



JPB Advocacy and Major Projects (AMP) Committee  
Meeting of July 26, 2023

Supplemental File

<u>#</u>	<u>Subject</u>
1	MTC (Metropolitan Transportation Commission) Regional Monthly Update
2	SF Railyards Caltrain-Prologis PBC MOU Amendment #1-07-21-23

**Peninsula Corridor Joint Powers Board  
Staff Report**

To: Advocacy and Major Projects (AMP) Committee  
Through: Michelle Bouchard, Executive Director  
From: Sam Sargent, Director, Strategy and Policy  
Subject: **Metropolitan Transportation Commission (MTC) / Regional Update**

<input type="checkbox"/> Staff Coordinating Council Reviewed	<input type="checkbox"/> Finance Committee Recommendation	<input type="checkbox"/> Technology, Operations, Planning, and Safety Committee Recommendation	<input type="checkbox"/> Advocacy and Major Projects Committee Recommendation
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**Purpose and Recommended Action**

The Metropolitan Transportation Commission (MTC) provides planning, funding, coordination, and technical assistance to cities, counties, transit agencies, and other partners to bring the region together. The California Legislature created MTC in 1970 to plan and provide a cohesive vision for the Bay Area’s transportation system. This item is informational only.

**Discussion**

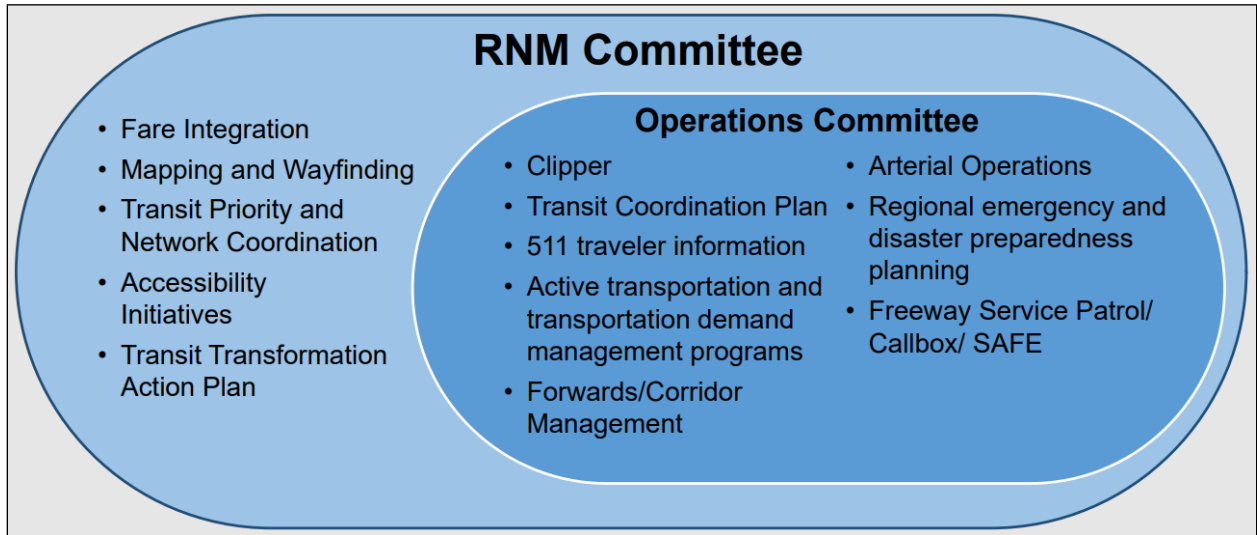
MTC is actively considering several key policy and funding decisions that affect Caltrain, and staff wants to ensure the Joint Powers Board (JPB) is apprised of these discussions and other items with regional impact.

**Budget Impact**

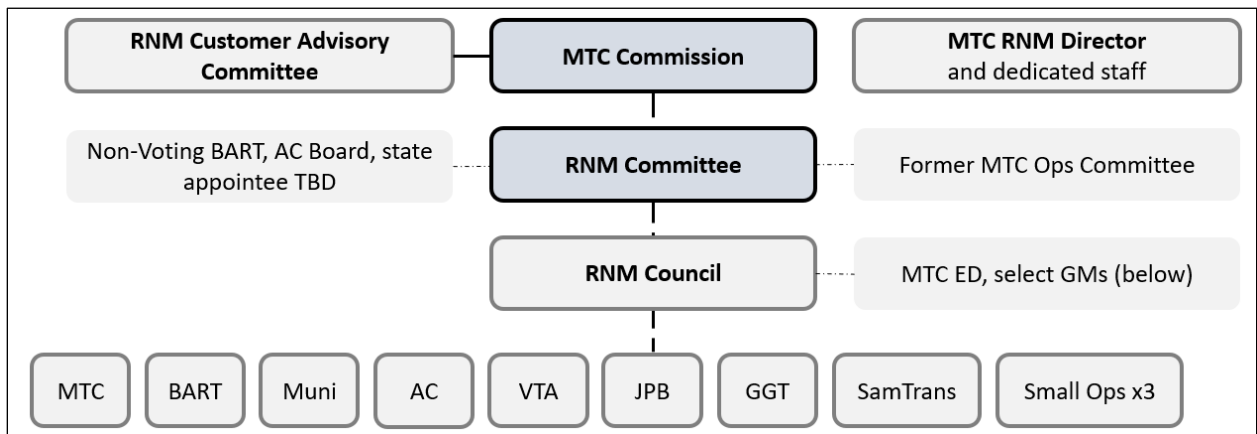
No budget impact.

## 1. Regional Network Management Update

The MTC Regional Network Management (RNM) Committee met for the first time on July 14, after transitioning from the MTC Operations Committee. Membership has remained the same, with Commissioners David Canepa and Matt Mahan representing the Caltrain service area. The RNM Committee’s scope includes the former Operations Committee responsibilities, as well as five broad RNM functional areas, discussed in previous updates:



At the first RNM Committee meeting, MTC staff provided a recap of the RNM Framework and overview of startup activities. Within the framework, Caltrain staff is focused on the rollout of the RNM Council, which consists of MTC Executive Director Andy Fremier, six large transit operator general managers, including Executive Director Bouchard, and three small operator representatives:



Within MTC's startup activities, development of the RNM Committee workplan and RNM Council charter are two of the most important deliverables to Caltrain. Both are being developed by KPMG with MTC executive staff and a steering committee of operator senior staff. Sam Sargent serves as Caltrain's representative on that steering committee.

Work on these deliverables will continue through August. The RNM Council is expected to first meet in September or October

- **Recommended JPB Action:** no action at this time, informational only. Caltrain staff, participating in the RNM Committee workplan and RNM Council charter work, have raised the question of transit operator board roles within the RNM Framework. This question has been raised by the JPB in prior months and is being raised by staff from multiple operators with MTC and KPMG. More information to follow in next month's MTC-Regional Update.

## 2. Operator Fiscal Cliff Discussion – MTC ABAG Legislation Committee Recap

On July 14, the Joint MTC ABAG Legislation Committee received a presentation from MTC executive staff and senior executives from SFMTA (Jeff Tumlin), BART (Rodd Lee), and AC Transit (Mike Hursch) on the region's near-term transit operating deficits. Executive Director Bouchard was present for committee questions. Caltrain, with a majority of the region's other transit operators, participated in a months-long data collection exercise with MTC staff to contribute to this presentation and discussion.

Prior to the Legislation Committee, Caltrain staff expressed serious concerns with MTC's attempts to "standardize" operator's fiscal cliff assumptions. The process by which MTC staff processed the data was not transparent, despite many attempts by Caltrain and other operator staff to gain more clarity. A few notes on Caltrain's concerns:

- MTC staff attributed Caltrain's operating deficit to a 2021 service change in which commuter rail service increased from 92 trains per weekday with 5 trains in the peak to 104 trains per weekday with 4 trains in the peak. That change caused almost no increases in Caltrain's labor costs. No service increases beyond current levels are included in Caltrain's projections of operating deficits.
- Future operating cost increases for Caltrain, which drive the future operating deficits starting in FY2026, are almost entirely due to electrification operations and maintenance. Electricity costs are up 60-percent since 2017. While Caltrain is proactively working to reduce electricity costs for the new service, electrification operations remain the principal driver of costs.

- Caltrain lists state of good repair and maintenance as capital transfer, which gave MTC the impression that these mission critical costs are optional or able to be deferred. This is not the case, as Caltrain cannot defer projects such as bridge rehabilitations or replacements, or safety improvements to at-grade crossings.

Caltrain still has a significant near-term fiscal cliff: \$33 million starting in FY2026, increasing to \$58 million in FY2027. MTC staff ultimately made changes to the “standardized” fiscal cliff numbers, adjusting the transit operator totals by nearly 50%.

While this was a better outcome, there is much work to be done with MTC staff. The region must take more time to ensure that the fiscal cliff is being characterized accurately, to ensure that the serious challenges are understood by policymakers and the public before future gap funding or ballot measures are pursued.

- **Recommended JPB Action:** no action at this time, informational only.

### 3. BayPass Pilot Updates

Last month, Caltrain staff provided an overview of the BayPass program, focused on the joint MTC-BART project management team’s (“PM team”) discussions with transit operators (including Caltrain) related to a Phase 2 pilot rollout.

To recap, BayPass is a regional institutional pass program that allows unlimited trips on Clipper participating transit systems, including Caltrain. The program is based on Caltrain’s Go Pass program, the largest and oldest in the region. MTC has allocated approximately \$6 million to the pilot program to cover initial administrative costs and offset revenue impact.

During Phase 1 of the pilot, which launched in 2022, one percent of trips have been taken on Caltrain, limiting the financial impact to the railroad. Caltrain, the PM team, and senior policy and financial staff from the region’s large operators have been working through the details of an expanded Phase 2.

Caltrain has significant concerns around Phase 2 of the BayPass pilot. Pre-pandemic, Go Pass provided the railroad with \$30 million per year in fare revenue. Today, Go Pass still constitutes 1/3 of total fare revenue at \$17 million per year. BayPass, as an all-region institutional pass program, has the potential to seriously undercut Go Pass on price, with damaging impacts to Caltrain’s financial future.

Regardless of the size and composition of a BayPass Phase 2 pilot, the program would set a precedent for pricing and approach for any future region-wide institutional pass program. Caltrain is treating the structure of the pilot no different than the structure of a more permanent regional pass program. Without resolving the following open issues with the PM Team, Caltrain cannot allow the Phase 2 pilot to proceed:

- Revenue Neutrality – protecting both current Caltrain fare revenue and pricing the BayPass regional fare product in a way that does not undermine pricing for existing and new institutional pass program customers.
- Revenue Backstop – MTC and the PM Team have proposed an insufficient revenue backstop should operators suffer losses as a result of the BayPass Phase 2 pilot. The lack of a robust revenue backstop will make any long-term program untenable. Any MTC financial backstop must be accompanied by a guarantee of revenue neutrality (above) and a fair revenue allocation to operators.
- Board Approval – the PM Team previously stated that executive approval from operators would be sufficient to move a Phase 2 “soft launch” forward. Caltrain, with numerous transit operator peers, have made clear that board approval from all 24 Clipper-participant operators will be required to advance the pilot.

BayPass cannot move forward until these issues are properly addressed and incorporated into operator Participation Agreements for board approval. Caltrain will continue to work closely with the PM team and the region’s large operators who share the railroad’s concerns with the pilot’s current lack of revenue guarantees and detail on structure. MTC and the PM team have publicly stated that full launch of the Phase 2 pilot is anticipated in late 2023. Caltrain hopes to see these significant concerns addressed by the end of August.

- **Recommended JPB Action:** no action at this time, informational only.

**MEMORANDUM OF UNDERSTANDING  
(JPB-Prologis Work Plan)**

**AMENDMENT #1**

This Amendment is made and entered into as of \_\_\_\_\_, 2023 by and between the Peninsula Corridor Joint Powers Board (“**JPB**”) and Prologis 4<sup>th</sup> & King LLC, a Delaware limited liability company (“**Prologis**”). JPB and Prologis are each a "Party" and together the "Parties."

**RECITALS**

A. The Parties executed a MEMORANDUM OF UNDERSTANDING (JPB-Prologis Work Plan) on July 19, 2021, herein, the “MOU.”

B. Pursuant to Section 4.5 of the MOU, the Parties have agreed that an Amendment to the MOU is required to implement a proposed adjustment, and the Parties have mutually agreed to amend the MOU as follows:

1. **Section 2, Negotiation Term**, is amended to read:

Negotiation Term. The term of this Agreement shall commence on the Effective Date and, subject to extension or termination as provided below, expire on July 18, 2025, four years after the Effective Date (the “**Negotiation Period**”).

2. **Section 10, Notices**, is amended to show the following for JPB:

JPB:  
1250 San Carlos Avenue  
San Carlos, CA 94070-1306  
Attention: Dahlia Chazan [ChazanD@caltrain.com](mailto:ChazanD@caltrain.com) and James Harrison  
[jharrison@olsonremcho.com](mailto:jharrison@olsonremcho.com)

3. **Exhibit B, Part II Scope, Task 4. Refinement and / or identification of additional options**, is amended to read as follows:

Based on the outcomes of the previous task, options will be refined and/or identified. The options will need to align with the Statement of Goals and Objectives and will need to meet minimum operating and performance requirements for Caltrain, Prologis, and members of the Railyards MOU group.

The outcomes of this task will be presented to the Railyards MOU group for feedback. Refined options developed within Task 4 will be compared and evaluated against a base,

no-build case in Tasks 5 and 6. Refined options developed within Task 4 will also be evaluated to identify the most plausible strategies for effective phasing and construction sequencing of the options. Objectives of this work will be to identify a viable first phase of development on the 4th & King site, and to determine the modifications to rail infrastructure required to maintain Caltrain service levels at 4<sup>th</sup> & King throughout the development period.

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4. **Exhibit C, Funding Allocation and Agreement**, is amended to read as follows:

<b>Scope Reference</b>	<b>Task</b>	<b>Responsible Party</b>	<b>Responsible Funder</b>	<b>Task Budget (Approx)</b>
Part I	Project Management and Operations/Service Planning/Storage and Maintenance Analysis	Caltrain	Caltrain	\$2,149,503
Part II	Technical Analysis and Business Case Development (Tasks 1-3 and ongoing strategic advice)	Caltrain and Prologis	Prologis	\$583,000
Part II	Technical Analysis and Business Case Development (Tasks 4-8 for two options)	Caltrain and Prologis	Prologis	\$837,000
Part II	Technical Analysis and Business Case Development (Tasks 4-8 for two add'l options)	Caltrain and Prologis	Prologis	\$550,000
Part II	Refinement and / or identification of additional options (Phasing Analysis)	Caltrain and Prologis	Prologis	\$274,174

[Signatures on next page]

IN WITNESS WHEREOF, the parties have executed this Amendment #1 as of the date first written above.

**Peninsula Corridor Joint Powers Board**

By: \_\_\_\_\_

Name: \_\_\_Michelle Bouchard\_\_\_\_\_

Its: \_\_\_\_\_Authorized Signatory\_\_\_\_\_

**Prologis 4<sup>th</sup> & King LLC**

By: \_\_\_\_\_

Name: \_\_\_Mark Hansen\_\_\_\_\_

Its: \_\_\_\_\_Authorized Signatory\_\_\_\_\_