

**PENINSULA CORRIDOR JOINT BOARD
ADMINISTRATIVE BUILDING
1250 SAN CARLOS AVENUE
SAN CARLOS, CA 94002**

**BOARD MEETING
FEBRUARY 1, 2007**

MEMBERS PRESENT: J. Cisneros, D. Gage, J. Hartnett, J. Hill, A. Lloyd, S. Maxwell,
J. McLemore, F. Williams

MEMBERS ABSENT: N. Ford

MTC LIAISON PRESENT: S. Lempert

STAFF PRESENT: G. Cameron, V. Harrington, J. Hardie, R. Haskin, C. Harvey,
R. Lake, I. McAvoy, M. Martinez, D. Miller, M. Scanlon,
M. Simon

PUBLIC COMMENT

Michael Kiesling, San Francisco, said full service for the T-Third Metro line will begin April 7, which connects with the San Francisco Caltrain station. With the opening of the service, a bus stop will be eliminated so he suggested sending information to passengers.

Vaughn Wolffe, San Francisco, said the Dumbarton Rail public meetings should have been held in locations where the passengers live and ride.

Ed DeLanoy, San Carlos, said with the rise in cost of fuel prices, Caltrain should operate shorter consists during off-peak hours, which he said would save fuel costs and reduce emissions.

CONSENT CALENDAR

The motion to approve the Consent Calendar was unanimously approved by the Board.

- a) Approval of Minutes of January 4, 2007
- b) Acceptance of the Statement of Revenues and Expenses, December 2006

CHAIRPERSON'S REPORT

None.

MTC LIAISON REPORT

Sue Lempert said preliminary indications are that the governor will not support high speed rail. She also said that the majority of the comments received on Dumbarton Rail have been negative so she encouraged those in support of the project to voice their opinion.

In response to Mr. Wolffe, Ms. Lempert said the language in the Dumbarton Rail Project scope declared that all meetings must be held in the communities affected by the project.

REPORT OF THE CITIZENS ADVISORY COMMITTEE (CAC)

Michael Kiesling reported that at the last CAC meeting Robert Doty made a presentation on updates of Project 2025. Due to schedule conflicts the last CAC meeting was not held in San Francisco, as expected.

REPORT OF THE EXECUTIVE DIRECTOR

Michael Scanlon, Executive Director:

- a) Recommended that agenda item 8(b) Preliminary Fiscal Discussion be taken out of order, to follow the Caltrain Mini Short Range Transit Plan.
- b) Performance Statistics for December 2006 Compared to December 2005
 - Total Ridership was 801,406, an increase of 5.2 percent.
 - Average Weekday Ridership was 30,709, an increase of 8.9 percent.
 - Farebox Revenue was \$2.46 million, an increase of 14.7 percent.
 - On-time Performance was 97.5 percent, and increase of 4.9 percent.
 - Caltrain Shuttle Ridership was 3,798, an increase of 26.1 percent.
- c) The Martin Luther King, Jr. Freedom Train operated on January 15. There were approximately 1,800 passengers on the 10-car train.
- d) Special service was operated to AT&T Park for the Monster Jam event on January 13 and for the 2007 AMA Supercross event on January 27. There was also additional service to San Francisco for the Macworld Conference and Expo at Moscone Center January 8-12.
- e) Regular weekday service will operate Monday, February 19, President's Day.
- f) The previously approved fare increase will be implemented on April 2. There will also be slight changes in the schedule for eight southbound trains.
- g) With the opening of Centralized Equipment Maintenance and Operations Facility (CEMOF) in FY2008, there have been several tabletop model simulation exercises conducted to prepare for the facility's opening.
- h) There has been increased media coverage on rail service to Monterey County from Gilroy. Transportation Agency for Monterey County (TAMC) first needs to authorize an agreement with Union Pacific and then Caltrain. Caltrain will only agree to operations on the right of way if the service is revenue neutral and will not interfere with regular Caltrain service.
- i) The Safety and Security Report was distributed. The Roadway Worker Protection Program is being recognized as the best in the country by the American Public Transportation Association.

Award of Contract for the TransLink Phase II Site Prep Project to Mitchell Engineering of San Francisco for \$867,000

George Cameron, Chief Administration Officer, said Staff Coordinating Council (SCC) recommends that the Board award this contract to the lowest, responsive and responsible bidder, Mitchell Engineering of San Francisco, for \$867,000; and authorize the Executive Director or his designee to execute a contract in full conformity with the terms and conditions of the solicitation documents. The recommended award calls for Mitchell Engineering to furnish and install

required civil, structural and electrical components at 30 Caltrain stations to support the implementation of TransLink. Work under the proposed contract will prepare the Caltrain stations for the installation of the TransLink terminals. The installation, programming and configuration of TransLink terminals will be performed under a separate contract administered by the MTC.

Public Comment:

Rosemary Maulbetsch, Atherton, asked which stations would receive the new ticket machines and asked what the visual impacts would be of the new equipment. Mr. Scanlon responded that all stations would be equipped with the new equipment and there were virtually no visual impacts because the machines are smaller than the current ticket vending machines.

The motion to authorize award of the contract to Mitchell Engineering was unanimously approved by the Board, by roll call.

Adoption of the 2007 State and Federal Legislative Program

Ian McAvoy, Chief Development Officer, said Staff Coordinating Council (SCC) proposes Board adoption of the 2007 legislative program to guide the District's advocacy efforts in Sacramento and Washington D.C. over the course of the coming year.

The 2007 State and Federal Legislative Program sets forth the principles that will guide Caltrain's advocacy efforts at the state and federal levels during next year's session of the state Legislature and the 110th Congress. The program is intended to be broad enough to cover the wide variety of issues that may be taken up in Sacramento and Washington D.C., and flexible enough to allow Caltrain, its staff, and its legislative advocates to respond swiftly and effectively to unanticipated developments.

The State Legislative Program stresses four primary themes:

- 1) Obtain financial stability for transportation;
- 2) Seek reform of state policies to improve project delivery;
- 3) Seek reform with state regulatory agencies, primarily the California Public Utilities Commission, to allow level boarding at Caltrain stations and provide efficient rail operations; and
- 4) Support legislative actions consistent with JPB's endorsement of the Guiding Principles of the Silicon Valley High Speed Rail Coalition.

The Federal Legislative Program focuses on the following six primary areas:

- 1) Ensure that SAFETEA-LU is implemented in a manner that maximizes opportunities for maintaining and expanding public transportation;
- 2) Seek discretionary federal funds for projects that are of benefit to the Caltrain Corridor;
- 3) Advocate for greater federal funding for transit security programs, and support continuing efforts that would direct Department of Homeland Security funding to operators in high-threat urban areas;
- 4) Seek regulatory reform with the federal transportation agencies, including but not limited to Federal Railroad Administration and the Surface Transportation Board, to maximize Caltrain operation performance;

- 5) Advocate that the implementation of the Tax Increase Prevention and Reconciliation Act of 2005 (the Tax Act) not impact Lease In/Lease Out and Sale In/Lease Out transactions entered into prior to its enactment; and
- 6) Support funding and reform to Amtrak to ensure protection of existing contractual Amtrak arrangements with passenger rail operators, including Caltrain.

The motion to approve the 2007 State and Federal Legislative Program was approved by the Board.

Adoption of the Caltrain Mini Short Range Transit Plan

Mr. McAvoy said each year the Metropolitan Transportation Commission (MTC) requires Bay Area transit operators, including the Joint Powers Board, to prepare and submit a short-range transit plan (SRTP) used to update the Regional Transportation Plan and the Transportation Improvement Program. Every four years operators are required to submit a full SRTP update instead of the mini SRTP.

The following are the major highlights contained in the FY 2007 to 2016 Mini SRTP.

- Service levels remain constant until Project 2025 is approved and additional funding is identified
- Eight additional passenger cars will be acquired during FY 2008 to help provide needed capacity
- 20 of 29 locomotives and 73 of 110 passenger cars will be replaced; the remaining 37 cars will be overhauled
- Caltrain's Centralized Equipment Maintenance and Operations Facility (CEMOF) will be completed in mid-2007
- Electrification infrastructure will be completed
- A structural deficit will continue in FY 2008

There are a few other uncertainties noted in the plan including future service levels and fleet type. Both these issues will be clarified once the Board adopts Project 2025 and as Caltrain moves closer to electrification.

Director Gage said that double tracking to Gilroy is expected by 2010. He asked what kind of locomotives would be purchased in 2014. Mr. Scanlon replied that the SRTP is a status quo plan that includes the purchase of diesel locomotives. However, he hopes to move toward the procurement of electric multiple units (EMUs) while retaining a small fleet of diesel locomotives for the Gilroy line. Mr. Scanlon said the SRTP is a work in progress, and assumes the replacement of the fleet. Overlaid on the SRTP is Project 2025, which will significantly change the SRTP once the plan is brought to fruition.

Director Williams asked what efforts are being made to lower emissions and to address global warming issues. Mr. McAvoy said the largest component of the agency's efforts to improve emissions is the move towards electrification. He said that over the past several years, diesel fuel has become much cleaner, which reduces emissions. Director Williams asked if there were any alternative fuel options for operating the diesel locomotives. Mr. Scanlon replied that "green

goats” are the only current hybrid type locomotives but there is no mainline alternative fuel for diesel locomotives.

Director Lloyd said it was his impression that there would be six roundtrips on the Dumbarton rail line. Mr. McAvoy confirmed that there would be six roundtrips but the timing of the trains has not been determined.

Ms. Lempert asked why the SRTP shows a larger deficit than the expected \$5.3 million. Mr. Scanlon replied that the numbers are still being finalized as staff continues to work on the budget.

Public Comment:

Jeff Carter, Burlingame, said staff needs to aggressively seek a permanent and dedicated funding source for Caltrain. He suggested having more service in the evening and on the weekend, including express service.

David Whittum, Sunnyvale, said he was concerned with the noise effects of operating longer train consists, idling, and prolonged bell ringing. He urged the Board to consider environmental impacts on all upcoming projects.

The motion to approve the Mini SRTP was unanimously approved by the Board, by roll call.

PRELIMINARY FISCAL DISCUSSION

Virginia Harrington, Chief Financial Officer, made a presentation on a FY 2008 budget pro forma. Projected revenues total \$85.1 million while expenses total \$90.4 million, leaving a \$5.3 million deficit.

Chuck Harvey, Chief Operating Officer, made a presentation on ridership capacity and the compared revenues and expenses with current fleet and electric multiple units (EMUs).

By FY 2020, expenses are projected to reach approximately \$150 million while revenues, without EMUs, will total less than \$65 million. Revenues with EMUs are projected to total approximately \$115 million by FY 2020.

Caltrain has been using one-time funds, including capital monies, to resolve a continuing structural deficit. The capital program must be fully funded to meet service demands. The FY 2008 budget is not balanced with a 3 percent member agency increase. To ensure long-term fiscal stability, dedicated funding sources are needed, Mr. Harvey said.

Mr. Scanlon said one-time funds have been used to close budget gaps for many years. The member agency contributions constitute approximately 42 percent of the entire cost to operate the railroad. MTC is currently developing a Regional Rail Plan, which includes financing elements for the railroad. However, all transit agencies are wrestling with budget problems and the member agencies cannot afford to increase their respective shares and passengers can not fund the deficit either. Mr. Scanlon said that the governor also has proposed to eliminate the spill over funds, which equals approximately \$3.6 million. There currently is \$3.4 million in reserves.

Director McLemore asked if the \$3.4 million in reserves will be used to fund the budget gap. Mr. Scanlon replied that reserve funds are not included in the pro forma budget.

Director McLemore asked what the top two expenses are for the operating budget. Mr. Scanlon responded they are the Amtrak contract and fuel.

Director Hartnett said that even if reserves were used, there would still be a deficit. He said that he is uncomfortable with having such a small amount in reserves for an operation of this size. He asked what has been done to secure regional funding. Mr. Scanlon responded that all Bay Area transit agencies are scheduled to meet in March to discuss governance and funding of transit agencies.

Director Gage said the Caltrain system is unfair simply because it is subsidized solely by the three county partners. The capital program includes station upgrades, etc., but the cities that get the benefit of the improvements are not carrying their fair share. He said that Caltrain should look to the cities to subsidize part of the funding. Service will need to be reduced if the deficit is not funded through city subsidies or other dedicated funding sources. Member agencies cannot increase their contributions. He suggested looking into a surcharge for those traveling the longest on the system or perhaps instigating a bond measure. He said that people will continue to ride the train because it is still cheaper than driving a car.

Mr. Scanlon said he does not believe that it is realistic to expect the cities to provide a subsidy for Caltrain service. In terms of surcharges and fares, he said that passengers are already paying a fair amount. He said even with dramatic service cuts, there will still be a deficit because of the infrastructure and labor costs. He said it will be essential to find a financial disincentive to drive and a financial incentive to ride transit.

Ms. Lempert said Caltrain is a success story with the recent increases in ridership and revenue. The Board should wait to see the results of the Regional Rail Study in terms of governance and finance. She said that everything needs to be discussed to solve the budget problems, including increased member agency contributions, service cuts and raising fares.

Director Williams asked what expenses could be moved out to further years so that they would not be expended in the FY2008 budget. Mr. Scanlon responded that nothing is deferrable other than the opening of the Centralized Equipment Maintenance and Operations Facility (CEMOF), which is not advisable. Mr. Scanlon said a 4 or 4.5 percent escalation is assumed for each fiscal year because the cost of operating the railroad will increase with time. Director Williams said he is in favor of a legislative solution and is in favor of looking at ways to devise disincentives for the automobile. He said member agencies may consider a period of support over time while legislation is being pursued as a solution, but all agencies need to work together as a region.

Director McLemore reported that MTC representatives met with the Bay Area legislative caucus to discuss bonds. The governor is proposing to take away \$1.1 billion in funding, including \$3 million from Caltrain if school buses convert to mass transit. The Bay Area caucus was very responsive in opposing the governor's budget proposal. Director McLemore thought it would be

extremely beneficial in educating the Assembly on transit issues so that they can fight for transportation funding.

Director Gage said it is very difficult to get the legislation to provide funding. He doesn't believe that voters would approve any additional taxes for transit.

Director Hill said the San Mateo County cities feel like they are funding enough for Caltrain operations through the half-cent sales tax that was approved. He said that there is an effort to introduce a carbon tax that may apply to automobiles and then could be allocated to transit agencies. Director Hill thinks the governor would support a carbon tax to benefit transit because his long-term global climate change initiative. He said any legislative solutions need to be approached regionally.

Director Maxwell said that there needs to be short-term and long-range strategic plans. She agreed that the issue needs to be looked at regionally. The Board needs to talk about short-range plans that will help long term goals. She said that the \$5.3 million deficit needs to be funded and there aren't any easy solutions. She said she is willing to go back to her agency to discuss how to fund short-term Caltrain operations. She suggested forming a subcommittee of the Board to develop and focus on three methodologies for addressing the financial infrastructure problem of Caltrain for the short and long range.

Director Hartnett said he agreed with Director Maxwell in forming a subcommittee to address financial solution possibilities. He said the more service that is offered, the more people will ride. He said regional taxing is the most likely solution to address the long-term financial solutions and each county and city needs to work together to bring it to the legislation.

Director McLemore said all transit agencies will benefit from the bonds that passed. He said MTC is working on solving regional transit problems. He suggested developing partnerships that could work with other agencies to see how to divide the regional funding as one-time funds for agencies.

Mr. Scanlon thanked the Board for the open dialogue among board members and staff. He said it is critical for the capital program to move forward in the short-term so that long-term solutions can be devised and achieved. He said lots of great things are happening to this railroad right now and although there are financial problems, there is a possibility for better things to come. He said staff will continue to work on bridging the budget gap.

Chair Cisneros said he would like any updates brought to the Board as they become known.

Public Comment

Jeff Carter, Burlingame, agreed that this is a regional issue and the Board needs to have a regional perspective. He said that a lot of people still think that driving is cheaper than taking public transportation. He said that improvements should not be made for projects that aren't progressing, such as ferry service. He said that Santa Clara County needs to consider not extending BART.

Pat Dixon, Redwood Shores, said that she belongs to a stadium club and there is no way to get to Monster Park for the 49-er games from Bayshore Station.

Vaughn Wolffe, San Francisco, said the budget includes \$11 million for fuel. If the system was electrified, that cost would not be necessary. He said that all current projects need to be completed before new projects are introduced, such as BART to San Jose.

BOARD MEMBER REQUESTS

As suggested by Director Maxwell, the chair will be appointing members to a subcommittee to evaluate short and long-term solutions for the financial security of Caltrain.

REPORT OF LEGAL COUNSEL

None.

DATE/TIME OF NEXT MEETING

Thursday, March 1, 2007, 10 a.m. at 1250 San Carlos Avenue, San Carlos, CA 94070.

ADJOURNED

The meeting adjourned at 12:04 p.m.