

***Proposal for
Adoption:
Framework for
Caltrain's No
External Funding
Scenario***

JPB Finance Committee

May 18, 2026



Staff Recommendation

Staff recommends that the Board adopt the Framework for Caltrain's No External Funding Scenario.

Important Crossroads



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.



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



Ridership & Revenue Are Growing

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



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.

FY2027 & FY2028 Budget and Service Plans

March 2026:
State Loan

June 2026: Adopt FY27
Budget and Framework

November 2026: General
Election

Summer 2027: Measure Funds
Flow for FY28*

FY2026

FY2027

FY2028

Today: Proposed Adoption of Framework for No External Funding Scenario

Successful Transit Revenue Measure

Continue FY26 Service Levels
One-time fund bridge funding

Financial sustainability
and cash flow

Continue FY26 Service Levels

Failed Transit Revenue Measure

Preparing for Service Cuts
Using Framework for No External
Funding Scenario

Service Cuts and other
impacts

Current Service

Today, Caltrain's mainline service provides reliable, frequent, and high quality 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

Updated No External Funding Scenario: Significant Service Cuts

Potential Cuts Starting FY28

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

Updated No External Funding Scenario could also include elimination of special event service and eventual suspension of Caltrain service.



Hourly Weekday Service

Reduce from every 15 minutes in the peak (30 minute off-peak) to every 60 minutes all day



No Weekend Service

Eliminate all Saturday and Sunday trains



Station Closures

Close more than one-third of all stations



Early Shutdowns

End operations by 9 PM



Segment Cuts

Eliminate segments of existing service



System Support Cuts

Significant cuts to administrative costs



No Special Event Service

Eliminate all special event trains



Caltrain Service Shutdown

Suspend all Caltrain service

Purpose and Timing

- **Purpose:** Staff will utilize a Board-adopted Framework for Caltrain's No External Funding Scenario to guide the next phase of service planning and operations budgeting for Caltrain's potential future without Connect Bay Area or external funding.
- **Timeline:**
 - April: Board provided input for drafting Framework.
 - May 2026: Board discussion Draft Framework.
 - June 2026: proposed Board adoption Framework.
 - Summer/fall 2026: Staff planning and budgeting following Framework adoption.
 - 2027, absent external funding:
 - January 2027: Return with Preliminary FY28 Budget, sharing information about proposed service cuts and initiating 6-month process to ramp down service.
 - Summer 2027: After adoption FY28 Budget, significant service cuts would start (FY28). Caltrain would identify and implement other cost-saving measures.

Overview of Framework

Staff will utilize this short document to guide the service planning and operating budget process for Caltrain's potential future without Connect Bay Area.

Framework Contents:

1. Guiding Principles
2. Scenarios
3. Cost-Saving Measures
4. Revenue-Generating Measures

Framework Changes Since May 2026 JPB Meeting

Following Board discussion at the May 2026 JPB meeting, staff incorporated the following revisions into the proposed Framework for adoption:

1. Added to Preamble: “Staff will engage with corridor communities to provide educational information and seek feedback on Caltrain’s No External Funding Scenario.”
2. Added to Scenarios: “Level of service (if any) that can be provided with only Measure RR and other fixed revenue sources.”
3. Added to Scenarios: “Self-generated revenue fluctuations (e.g., reductions in fare revenue).”

Community Engagement

Staff has started and will continue to provide educational information to corridor communities about Caltrain's No External Funding Scenario. The educational outreach effort will include:

- Dedicated website: <https://www.caltrain.com/caltrain-budget-deficit>
- Press Release and Social Media
- Presentations throughout the corridor including but not limited to: City Councils, Board of Supervisors, Sister Transit Agencies, Business, Labor, Policy groups, Local Policy Maker Group, City County Staff Working Group, City Manager groups, Caltrain CAC, BATAAC and Accessibility Advisory Group
- Broader education engagement tools under consideration as well

Staff Recommendation

Staff recommends that the Board adopt the Framework for Caltrain's No External Funding Scenario (See Attachment)

FOR MORE INFORMATION

WWW.CALTRAIN.COM

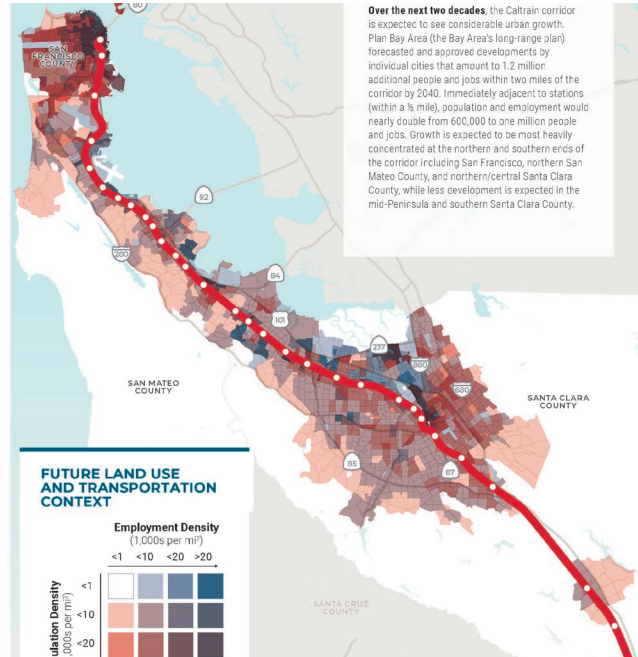


Appendix

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.



Improved Electrified Service

- **Faster:** Express and local trains
- **More Frequent:**
 - Every 15-20 mins weekday rush hour
 - Every 30 mins, every station, 7 days a week (compared to once an hour)
 - 20% more service
 - **Better Experience:** Free wi-fi, outlets at every seat, bathrooms, digital displays, quieter inside and outside the trains
- **On-Time Performance:** over 95%

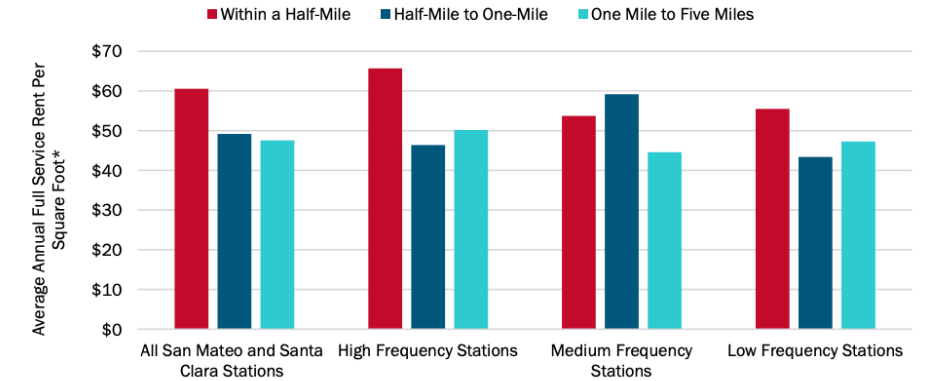


Many riders depend on – and highly value – Caltrain service

- **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**



FIGURE 2-4. AVERAGE OFFICE RENTS, SAN MATEO AND SANTA CLARA COUNTIES



Caltrain is Supporting Local Economies

- Higher property values near stations
- Increased business activity and office demand
- Supports downtowns and local development
- Contributes to local tax bases across the corridor

*Average rent per square foot refers to annual full service gross rents per square foot weighted by the building's rentable building area.
Source: Costar, 2018; Strategic Economics, 2019.*

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



Commute Patterns Shifted

Sustained, significant changes in work patterns 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.

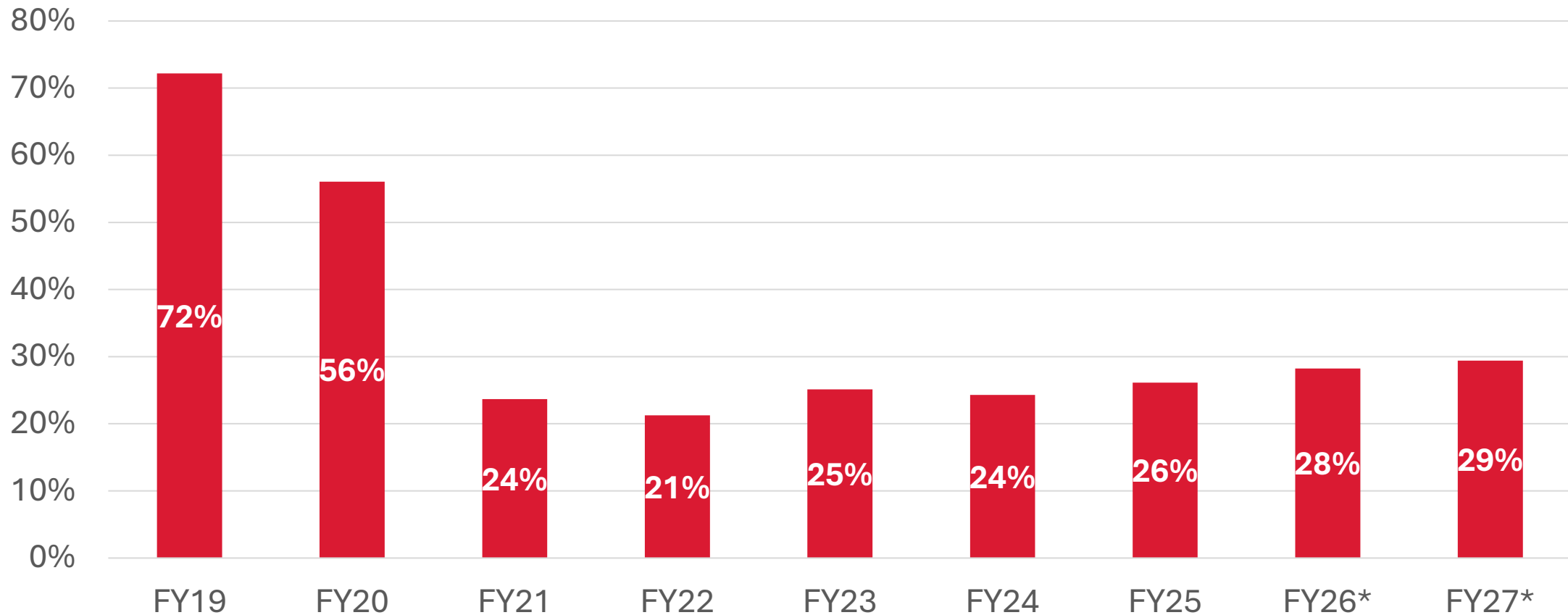


Combined result: These factors and the exhaustion of one-time COVID related funding sources have compounded to create a structural operating deficit that cannot be resolved through cuts or self-generated revenue alone.

Fares No Longer Cover the Same Share of Costs

- 2019, fare revenue comprised over 70% (\$100M) of operating revenue
- Today, while still nation leading, fare revenue accounts for ~30% (\$43M) of operating revenue.

Caltrain Farebox Recovery Ratios (FY19-27)



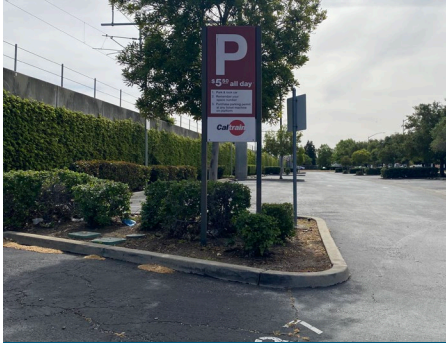
Notes: FY19-25 Actuals; FY26-27 projected.

Cost Containment Strategies

- Strategic hiring freeze
- Comprehensive cost reduction efficiency program
- FY27: Line by line review, held operator contract to previous level
- Implemented crew scheduling efficiencies
- Recouping costs for electricity returned to the grid through regenerative braking
- Develop and evaluate Battery Storage Plan



Non-Fare Revenue Strategies



Parking Revenue

Optimize parking pricing across the corridor



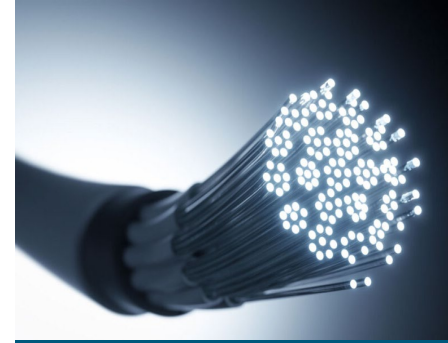
Advertising Revenue

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

15-Year Operating Budget Baseline Forecast Without External Funding

Projected Operating Deficit as of April 2026

