

**Metropolitan Transportation Commission
Programming and Allocations Committee**

June 8, 2011

Item Number 4a ii

Caltrain Proposed Funding for FY2011-12

Subject: Recommended Funding for Caltrain FY 2011-12 Operating Budget

Background: As discussed at your April Committee meeting, Caltrain was facing a roughly \$30 million operating shortfall for the coming fiscal year when budget discussions began. A public hearing was held in March on a proposal that would have reduced service from the current 86-train schedule to a 48-train, peak-hour only model. As a result of the concerted efforts from business leaders and elected officials on the Peninsula, a financial strategy was developed to preserve the current service level in the short term while a longer term financial solution for Caltrain, most likely in the form of a permanent, dedicated funding source, is sought.

The proposed FY2011-12 Caltrain budget is approximately \$103 million and assumes the continuation of 86-train service. The table below summarizes the cost savings and one-time revenue strategies that balanced the budget. The shaded element – \$5 million in FTA formula funds proposed to be redirected from the Caltrain vehicle procurement reserve to preventive maintenance (an operating expense) – is the subject of MTC action.

Beginning Deficit	(\$30.2)
FY 2010-11 Savings and Efficiencies	\$9.0
Additional farebox revenue (25 cent base fare increase)	\$2.0
Additional parking revenue (Daily rate: \$3 to \$4; Monthly rate: \$30 to \$40)	\$0.5
Increase in member agency contributions	\$13.7
Transfer from FTA capital program (vehicle procurement reserve) to preventive maintenance*	\$5.0
Remaining Surplus/Deficit	\$0.0

* Subject of approval action

Because the vehicle replacement for Caltrain is on hold, the proposed action does not have an immediate impact on the region's capital replacement program. However, the projected 10-year capital needs for the region far exceed the estimated revenues. Therefore, staff recommends as a condition of this proposal that the Joint Powers Board (JPB) funding partners replace the \$5 million in railcar replacement funding with non-FTA Formula funds, thereby reducing the regional participation in the car replacement by \$5 million.

As described, the budget proposal assumes several revenue strategies that are not on-going. The budget for FY2012-13, therefore, will face similar challenges until a more permanent revenue source is secured. The San Mateo County Transit District has approved the following negotiating principles to assist staff in exploring certain funding options for FY2012-13 and beyond:

1. Changes in the application of the operating cost sharing formulas for the three JPB member agencies to better match costs with how each county is currently deriving benefits from the Caltrain service;
2. Potential restoration of payment obligations toward operating costs, either in whole or in part, associated with the operation of Gilroy Service to the Santa Clara Valley Transportation Authority (VTA), in accordance with the JPA;
3. Possible establishment of a management fee for the District, which serves as the managing agency for Caltrain, to better reflect the level of staff resources required to support similar commuter rail operations;
4. Potential use of funds to be received from VTA for partial repayment of the District's investment in the Caltrain right-of-way, as a funding source of last resort.

Staff expects that Caltrain may require at least an additional \$5 million in preventive maintenance for FY2012-13, further reducing the vehicle replacement procurement reserve. Staff will return in future months with a recommendation, once the partner agencies have reviewed the various alternative strategies.

As noted in the previous item related to AC Transit's operating budget, the financial challenges faced by Caltrain are not unique in the region and the Commission has undertaken the Transit Sustainability Project to find longer term solutions for all Bay Area transit systems.

Issues: **Transit Capital Replacement Needs:** As noted above, to protect the funding for other capital asset replacement in the region, staff recommends as a condition of this proposal that the JPB funding partners replace the \$5 million in railcar replacement funding with non-FTA formula funds, thereby reducing the regional participation in the car replacement by \$5 million.

Caltrain Fare Structure Review: MTC and Caltrain staff have been discussing fare policy changes that simplify use of the Clipper fare payment system as well as generate additional operating revenue for the Caltrain system. We will report our progress at a future meeting of the Operations Committee.

Recommendation: Approve the redirection of \$5 million in FTA formula funds from the Caltrain vehicle procurement reserve to preventive maintenance. This action, if approved, will be implemented through the FTA Program of Projects for federal FY2010-11 (item 4b on today's agenda), and available for Caltrain's operating budget in the upcoming fiscal year.

Attachments: None