

# Downtown Extension (DTX) DRAFT Caltrain Principles

JANUARY 26, 2023



# Agenda

- DTX partnership overview
- FTA New Starts process
- Upcoming DTX milestones
- Master Cooperative Agreement (MCA) between Caltrain and TJPA
- Receive Board feedback on draft negotiating principles to inform Caltrain's approach to the MCA





# Caltrain's Role as DTX Partner

- DTX will create a regional hub for Bay Area transportation
- DTX supports Caltrain's 2040 Service Vision and Equity, Connectivity, Recovery, and Growth Framework
- Caltrain is a key partner and first operator for DTX, and is providing significant contributions including:
  - Electrification and EMUs, which enables DTX
  - Potential use of the 4<sup>th</sup> and King Railyards
  - Caltrain staff time and resources, reimbursed by TJPA

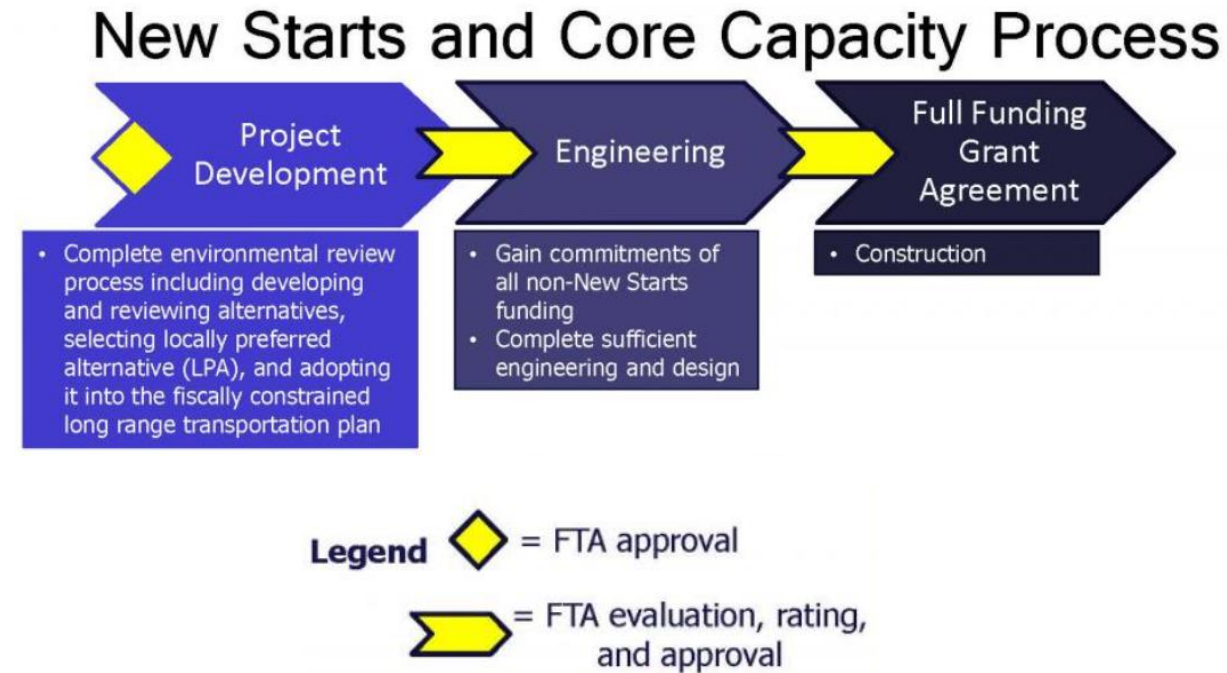


# 2040 Service Vision and Framework for Equity, Connectivity, Recovery and Growth

- The Caltrain's *2040 Service Vision* (adopted 2019) directs the railroad to plan for "minimum **peak hour frequencies of 8 trains per hour per direction** between San Jose and San Francisco, extended to Salesforce Transit Center when DTX is completed"
- The *Framework for Equity, Connectivity, Recovery and Growth* (adopted 2020) states that Caltrain will:
  - Endeavor to proceed on a path of **recovery and growth** that anticipates, advances and, where possible, accelerates the incremental delivery of the 2040 Service Vision.
  - Undertake policies and actions that improve its **connectivity** to other transit systems to strengthen its role as part on a regionally integrated network.
  - Undertake service changes and system improvements in a manner that **enhances equity and access** for historically disadvantaged and underserved groups and communities.

# FTA New Starts Process

- The Transbay Joint Powers Authority (TJPA) is seeking funding for the DTX project from the FTA New Starts program, which could fund up to 50% of total project capital cost
- DTX has an accelerated timeline for FTA New Starts:
  - October 2021 – Entry into Project Development
  - February 2023 – Request Entry into Engineering
  - August 2023 – Request Full Funding Grant Agreement (FFGA)
  - 2025 – Receive FFGA



# Recent Project Updates – Financial Plan

- The DTX Executive Steering Committee received an update on the Draft 20-Year Financial Plan on January 20th that included updated draft capital and operating cost estimates:
  - Capital Cost Estimate = \$6.68 Billion (YOE\$)
    - Exclusive of financing costs, maintenance of way vehicles, level boarding vehicle retrofits, or additional rolling stock
  - Incremental estimated O&M Costs = \$40 Million annually (2023\$)
- TJPA's Board of Directors will hear a similar update at their February 9, 2023, meeting. TJPA will not act on the Financial Plan because it is in draft form.

# Upcoming DTX Milestones

- February 2023: TJPA's initial submittal to FTA, request to enter New Starts Engineering Phase
- Early 2023:
  - Commence design work for 4th and King Enabling Works
    - Enabling work includes track realignment at the railyard and is slated to occur prior to the main civil construction
    - Caltrain, in partnership with TJPA, will lead the design process
  - Negotiation of MCA terms
    - The August submittal includes a Master Cooperative Agreement (MCA) between TJPA and Caltrain to formalize their respective roles in project delivery, operation and maintenance
    - The MCA is one of FTA's required third party agreements for TJPA to receive its FFGA
- June 2023: JPB approval of proposed MCA
- August 2023: TJPA's submittal to FTA, request for FFGA

# Master Cooperative Agreement (MCA) Components

1. Project Definition
2. Design and Construction Implementation
  - Framework for ongoing interactions and future agreements
  - Caltrain's role in design approvals and technical support
  - Agreement on construction approach, procurement, inspections, easements
3. Financial and Funding Plan
  - Projected O&M costs of rail service, infrastructure, and stations
4. Asset Disposition and Funding
  - Roles and responsibilities for operations, payment and financing
  - Any financial commitment to capital and future O&M costs
5. Project Commissioning and Acceptance
6. 4<sup>th</sup> and King Enabling Work



# Project Risks and Uncertainties

## Funding Risks:

- Like many other Bay Area transit operators, Caltrain is facing near-term operating financial challenges. The region is working towards solutions, including the identification of additional capital funding for PCEP.
- Currently projecting DTX at \$40m in annual incremental operating costs (in 2023\$, which will be more in year of expenditure).

## Operating Risks:

- Currently, the project budget does not include all capital costs necessary for service expansion, including additional trainsets, maintenance of way vehicles and a level boarding retrofit.

# MCA Draft Principles

- Staff is proposing core principles to inform the negotiation of the MCA this spring into summer
- Principles are in two categories: operations and funding
- Purpose of principles is to guide discussions/negotiations between Caltrain and TJPA and to mitigate future financial and operational risks associated with DTX
- Seeking Board input and direction on these principles

# Draft MCA Principles (1 of 2)

1. Project cannot adversely affect Caltrain's financial ability to support the existing and planned system.
  - a) MCA **must clearly allocate responsibility for all incremental up-front capital and ongoing operating costs** required to operate and maintain the project upon completion.
  - b) Capital contributions should be **cost-neutral** to Caltrain (aside from contributions to project development)
  - c) Farebox revenue attributable to DTX can be used to offset a portion of Caltrain's incremental operating cost but the project must identify a **reliable mechanism to fund any operating shortfall**.

# Draft MCA Principles (2 of 2)

2. Project must be compatible and connected to Caltrain's existing and planned rail system and **must not preclude Caltrain's 2040 service vision.**
3. **Safety and customer experience** must be the primary focus of all planning, design, construction, and operations and maintenance decisions
4. Project delivery, infrastructure ownership at completion, and operation and maintenance responsibilities **must align with Caltrain's financial and operating capacity** and structure.



# Draft Proposed Escalation Path for Resolving Issues Concerning Contents of MCA

Caltrain's Advocacy and Major Projects (AMP) committee will provide ongoing feedback and guidance to staff throughout MCA negotiations.

If staff are unable to resolve an issue regarding the contents of the MCA, the issue should be presented, in succession, to:

1. Projects Leads
2. Executive Directors
3. Board Chairs

# Questions for Discussion

1. Do the principles accurately reflect the Board's policy direction?
2. Are there any amendments or additions that should be considered?
3. Do you have feedback on the proposed escalation path?

# Next Steps

1. Present at Feb 2<sup>nd</sup> JPB meeting, incorporating WPLP feedback, for potential motion.
2. Incorporate core principles into the MCA
  - Review preliminary 20-year Financial Plan to assess compatibility with principles
  - Continue to engage the Board throughout term sheet development and negotiation process
3. Bring MCA to Board in late Spring/early Summer 2023 for review and approval
  - MCA is part of TJPA's August submission to FTA
4. Use principles as starting point for a future service expansion policy

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