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AGENDA

PENINSULA CORRIDOR JOINT POWERS BOARD – TRANSBAY JOINT POWERS AUTHORITY BOARD Joint Ad Hoc Committee Meeting

May 30, 2024, 9:00 am to 10:30 am

425 Mission Street, Suite 250
San Francisco, CA 94105

This meeting is also being conducted by teleconference at the following location: City of Mountain View Council Chambers, 500 Castro St., 2nd fl., Mountain View, CA 94041 [Peninsula Corridor Joint Powers Board Director Abe-Koga attending via teleconference]. The teleconference location is open to the public and any member of the public will have an opportunity to address the Committee from this teleconference location in the same manner as if that person attended the regular meeting location.

JPB Committee Members:

Margaret Abe-Koga, Ray Mueller (Committee Co-Chair), Monique Zmuda

TJPA Committee Members:

Alicia John-Baptiste (Committee Co-Chair), Boris Lipkin, Sarah Syed

This meeting will be held in person at the location listed above. Members of the public may attend the meeting to observe and provide public comment at the physical location listed above or may watch live online using the link below:

<https://transbaycenter.webex.com/transbaycenter/j.php?MTID=m65c3eb71362272fa4507f6e0ebd02002>

Members of the public may comment on the meeting during public comment periods in person or remotely. In-person public comment will be taken first; remote public comment will be taken after. The call-in line is provided as a courtesy and its availability may be disrupted due to technical difficulties or otherwise.

PUBLIC COMMENT CALL-IN: 1-855-282-6330 -- Access Code: 2556 379 7350 ##

When the item is called, dial *3 to be added to the speaker line. When prompted, callers will have two minutes to provide comment unless otherwise noted by the Chair. Please speak clearly, ensure you are in a quiet location, and turn off any TVs or computers around you.

May 30, 2024 – Thursday

9:00 am to 10:30 am

1. Call to Order
2. Roll Call
3. Committee Member Communications
4. New and Old Business
5. Committee Protocols
 - 5.a. Introduction of Committee Members Informational
 - 5.b. Review Purpose/Role of the Joint Ad Hoc Committee Informational
 - 5.c. Review planned meeting schedule and locations Informational
 - 5.d. Review Quorum and action thresholds Informational
 - 5.e. Adopt Rules of Order Motion
6. Request for Guidance on the Operations and Maintenance Funding Gap for The Portal Motion
7. Public Comment on items not on the agenda
Comments by each individual speaker shall be limited to two (2) minutes.
8. Calendar Matters
9. Adjourn
10. Date/Time/Place of Next Ad Hoc Committee: August 6, 2024, 10:00 am to 11:30 am
The meeting will be accessible via Zoom and in person at the SamTrans Office, Bacciocco Auditorium, 2nd Floor, 1250 San Carlos Ave., San Carlos, CA.

Information for the Public

If you have questions on the agenda, please contact TJPA at 415.597.4620. Agendas are available on TJPA's website at www.tjpa.org and on the Caltrain website at www.caltrain.com. Communications to the TJPA Board of Directors can be e-mailed to info@tjpa.org, and Caltrain Board of Directors can be e-mailed to board@caltrain.com.

Accessible Public Meetings/Translation

In accordance with the Americans with Disabilities Act, California Law, and the Governor's Executive Order, any individual with a disability may request reasonable modifications or accommodations so that they may observe and address the Joint Ad Hoc Committee at this meeting. If you are disabled and require special accommodations to participate, please contact the TJPA at 415.597.4620 or dtx@tjpa.org, at least 72 hours prior to the meeting. Late requests will be honored if possible. Calendars and minutes of the meeting may be available in alternative formats; please contact the TJPA at 415.597.4620 or dtx@tjpa.org at least 72 hours in advance of need. Written reports or background materials for calendar items are available online at www.tjpa.org and www.caltrain.com.

If you require the use of a language interpreter, please contact TJPA at 415.597.4620 or dtx@tjpa.org. We require three working days' notice to accommodate your request.

Si necesita usar los servicios de un intérprete de idioma, comuníquese con TJPA llamando al 415.597.4620 o en dtx@tjpa.org. Solicitamos un aviso previo de tres días hábiles para atender su solicitud.

如果您需要使用语言口译员，请联系TJPA，电话：415.597.4620，或电子邮件：dtx@tjpa.org。我们需要您在三个工作日之前告知，以满足您的要求

**Transbay Joint Powers Authority and Peninsula Corridor Joint Powers Board
Joint Ad Hoc Committee
Staff Report**

To: Joint Ad Hoc Committee
Through: Executive Director Michelle Bouchard (Caltrain) and Executive Director Adam Van de Water (TJPA)
From: James C. Harrison (Caltrain) and Deborah Miller (TJPA)
Date: May 30, 2024
Subject: Adopt Rules of Order for the Joint Ad Hoc Committee

Purpose and Recommended Action

Staff for the Transbay Joint Powers Authority (TJPA) and the Peninsula Corridor Joint Powers Board (Caltrain) recommend that the Joint Ad Hoc Committee adopt the attached Rules of Order.

Discussion

I. Role of the Joint Ad Hoc Committee

Caltrain and TJPA are working closely on the Downtown Rail Extension (also known as The Portal), pursuant to two agreements, the Downtown Rail Program Enabling Works Planning Memorandum of Agreement related to the 4th and King Railyard (March 2023) and the Interim Agreement (September 2023).

To continue to advance The Portal and to formalize their respective roles in project delivery, operations and maintenance, the agencies expect to enter into certain new agreements prior to the TJPA negotiating a Full Funding Grant Agreement with the Federal Transit Administration: (1) an extension of the current Interim Agreement to allow the parties to complete the Master Cooperative Agreement (MCA); (2) an MCA for the full project that once executed will supersede the Interim Agreement; and (3) an agreement for the 4th and King Yard Preparation (4KY) work (that may be incorporated into the MCA).

Both the Caltrain and TJPA boards of directors have established ad hoc, temporary advisory committees on issues related to the agencies' cooperation in delivery of The Portal. These committees meet regularly with staff to receive presentations about work on The Portal and to provide input regarding the negotiations of the two agreements, which are occurring at the staff level. TJPA's ad hoc committee members are: Alicia John-Baptiste, Boris Lipkin, and Sarah Syed. Caltrain's ad hoc committee members are: Margaret Abe-Koga, Ray Mueller, and Monique Zmuda.

As negotiations between the agencies progress, staff have recommended regularly scheduled Joint Ad Hoc Committee meetings to discuss high priority issues that are integral to the upcoming agreements between the agencies. The objective of the joint meetings is to provide the ad hoc committees with in-depth analysis of both agencies' positions, and to allow

cooperative decision-making and informed recommendations from the committees to their respective boards. The Joint Ad Hoc Committee can make recommendations to the respective agencies but do not have authority to bind the agencies.

Staff will work with the committees to schedule joint meetings attended only by the ad hoc committee members representing each agency and their respective staffs. The Brown Act requires that these meetings be open to the public and that agendas be posted 72 hours in advance of the meeting.

For the Joint Ad Hoc Committee meetings, staff will jointly prepare presentations regarding the relevant issues and the parties’ respective positions, including supporting analysis and other relevant information.

Schedule for Future Joint Meetings

Staff proposes the following schedule for future meetings over the next six months, noting that the schedule and issues to be discussed may change if the project timeline shifts and as negotiations between the parties progress; additional meetings may be added and additional topics within the Committee’s scope may be included. Members of the public will be able to find agendas for Joint Ad Hoc Committee meetings posted on the agencies’ websites and elsewhere.

Meeting Date and Location	Look Ahead of Topics
<p>March 28, 2024 10:30-12:00 Caltrain Offices, San Carlos</p> <p>Cancelled for lack of quorum</p>	<p>MCA Negotiations</p> <ul style="list-style-type: none"> • Ongoing O&M and Capital Renewal Costs
<p>May 30, 2024 9:00-10:30 TJPA Offices, San Francisco</p>	<p>MCA Negotiations</p> <ul style="list-style-type: none"> • Ongoing O&M and Capital Renewal Costs
<p>August 6, 2024 10:00-11:30 Caltrain Offices, San Carlos</p>	<p>4th and King Yard DTX Preparation Negotiations</p> <ul style="list-style-type: none"> • Project Delivery Plan • Property Rights / Use of Caltrain Property Interests • Infrastructure Removal/Replacement
<p>Date and Time TBD TJPA Offices, San Francisco</p>	<p>MCA Negotiations</p> <ul style="list-style-type: none"> • Asset Disposition • Vehicle Procurement

II. Rules of Order

Staff recommends that the Joint Ad Hoc Committee adopt the attached Rules of Order to facilitate the conduct of its meetings.

The Rules stipulate that:

1. The agencies will rotate hosting the Joint Ad Hoc Committee meetings at their respective agencies.
 - a. The host agency will provide logistical support for the meeting by ensuring that the meeting is broadcast on the teleconferencing platform normally used by the host agency.
 - b. The Board Secretary for the host agency will facilitate public comment and be responsible for preparing and posting the agenda and taking the minutes.
2. Each ad hoc committee will select a member to serve as a Co-Chair of the Joint Ad Hoc committee. The Co-Chair representing the host agency will preside at any meeting hosted by the agency. If the host Co-Chair is unavailable, the other Co-Chair will preside. The TJPA has identified Alicia John-Baptiste as its Co-Chair for joint meetings hosted by the TJPA. Caltrain has identified Ray Mueller as its Co-Chair for joint meetings hosted by Caltrain.
3. Quorum will be a simple majority plus one (i.e., four out of six directors), and a simple majority of directors present will be needed for any action. The Committee may act by motion or resolution.
4. Staff from the agencies will prepare Joint Ad Hoc Committee agendas and joint materials to present to the committee. The Co-Chairs will approve the agendas before they are posted. All materials in support of the agenda will be posted as soon as practicable.

Adoption of the Rules will promote the transparent and efficient conduct of the Joint Ad Hoc Committee meetings.

Attachment:

- 1. Rules of Order**

**TRANSBAY JOINT POWERS AUTHORITY AND PENINSULA CORRIDOR JOINT POWERS AUTHORITY
JOINT AD HOC COMMITTEE FOR THE DOWNTOWN RAIL EXTENSION
RULES OF ORDER**

The Joint Ad Hoc Committee for the Downtown Rail Extension (also known as The Portal) of the Transbay Joint Powers Authority (TJPA) and the Peninsula Corridor Joint Powers Board (PCJPB) hereby adopts the following rules to govern its proceedings.

ARTICLE I – GENERAL

Section 1. Composition of the Committee

The Joint Ad Hoc Committee will be composed of six committee members. Each agency will be responsible for appointing three members from their governing board to serve on the Joint Ad Hoc Committee.

Section 2. Host Agency

The agencies will alternate hosting meetings of the Joint Ad Hoc Committee. TJPA will host meetings at the TJPA's Office, 425 Mission Street, Suite 250, San Francisco. The PCJPB will host meetings in the Bacciocco Auditorium, 2nd Floor, 1250 San Carlos Avenue, San Carlos. The location for Joint Ad Hoc Committee meetings may be changed by the Co-Chair for the hosting agency, consistent with state law and with prior notice to the committee.

ARTICLE II – CO-CHAIRS AND CO-SECRETARIES

Section 1. Co-Chairs and Co-Secretaries of the Joint Ad Hoc Committee

Each agency will select a Joint Ad Hoc Committee member from their respective agency to serve as a Co-Chair of the Joint Ad Hoc Committee.

Each agency will select a representative from their respective agency to serve as a Co-Secretary of the Joint Ad Hoc Committee.

Section 2. Role of the Co-Chairs

The Co-Chair representing the agency hosting the meeting shall call Committee meetings to order, preside at all meetings, call each item on the agenda, and perform other duties as necessary or incidental to the office. Every regular and special meeting agenda shall be approved by the Co-Chairs prior to posting by the Co-Secretary for the host agency.

In the absence or inability of the host agency Co-Chair to act, the other Co-Chair shall take the place of and perform the duties of the presiding officer.

Section 3. Role of the Co-Secretaries

The Co-Secretary representing the agency hosting the meeting shall prepare and publish the agenda and packet, make all arrangements for public participation in committee meetings, call the roll at each Joint Ad Hoc Committee meeting, record all votes by Committee Members, prepare meetings minutes, and

otherwise assist the presiding officer as necessary to assure that meetings are orderly. Each Co-Secretary shall maintain a file of all written communications received by the agency and shall file all recordings and meeting minutes.

ARTICLE III – PUBLIC AND REMOTE PARTICIPATION

Section 1. Open Meetings

Official business of the Joint Ad Hoc Committee shall be conducted through open and public meetings in accordance with the Ralph M. Brown Act (commencing with Section 54590 of the California Government Code).

Section 2. Public Participation

The Joint Ad Hoc Committee shall encourage and permit public comment on matters within the Joint Ad Hoc Committee's jurisdiction. Each agenda shall permit public comment on matters with the committee's jurisdiction but not on the agenda. The presiding officer shall request public comment before the committee members take action on any item on the official agenda. Public comment may be made either by members of the public participating in person or through the teleconferencing or videoconferencing platform being used by the agency hosting the meeting. Information for remote public participation will be included in the agenda for each meeting. The presiding officer may provide limits on public comment consistent with state law.

Section 3. Remote Participation for Committee Members

Members of the Joint Ad Hoc Committee may participate remotely in public meetings consistent with the teleconference requirements of Government Code section 54953, which authorizes members to participate at remote locations during teleconferenced meetings so long as the Joint Ad Hoc Committee: (1) posts meeting agendas at all teleconference locations; (2) identifies all teleconference locations in the notice and agenda; and (3) makes each teleconference location accessible to the public.

If the agency's Board policies and procedures allow, a member of the Joint Ad Hoc Committee may participate remotely in a meeting of the committee without noticing the location from which they are participating or making the location accessible to the public if the member has just cause or an emergency circumstance pursuant to Government Code § 54953(j). Members shall notify the Co-Chairs and Co-Secretaries as soon as practicable if requesting to participate in a meeting due to emergency circumstances and will include a general description of the emergency circumstances. The Joint Ad Hoc Committee will act on the request to participate remotely due to emergency circumstances at the beginning of the meeting before considering other items of business, even if the request has not been posted on the agenda.

ARTICLE IV – MEETINGS AND ORDER OF BUSINESS

Section 1. Meeting Times

The Joint Ad Hoc Committee shall schedule meetings at times convenient to at least a quorum of the members of the committee.

Section 2. Special Meetings and Closed Sessions

The Joint Ad Hoc Committee may hold special meetings at the call of the Co-Chairs, or upon the written request of four members. Special meetings may be held at one of the two regular meeting locations, or at an alternate location, in accordance with Section 54956 of the Brown Act.

Section 3. Posting of Agenda

At least 72 hours before any meeting, the Co-Secretaries for both agencies shall post an agenda containing a general description of each item of business to be transacted or discussed at the meeting. The agenda shall be posted in a location that is freely accessible to the public, and on TJPA's and PCJPB's Internet site.

Section 4. Agenda – General Public Comment

The agenda for every regular and special meeting of the Joint Ad Hoc Committee shall provide a time for general public comment, and the presiding officer shall allow members of the public to address the Joint Ad Hoc Committee on items of interest to the public that are within the jurisdiction of the Joint Ad Hoc Committee but not on the agenda. During the public comment period members of the public may address the Joint Ad Hoc Committee for up to two minutes. At the conclusion of public comments, the Joint Ad Hoc Committee may refer a topic raised in public comment to the agencies' staff for review.

Section 5. Order of Business

The Order of Business for regular meetings shall be as follows:

1. Call to Order
2. Roll Call
3. Communications
4. Joint Ad Hoc Committee New and Old Business
5. Joint Presentation of Staff Reports
6. Public Comment
7. Calendar Matters
8. Adjournment

No action or discussion shall be undertaken on any item not appearing on the posted agenda, except as permitted pursuant to the Brown Act. In addition, Joint Ad Hoc Committee members, officers and staff may briefly respond to statements made or questions posed by members of the public during any public comment period.

Section 6. Agenda Changes or Continuances

Any agenda change or continuance shall be announced at the beginning of the meeting, or as soon thereafter as the change or continuance becomes known to the presiding officer.

Section 7. Minutes of Proceedings

The Co-Secretary representing the hosting agency shall record each regular and special meeting.. The Co-Secretary of the host agency shall record the vote on all resolutions, motions and all other questions and make a draft of the minutes available for inspection and copying no later than ten working days after the meeting. The officially adopted minutes must be available for inspection and copying no later than ten working days after the meeting at which the minutes are adopted. The Co-Secretaries shall share committee documentation to ensure each agency has access to a complete file of the committee’s business.

ARTICLE V – PARLIAMENTARY PROCEDURE

Section 1. Quorum

Joint Ad Hoc Committee business shall be conducted only when a quorum of the Joint Ad Hoc Committee is present. The term “quorum” shall mean a simple majority (i.e., four (4) out of six (6)) of the committee members.

Section 2. Rules of Debate

When a Committee member desires to address the Joint Ad Hoc Committee, the member shall seek recognition by addressing the presiding officer, and when recognized, shall proceed to speak, confining comments to the question before the Joint Ad Hoc Committee. No discussion shall take place until a resolution or a calendared item has been introduced.

Section 3. Majority Vote

The Joint Ad Hoc Committee may act by resolution or motion. All official acts of the Joint Ad Hoc Committee in open meetings shall be taken by majority vote of the members present (i.e., at least three (3) ayes if five (5) members are present, at least four (4) ayes if six (6) members are present), on a resolution or motion introduced and seconded by a Committee member, after allowance for discussion by the Joint Ad Hoc Committee and public comment.

Section 4. Manner of Voting

Voting on resolutions, or any other matters which may be requested by the majority of the committee members, shall be by roll call. Voting by motion shall be by voice vote with any abstentions recorded, except as otherwise required by law.

Section 5. Voting Requirements

Every Committee member present when a question is ready for action shall vote for or against it, unless a member abstains or recuses themselves.

ARTICLE VI - RULES OF ORDER

Section 1. Adoption of Rules of Order

The adoption of the Rules of Order shall be by motion and shall require an affirmative recorded vote of a majority of the members of the Joint Ad Hoc Committee. When adopted, such Rules of Order shall remain in effect, unless suspended or amended as provided herein.

Section 2. Robert's Rules of Order

All rules of order not covered herein shall be determined in accordance with the latest revised edition of Robert's Rules of Order.

Section 3. Suspension of the Rules of Order

Except for this rule, and as authorized by other provisions of law, any of these Rules of Order may be suspended by the affirmative vote of the majority of the members of the Joint Ad Hoc Committee, provided that such suspension is entered upon the minutes of the Joint Ad Hoc Committee. A motion to suspend the rules is an official action subject to Article V, Section 4.

Section 4. Amendments to Rules of Order

An amendment to the Rules of Order may be adopted by the affirmative vote of the majority of the Joint Ad Hoc Committee.

**Transbay Joint Powers Authority and Peninsula Corridor Joint Powers Board
Joint Ad Hoc Committee
Staff Report**

To: Joint Ad Hoc Committee
Through: Executive Director Michelle Bouchard (Caltrain) and
Executive Director Adam Van de Water (TJPA)
From: Dahlia Chazan (Caltrain) and Alfonso Rodriguez (TJPA)
Subject: Provide Guidance Regarding Operations and Maintenance Funding Gap for
The Portal

Purpose and Recommended Action

Staff for the Transbay Joint Powers Authority (TJPA) and the Peninsula Corridor Joint Powers Board (Caltrain) recommend that the Joint Ad Hoc Committee provide guidance to the agencies regarding the projected operations and maintenance (O&M) funding gap for the Downtown Rail Extension project (DTX, also known as The Portal).

Background

The purpose of this report is to summarize The Portal's projected operations and maintenance funding gap and to describe the specific challenges related to the funding gap that remain unresolved. The Portal will connect Caltrain's regional rail system and the future California High-Speed Rail Authority's statewide system to the multimodal Salesforce Transit Center in downtown San Francisco. TJPA, the project sponsor, seeks funding for the project through the Federal Transit Administration (FTA) Capital Investment Grants (CIG) Program - New Starts and other federal, state, regional and local sources. For New Starts projects, the FTA requires completion of two phases, Project Development and Engineering, before receipt of a Full Funding Grant Agreement (FFGA). The Portal was in the Project Development phase since December 2021 until early May, when FTA approved The Portal's entry into the Engineering phase. In the letter of approval for engineering, FTA specifically states that TJPA must execute a Master Cooperative Agreement with Caltrain "outlining the specific operating roles and responsibilities and shares of operating costs between the two agencies" before receipt of a FFGA.

In support of TJPA's request for an FTA CIG for The Portal, TJPA developed a 20-Year Financial Plan (Financial Plan) with input from Caltrain and the San Francisco Transportation Authority (SFCTA). The latest version was approved by the TJPA Board in August 2023 and submitted to the FTA. Over the last several months, the FTA and its Project Management Oversight Consultant (PMOC) and Financial Management Oversight Consultant (FMOC) have conducted review and due diligence on the Financial Plan and other documentation.

The FTA requires that the Financial Plan include the O&M costs for the existing infrastructure, as well as the capital and incremental O&M costs for the proposed project. Thus, the TJPA's Financial Plan is made up of (1) TJPA's 20-Year Financial Plan, (2) Caltrain's 20-Year Financial Plan, and (3) The Portal Project 20-Year Financial Plan. The Financial Plan provides a 20-year forecast of the sources and uses of capital funds and O&M funds for both TJPA and Caltrain, for both the existing system and the implementation of The Portal.

This report focuses on the O&M component of the Financial Plan and the gap in funding to cover O&M costs. Staff plans to return to the Joint Ad Hoc Committee at a future committee meeting to discuss issues related to capital funding for the project.

The Financial Plan identifies the O&M costs and revenues to operate existing services (for both TJPA and Caltrain) plus the incremental services associated with The Portal (Operating Plan). The purpose of the Financial Plan as a whole, and the Operating Plan portion in particular, is to demonstrate that The Portal can be operated and maintained without compromising the operation of the existing TJPA facilities and Caltrain systems (this is an FTA requirement as part of the New Starts process). Accordingly, the Operating Plan identifies (1) TJPA's expected operating costs and sources of funds for O&M of TJPA's existing services (namely, the Salesforce Transit Center), (2) Caltrain's expected operating costs and sources of funds for O&M for Caltrain's existing system, and (3) the incremental operating costs and sources of funds for O&M for The Portal.

An FTA FFGA requires a 100% local match in committed capital funding. The FTA does not require a fully-committed O&M funding plan for candidate CIG projects and only requires that sponsors demonstrate a "reasonable plan to secure funding commitments to operate the transit system in its opening year." As a result, the Financial Plan for O&M costs and revenues is significantly less detailed than the capital funding plan at the time of this writing.

O&M Incremental Cost Estimate

With regard to O&M, the Operating Plan outlines the operating, maintenance, and capital renewal costs necessary to provide The Portal service, which includes expenses such as traincrews, security, rolling stock maintenance, station/track/equipment maintenance, spare parts, insurance, administrative expenses, etc.

The following assumptions (among others) are built into the Operating Plan incremental cost estimate:

- **Level of Service:** The Operating Plan assumes Caltrain operates four trains per peak hour per direction (pphpd) between the City of San Jose, Fourth & Townsend and Salesforce Transit Center stations, while the Caltrain mainline service (San Jose to Fourth & Townsend/King) is projected to be six trains pphpd. Future CHSRA operations are not reflected in the plan since the FTA evaluation is based on initial conditions during which Caltrain will be the sole rail operator.

- **Asset Disposition:** The Operating Plan assumes that Caltrain will have responsibility for the operation of the Caltrain rail service. Responsibility for maintenance and capital renewal of the two underground stations, the DTX tunnel, and all the associated infrastructure is currently under negotiation and will be codified in a Master Cooperative Agreement (MCA) between TJPA and Caltrain. The MCA is considered a critical Third-Party Agreement by the FTA and must be in place before an FFGA can be requested. The outcome of the discussion about asset disposition, however, does not affect the Operating Plan incremental cost estimates.
- **Ridership:** The Operating Plan assumes ridership values over the 20-year term of the plan based on application of FTA's Simplified Trips-on-Project Software (STOPS) model. The model uses a blend of pre- and post- pandemic ridership forecasts to partially acknowledge ridership declines experienced during, and continuing after, the COVID-19 pandemic. FTA's STOPS model estimates that *without* The Portal project, Caltrain ridership will grow at about 16% per year from FY25-FY30 as the Peninsula Corridor Electrification Project (PCEP) project comes online, and level out at about 2.5% per year thereafter. FTA's STOPS model estimates that *with* The Portal project, Caltrain ridership will grow 15.9% in FY33 (the projected year of completion of The Portal) and continue to grow at about 8%, 5%, and 4% per year for the next three years, stabilizing at about 2% per year thereafter. FTA's model anticipates that by FY45, The Portal project will result in about 5 million more Caltrain riders per year than baseline Caltrain ridership projection without the Project. As noted above, the Financial Plan, including the Operating Plan component, does not include any California High-Speed Rail Authority riders in the projection.
- **Inflation:** The Operating Plan makes assumptions about annual escalation over the required 20-year term.

Incremental O&M costs (including direct, administrative, and contingency costs) for The Portal project in fiscal year 2033 (start of revenue service) and in fiscal year 2042 (the final year estimated in the Financial Plan) have been preliminarily estimated at \$50.8 million and \$78.7 million, respectively, in year-of-expenditure dollars.

O&M Incremental Revenue Estimates

In addition to O&M costs, the Financial Plan identifies existing and potential future O&M revenue sources. Potential O&M funding sources include, among other things, the TJPA's naming rights agreement, modest revenue from commercial opportunities at the two new rail stations and forecasted fare revenues due to project-induced ridership gains.

As noted above, the fare revenue estimates are based on ridership forecasts derived from the Federal STOPS model, which the FTA requires CIG applicants use to model ridership. The ridership forecasts use both pre- and post-pandemic ridership to partially acknowledge ridership declines experienced during, and continuing after, the COVID-19 pandemic. For modeling

purposes, the partners assumed the average Caltrain fare generated per boarded passenger remains at \$6.29 from FY22 until FY25 and grows at \$0.25 increment per year starting in FY26. FTA's STOPS model estimates that the total fare revenue *without* The Portal would be about \$158 million per year in FY33 and grow to \$250 million per year by FY42 (in year-of-expenditure dollars). FTA's STOPS model estimates that the total fare revenue *with* The Portal project would be about \$179 million per year in FY33 and grow to \$304 million per year by FY42 (in year-of-expenditure dollars).

Using FTA's ridership modeling, the incremental fare revenue (defined as the difference between the fare revenue for build and no-build) in FY33 covers only 41 percent of the incremental O&M cost estimate (a shortfall of about \$30 million), and in FY42 covers only 69 percent of the incremental cost (a shortfall of about \$25 million). But while the incremental annual O&M cost of The Portal is projected to be 12 percent of Caltrain's total operating cost in FY42, the incremental annual fare generated by The Portal is projected to be 18 percent of Caltrain's total fare revenue that year. Using the FTA model, The Portal project increases Caltrain's total farebox recovery to 48 percent in FY42 compared to Caltrain's expected recovery of 45 percent without the project.

The FTA model assumes the entirety of an incremental passenger's fare is assigned to the project, regardless of whether they boarded the train at Fourth and Townsend station and traveled a single stop to Salesforce Transit Center station or boarded in Gilroy and traveled to the Salesforce Transit Center. If such a method were used to allocate all of this revenue only to support O&M of the DTX, the funds would not be available to support Caltrain's O&M on the rest of the system.

O&M Funding Gap

The Financial Plan recognizes that the project has a significant O&M funding gap that neither Caltrain nor TJPA can fund without new and additional funding. Historically, Caltrain achieved over 70 percent farebox recovery, but the current farebox recovery is approximately 25 percent since ridership is only at approximately 34 percent of pre-pandemic levels. This decline in ridership, especially for an agency that has historically relied on fare revenues for such a significant share of the annual operating budget, has created an operating shortfall for Caltrain even without The Portal. Additionally, Caltrain has service level commitments with the FTA related to its CIG grant for the PCEP that, once implemented, will increase Caltrain's operating costs; while these increased costs are estimated in the Financial Plan, the actual costs may be different.

The Financial Plan recognizes that recovering transit ridership should improve Caltrain's ability to fund its operations but will not be sufficient to fully-support existing service or the incremental cost of O&M attributable to The Portal. The Financial Plan explains that Caltrain is working with State and regional partners to identify a path to close its long-term operating

deficit for the existing system, and The Portal partners will work together with other regional and state partners to seek funding for operation of the extension prior to FFGA.

Role of DTX in Caltrain's Long Term Planning

The Caltrain-adopted Business Plan reflecting its 2040 Service Vision Policy recognizes that The Portal will reshape Caltrain's interface with San Francisco and the region's transit network by enabling a direct connection into downtown San Francisco and more efficient transit connections to the East and North Bay via the key transfer point at Salesforce Transit Center, with its connection to nine other transit providers. The Portal is identified in the adopted 2040 Service Vision as a "key regional and state partner project." With the construction of The Portal and implementation of the plan's Service Vision, the Salesforce Transit Center station is projected to have the highest number of daily boardings throughout the entire system. Further, in line with the "enhanced growth" level of service, The Portal will provide the first two stations for Caltrain with level boarding, as well as provide modifications to the 4th and King railyard that will include operational and electrified fleet storage and support the maintenance capacity of that facility.

Summary of Main Challenges and Unresolved Issues Related to O&M Funding

- **Lack of Available O&M Funding Sources.** Prior to the pandemic, Caltrain had one of the highest farebox recovery ratios (percent of O&M costs covered by farebox revenue) nationwide at approximately 70%. However, the ridership declines due to the pandemic have significantly impacted farebox recovery: Caltrain now only covers ~30% of its O&M costs with farebox revenue. According to a January 18, 2024, Federal Support of Public Transportation report by the Congressional Research Services, even before COVID, nationwide commuter rail fares covered only 32.1 percent of O&M costs. Consistent with these national norms, neither TJPA nor Caltrain has sufficient revenue from existing sources to fully fund the costs the agencies anticipate will be needed to operate, maintain, and capitally renew The Portal. New sources of O&M funding are challenging to identify, and unlike capital funding, the need for O&M funding does not have an end-date. Most federal, state, and local funding sources are focused on capital projects rather than ongoing operations.
- **Caltrain Deficit Prior to The Portal.** Caltrain is projected to have a significant operating deficit prior to The Portal revenue service. Caltrain's Strategic Financial Plan (SFP), updated in February 2024, projects an annual operating deficit of \$36M beginning in FY26 and increasing to \$92M by FY33. Projections are inclusive of significant forecasted ridership growth, Measure RR revenues, and projected operating costs of electrification beginning in September 2024. Caltrain currently forecasts that combined farebox and Measure RR revenues will cover about 70 percent of Caltrain total annual costs for its existing system.

- Uncertainty Regarding Future Ridership and Associated Fare Revenue. Caltrain ridership was dramatically impacted by the COVID-19 pandemic and is currently only about 34 percent of its pre-pandemic levels. The uncertainty around ridership recovery makes it especially challenging to forecast ridership. From Caltrain's perspective, the ridership forecasts following FTA guidance, and associated fare revenue in the 20-year Financial Plan, portray an optimistic ridership scenario. On the other hand, all models are projections about the future and contain inherent uncertainty.
- Uncertainty in Estimating Induced Riders. The FTA STOPS model uses a formula to project the number of riders on the system that are induced to ride as a result of The Portal project and the benefit of arriving at the Salesforce Transit Center (rather than the existing Fourth and King station). During revenue service, it is not possible to distinguish between these types of riders. Caltrain is concerned that the model may overstate the number of induced riders. On the other hand, as described above, all models are projections. The parties will need to agree for planning purposes on a projected number of induced riders; TJPA and Caltrain will discuss other credible models that they can jointly rely on for planning purposes.
- Challenges in Calculating Incremental Fare Revenue. The Financial Plan calculates the full amount of the incremental fare revenue based on ridership from induced riders, including the full amount of fares from the entirety of their trip, and assumes all of that revenue is available to fund The Portal O&M costs. But there are O&M costs associated with the portion of a journey for riders boarding the system prior to Fourth and Townsend station. Caltrain and TJPA are discussing potential options for apportioning the incremental fare revenue .
- Challenges for Using a Fare Surcharge to Cover the Gap. The partners are reviewing a potential fare surcharge specific to the trip from Fourth and Townsend to Salesforce Transit Center. Caltrain's initial analysis of the impact of a fare surcharge for the extension demonstrates that while a surcharge could provide additional revenue, it would not cover the entirety of the O&M funding gap.
- Timing for California High-Speed Rail Service. As with O&M costs, the Financial Plan does not assume any fare revenue from California High-Speed Rail passengers into the transit center. The start of high-speed rail service is expected to result in significant revenue to offset O&M costs for the TJPA facilities. There is a timing gap, however, between the expected opening of The Portal and the expected arrival of high-speed rail service.
- Apportioning Costs of the Salesforce Transit Center. In addition to the incremental O&M costs for the DTX, there are O&M costs associated with the Salesforce Transit Center. The transit operators that currently use the facility (primarily AC Transit and San Francisco Municipal Transportation Agency (SFMTA)) fund the net operating cost. Those operators expect any new transit operator that uses the transit center to share in the net operating cost for the facility.

Summary of Proposed Principles and Cooperative Path to Resolve O&M Funding

- TJPA and Caltrain, working together as an integrated Portal team, will identify and agree on a plan to secure funding to operate and maintain The Portal as part of the execution of the MCA.
- Funding to operate the DTX must not impair funding to support operations on TJPA's and Caltrain's existing systems.
- The funding plan must take a holistic view of the existing systems; Caltrain anticipates requiring a sufficiently credible O&M funding plan for both the current (pre-DTX) system and DTX for the first five years of revenue service by the time of Caltrain's two-year budget cycle that precedes the commissioning phase of the project. The partners will apply FTA's standards and criteria to evaluate the robustness of the O&M funding plan.
- TJPA and Caltrain jointly will develop a proposal for a fare surcharge. The partners will jointly conduct a fare elasticity study prior to completion of the MCA to determine the proposed amount of the surcharge, with consideration for equity and Title VI provisions as appropriate.
- TJPA and Caltrain will agree for planning purposes on a projected ridership; the parties will discuss credible models in addition to FTA's STOPS model that they can jointly rely on for planning purposes.
- All fare revenue for travel between Fourth and King/Townsend and Salesforce Transit Center will be applied against the O&M costs incurred by The Portal project and Transit Center.
- TJPA and Caltrain will work together to develop an approach to allocating fare revenue from induced trips other than the approach identified in the Financial Plan, which allocates fare revenue for an entire induced trip.
- In developing the O&M funding plan, TJPA and Caltrain will take into consideration the fiscal constraints of other transit partners, including AC Transit and SFMTA which have been operating at the transit center since 2018.
- TJPA and Caltrain, working together as an integrated The Portal team, will jointly advocate for a dedicated long-term stable revenue source for TJPA, Caltrain and The Portal operations.

This report summarizes the O&M funding gap and Caltrain and TJPA's positions on the topic so the Joint Ad Hoc Committee can engage in a productive discussion and understand the differing perspectives on the issue. Staff are seeking input from the Joint Ad Hoc Committee on ideas for approaches to address the O&M funding gap.