

# The Portal Joint Ad Hoc Committee Meeting

May 30, 2024



# Agenda

- Item 5
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  - Joint Ad Hoc Overview
    - Purpose
    - Roles
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- Item 6
  - Key Project Updates
  - O&M Costs and Funding
    - O&M Funding
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    - Discussion



# **Item 5 - Introductions**

# **Item 5 - Joint Ad Hoc Overview**

# Purpose

- Upcoming agreements between Caltrain and TJPA to further The Portal:
  - Extension of the Interim Agreement (IA), signed August 2023;
  - Master Cooperative Agreement (MCA), which will supersede the IA;
  - 4th & King Yard Preparation Works (4KY) Agreement, which may be incorporated into the MCA.
- TJPA and Caltrain need to coordinate on high-priority issues integral to the agreements.
- Committee objectives related to high-priority issues:
  - Communicate the positions of each agency.
  - Create a cooperative decision-making framework.
  - Provide informed recommendations to the respective Boards of each Agency.

# Roles

- A Co-Chair has been named from each agency.
  - Regular and special meeting agendas must be approved by each co-Chair (Director Mueller and Director John-Baptiste).
  - The Co-Chair of the hosting agency will call Committee meetings to order and act as Presiding Officer.
    - If unable to do so, the Co-Chair of the non-hosting agency will act as Presiding Officer.
- The Board Secretary of the hosting agency will:
  - Call roll at each meeting.
  - Call each item on the meeting agenda.
  - Audio record all regular meetings and create a minute book for closed sessions.
  - Record all votes by Committee members.
  - Maintain a file of all written communications received.
  - Facilitate public comment periods.
  - Assist the Presiding Officer as needed.

# Meeting Schedule

- Regular meetings are proposed to occur on a bi-monthly basis, with agencies alternating hosting.
  - Caltrain host location at HQ in San Carlos; TJPA host location at HQ in San Francisco.

Proposed Date	Host Agency	Location	Proposed topics
Thursday, 5/30/2024	TJPA	San Francisco	<b>MCA Negotiations</b> <ul style="list-style-type: none"><li>• Ongoing O&amp;M Funding</li></ul>
Thursday, 8/6/2024	Caltrain	San Carlos	<b>4th and King Yard The Portal Preparation Negotiations</b>
To be scheduled	TBD	TBD	<b>MCA Negotiations</b>

# **Item 5 – Adopt Rules of Order**

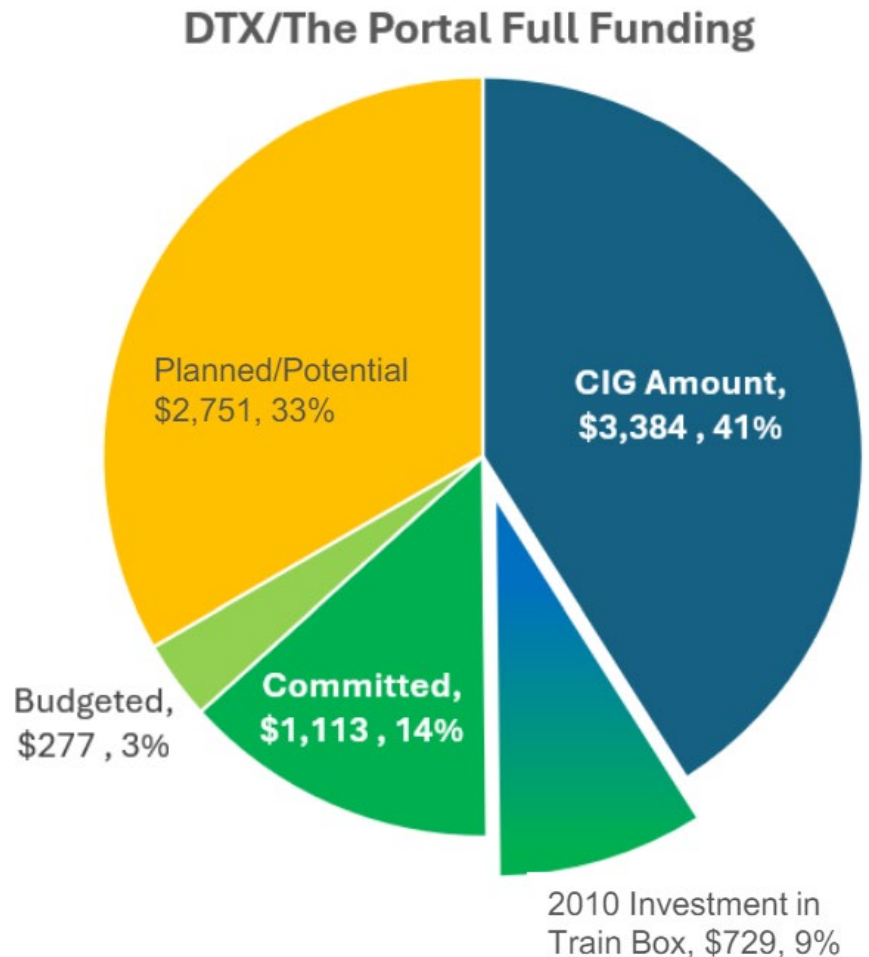


# **Item 6 - Key Project Updates**

# Entry Into Engineering

- The Portal was granted entry into engineering by Federal Transit Administration (FTA) in May 2024.
  - Provides TJPA authority to incur costs for engineering activities, demolition, procurements, etc.
  - Allows pre-award authority for vehicle procurement, real property, utility relocation.
- Capital Investment Grant (CIG) funding of ~\$3.4 billion (41% of Project cost) to be provided by FTA upon approval of a Full-Funding Grant Agreement (FFGA).
  - TJPA had requested 49.4% of project cost.
  - Increases amount of local match that TJPA must provide to roughly \$2.7 billion
- Specific pre-conditions for FTA approval of FFGA:
  - Revised Financial Plan which demonstrates ability to cover an unexpected cost increase or funding shortfall of at least 10% of project cost;
  - Finalized terms between TJPA and California High-Speed Rail (HSR) on HSR funding provided
  - Approved Master Cooperative Agreement (MCA) between TJPA and Caltrain that includes:
    - **Specific agency operating roles and responsibilities.**
    - **Shares of operating costs between the agencies.**

# Portal Funding and Schedule



- Project received a Medium High rating from FTA and was included in the President's Proposed Budget (\$500M).
- Project has \$2.7 billion gap in non-CIG funding (local match).
- Funding gap impacts FFGA target date from Spring 2025. TJPA Board to discuss further in June.

# **Item 6 - O&M Costs and Funding**

# Role of The Portal in Caltrain's Long Term Planning

- Caltrain's Business Plan reflecting 2040 Service Vision Policy recognizes The Portal's critical value to Caltrain's long term planning.
- The Salesforce Transit Center station is projected to have the highest number of daily boardings throughout the entire Caltrain system.
- The Portal will provide the first two stations for Caltrain with level boarding.

# O&M Funding Challenges

- **Caltrain deficit prior to The Portal**
  - Caltrain's 2024 Strategic Financial Plan (SFP) projects annual operating deficit of \$36M beginning in FY26 and increasing to \$92M by FY33.
- **Lack of available funding sources**
  - Neither Caltrain nor TJPA have sufficient revenue from existing sources to cover Portal O&M.
  - Most funding sources are focused on capital projects
- **Uncertainty Regarding Future Ridership and Associated Fare Revenue**
  - Caltrain ridership is ~34% of its pre-pandemic levels.
- **Magnitude of O&M gap is uncertain and likely to be higher than currently estimated**

# Incremental Annual Forecasted Operating Deficit: Per Portal 20-Year Financial Plan

- Per The Portal 20-Year Financial Plan prepared consistent with FTA requirements, The Portal is forecast to increase Caltrain's operating deficit.

Portal 20-Year Financial Plan*	FY 2033	FY 2042
Incremental O&M Costs	\$51M	\$79M
Incremental Fare Revenue	\$21M	\$54M
Incremental Operating Deficit	\$(30)M	\$(25)M

\*Numbers at this time are projections, not budgeted or actuals and account for just The Portal extension.

# Incremental Annual Forecasted Operating Deficit: Per Portal 20-Year Financial Plan – ALTERNATE

- FTA's model calculates incremental fare revenue using the full amount of fares (not just the portion associated with the extension) from riders for their trip between Salesforce Transit Center and wherever their ride begins/ends on the Caltrain corridor. Caltrain does not agree with the assumption of full fares being attributed to the extension.
- Caltrain and TJPA will need to agree on a methodology to apportion fare revenue to The Portal project's O&M costs.
- Caltrain is concerned the FTA model may overstate the number of induced riders and portray an overly optimistic scenario, which compounds the concern about fare revenue attribution.
- No commitment has been made regarding fare revenue to date.



# Securing Sufficient O&M Funding

- There is not enough revenue to cover The Portal's O&M costs.
- Proposed cooperative principles:
  - TJPA and Caltrain will jointly advocate for a dedicated long-term stable revenue source.
  - Funding to operate The Portal 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.
- Proposed path forward:
  - Establish a staff-level committee to identify and investigate options for fulfilling the project's O&M needs
  - As part of the execution of the MCA, TJPA and Caltrain will develop and agree on a plan to secure O&M funding
  - By the time of Caltrain's budget cycle that precedes the commissioning phase of the project, must have a credible O&M funding plan for both the current (pre-Portal) Caltrain system and the first five years of revenue service of The Portal.

# Fare Revenue

- No commitment has been made regarding fare revenue to date.
- Proposed cooperative principles:
  - TJPA recognizes Caltrain's concern with the assumptions in the FTA STOPS model regarding induced riders and incremental fare revenue.
  - All fare revenue from The Portal for travel between 4th and King/Townsend and Salesforce Transit Center will be applied against the O&M costs incurred by the project.
    - TJPA and Caltrain recognize that the fare revenue will only partially cover the O&M costs.
- Proposed path forward:
  - TJPA and Caltrain will jointly develop a proposal for a fare surcharge.
  - TJPA and Caltrain will agree for planning purposes on projected ridership.
  - TJPA and Caltrain will discuss apportioning incremental fare revenue.

# **Item 6 – Discussion and Direction**