

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

**JPB Board Meeting  
June 4, 2026**



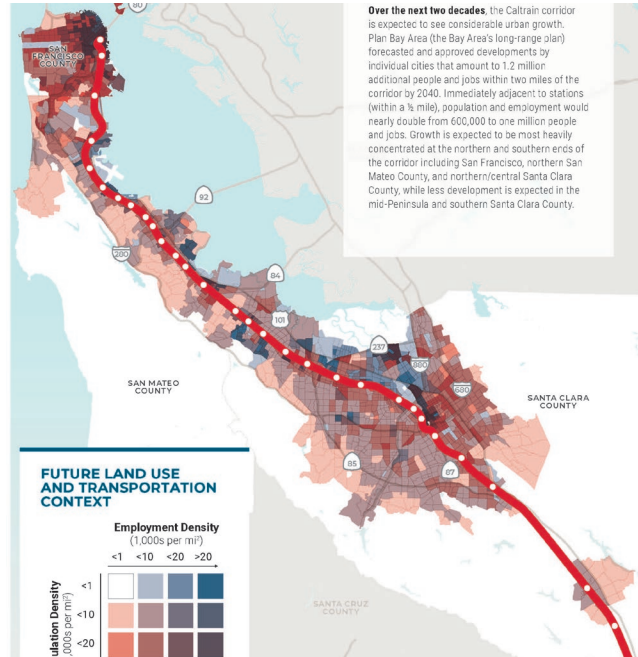
# Staff Recommendation

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

# Every Day, Caltrain Serves the Region



Today, Caltrain carries about a total of three freeway lanes' worth of people during peak periods (~1.5 lanes per direction).\* 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 2024. \*\*\*2025 Triennial Survey.

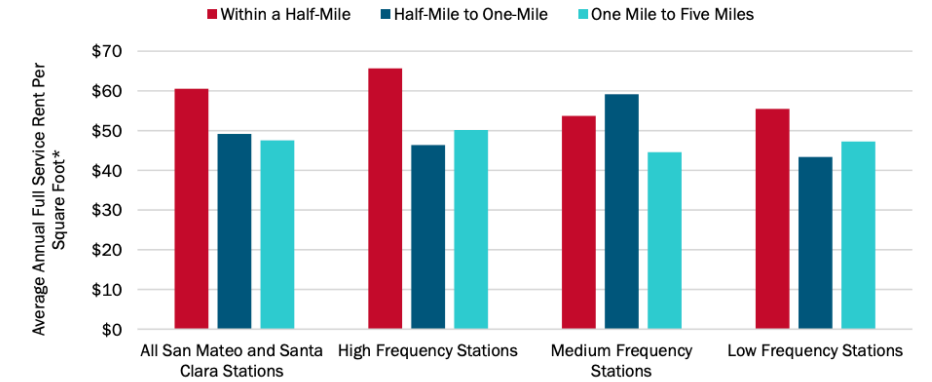


## Many riders depend on – and highly value – Caltrain service

- **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.

# 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.



## 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
- ✗ End service at 9:00 PM
- ✗ Eliminate weekend service
- ✗ Close ~1/3 of stations
- ✗ Cut segments of service
- ✗ No special event service
- ✗ Eventual shutdown of Caltrain 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.

# 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 (self-generated sources).



## 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.

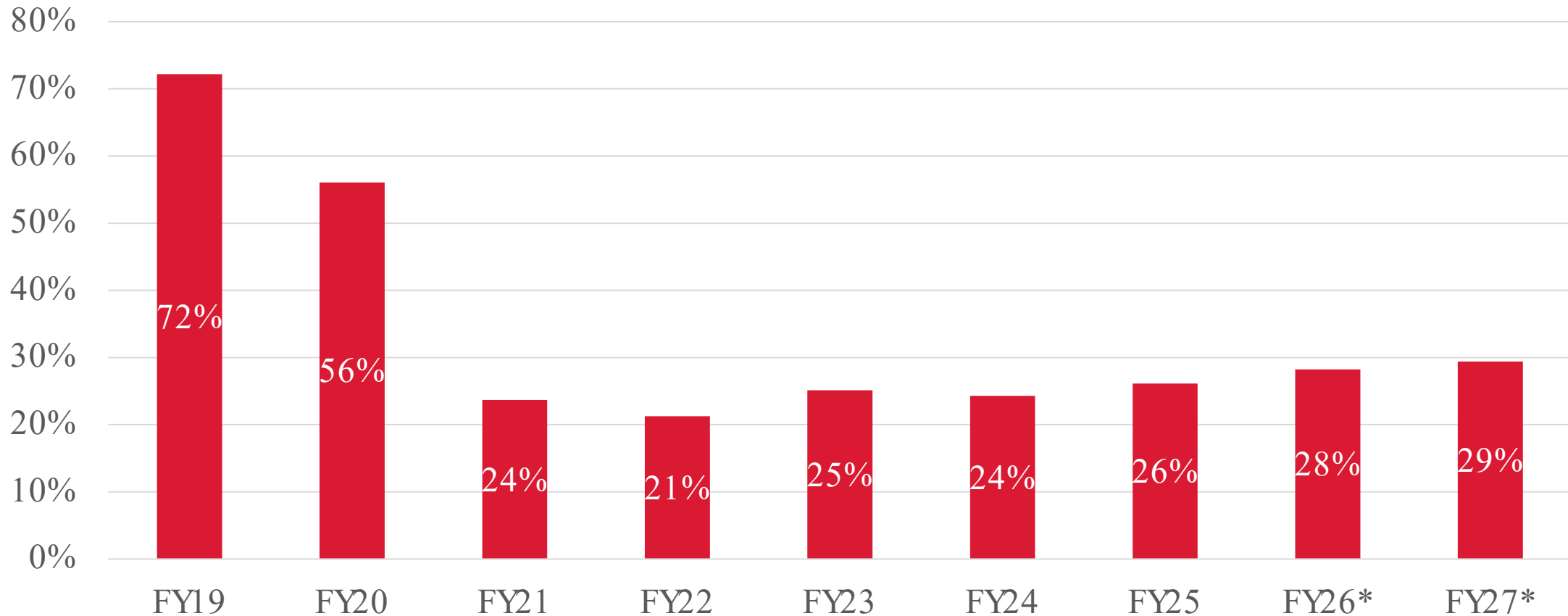


**Combined result:** These factors as well as the elimination of member contributions and the exhaustion of one-time COVID-related funding sources have compounded to create a structural operating deficit that cannot be resolved through cuts or self-generated revenue alone.

# 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)

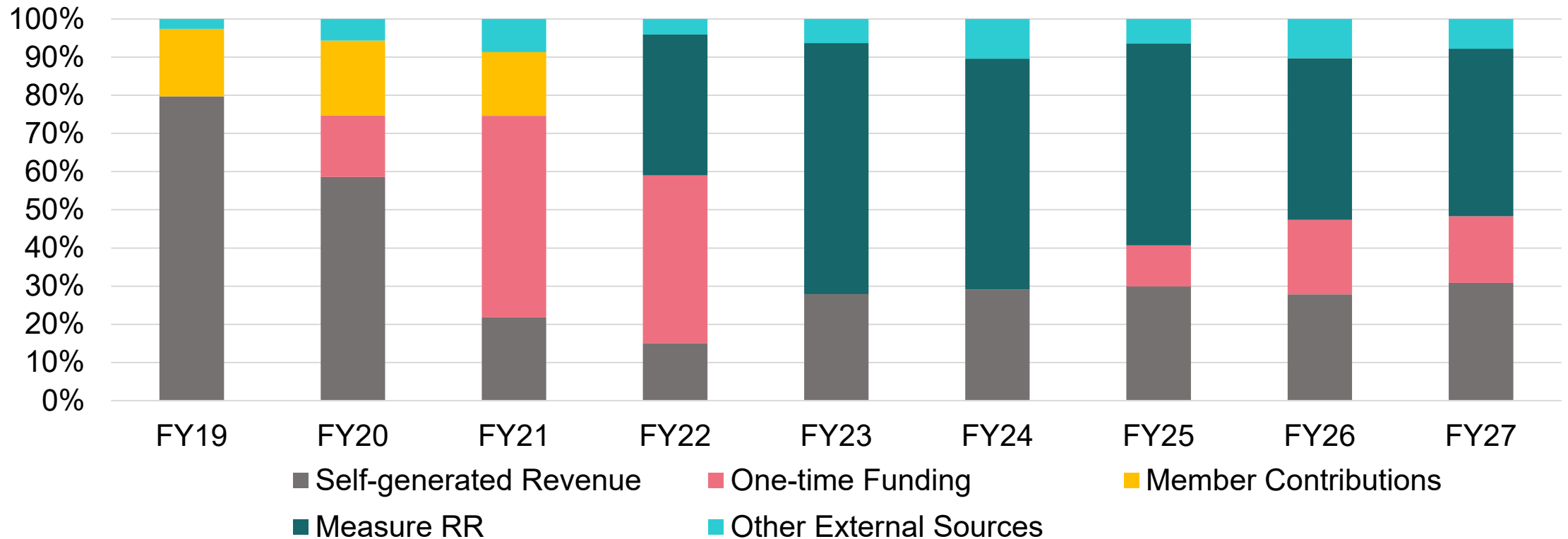


Notes: FY19-25 Actuals; FY26-27 projected.

# One-time and External Funds Crucial After 2020

- Before the pandemic, Caltrain relied on self-generated revenue sources and member contributions.
- Since the pandemic, one-time funds from State and federal sources have closed the deficit, along with Measure RR and other external funding sources.

Percentage of Total Annual Operating Revenue, FY19-27

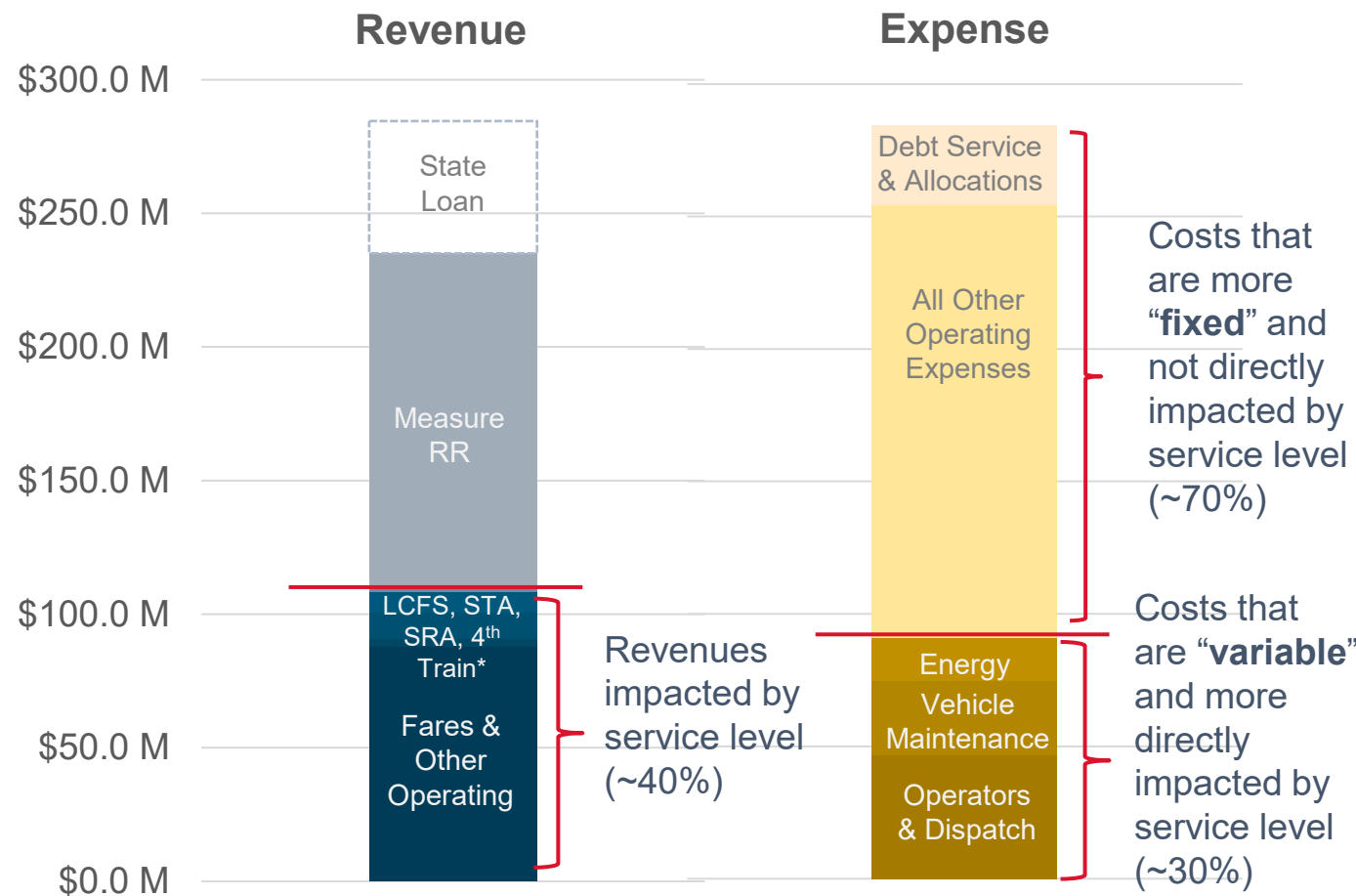


Notes: Self-generated revenue includes fares and income from parking, advertising, leases, etc. One-time funding includes State and federal pandemic relief funds, SB125 funds, and State Loan (FY27). Other external funds include LCFS, LCTOP, SRA, and other operating grants. FY19-25 are actuals; FY26-27 are projections.

# Caltrain's Operating Structural Deficit Persists Even with Service Cuts

- Like all rail operators, Caltrain has high fixed costs (~70% of 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 is required to sustain service.**

FY 2027 Preliminary Operating Budget



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

# 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



Today

FY2027

FY2028

Continue FY26 Service Levels

## Successful Transit Revenue Measure

Continue FY26 Service Levels  
One-time fund bridge funding

Financial sustainability  
and cash flow

## Failed Transit Revenue Measure

Preparing for Service Cuts  
Using Framework for No External  
Funding Scenario

Service Cuts and other  
impacts

\*Assumes no litigation delays.



# 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

# Caltrain's 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 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

# Framework for Caltrain's No External Funding Scenario

- **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 of Draft Framework.
  - June 2026: proposed Board adoption of 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, Continued

Full Framework proposed for adoption is in the agenda packet. 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, BATAC and Accessibility Advisory Group

# Staff Recommendation

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

FOR MORE INFORMATION

[WWW.CALTRAIN.COM](http://WWW.CALTRAIN.COM)



# Appendix



# Improved Electrified Service

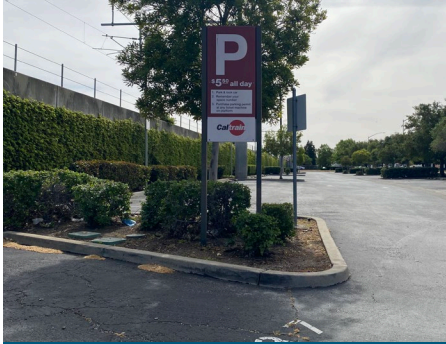
- **Faster:** Express and local trains
- **More Frequent:**
  - Every 15-20 mins weekday rush hour
  - Every 30 mins, every station, 7 days a week (compared to once an hour)
  - 20% more service
  - **Better Experience:** Free wi-fi, outlets at every seat, bathrooms, digital displays, quieter inside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

# 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



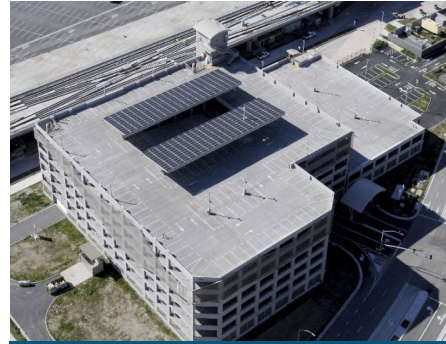
## Parking Revenue

Optimize parking pricing across the corridor



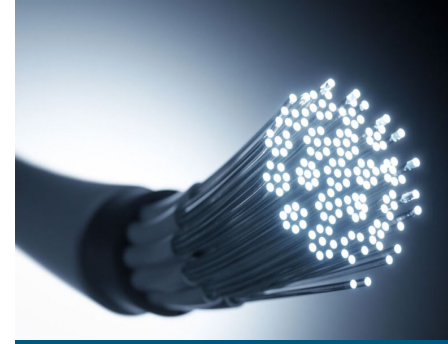
## Advertising Revenue

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

