



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

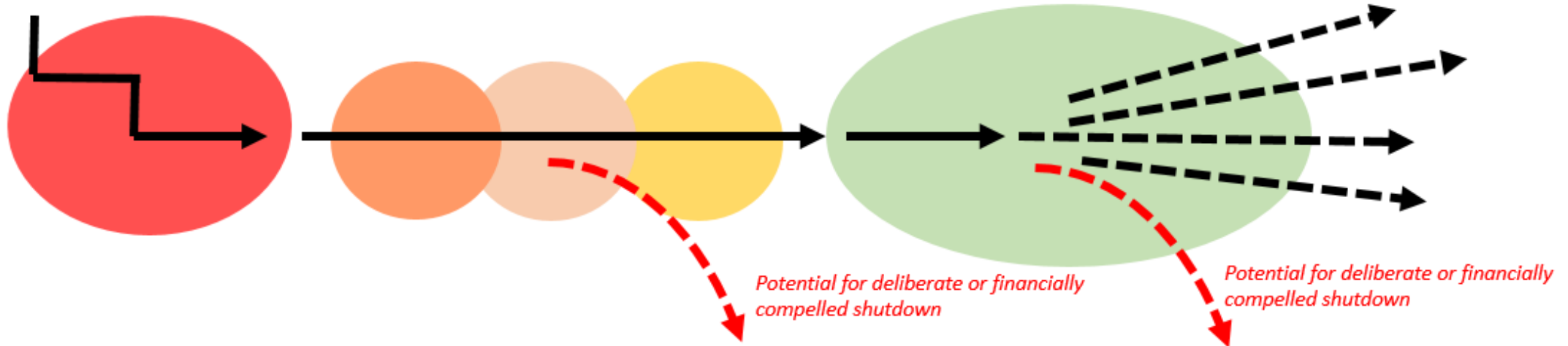


Multiple Phases of Crisis and Response

Triage During Crisis
March – April 2020

Surviving the Pandemic
May - Fall 2020? Spring 2021?

Preparing for the Next Reality
2021 - ???

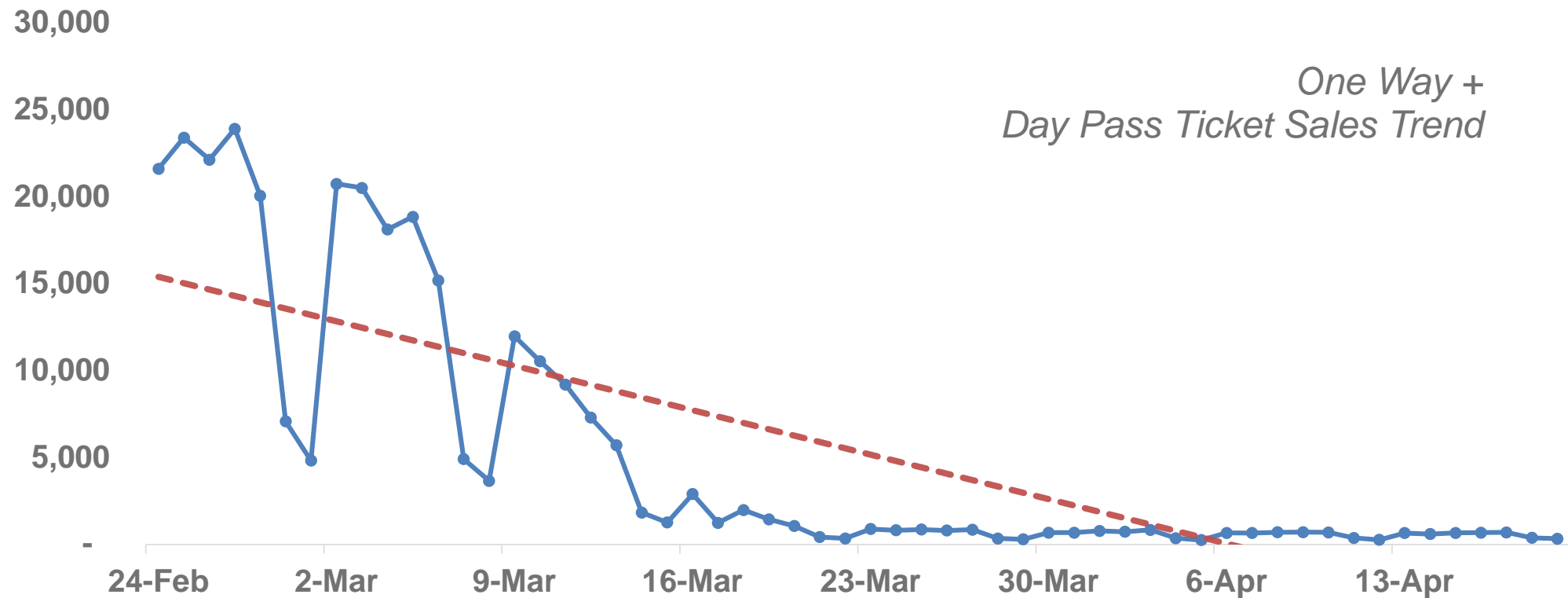


(1) Initial crisis and immediate triage response by Caltrain

(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

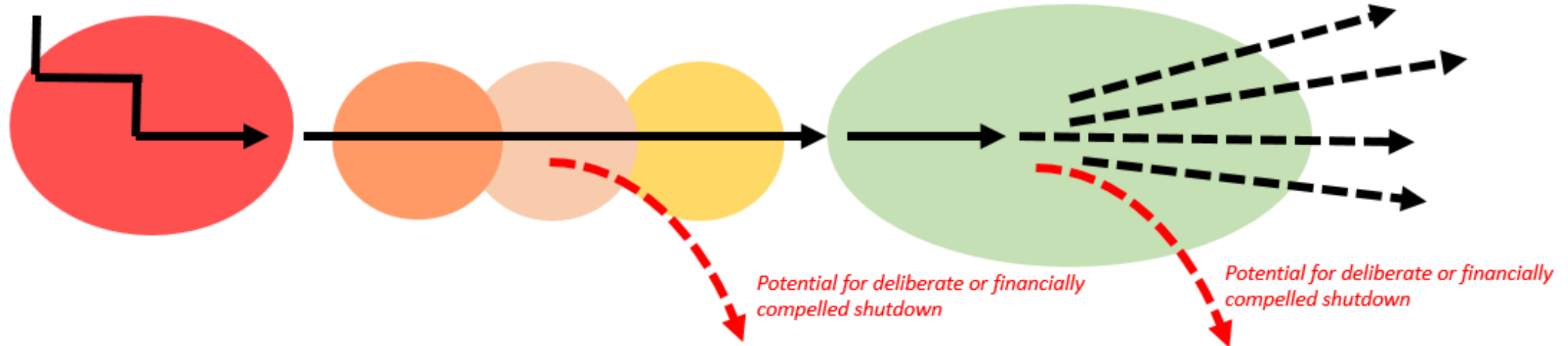


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Surviving a Prolonged Crisis



Shelter In Place orders remain through May but may be 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

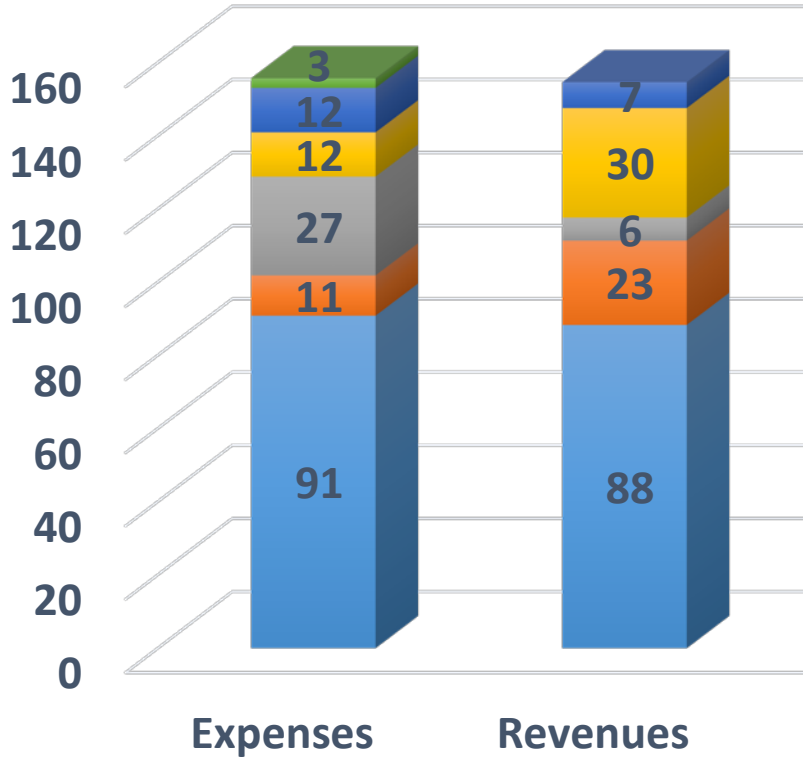
Financial Challenges in FY21

The spread of potential financial outcomes in FY21 is enormous.

The table contrasts a “pro forma” 92 train operating budget with a “crisis” budget that shows what the current level of reduced services and reduced ridership would cost if continued through the entirety of FY21

	Pro forma (92 trains)	Current “Crisis” Service	Variance
Farebox and Parking	\$123	\$39	(\$84)
Other Operating Revenue	9	5	(5)
JPB Member Agencies	30	30	0
Other Contributions	7	7	0
Total Revenue	169	80	(89)
Rail Operator Service	99	87	(12)
Fuel and lubricants	7	3	(3)
Other Operating Expense	29	29	(0)
Wages and Benefits	14	14	0
Other Administrative Expense	16	16	0
Debt	2	2	0
Total Expense	167	151	(16)
Surplus/(Deficit)	\$2	(\$71)	(\$73)

Financial Sensitivity to Ridership



Expenses

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

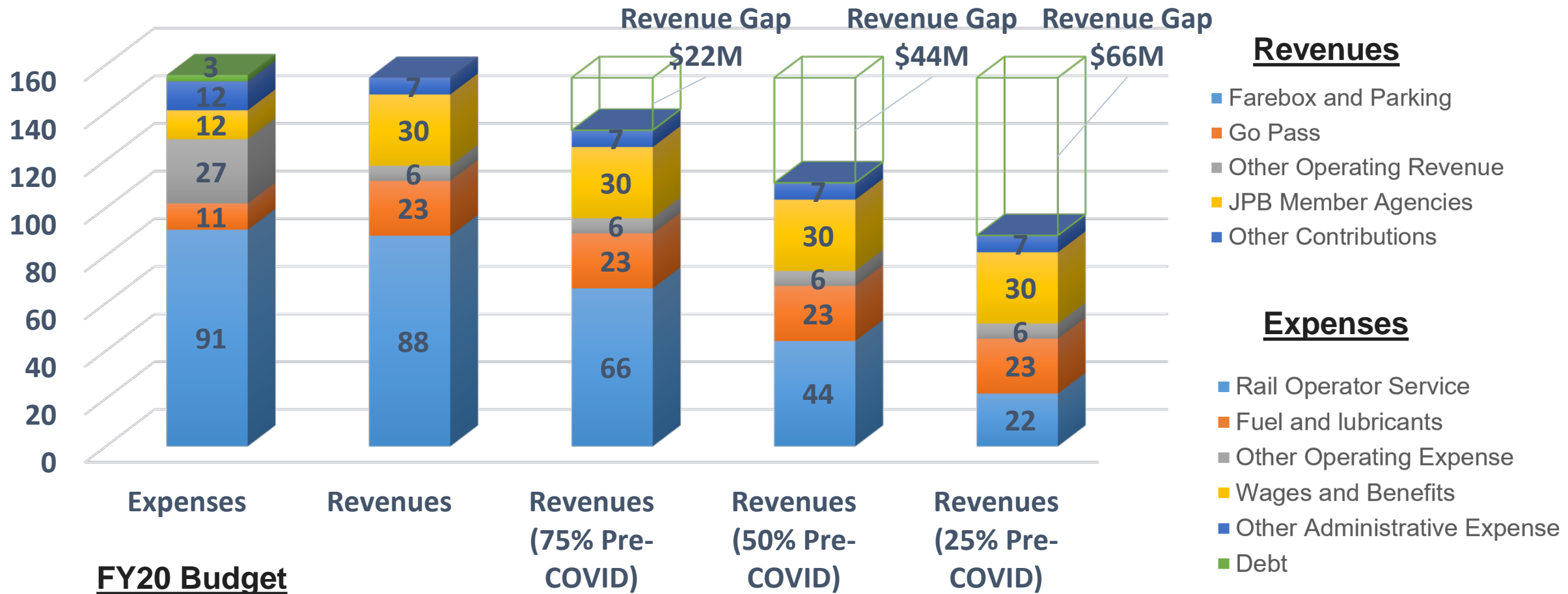
Revenues

- 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.

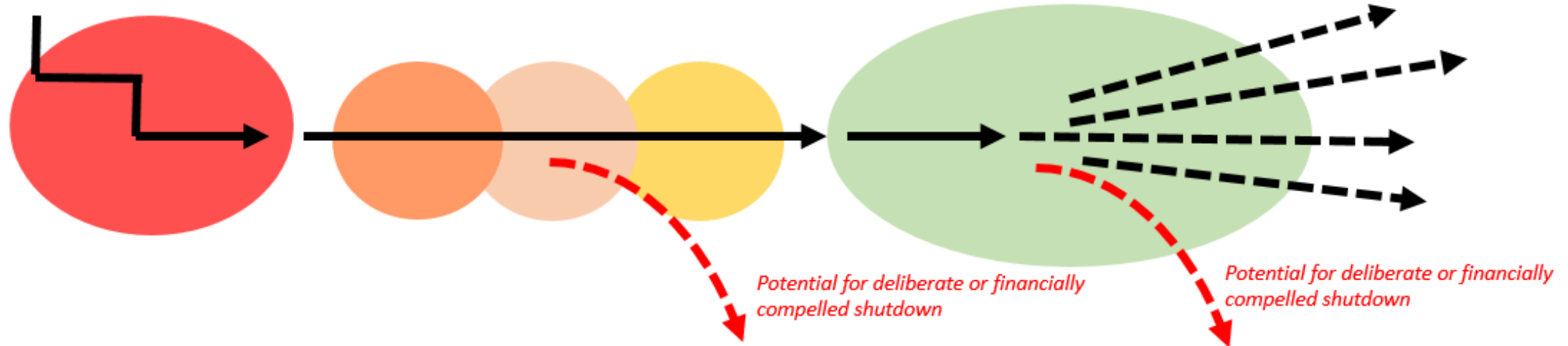
Staff is working to develop a range of service and cost reduction plans, and is also preparing to engage local, regional, state and private sector partners in discussions about the system's financial needs

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Planning for the Next Reality

Staff has begun an intensive scenario planning effort to try and understand the range of futures the railroad must consider and to plan for actions and strategies that will best position Caltrain for long term success

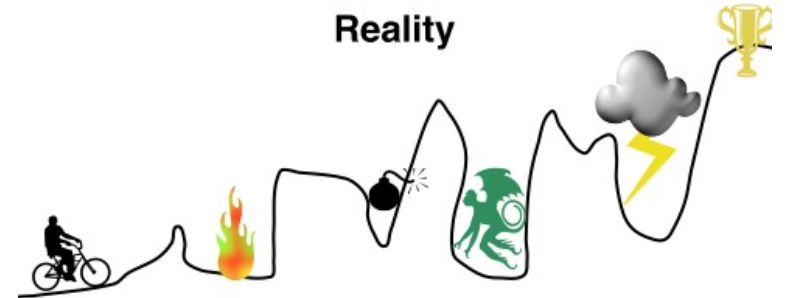
In parallel, staff is continuing existing efforts to prepare for Caltrain's long term future though;

- Continued work on SB 797
- Ongoing electrification of the railroad
- Continued work on the Business Plan and other, associated long-range efforts

Your Plan



Reality



The planning fallacy is that you usually make a plan, which is usually a base-case scenario. Then you assume that the outcome will follow your plan, even when you should know better.”

-Daniel Kahneman