

**Peninsula Corridor Joint Powers Board
Board of Directors Meeting
Special Meeting/Study Session
107 Broadway Avenue, Half Moon Bay, CA**

MINUTES OF DECEMBER 14, 2018

MEMBERS PRESENT: J. Bruins (Chair), C. Brinkman, C. Chavez, D. Davis, J. Gee, G. Gillett, D. Pine (8:39 a.m.), C. Stone, M. Zmuda

MEMBERS ABSENT: None

STAFF PRESENT: J. Hartnett, C. Mau, M. Bouchard, J. Cassman, A. Chan, D. Hansel, S. Murphy, C. Fromson, B. Fitzpatrick, J. Funghi, R. Hinchman, M. Jones, P. Ledezma, G. Martinez, D. Olmeda, S. Petty, D. Stewart, S. van Hoften, J. Brook

CALL TO ORDER

Chair Bruins called the meeting to order at 8:38 am.

ROLL CALL

Assistant District Secretary Brook called the roll. A quorum was present.

ICEBREAKER

Board members and several members of staff participated in a brief icebreaker type of game.

PRESENTATION & DISCUSSION: MULTI-YEAR BUDGET CONSIDERATIONS/OUTLOOK

Chair Bruins invited public comment prior to the workshop commencing. No comments were offered at that time.

Michelle Bouchard, Chief Operating Officer, Rail, thanked the board members for attending the special meeting.

Ms. Bouchard outlined the objectives of the Special Meeting: to provide background information for the Board to understand the fiscal pressures that currently exist; review current service levels, ridership, member agency funding and operating expenses; review the implications of Caltrain's fare elasticity; consider how to address operating deficits; and hold a discussion on the options for dedicated Caltrain funding.

Ms. Bouchard introduced Derek Hansel, Chief Financial Officer, who discussed operating expenses as related to farebox recovery, compared member agency contributions in Fiscal Year (FY) 2008 versus FY 2019 and discussed the current and historical sources and uses of funds.

Referring to the Capital Program for FY 2019, Ms. Bouchard reviewed the State of Good Repair program and the budget constraints for right of way/signal and communications, rolling stock, and station and intermodal access. She cautioned that there are negative repercussions from delaying repairs, especially rolling stock repairs. Mr. Hansel added that set-aside funding was needed to avoid deferring maintenance in the future.

At 9:26 a.m., Director Jeff Gee was excused from the remainder of the meeting.

Chair Bruins called for a break.

The meeting recessed at 9:49 a.m. and reconvened at 10:09 a.m.

Continuing, Derek Hansel, Chief Financial Officer, provided a review of the FY2018 actual budget, showing a surplus of \$1.1 million, due mainly to a release of insurance/claim reserves. However, moving into budget years of FY2019 through FY2022, Mr. Hansel acknowledged a growing deficit of \$5 million in FY2020, \$13 million in FY2021, and over \$17 million in FY2022, assuming the status quo with no new revenues. He reviewed the key budget drivers: the Transit America Services, Inc. (TASI) operating, diesel fuel, implementation of the Positive Train Control project and debt.

Mr. Hansel briefly paused and responded to the following board member commentary and inquiries:

- Director Gillette noted that the budget "ask" from other agencies may need adjusting to include a compelling reason for what the funding is needed for.
- Director Chavez expressed concern regarding VTA's ability to invest in Caltrain in the future and stated the current funding asks should be reformatted with a "must have/nice to have" approach. She discussed the monetization of assets (such as land leases) and also suggested that agency employees reach out to the Peninsula's larger employees with options for their employees to ride public transit.
- Director Davis inquired when proceeds from the Hayward Park project would be incorporated into future budgets. Responding, Mr. Hansel stated the initial project investment would not be recaptured for approximately eight years. Ms. Davis discussed "Smart City" initiatives being implemented along the right of way.
- Director Chavez suggested creating a strategic cross-agency team to discuss agency assets and develop negotiating strategies.
- Director Stone discussed the value of investing in transit-oriented development projects, citing the San Carlos project as a prime example.

- Director Gillett discussed the launching of the Business Plan for a business case and creation of a business model.
- Director Pine discussed the value of private/public partnerships.

Director Stone was excused from the remainder of the meeting at 11:06 a.m.

Continuing with his presentation, Mr. Hansel discussed “levers” that can be utilized as mechanisms to balance a budget. The levers were identified as fares, member agency funding, reserve levels, service levels, support costs, State Rail Assistance and value capture (real estate, advertising and naming rights). He discussed the implications and trade-offs of using each lever.

In response to Director Zmuda's comment regarding moving peak riders to off-peak or shoulder-peak and/or encouraging employees/employers to flex schedules, Ms. Bouchard stated staff was reviewing opportunities to encourage mid-day ridership and provide relief for the peak capacity.

Finally, Mr. Hansel led a discussion on fares, adjusting fares, fare modeling, pricing power, reducing/removing Clipper card discounts and the effect on ridership and demand elasticity.

Ms. Bouchard introduced Melissa Jones, Principal Planner, who discussed participation in the Metropolitan Transportation Commission's regional means-based fare program and the details associated with the program. Ms. Jones stated the program would commence in Fall 2019 and MTC would be looking for a resolution authorizing participation from the agency. Chair Bruins added to the discussion of how the program works, from the MTC perspective.

Mr. Hansel introduced Seamus Murphy, Chief Communications Officer, who discussed Senate Bill 797 (Hill), passed in 2017, which would allow the three partner agencies to place a one-eighth-cent (.125%) sales tax measure on the ballots in San Francisco, San Mateo and Santa Clara Counties to provide dedicated funding for Caltrain. He noted the measure would require 66.67% majority approval and could produce ~\$95 million annually for Caltrain's operating and capital needs.

Mr. Murphy reviewed the extensive approval process needed to place a tax measure on the ballot under SB 797, including two-thirds' approval by the Peninsula Corridor Joint Powers Board of Directors, San Francisco Board of Supervisors, San Mateo County Board of Supervisors, Santa Clara County Board of Supervisors and majority approval by the San Francisco Municipal Transportation Agency, San Mateo County Transit District and Santa Clara Valley Transportation Agency. He noted that all agencies were polled earlier in the year with no negative feedback received at that time. He discussed the election timing of either the March or November 2020 ballot. Member agency contributions were discussed and whether the potential new funding would replace member contributions.

Mr. Murphy then briefly described a possible nine-county regional transportation measure also proposed for the 2020 ballot. Chair Bruins expressed concern and stated it was imperative for Caltrain to move forward with the implementation of SB 797, due to the amount of work it takes to place a measure on the ballot. Mr. Murphy reviewed the critical milestones on the timeline for seeking a measure under SB 797.

Ms. Bouchard introduced Sebastian Petty, Senior Policy Advisor, who discussed the timing of the Caltrain Business Plan, scheduled for completion at the end of 2019. Board members provided commentary on Caltrain's service vision and the final Business Plan; thoughts on obtaining funding for Caltrain, and whether new sales tax revenues would be supplemental to the current budget or replacement funding, leaving the latter issue for a future discussion. Along those lines, Jim Hartnett, Executive Director, referred to wording in the Joint Powers Agreement regarding member agency funding, which is only required "if it is needed."

Chair Bruins called for a break.

The meeting recessed at 12:04 pm. and reconvened at 12:22 pm.

Chair Bruins opened the floor for discussion on the Caltrain Service vision and Business Plan, operational costs/costs per passenger, potential sales tax measures, and financial and planning implications of a San Francisco downtown extension and High Speed Rail.

Director Davis suggested polling to determine when to place a measure on the ballot in 2020. Director Chavez commented that she would like to see more regular updates provided at board meetings, agreed that it would be good to conduct polling to determine the best ballot on which to place a measure, stressed the value of using Board committees to determine monetary strategies and of collaborating with cities along the right of way who would be most impacted by Caltrain service, capital and development decisions.

Director Chavez was excused from the remainder of the meeting at 1:11 p.m.

Concluding, Mr. Hansel reviewed thought-provoking questions for future discussions:

- *Should the pre-electrification budgets be viewed in total?; Should a Bridge Plan be developed to cover the three years prior to electrified service?*
- *How can the agency expand its resources in order to address the funding challenges pre-electrification, provide for short-term improvements to service and implement the Business Plan during this time?*
- *Should private sources of support be sought?*
- *How much should the farebox be tapped in order to support the agency's funding needs pre-electrification and to provide the organizational foundation for future expansion?*
- *Can member contributions be tapped to fund shortfalls in FY 2020-22? If not, is there an alternative to the race to the bottom?*

- *Will partners be willing/able to cash flow other partners unable to fund operating deficits?*
- *Should JPB members discuss/update the weekday boarding formula used to allocate operating costs, including looking at other methodologies?*
- *Should a subcommittee be established to marshal through efforts related to the FY 2020-22 funding solution?*

Chair Bruins invited public comment.

Public Comment:

Roland Lebrun, San Jose, addressed the board on a variety of topics discussed over the course of the day.

Chair Bruins thanked everyone for their participation in the Special Meeting. She wished everyone happy holidays.

ADJOURN

The meeting adjourned at 1:27 p.m.

An audio recording of this meeting is available online at www.caltrain.com. Questions may be referred to the Board Secretary's office by phone at 650.508.6279 or by email to board@caltrain.com.