

**Peninsula Corridor Joint Powers Board (JPB)
Board of Directors Meeting
1250 San Carlos Avenue, San Carlos CA 94070**

**SPECIAL MEETING
MINUTES OF APRIL 5, 2018**

MEMBERS PRESENT: J. Bruins (Chair), C. Brinkman, C. Chavez, D. Davis, J. Gee, G. Gillette, C. Stone, M. Zmuda

MEMBERS ABSENT: D. Pine

STAFF PRESENT: J. Hartnett, C. Mau, M. Bouchard, D. Hansel, J. Cassman, S. van Hoften, C. Gumpal, C. Boland

CALL TO ORDER/PLEDGE OF ALLEGIANCE

Chair Bruins called the meeting to order at 9:03 a.m. and welcomed the public to a Special Meeting on the budget workshop. Director Davis led the Pledge of Allegiance.

ROLL CALL

JPB Secretary Gumpal called the roll. A quorum was present.

PRELIMINARY FISCAL YEAR 2018/2019 AND FISCAL YEAR 2020 BUDGET OUTLOOK

General Manager/CEO Hartnett provided a brief history of Caltrain, the electrification infrastructure under construction, ridership increases and demands upon the current system. He discussed the future needs of the system, including investment in capital infrastructure and personnel.

Mr. Hartnett stated the budget workshop was intended as informational and the budget itself has been pared down extensively as best as possible, with deep cuts incorporated to both operating and capital sides. He noted a very conservative revenue projection, noting there are inherent risks included in the budget, such as rising fuel costs. He discussed the projected budget deficit and closing the gap will require many components, including possibly increased member contributions, using reserves, borrowing, fare increases and noted the consequences of each. Mr. Hartnett stated that staff would be back in May and June with subsequent presentations on a final budget.

Mr. Hartnett introduced Michelle Bouchard, Chief Operating Officer, Rail, and Chief Financial Officer, Derek Hansel, who presented and discussed in detail the FY 18 Budget Performance and FY 19 Budget Outlook.

Chief Operating Officer, Rail, Bouchard discussed the objectives of the presentation including service background, average weekday ridership (62,000 average weekday), distribution of riders and capacity of trains. She then reviewed revenue and fare history, noting the extraordinary farebox recovery currently being received. Further, she discussed the operating contributions from San Mateo County, Valley Transit and San Francisco.

Chief Financial Officer Hansel discussed the sources of funding in the operating budget and associated expenses (use of the funds), including federal, state, other, and

member agencies' contributions. On the capital budget side, Mr. Hansel noted that the use of funding has escalated in the area of facilities and equipment, (grade separations, etc.) and the State of Good Repair/deferred maintenance.

At that time, Ms. Bouchard and Mr. Hansel answered questions of Board members.

Mr. Hansel then reviewed the FY 18 budget performance and projections, including operating revenue, contributed revenue, total revenue, operating expenses, administrative expense, long term debt expense, and total expenses. He announced the current year budget deficit of approximately \$2.9m; down from \$8.5m and reasons for the welcomed decrease in deficit.

Next, Mr. Hansel reviewed the current key expense drivers, including the rail contractor, TransitAmerica Services, Inc. (TASI) expenses and other key drivers including, diesel fuel, insurance premiums, expenses related to the mandated Positive Train Control expenses, security and wages and benefits.

Mr. Hansel reviewed annualized costs for 2.4 for Fiscal Year 2018 2.25 new operating full-time equivalent requests, adjustment in wages and fringe benefit and vacancy of six percent. He reviewed where the 64.8 FTE employees fall into operations, grants, etc.

Regarding Fiscal Year 2018-19, Mr. Hansel reviewed the preliminary budget outlook in the similar budget categories, showing a current projected deficit of \$6.3m. He discussed anticipated refinancing of the 2007 and 2015 revenue bonds and the new money needs, including real property acquisition verses leasing of property. He cautioned into dipping into restricted reserves.

Ms. Bouchard focused on the Fiscal Year 2019 Capital Budget of \$78m and the subsequent available funding resulting in a shortfall of \$37m. She discussed the impacts of deferred capital investment, most notably the State of Good Repair ("SOGR") deferred maintenance issues, noting that budget category has been halved each year to meet budget shortfalls, which is now evident with main line locomotive failures and train car deferred maintenance. To the riding public, there are service recovery protocols in place, however, they are getting harder to accomplish without ongoing repairs.

Ms. Bouchard discussed possible solutions to the deficit, including budget savings, use of one-time revenues, fare structure modifications, advertising revenues, and/or additional member agency contributions. She discussed demand elasticity with possible fare increases including a scenario testing and reduction in Clipper card discounts.

In order to close the projected budget gap, Ms. Bouchard recommended utilizing increased member contributions for San Francisco, San Mateo and Valley Transportation Authority, as well as a member-agency increase to fund the capital operations deficit needs to relieve the deferred maintenance issues.

Mr. Hartnett concluded by inviting board member commentary on the presentation.

Chair Bruins invited public comment:

Public Comment

Jeff Carter, Millbrae.
Roland Lebrun, San Jose.
Adina Levin, Friends of Caltrain.
Andy Chow, San Francisco.

Board members thanked staff for the informative and transparent budget workshop, asked clarifying questions and provided extensive commentary on the budget presentation.

Date/Time of Next Regular Meeting: Thursday, April 5, 2018 10:30 a.m.

Adjourn

The meeting adjourned at 10:42 a.m.