

***FY2024 & FY2025***

***Preliminary  
Operating and  
Capital Budgets***

Board Meeting May 4, 2023



# Agenda

- Board Workshop Feedback
- Changes from Board Workshop
- Operating Revenue Assumptions and Budgets
- Operating Expenditure Assumptions and Budgets
- Reserves
- Capital Budgets
- Next Steps

# Recommendations at Board Workshop

## ***Budget Approach***

- Address budget shortfall over the next 2 years while maintaining current service levels

## ***Strategic Operating Recommendations***

- Maintain current level of service at 104 trains per day (tpd)
- No change in fare prices until FY2026
- Fully dedicate Measure RR to operations in the next 2-year cycle
- Use \$15 million of LCTOP and SRA funds for FY2024 and FY2025 Operating Budgets
- Apply the \$60 million reimbursement of Measure RR funds for operations in FY2024 and FY2025 (as needed)
- Advance 4<sup>th</sup> train to South County
- Continue to strengthen regional partnerships to develop and participate in new funding sources



# Recommendations at Board Workshop

## *Preliminary Capital Budget*

- Greatly constrained – advances a range of priorities
- Staff actively seeking funding opportunities
- Staff to prioritize capital projects and match available funding
- Pursue long-term funding obligations from member agencies

# Changes to Board Workshop (Operating)

Preliminary Operating Budgets Summary (in millions)	FY2024 Board Workshop	FY2024 Prelim Operating Budget	Change	FY2025 Board Workshop	FY2025 Prelim Operating Budget	Change
Total Revenue	\$196.4	\$194.6	(\$1.7)	\$202.5	\$207.8	\$5.3
Total Expense	\$198.1	\$192.6	(\$5.4)	\$236.4	\$239.0	\$2.6
Contribution to Reserve	\$0.0	\$2.0	\$2.0	\$0.0	\$7.0	\$7.0
<b>Projected Surplus/(Deficit)</b>	<b>(\$1.7)</b>	<b>\$0.0</b>	<b>\$1.7</b>	<b>(\$33.9)</b>	<b>(\$38.1)</b>	<b>(\$4.2)</b>
Reimbursement of Measure RR Funds	\$1.7	\$0.0	(\$1.7)	\$33.9	\$38.1	\$4.2
<b>Adjusted Net Surplus/(Deficit)</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>

# Changes to Board Workshop (Operating)

<b>REVENUES</b>	<b>FY2024 (in \$000)</b>	<b>FY2025 (in \$000)</b>
<b>Parking</b>	-	<b>(\$161)</b> refined projections
<b>Other/Interest Income</b>	<b>\$3,711</b> Interest Income increased to include the anticipated TIRCP grant that will be received throughout FY2024	<b>\$3,961</b> Interest Income increased to include the anticipated TIRCP grant that will be received throughout FY2024
<b>Measure RR</b>	<b>(\$1,100)</b> based on updated forecasts	<b>(\$700)</b> based on updated forecasts
<b>State Contribution - Operations</b>	<b>(\$4,327)</b> reduced LCTOP from \$5M to \$2.4M per updated grant estimate; reduced SRA from \$6.6M to \$4.8M, a level needed to balance the budget	<b>\$2,201</b> added LCTOP of \$1.0M per updated grant estimate; added the unused SRA from FY24 of \$1.2M
<b>TOTAL REVENUES</b>	<b>(\$1,716)</b>	<b>\$5,301</b>

# Changes to Board Workshop (Operating)

<b>EXPENSES</b>	<b>FY2024 (in \$000)</b>	<b>FY2025 (in \$000)</b>
<b>Rail Operator</b>	<b>(\$1,515)</b>	additional savings per negotiations with TASI <b>(\$1,611)</b> lower FY2025 estimate per additional savings in FY2024
<b>Fuel and Lubricants</b>	<b>(\$518)</b>	lower fuel price/gallon, incorporating fuel hedge <b>(\$310)</b> lower fuel price/gallon
<b>Electricity</b>	<b>(\$3,793)</b>	removed from operating and moved to PCEP project (testing) -
<b>Wages and Benefits</b>	<b>\$1,498</b>	Final Retirement Medical and CalPERS cost <b>\$3,845</b> Final Retirement Medical and CalPERS cost and increase in FTEs
<b>Professional Services &amp; Governance</b>	<b>(\$516)</b>	reduced consultant expenses <b>(\$464)</b> reduced consultant expenses
<b>Other</b>	<b>(\$589)</b>	reduction in Business Travel, Seminar/ Training, and Recruitment Costs <b>\$1,133</b> Recruitment Costs from FY2024 now spread over 2 years impacting FY2025; added contracted service for Wireless Service Maintenance
<b>TOTAL EXPENSES</b>	<b>(\$5,433)</b>	<b>\$2,594</b>
<b>Contribution to Reserve</b>	<b>\$2,016</b>	contribution needed to meet operating reserve level of 15% <b>\$6,957</b> contribution needed to meet operating reserve level of 15%
<b>NET ANNUAL SURPLUS/(DEFICIT)</b>	<b>\$1,701</b>	<b>(\$4,249)</b>



# Changes to Board Workshop (Capital)

Preliminary Capital Budgets Summary (in millions)	FY2024 Board Workshop	FY2024 Prelim Cap Budget	Change	FY2025 Board Workshop	FY2025 Prelim Cap Budget	Change
SOGR	\$59.1	\$66.4	\$7.3	\$60.3	\$71.5	\$11.2
Stadler Cars	\$0.0	\$280.0	\$280.0	\$0.0	\$0.0	\$0.0
Legal Mandate	\$0.0	\$0.2	\$0.2	\$0.0	\$0.5	\$0.5
Planning	\$9.3	\$10.1	\$0.8	\$8.8	\$8.7	(\$0.1)
Operational Improvements	\$8.6	\$7.1	(\$1.5)	\$8.9	\$13.5	\$4.6
Capital Contingency	\$1.3	\$1.3	\$0.0	\$1.3	\$1.3	\$0.0
<b>Sub-total Capital Budget</b>	<b>\$78.3</b>	<b>\$365.1</b>	<b>\$286.8</b>	<b>\$79.3</b>	<b>\$95.6</b>	<b>\$16.3</b>
Externally-Funded Projects	\$0.0	\$125.5	\$125.5	\$0.0	\$47.3	\$47.3
<b>Total Capital Budget</b>	<b>\$78.3</b>	<b>\$490.6</b>	<b>\$412.3</b>	<b>\$79.3</b>	<b>\$142.9</b>	<b>\$63.6</b>



# Changes from Board Workshop (Capital)

## FY2024

### **Increase in Capital Budget by \$412.3M**

- Externally-Funded Projects \$125.5M
- Stadler Cars Project \$280.0M
- San Francisquito Creek Bridge  
Emergency Restoration \$3.1M
- Refinements in existing SOGR projects

## FY2025

### **Increase in Capital Budget by \$63.6M**

- Externally-Funded Projects \$47.3M
- San Francisquito Creek Bridge  
Emergency Restoration \$7.3M
- Refinements in existing SOGR and  
Operational Improvement projects

# **FY2024 & FY2025 Preliminary Operating Budgets**

# Preliminary Operating Budgets Summary (in millions)

Preliminary Operating Budgets Summary (in millions)	FY2024 Prelim Operating Budget	FY2025 Prelim Operating Budget
Total Revenue	\$194.6	\$207.8
Total Expense	(\$192.6)	(\$239.0)
Contribution to Reserve	(\$2.0)	(\$7.0)
<b>Projected Surplus/(Deficit)</b>	<b>\$0.0</b>	<b>(\$38.1)</b>
Reimbursement of Measure RR Funds	\$0.0	\$38.1
<b>Adjusted Net Surplus/(Deficit)</b>	<b>\$0.0</b>	<b>\$0.0</b>

# Revenue Assumptions

Revenue Item	FY2024 Assumptions	FY2025 Assumptions
Caltrain Fares	45% recovery of pre-Covid levels No fare increase	20% YOY increase No fare increase
Go Pass	current levels plus 5% growth No fare increase	10% YOY increase No fare increase
Shuttles	Shuttle contracts consolidated under SamTrans	Shuttle contracts consolidated under SamTrans
Operating Grants (STA)	Per MTC estimates	Per MTC estimates
Federal Grants	No Federal assistance	No Federal assistance

# Revenue Assumptions

Revenue Item	FY2024 Assumptions	FY2025 Assumptions
Member Agencies	No member agency obligation	No member agency obligation
Measure RR	Full allocation to Operations Per sales tax forecast	Full allocation to Operations Per sales tax forecast
LCFS	N/A	LCFS credits valued at \$5.0M
LCTOP / SRA	One-time allocation to Operations LCTOP: \$2.4M SRA: \$4.8M	One-time allocation to Operations LCTOP: \$1.0M SRA: \$7.4M
Measure RR Reserve	Use of \$60.0M to balance the budget (FY2024: \$0)	Use of \$60.0M to balance the budget (FY2025: \$38.1M)

# Preliminary Revenue

(in millions)

Revenue Item	FY23 Forecast	FY24 Prelim Budget	FY24 \$ Change	FY25 Prelim Budget	FY25 \$ Change
Caltrain Fares	\$27.0	\$29.9	\$2.9	\$35.9	\$6.0
Go Pass	\$17.0	\$16.8	(\$0.2)	\$18.4	\$1.7
Parking	\$1.8	\$1.9	\$0.1	\$2.2	\$0.3
Rental Income	\$1.2	\$1.0	(\$0.2)	\$1.1	\$0.0
Other Income	\$4.0	\$6.5	\$2.5	\$6.0	(\$0.5)
AB434 & TA Shuttle	\$0.0	\$0.0	(\$0.0)	\$0.0	\$0.0
Operating Grants	\$11.3	\$12.8	\$1.5	\$10.7	(\$2.1)
Measure RR	\$119.3	\$118.4	(\$0.9)	\$120.1	\$1.7
LCFS, LCTOP, SRA	\$0.0	\$7.3	\$7.3	\$13.4	\$6.1
<b>Total</b>	<b>\$181.7</b>	<b>\$194.6</b>	<b>\$12.9</b>	<b>\$207.8</b>	<b>\$13.2</b>



# Expenditure Assumptions

Expense Item	FY2024 Assumptions	FY2025 Assumptions
Rail Operator Service	Maintain 104 tpd service level (104 diesel trains) Labor cost increase	Maintain 104 tpd service level (92 diesel and 12 electric trains) Labor cost increase Electrified service (Sep 2024)
OCS/TPS Maintenance*	N/A	New cost item due to electrification
Fuel	Fuel Cost (excl tax & fees): \$2.69/gal Fuel Consumption: 4.5M gallons Mileage: 1.5M miles 89% Hedged 11% Unhedged	Fuel Cost (excl tax & fees): \$2.51/gal Fuel Consumption: 1.6M gallons Mileage: 0.5M miles No Hedges

\* Overhead Catenary System / Traction Power System Maintenance



# Expenditure Assumptions

Expense Item	FY2024 Assumptions	FY2025 Assumptions
Electricity	N/A	Electricity Cost: \$0.2160 per kWh
Debt Service	2019 Farebox Revenue Bonds Principal + Interest Payment	2019 Farebox Revenue Bonds Principal + Interest Payment  2022 Measure RR Revenue Bonds Principal Payment
<b>Staffing Levels</b> Projected increase of 11-13 New FTEs related to Planning, Electrification, and Safety and System Engineering	92.9 FTE	108.4 FTE



# Preliminary Expenditure

(in millions)

Expense Item	FY23 Forecast	FY24 Prelim Budget	FY24 \$ Change	FY25 Prelim Budget	FY25 \$ Change
Rail Op Service	\$98.3	\$104.9	\$6.6	\$105.9	\$1.0
OCS/TPS Maintenance	\$0.0	\$0.0	\$0.0	\$25.0	\$25.0
Security Services	\$8.0	\$8.3	\$0.3	\$8.6	\$0.3
Fuel and Lubricants	\$17.5	\$15.2	(\$2.3)	\$5.1	(\$10.1)
Electricity	\$0.0	\$0.0	\$0.0	\$19.5	\$19.5
Insurance	\$10.6	\$11.5	\$0.9	\$12.6	\$1.0
Facilities & Eqpt Maint	\$7.1	\$8.2	\$1.1	\$9.0	\$0.8
Utilities	\$2.6	\$2.7	\$0.1	\$2.7	\$0.0
Maint & Services	\$1.8	\$1.8	\$0.0	\$1.8	(\$0.0)
Other Expenses	\$0.3	\$0.2	(\$0.1)	\$0.2	\$0.0
<b>Total Operating Expense</b>	<b>\$146.2</b>	<b>\$152.8</b>	<b>\$6.6</b>	<b>\$190.2</b>	<b>\$37.5</b>
Administrative	\$29.8	\$36.2	\$6.3	\$41.0	\$4.8
Governance	\$0.4	\$0.2	(\$0.1)	\$0.0	(\$0.2)
Debt Service	\$3.7	\$3.5	(\$0.2)	\$7.8	\$4.3



# Operating Reserve

- **Purpose:**  
To accommodate normal fluctuations in the timing of revenues and unforeseen operational costs
- **Reserve Policy:**  
Maintain between 10-15% of Annual Operating Budget

## Operating Reserve (in millions)

Ending Balance, Jun 30, 2022	\$16.1
FY2023 Projected Contribution	\$10.8
<b>Projected Ending Balance, Jun 30, 2023</b>	<b>\$26.9</b>

- 15% of FY23 projected operating expenses is \$27.0M
- 15% of FY24 prelim operating expenses is \$28.9M
- 15% of FY25 prelim operating expenses is \$35.9M



# **FY2024 & FY2025 Preliminary Capital Budgets**

# Capital Budget Requests

(in millions)

Capital Budget Requests	FY2024		FY2025	
	Unconstrained	Constrained	Unconstrained	Constrained
SOGR	\$69.2	\$66.4	\$72.2	\$71.5
Stadler Cars	\$280.0	\$280.0	\$0.0	\$0.0
Legal Mandate	\$0.0	\$0.2	\$0.0	\$0.5
Planning	\$10.1	\$10.1	\$10.4	\$8.7
Operational Improvements	\$14.6	\$7.1	\$16.8	\$13.5
Capital Contingency Funds	\$1.3	\$1.3	\$1.3	\$1.3
<b>Net Capital Budget Requests</b>	<b>\$375.2</b>	<b>\$365.1</b>	<b>\$100.7</b>	<b>\$95.6</b>
<b>Externally-Funded Projects</b>	<b>\$125.5</b>	<b>\$125.5</b>	<b>\$47.3</b>	<b>\$47.3</b>
<b>Total Capital Budget Requests</b>	<b>\$500.7</b>	<b>\$490.6</b>	<b>\$148.0</b>	<b>\$142.9</b>



# Projected Funding Sources

(in millions)

Funding Sources (in millions)	FY2024 Projections	FY2025 Projections
Federal SOGR	\$15.3	\$16.1
STA SOGR	\$1.3	\$1.3
Local Funds (LPP, AB664, LCTOP)	\$1.4	\$2.9
External Funding *	\$370.3	\$57.7
Member Agency Capital Obligation	TBD	TBD
<b>Total Funding Sources</b>	<b>\$388.3</b>	<b>\$78.0</b>
Less: Funding for Externally-Funded Projects	\$125.5	\$47.3
<b>Net Funding Sources</b>	<b>\$262.8</b>	<b>\$30.7</b>

\* Includes \$236.0M for the Stadler Cars Project for FY2024



# Preliminary Capital Budgets Summary (in millions)

Preliminary Capital Budgets Summary (in millions)	FY2024 Prelim Capital Budget	FY2025 Prelim Capital Budget
Total Capital Budget Requests	\$490.6	\$142.9
Less: Externally-Funded Projects	(\$125.5)	(\$47.3)
<b>Net Capital Budget Requests</b>	<b>\$365.1</b>	<b>\$95.6</b>
<b>Net Funding Sources</b>	<b>\$262.8</b>	<b>\$30.7</b>
<b>Capital Budget Deficit</b>	<b>(\$102.4)</b>	<b>(\$64.9)</b>

- FY 2024 and 2025 budgets are still unbalanced, and staff will bring balanced budgets in June.

# Capital Reserve

- **Reserve Policy:**  
No formal policy for Capital Reserve

## Capital Reserve (in millions)

Ending Balance, Jun 30, 2022	\$20.0
FY2023 Projected Contribution	\$0.0
<b>Projected Ending Balance, Jun 30, 2023</b>	<b>\$20.0</b>

# Next Steps

## **Board Guidance**

- Provide input to staff on Preliminary Operating and Capital Budgets, including concurrence on overall approach and capital project priorities

## **Staff Work**

- Refine the operating and capital budgets based on Board guidance
- Continue to work with partners on their member obligations
- Prioritize capital projects to match available funding



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