

The Portal Operations and Maintenance Funding Gap: Key Questions and Potential Sources

Joint Ad Hoc Meeting
September 6, 2024

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Agenda

- Background
- Funding Gap Recap
- Key Questions
- Guidance Sought
- Identifying Potential O&M Sources
- Potential O&M Source Inventory
- Next Steps



Background

- Joint Ad Hoc Committee met on May 30th, 2024.
- Meeting topics included:
 - Challenges in identifying sufficient funding to support ongoing O&M needs post revenue service.
 - Relationship between ongoing O&M needs and the current O&M challenges faced by Caltrain.
 - Other uncertainties inherent in a project that will go into revenue service in approximately a decade.
- Committee directed creation of a staff-level committee to identify and investigate options for filling the O&M Funding Gap.
- Committee established with representation from Caltrain, TJPA, and SFCTA.

Funding Gap Recap

- Significant existing funding gaps
 - **TJPA:** \$2.5 billion additional local capital funds needed for Capital Investment Grant.
 - **Caltrain:** \$92 million projected annual operating gap **prior** to The Portal.
- The Portal has its own O&M funding gap
 - Average gap of \$24 million annually between Fiscal Year 2033 and 2042*.

****Numbers are projections, not budgeted or actuals and account for just The Portal extension. The 20 Year Financial Plan includes optimistic projections regarding ridership which could minimize size of the gap.***

(Source: Portal 20-Year Financial Plan – August 2023)

Key Questions

In its meetings, Committee has identified three key questions regarding filling the O&M Funding Gap:

- 1. Timing of an MCA**
- 2. Timing for Identification of an O&M Backstop**
- 3. Level of funding certainty needed to complete an MCA**

Key Question: Timing of an MCA

- FTA requires that TJPA must execute an MCA with Caltrain “outlining the specific operating roles and responsibilities and shares of operating costs between the two agencies” before receipt of an FFGA.
- The Project is currently targeting an FFGA in July 2027.
 - To achieve this date, an FFGA request must be submitted by TJPA to the FTA by the 3rd or 4th quarter of 2026.
- TJPA and Caltrain have been targeting a completion date of March 2025 for the MCA.

→ Due to O&M funding uncertainty, staff seek guidance on how to approach the timing for completion of the TJPA-Caltrain MCA.

Key Question: Timing for Identification of an O&M Backstop

- Revenue and cost uncertainties exist related to The Portal.
 - Ridership on extensions difficult to forecast.
 - Portal service will be Caltrain's first in an underground environment, bringing cost uncertainties.
 - Viability, timing, and yield of potential new and existing funding sources to support O&M funding needs is unknown.
 - Caltrain has not returned to its historical levels of 70 percent farebox recovery.
- Thus, Caltrain seeks a documented backstop as part of the MCA to cover lower-than expected revenue or higher-than expected costs.
- Finalization of O&M funding two years prior to revenue service has been discussed as an option for review.
 - This would push out funding search to a timeframe during construction.

→ Staff seek guidance on how to approach timing of when a backstop must be identified.

Key Question: Level of Funding Certainty Needed to Complete an MCA

- FTA requirements for an FFGA include demonstration of how O&M will be funded.
 - Must outline specific operating roles and responsibilities and share of operating costs between the agencies.
 - Must document revenue forecasts, effects of new service on existing operations, and historical and projected expenses.
- Caltrain's interest is in certainty to ensure adequate funding without adding to its existing deficit, even under more conservative ridership scenarios.
- TJPA focused on achieving the levels of information required by the FTA.

→ Staff seek guidance on how to approach identifying the right level of funding certainty to document within the MCA.

Identifying Potential O&M Sources

- Funds from multiple sources will be needed to fill funding gap.
- Incremental growth in existing O&M sources already used by TJPA and Caltrain will be insufficient to fill the funding gap, so new sources need to be identified and leveraged.
- Sources with the highest revenue potential often require the most effort to secure.
 - A regional measure to support O&M for The Portal, in addition to O&M for existing transit service, or a new dedicated state/federal formula source for O&M could be very impactful in closing the O&M funding gap but would require extensive coordination.
- “One-time” sources (e.g., grants) may offer limited support, especially at the start of operations in The Portal, but are not a significant part of lasting solutions.

Potential O&M Source Inventory

- **Fares**

- Incremental Caltrain fare revenue
- Fare surcharge for trips using The Portal
- Incremental High-Speed Rail (HSR) fare revenue

- **Non-Fare Incremental Revenues**

- Increases in formula funds
- New or increased commercial revenues

- **Local Sources**

- Land-based sources
- Future local revenue measure
- Pricing (e.g., tolling, congestion)

- **Regional, state, and federal operating support**

- Future regional revenue measure
- State contribution for HSR maintenance costs
- New ongoing state operating support
- New ongoing federal operating support
- Flexing federal formula funds for O&M

Next Steps

- **November/December 2024**
 - Cost and revenue forecasts; confirm major assumptions.
 - Review potential sources of backstop funding.
 - Fare surcharge – initial analysis.
 - Receive direction from Joint Ad Hoc Committee.