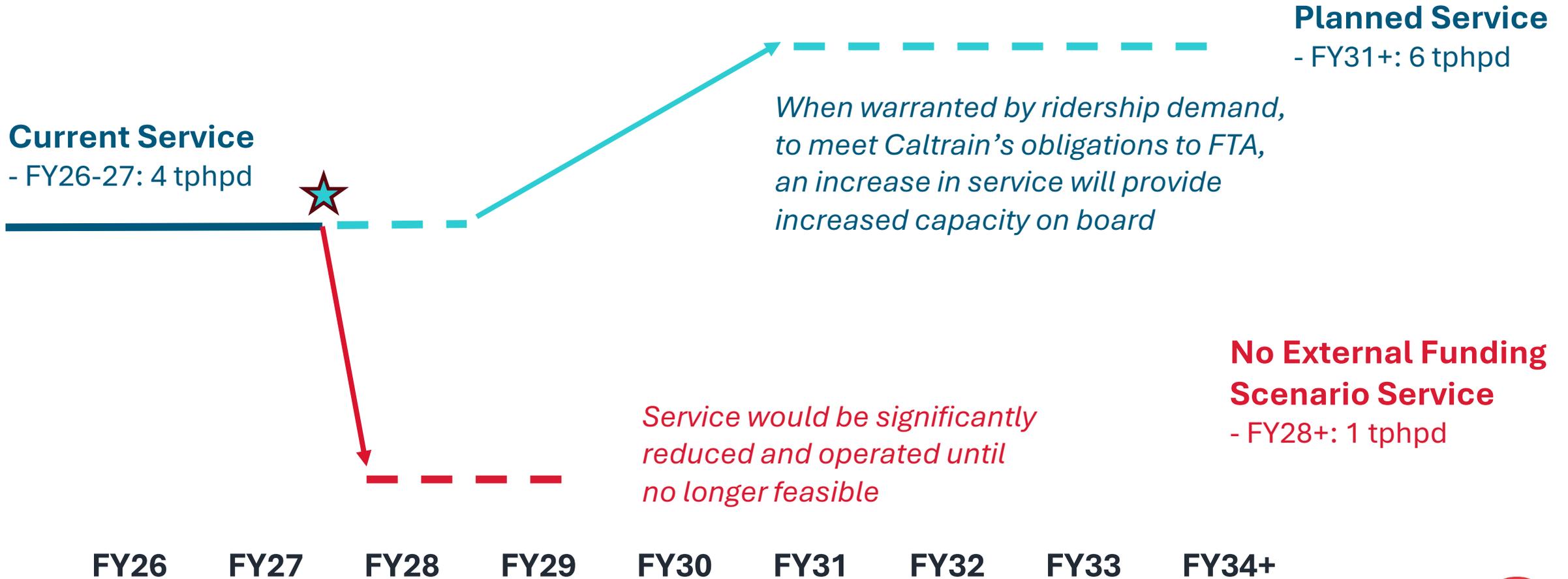
System Support Cuts

Significant cuts to administrative costs

Service With and Without External Funding

Weekday Peak Hour Service Levels

- Trains Per Peak Hour Per Direction (tphpd)

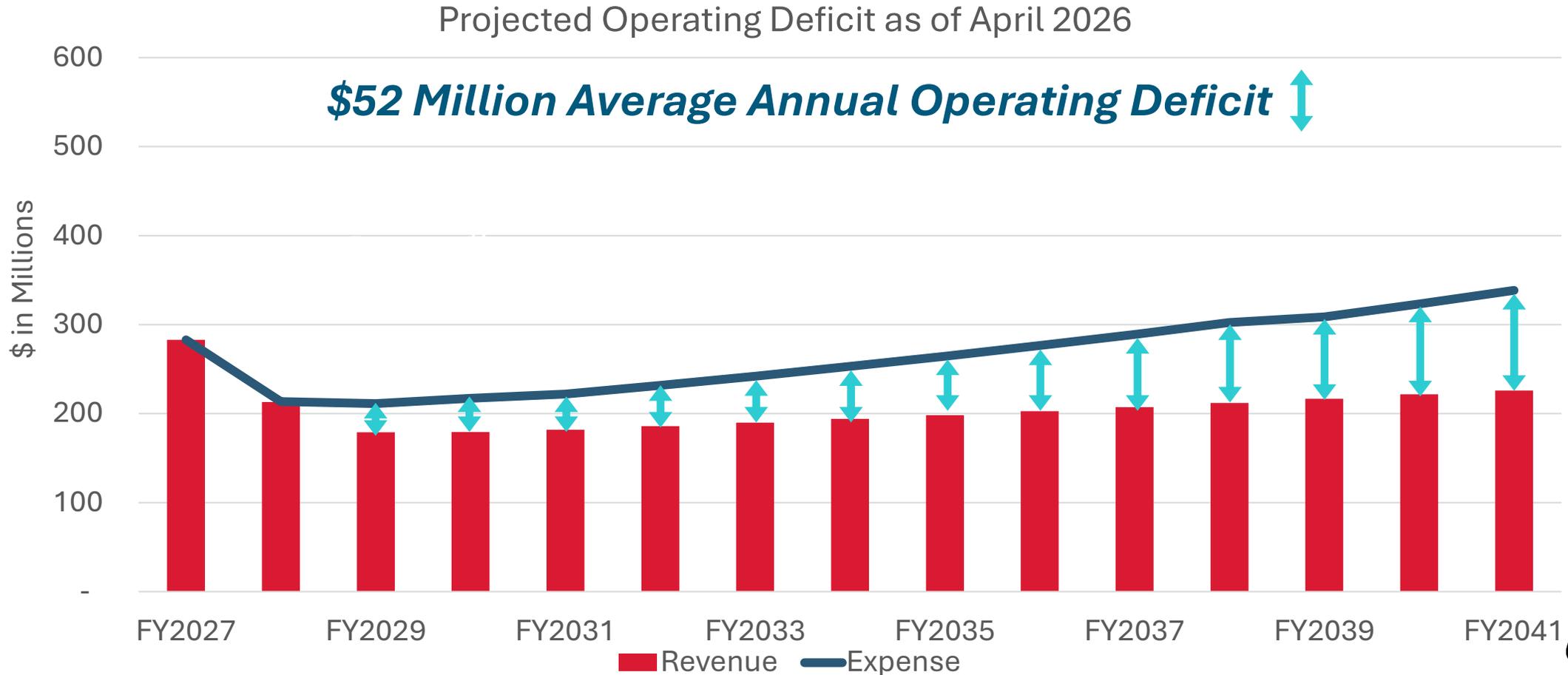


★ Caltrain's FFGA currently requires 6tphpd for peak hour service by beginning of 2028. Caltrain will request an FTA Waiver from this service increase in early 2027.



Without External Funding and with Service Cuts: 15-Year Financial Plan

With service cuts, lost fare and operating revenue partially offset potential cost savings



Without External Funding and with Service Cuts: 15-Year Financial Plan

~60-70% Ridership Loss

~50% Loss in Other Ops Revenue

~15% Loss in Operating Grants

~40% Reduction in Support Services

**~75% Reduction in Electric Train
Miles**

~70% Reduction in Trains per Day

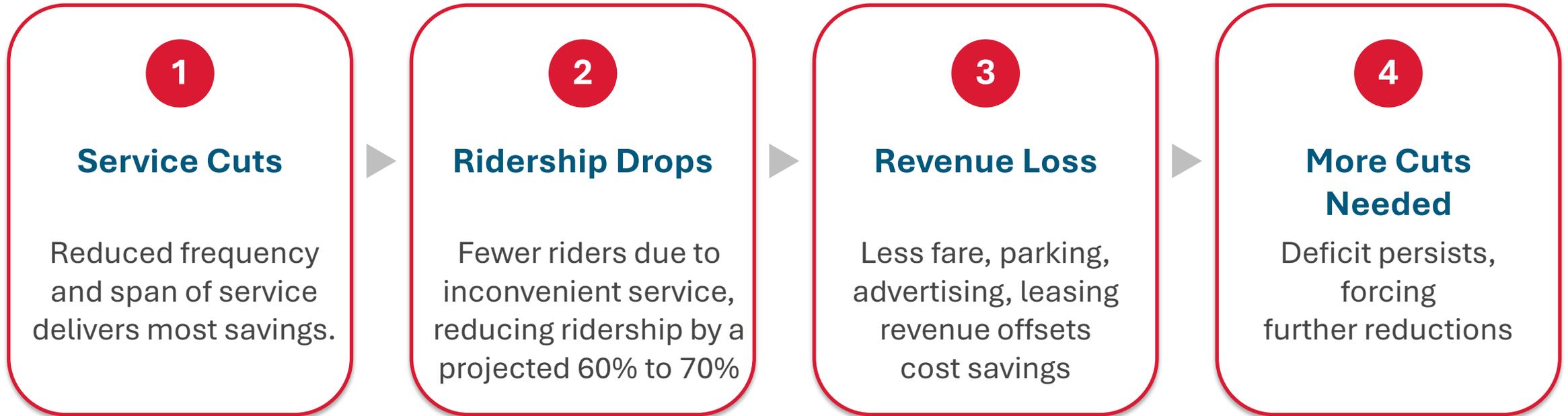
Deficit Comparison

Without External Funding; with and without Service Cuts

- Lost ridership and reduced operating revenue offsets much of the savings from service cuts
- High fixed costs don't scale with service cuts
- **Significant deficit remains**

(in Millions)	FY34 Baseline Scenario	FY34 Service Cut Scenario	Change
Operating Revenue	163	38	(125)
Contributed Revenue	166	157	(9)
Total Revenue	329	195	+134
Operating Expenses	296	182	(114)
Administrative Expenses	66	41	(25)
Other Expenses	39	24	(15)
Total Expenses	401	247	(154)
Projected Deficits	(72)	(52)	+20

Service Cuts Can Create a Downward Spiral



Ridership could decrease significantly, with losses compounded by other agencies' contemplated cuts.

Regional Transit at Risk Without External Funding

2026 General Election
If Regional Measure Fails

FY2027

January 2027:

- **BART** Phase 1 service cut

Summer 2027:

- **Caltrain** service cut
- **BART** Phase 2 service cut, if feasible
- **AC Transit** service cuts to balance budget and sustain operations for FY28+

FY2028

Fall 2027:

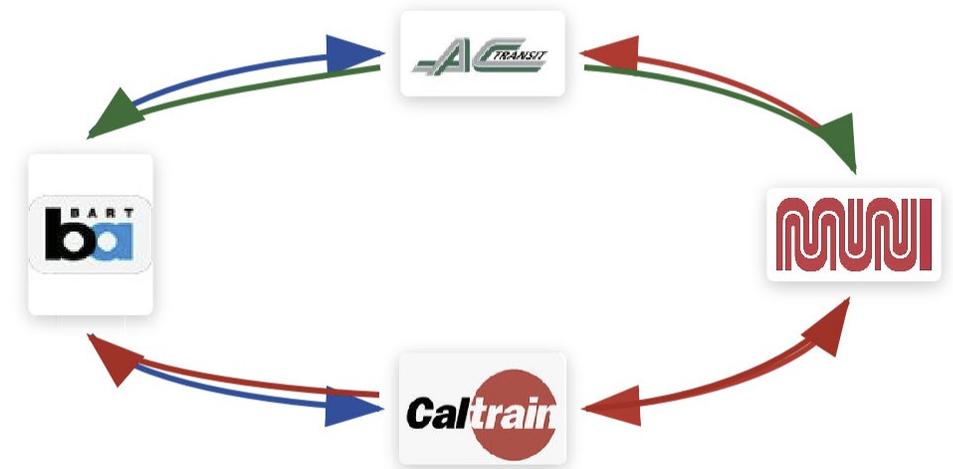
- **Muni** service cuts to balance budget and sustain operations for FY28+

In FY28+, BART and Caltrain would run significantly reduced service.

Duration for reduced service is unknown; current estimate is 1-2 years before Caltrain would need to shut down passenger service (subject to additional analysis).

Regional Transit – Connected Implications

- Specific cuts are not certain yet.
- Contemplated cuts by other agencies in conjunction with Caltrain's would increase Caltrain's ridership loss and further complicate rider trips.
- If no external funding beyond FY28, there is a risk that Caltrain and BART may have to stop passenger service and focus exclusively on maintenance and safety of the corridor and assets.
- Once shut down, it would take minimum of 2-4 years to resume Caltrain passenger service once funding became available.



Draft Framework – No External Funding Scenario

- Planning and budgeting No External Funding Scenario will commence in summer/fall 2026.
- A Framework for Caltrain’s No External Funding Scenario will guide this planning and budgeting process.
- Timeline:
 - **Today**, staff is seeking Board input on draft Framework (next slide).
 - May 2026, staff will return with a draft Framework for discussion.
 - June 2026, staff will propose Board adoption of the Framework.
 - 2027, absent external funding:
 - January 2027: Staff would return with preliminary FY28 Budget, initiating 6-month process to ramp down service for the No External Funding Scenario.
 - Summer 2027: Significant service cuts would start (FY28). Caltrain would identify and implement other cost-saving measures.

Draft Framework for Caltrain's No External Funding Scenario

These **categories of actions** may be considered to plan for Caltrain's potential future without external funding.

In the absence of external funding, staff will request input from the Board on the actions to include in the preliminary FY28 budget.

Service cuts that impact frequency and span: examples include hourly service, no weekend service, station and segment closures

Defer critical SOGR

Significant Staff Cuts

Costs for Reducing Service and Securing Assets including the Fleet

Discussion / Questions

- Is this the right scope for the Draft Framework for No External Funding Scenario, and, broadly speaking, right menu of actions to be brought back to the Board with more detail in May?

Closing & Next Steps

Michelle Bouchard

Important Crossroads



Critical Inflection Point



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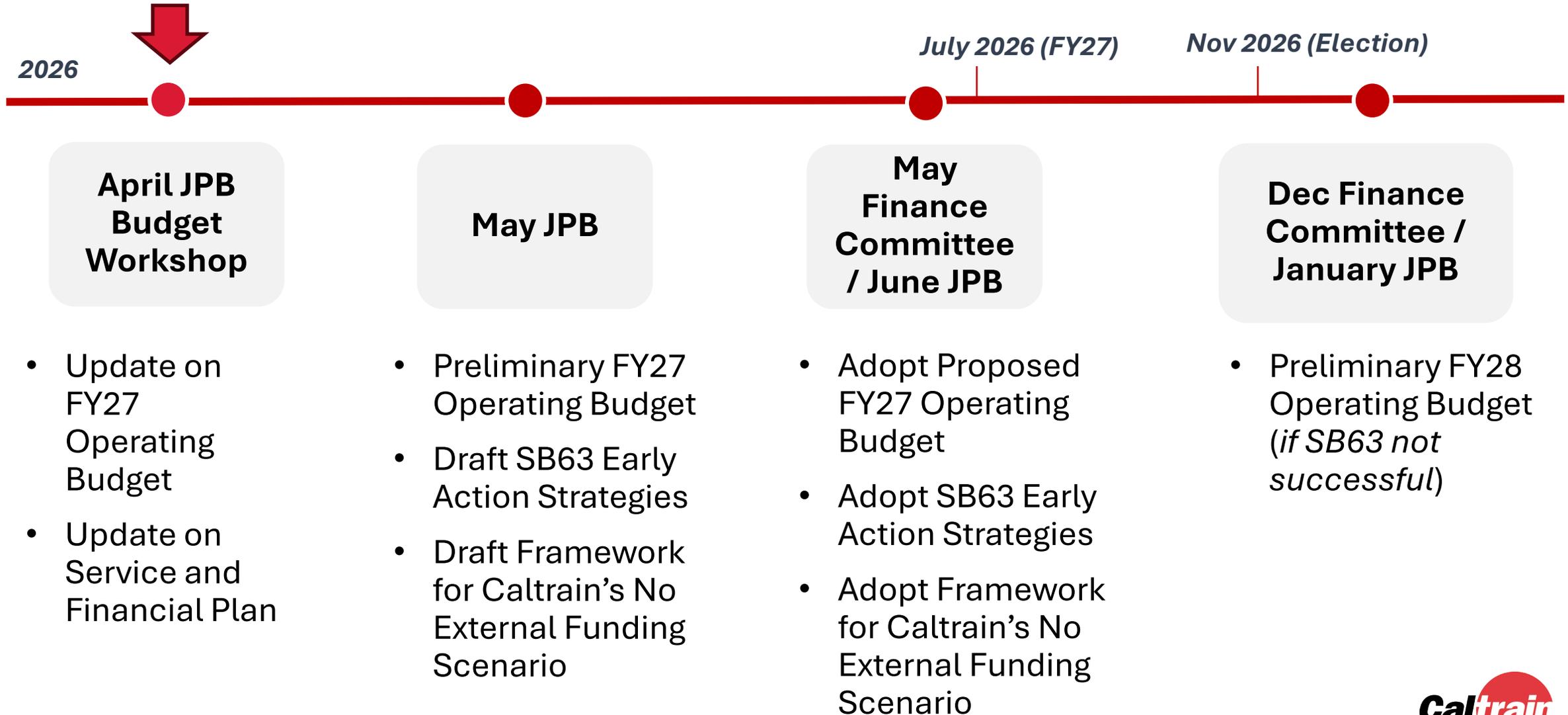
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FY27 Budget Timeline



Any additional comments from the Board?

Public Comment

FOR MORE INFORMATION

WWW.CALTRAIN.COM

