



COVID-19: Financial Impacts and Response Planning

Responding to the COVID-19 Crisis

COVID-19 presents a severe, prolonged crisis for Caltrain.

The agency has responded to the initial crisis by adjusting service and has secured emergency federal funds that sustains the railroad in the very near term.

Looking ahead, even as the longer term impacts of the pandemic remain unknown, it is clear that an existential financial crisis for Caltrain is looming.

The railroad's emergence out of the pandemic will require simultaneous planning and action across multiple timeframes and the potential futures

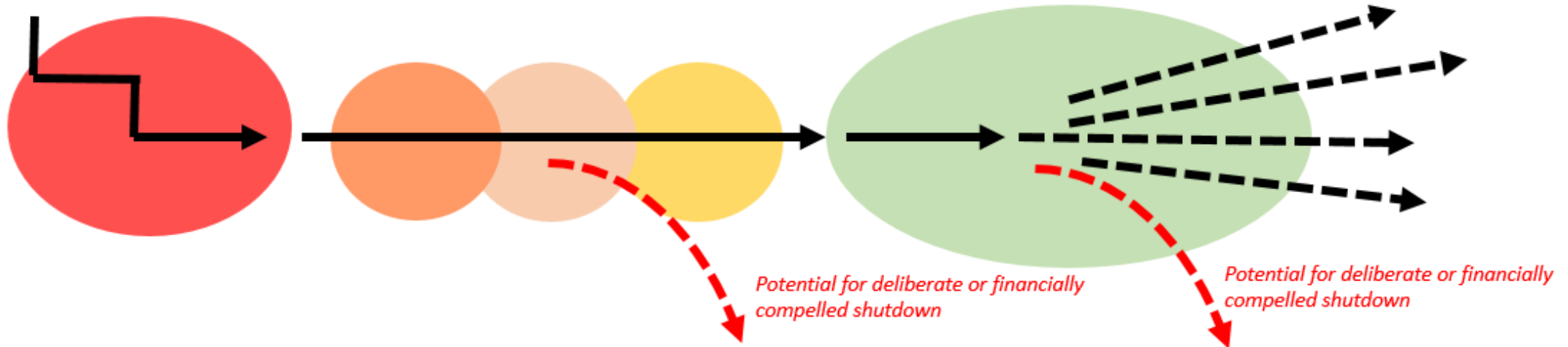


Multiple Phases of Crisis and Response

Triage During Crisis
March – April 2020

Surviving the Pandemic
May - Fall 2020? Spring 2021?

Preparing for the Next Reality
2021 - ???

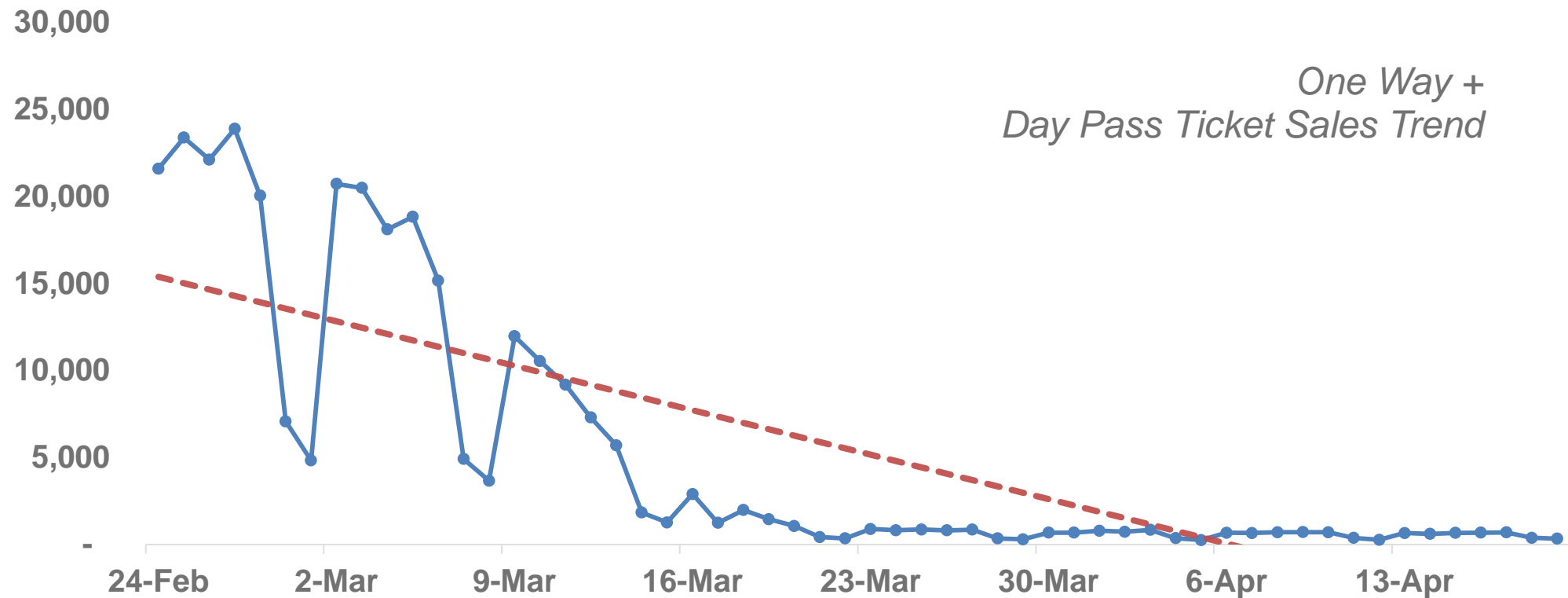


(1) Initial crisis and immediate triage response by Caltrain

(2) Extended period where both ridership and operations remain deeply impacted. Social distancing requirements or other types of public health restrictions remain in place as pandemic is ongoing and a return to shelter in place remains possible. Caltrain may need to adjust its service multiple times based on public health requirements, changes to demand or financial constraints

(3) Long term resolution of pandemic through vaccines, treatment or other permanent public health approaches. Path ahead for transit clarifies (not necessarily a return to 'normal'). Many possible scenarios and interacting variables mean Caltrain must consider a range of potential futures and outcomes as the railroad reconciles existing projects and plans with an emerging reality

Initial Impact of COVID-19 on Ticket Sales



Starting in March, the impact of the COVID-19 crisis on ticket sales and ridership was rapid and severe. Ticket sales are down more than 95%

Caltrain's Initial "Triage" Response



Service Reductions

- Rapid series of service reductions to match plummeting ridership demand and control costs
- Measures to ensure safety of frontline workers and passengers implemented

Emergency Financial Measures & Advocacy

- Financial maneuvering and support from SamTrans ensures near-term liquidity
- Focused advocacy for federal aid

Focus on Construction and Maintenance

- Reduced service allows for expanded construction and maintenance activities
- Designation of projects as essential
- Work with contractors to ensure appropriate working conditions

FY20 Year-End Outlook (in \$ millions)

The financial impacts of COVID-19 have dealt an immediate blow to Caltrain's FY20 Budget.

Cash management has been a major challenge, and required draws on lines of credit and significant deferral by SamTrans

Service reductions have yielded savings but Caltrain is projecting a significant budget deficit for the remainder of FY20.

Prior forecast was \$3M higher than budget due to fare changes

	Budget	*Forecast	Variance
Farebox and Parking	\$111	\$88	(\$23)
Other Operating Revenue	6	7	0
JPB Member Agencies	30	30	0
Other Contributions	7	7	0
Total Revenue	155	132	(22)
Rail Operator Service	91	82	(9)
Fuel and lubricants	11	9	(2)
Other Operating Expense	27	25	(2)
Wages and Benefits	12	12	(0)
Other Administrative Expense	12	12	0
Debt	3	3	0
Total Expense	156	143	(12)
Surplus/(Deficit)	(\$1)	(\$11)	(\$10)

Application of CARES ACT Funding

- CARES Funding (Tranche 1) - \$49.3M secured for Caltrain
- Will be used to fill projected FY20 budget gap
- Revenue loss
 - March – \$3.3M (Actual)
 - April – June \$21.3M (Forecast)
- Balance remaining for Use FY21 - \$24.7M
- 39% of funds remain (Tranche 2) to be allocated by MTC at later date



Surviving a Prolonged Crisis



Shelter In Place orders remained through May but are being loosened or lifted in the coming weeks.

The course of the pandemic is unknown. Transit will operate under social distancing requirements and Caltrain's ridership will likely remain significantly depressed for the foreseeable future.

This presents a severe financial challenge to Caltrain for at least FY21, even as the agency plans for recovery and operations post Shelter In Place

Initial Caltrain Actions

Working to Understand Ridership

- Surveys of riders and employers to better understand travel patterns and trajectory of return to work

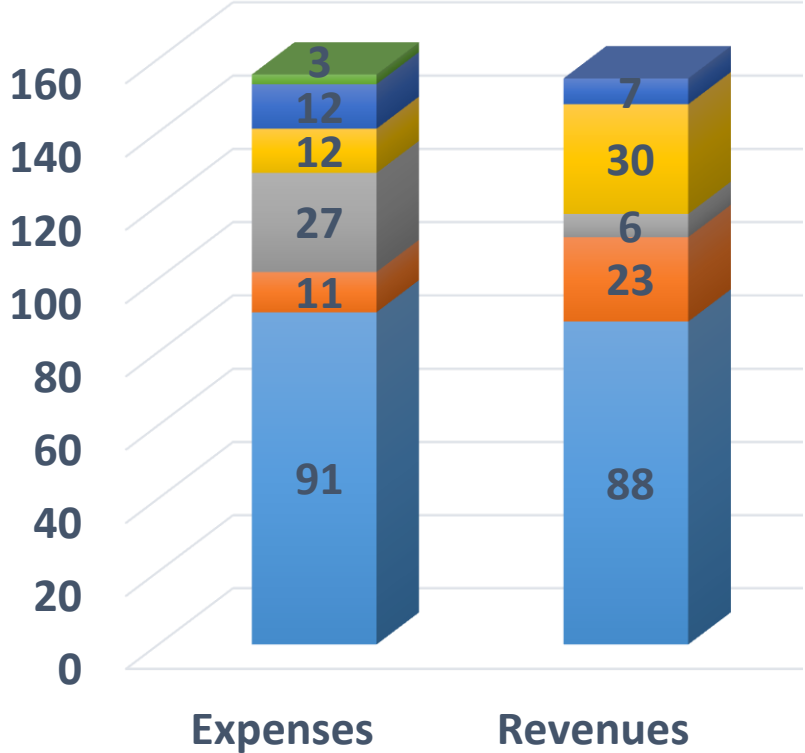
Planning for Further Service Changes

- Development of an initial “opening plan” for when Shelter In Place is lifted
- Plan to update service offering as new ridership patterns emerge and operationalization of social distancing on trains is refined
- Evaluation and costing of broader range of service levels and options underway

Advocacy and Regional Response

- Direct conversations with other operators and participation in MTC regional response
- Focus on securing second tranche of federal CARES funding

Financial Sensitivity to Ridership



Expenses

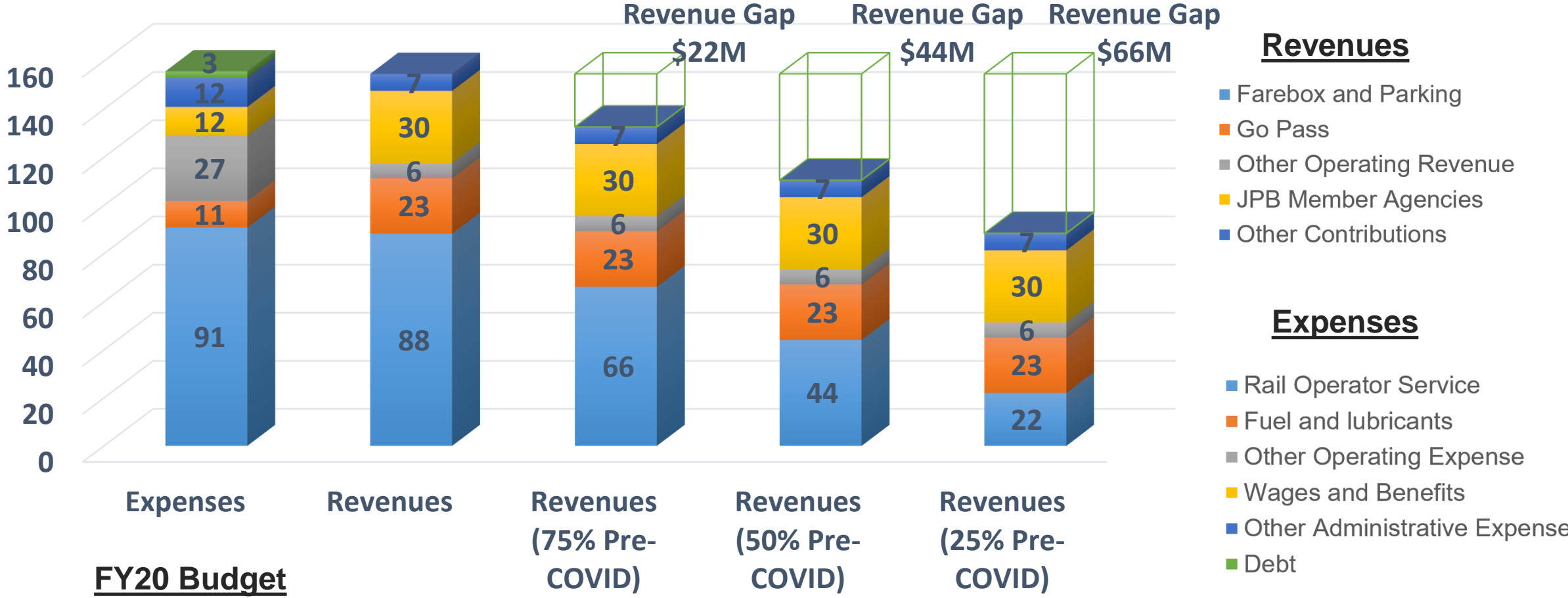
- Rail Operator Service
- Fuel and lubricants
- Other Operating Expense
- Wages and Benefits
- Other Administrative Expense
- Debt

Revenues

- Farebox and Parking
- Go Pass
- Other Operating Revenue
- JPB Member Agencies
- Other Contributions

FY20 Budget

Financial Sensitivity to Ridership



Surviving a Prolonged Crisis



Caltrain is hugely reliant on ticket sales. The railroad has no dedicated source of funding and limited reserves

While the length and depth of COVID 19's impacts to ridership are not yet known, it is clear that the railroad is facing a financial crisis for at least FY21.

Staff is working to develop a range of service and cost reduction plans, and is also preparing to engage local, regional, state and private sector partners in discussions about the system's financial needs

Near Term Outlook - Overview

	<i>FY2020</i> June	<i>FY2021</i> July - September	Fall 2020	Early 2021 →
<i>Service Offering</i>		Initial Re-opening service (42 -> 70 weekday trains)	Early fall refinement of service based on further planning and observed demand	Further revision based on observed demand. Highly contingent agency financial status
<i>Operating Funding</i>		Minimal revenues from fares and parking. Member funds assumed to remain constant – substantial reliance on CARES act funds (tranches 1 and 2) to fill operating funding gap		CARES Act funding likely exhausted- significant uncertainties about other sources
<i>Operating Costs</i>		Some cost reductions but operating costs substantially unchanged from 92 train base due to CARES Act guidance to retain employment levels		Potential for more significant cost reductions based on agency funding status

Financial Outlook

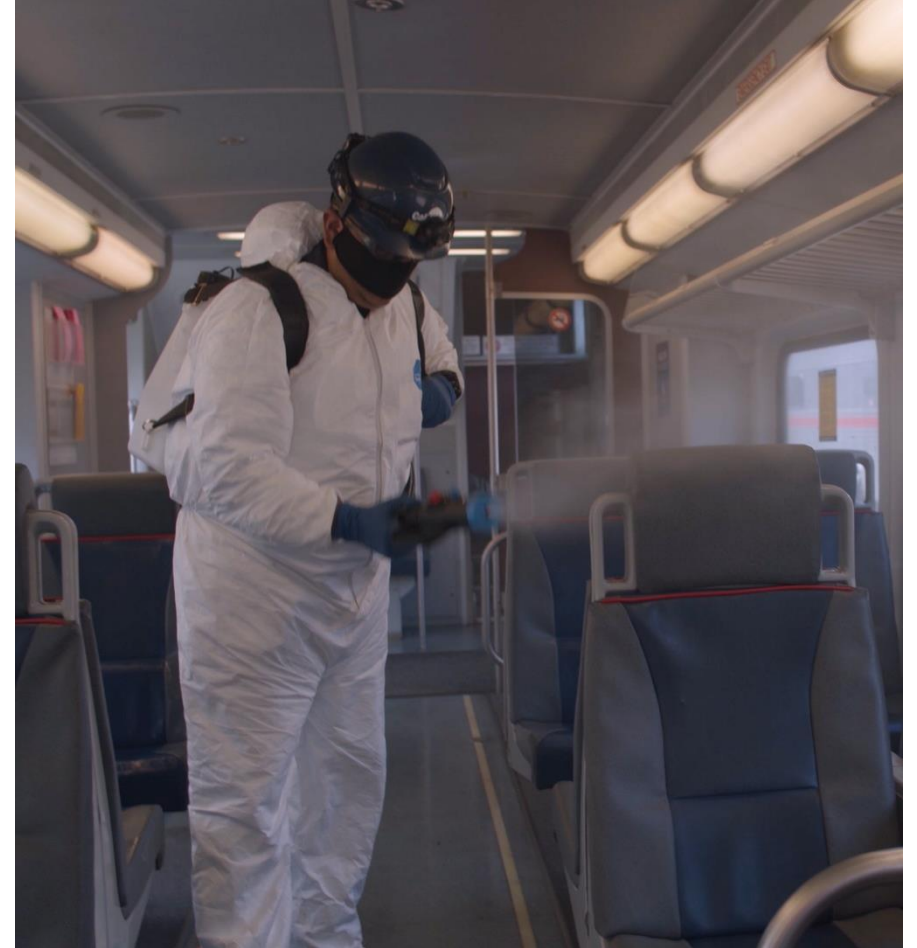
- CARES funding (Tranche 1) will likely carry Caltrain through September 2020
- The expressed intent of CARES to avoid significant furloughs and lay-offs means that operating costs during this period will have only a loose relationship to service levels and ability to significantly reduce costs is limited
- Key factors that will determine exact amount of time that Caltrain can operate in this mode:
 - **Amount of “Tranche 2” CARES act funding received (allocation under discussion w/ Blue Ribbon Task Force)**
 - Rate at which ridership returns (impacting ticket sales and parking revenues)
 - Corporate GoPass Program participation
 - Ability of railroad to implement non-labor cost savings
 - Member contributions
- Above factors will influence timing but are unlikely to change fundamental financial outcome - Caltrain will need a significant new source of funding sometime in fall of 2020 through 2021
- Caltrain needs, with the current variables, approximately \$8m per month to continue service

Service – Initial Re-Opening

- Initial “re-opening” service expansion from 42 to 70 trains per weekday launched June 15
 - Maintains current hourly local service but adds in skip stop trains during peak hours
 - Results in effective 30 minute or better frequency at most stations during weekday peaks and provides option for faster travel times
 - Saturday and Sunday service will remain the same
- Key Objectives
 - Designed to balance train loads and provide additional capacity to ensure space for social distancing at all times
 - Ensures full coverage of all regularly served stations and origin-destination pairs
 - Provides increased frequencies and better travel times for passengers
 - Better management of connection to BART at Millbrae
 - Allows for ongoing strategic support of construction projects

Service – Initial Re-Opening

- Maintain social-distancing and other safety/hygiene requirements
 - Crews on board and extra employees in field (at key locations) to support social distancing
 - Properly stocked up bathrooms on all revenue trains
 - Emphasized cleaning and CDC-compliant disinfection
- Monitor situation constantly and make adjustments in timely manner
 - Extra employees to be deployed at key locations
 - Interim service adjustments based on timely updates from the field and other data available
 - Extra trains and crews to be staged at key locations for extra service when needed



Recovery Planning & Next Steps

- Caltrain Business Plan to temporarily pause and pivot
- Resources, analysis and outreach structures to be adapted and repurposed toward recovery planning
- Comprehensive approach creates opportunities for consideration and input from Board and stakeholders and can be undertaken in dialog with regional efforts (Blue Ribbon Task Force)
- Multiple updates and potential actions anticipated to come to Board over next several months, including;
 - Ongoing reports on service utilization and trends
 - Development of an Equity, Connectivity, Recovery & Growth Strategy
 - Development of service planning framework and options for fall 2020 service revision
 - Further financial planning and projections
 - Mid- and long term scenario planning work