Revised as of Dec. 18, 2023 at 8:00 am – Item 9, pages 152 – 154

AGENDA

PENINSULA CORRIDOR JOINT POWERS BOARD

Finance Committee Meeting

December 18, 2023, 2:30 pm

Bacciocco Auditorium, 2nd Floor
1250 San Carlos Ave., San Carlos, CA

Committee Members: Monique Zmuda (Chair), Dev Davis (Vice Chair), Ray Mueller

Members of the public may participate remotely via Zoom at **https://us02web.zoom.us/j/81843266625?pwd=aDExTGltUUJSOUc5TkNnbU1QMTRHUT09** or by entering Webinar ID: **# 818 4326 6625,** Passcode: **249080,** in the Zoom app for audio/visual capability or by calling 1-669-900-6833 (enter webinar ID and press **#** when prompted for participant ID) for audio only. The video live stream will be available after the meeting at https://www.caltrain.com/video-board-directors .

Members of the public also may participate in person at: San Mateo County Transit District, Bacciocco Auditorium - Second Floor, 1250 San Carlos Ave., San Carlos, CA, or any other noticed location.

Public Comments: Public comments may be submitted to publiccomment@caltrain.com prior to the meeting's call to order so that they can be sent to the Board as soon as possible, while those received during or after an agenda item is heard will be included into the Board's weekly correspondence and posted online at: https://www.caltrain.com/about-caltrain/meetings.

Verbal public comments will also be accepted during the meeting in person and through Zoom* or the teleconference number listed above. Public comments on individual agenda items are limited to one per person PER AGENDA ITEM. Participants using Zoom over the Internet should use the Raise Hand feature to request to speak. For participants calling in, dial *67 if you do not want your telephone number to appear on the live broadcast. Callers may dial *9 to use the Raise Hand feature for public comment. Each commenter will be recognized to speak, and callers should dial *6 to unmute themselves when recognized to speak.

Each public comment is limited to two minutes. The Board Chair has the discretion to manage the Public Comment process in a manner that achieves the purpose of public communication and assures the orderly conduct of the meeting.

Note: All items appearing on the agenda are subject to action by the Board. Staff recommendations are subject to change by the Board.

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December 18, 2023 - Monday **2:30 pm**

All items to which Government Code section 84308 applies have been marked with an asterisk

A double asterisk indicates that one or more Directors of the JPB serve on the governing board of a public agency with which the JPB proposes to contract. Under Government code section 1091(a)((9), this relationship is considered to be a noninterest but it must be disclosed.

1. Call to Order/Pledge of Allegiance

2. Roll Call

3. Public Comment on Items not on the Agenda
   Comments by each individual speaker shall be limited to two (2) minutes. Items raised that require a response will be deferred for staff to reply.

4. Consent Calendar
   Members of the Board may request that an item under the Consent Calendar be considered separately.

   4.a. Meeting Minutes of November 27, 2023 — Motion

   4.b. Renew Findings of an Emergency Regarding the North Channel Embankment of the San Francisquito Creek Bridge Due to Erosion Pursuant to Public Contract Code §22050* — Motion

5. Accept Statement of Revenues and Expenses for the Period Ending November 30, 2023 — Motion

6. Accept Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023 — Motion

7. Amend and Increase the Fiscal Year 2024 Caltrain Capital Budget By $3,250,000 from $517,525,704 to $520,775,704 — Motion

8. Authorization for the Executive Director to Enter into a 3-year Lease with Elevate PropCo IV LLC for Warehouse Space in San Francisco* — Motion

9. Authorize the Disposition of 34 Gallery Cars and Two Locomotives — Motion

10. Award of Contracts for On-Call Construction Management Services* — Motion

11. Award of Contracts for On-Call General Engineering Consultant Design Services* — Motion

12. Award of Contracts for On-Call Program Management Oversight Services* — Motion

13. Receive Update on Caltrain Energy Policy — Informational

14. Committee Member Requests

Note: All items appearing on the agenda are subject to action by the Board. Staff recommendations are subject to change by the Board.

15. Date/Time of Next Regular Finance Committee Meeting: January 22, 2023 at 2:30 pm.
    The meeting will be accessible via Zoom and in person at the San Mateo County Transit District, Bacciocco Auditorium, 2nd Floor, 1250 San Carlos Avenue, San Carlos, CA 94070.

16. Adjourn

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Information for the Public

All items appearing on the agenda are subject to action by the Board. Staff recommendations are subject to change by the Board. If you have questions on the agenda, please contact the JPB Secretary at 650.508.6242. Agendas are available on the Caltrain website at www.caltrain.com. Communications to the Board of Directors can be e-mailed to board@caltrain.com. *Free translation is available; Para traducción llama al 1.800.660.4287; 如需翻译 请电1.800.660.4287*

Date and Time of Board and Committee Meetings

JPB Board: First Thursday of the month, 9:00 am; JPB Finance Committee: Two Mondays before the Board Meeting, 2:30 pm. The date, time, and location of meetings may be changed as necessary. Meeting schedules for the Board and committees are available on the website.

Location of Meeting

Members of the Public may attend this meeting in person or remotely via Zoom. *Should Zoom not be operational, please check online at https://www.caltrain.com/about-caltrain/meetings for any updates or further instruction.

Public Comment*

Members of the public are encouraged to participate remotely or in person. Public comments may be submitted by comment card in person and given to the JPB Secretary. Prior to the meeting's call to order, public comment may be sent to publiccomment@caltrain.com so that they can be sent to the Board as soon as possible, while those received during or after an agenda item is heard will be included into the Board's weekly correspondence and posted online at: https://www.caltrain.com/about-caltrain/meetings .

Oral public comments will also be accepted during the meeting in person or through Zoom or the teleconference number listed above. Public comments on individual agenda items are limited to one per person PER AGENDA ITEM. Each commenter will be automatically notified when they are unmuted to speak for two minutes or less. The Board Chair shall have the discretion to manage the Public Comment process in a manner that achieves the purpose of public communication and assures the orderly conduct of the meeting.

Accessible Public Meetings/Translation

Upon request, the JPB will provide written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in and provide comments at/related to public meetings. Please submit a request, including your name, phone number and/or email address, and a description of the modification, accommodation, auxiliary aid, service or alternative format requested at least 72 hours in advance of the meeting or hearing. Please direct requests for disability-related modification and/or interpreter services to the Title VI Administrator at San Mateo County Transit District, 1250 San Carlos Avenue, San Carlos, CA 94070-1306; or email titlevi@samtrans.com; or request by phone at 650-622-7864 or TTY 650-508-6448.

Availability of Public Records

All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that is distributed to a majority of the legislative body, will be available for public inspection at 1250 San Carlos Avenue, San Carlos, CA 94070-1306, at the same time that the public records are distributed or made available to the legislative body.

Peninsula Corridor Joint Powers Board
Finance Committee
1250 San Carlos Avenue, San Carlos, CA 94070

DRAFT Minutes of November 27, 2023

Members Present:	Ray Mueller, Monique Zmuda (Chair)
Members via Teleconference:	Devora “Dev” Davis (Vice Chair)
Members Absent:	None
Staff Present:	James Harrison, Kate Jordan Steiner, Graham Rogers, Dora Seamans, Annie To, Margaret Tseng, Kevin Yin

1. **Call to Order/Pledge of Allegiance**
Chair Zmuda called the meeting to order at 2:30 pm and led the Pledge of Allegiance.

2. **Roll Call**
District Secretary Dora Seamans, called the roll and confirmed a Board quorum was present.

3. **Public Comment on Items not on the Agenda**
There were none.

4. **Consent Calendar**
4.a. Meeting Minutes of October 23, 2023
4.b. Approval of the 2024 JPB Finance Committee Meeting Calendar

Motion/Second: Mueller/Davis
Ayes: Mueller, Davis, Zmuda
Noes: None
Absent: None

5. **Renew Findings of an Emergency Regarding the North Channel Embankment of the San Francisquito Creek Bridge Due to Erosion Pursuant to Public Contract Code §22050**
James Harrison, General Counsel, provided a presentation that included the following:
   - Permanent repair plan will involve work to address the integrity of the railroad bridge, erosion around the drain outfall, and the bicycle and pedestrian bridge
   - There was a narrow window to do temporary repair work while the creek bed was dry
   - Executive Director declared the emergency on November 18th as rain was anticipated and there was an opportunity to get the work done before the Thanksgiving holiday

The Committee Members had a discussion and staff provided further clarification in response to the Committee comments and questions, which included the following:

- Progress made with State Historic Preservation Officer
- Permanent repair work cannot commence before June 15th and clarification on when the issue becomes urgent
- Ensure Army Corp of Engineers conduct site visit and understand cause of the delays
- Talking with delegations is helpful to get things prioritized; delegations deserve to know how long it has been and the consequences of the delays
- Army Corp of Engineers can issue the permit retroactively due to the emergency nature of work that needs to be undertaken

Motion/Second: Mueller/Davis
Ayes: Mueller, Davis, Zmuda
Noes: None
Absent: None

6. Accept Statement of Revenues and Expenses for the Period Ended October 31, 2023
Annie To, Director of Accounting, provided a report that included the following:

- As of October 2023, year-to-date revenue was $68 million as compared to the adopted budget of $66 million; increase primarily due to the increase in Measure RR revenue
- Expenses were a total of $60 million as compared to adopted expense budget of $65 million; decrease primarily due to the reduction in rail operators, services, wages and benefits, professional services fuel, and lubricants, and partially offset by the increase in claims, payments, and reserves

Director Zmuda inquired when positive figures are applied to year-end close. Ms. To indicated that it depends on expenditures towards the end of fiscal year. The finance and accounting team continues to accrue expenses and monitor revenues very closely and will report any significant variances as the year progresses.

Motion/Second: Davis/Mueller
Ayes: Mueller, Davis, Zmuda
Noes: None
Absent: None

7. Chief Financial Officer (CFO) Report for Fiscal Year 2023 and Fiscal Year 2024 Quarter 1
Kate Jordan Steiner, Chief Financial Officer, provided a presentation with a high-level overview that included the following:

- Closed FY (fiscal year) 23 favorable to budget by $11 million dollars partially offset by a $3.6 million below budget fare revenue due to delays in ridership recovery, service changes, and interruptions to complete electrification

- Expenses was $3 million lower than the budget primarily due to decreased spending on wages and benefits, professional services, security services, fuel and lubricants, and other expenses; these decreases were partially offset by increases in insurance related costs and debt service
- Potential budget amendments may include cost for TASI (TransitAmerica Services, Inc.) electrification, activation, and administration
- Reminder that next FY24-25 will be the first two-year budget and future amendment to go before the Board next summer or fall

The Committee Members had a discussion and staff provided further clarification in response to the Committee comments and questions, which included the following:

- Reserve policy review timeline and how much of $11 million is used to shore up reserves
- Analysis and modeling needed for FY25 given uncertainty of future electrification operation and maintenance costs
- Plan for future amendment to capture what electrified maintenance will be and address costs as move into revenue service
- Interested in a cost range to allow for problem-solving in advance and costs may go up and down depending on the revenue received
- Graham Rogers, Business Operations Project Manager, noted that the baseline model will be available early next year and staff would return with an update

8. Award of Contract for On-Call Alternative Project Delivery Negotiation Support Services*
Andrew Robbins, Director of Capital Program Delivery, provided a presentation that included the following:

- Projects overlapping necessitate the need for additional support
- Seeking the support of an experienced on-call consultant for independent cost estimating, focused on construction support in the negotiation of the total contract price with the contractor, support in the further development of the project risk register and risk allocation and mitigation plan, support in developing contractor incentives, and review comment and validation of the contractor's construction work planning

Director Zmuda confirmed with staff that funding from existing project budgets and there was no need for additional approvals of those contracts. Mr. Robbins noted that some services covered by another consultant and intends to replace services with new firm.

Motion/Second: Mueller/Davis
Ayes: Mueller, Davis, Zmuda
Noes: None
Absent: None

9. Increase Contract Capacity for (3) On-Call Environmental Planning, Permitting, and Support Services Contracts 19-J-P-072A, B, and C
Hilda Lefebre, Deputy Director of Program Management and Environmental Compliance, provided a presentation which included the following:

- The initial 2019 contract authority estimates are now insufficient to address the ongoing anticipated and unanticipated projects with about 5 percent remaining of the contract capacity through the end of the base term, which is November 2024
- Increasing the contract capacity will not obligate purchase of any specific services because the work will be done in a work directive basis as the project needs arises
- Performance has been satisfactory and increase needed to maintain uninterrupted service, support for capital projects, compliance efforts, rehabilitation programs, and emergency repairs

The Committee Members had a discussion and staff provided further clarification in response to the Committee comments and questions, which included the following:

- Emergency asset repairs to additional projects, included capital projects with additional environmental regulations compliance, resulted in exceeding planned expenses
- Clarification on contract terms and increase dollar amount from $7 million to $9 million
- Interested in what the total spend under the contract has been for each firm, including what projects each firm undertook. Kevin Yin, Director of Contracts and Procurement, stated a little over $2 million dollars was spent for the three firms in the past four years
- Concerns with each capital spend average and how many hours were put in
- Funding resource for additional dollars from $7 million to 9 million
- What projects were expected to cost/budgeted and what they are actually costing

Motion/Second Director Davis to amend staff recommendation as stated to provide additional information on how much was paid to each firm, what projects they worked on, the average amount of environmental expenses per capital project, and identify for each individual project what was budgeted and what was built for each project, seconded by Director Mueller.
Ayes: Mueller, Davis, Zmuda
Noes: None
Absent: None

10. Committee Member Requests - There were none.

11. Date/Time of Next Regular Finance Committee Meeting: December 18, 2023 at 2:30 pm

12. Adjourn - The meeting adjourned at 3:36 pm.

Peninsula Corridor Joint Powers Board
Staff Report

To: Finance Committee

Through: Michelle Bouchard, Executive Director

From: Robert Barnard, Deputy Chief, Caltrain Design and Construction

Subject: **Renew Findings of an Emergency Regarding the North Channel Embankment of the San Francisquito Creek Bridge Due to Erosion Pursuant to Public Contract Code §22050**

☐ Finance Committee Recommendation ☐ Technology, Operations, Planning, and Safety Committee Recommendation ☐ Advocacy and Major Projects Committee Recommendation

Purpose and Recommended Action

Staff recommends that the Board of Directors (Board) of the Peninsula Corridor Joint Powers Board (JPB):

1. Renew findings previously adopted by the Board pursuant to California Public Contract Code section 22050(c)(2) (Resolution No. 2023-19) on March 29, 2023, and renewed at its subsequent meetings on May 4, 2023 (Resolution 2023-23), June 1, 2023 (Resolution 2023-38), August 3, 2023 (Resolution 2023-46), September 7, 2023 (Resolution 2023-56), October 5, 2023 (Resolution 2023-62), November 2, 2023 (Resolution 2023-68) and December 7, 2023 (Resolution 2023-74) that an emergency exists at the north channel embankment of the San Francisquito Creek Bridge due to erosion and scouring caused by winter storms, and that immediate action is necessary to respond to the emergency; and
2. Continue to authorize emergency repairs of the north channel embankment of the San Francisquito Creek Bridge;
3. Continue to delegate authority to approve all plans and/or designs with regard to the emergency repairs to the Executive Director, or designee; and
4. Continue to authorize the Executive Director, or designee, to take all other actions required to respond to said emergency.

Discussion

Background Regarding Previous Findings Authorizing Emergency Repairs: The JPB owns and maintains the San Francisquito Creek Bridge, which is located in Menlo Park and Palo Alto between Control Points Alma (MP 29.98) and Mayfield (MP 33.50). In early January 2023, after a week of heavy rain, Caltrain Engineering staff inspected the Bridge and discovered that storms had eroded the soil on the creek bank supporting the northern abutment of the Bridge. Further investigation showed that additional erosion resulting from future storms could undermine the abutment, bridge, and tracks.

The JPB has the authority to undertake emergency repairs pursuant to California Public Contract Code section 22050, which requires that the Board, by a four-fifths vote, make findings based on substantial evidence that the emergency will not permit delay resulting from a competitive solicitation of bids, and that action is necessary to respond to the emergency. Public Contract Code section 1102 defines an emergency as "sudden, unexpected occurrence that poses a clear and imminent danger, requiring immediate action to prevent or mitigate the loss or impairment of life, health, property, or essential public services." The Board made these findings at its March 29, 2023, meeting (Resolution 2023-19) and renewed these findings at its subsequent meetings on May 4, 2023 (Resolution 2023-23), June 1, 2023 (Resolution 2023-38), August 3, 2023 (Resolution 2023-46), September 7, 2023 (Resolution 2023-56), October 5, 2023 (Resolution 2023-62), November 2, 2023 (Resolution 2023-68) and December 7, 2023 (Resolution 2023-74). Section 22050(c) requires the Board to review the emergency action at its next regularly scheduled meeting and at every subsequent regularly scheduled meeting until the action is terminated to determine that there is a need to continue the action.

<u>November 18, 2023, Emergency Declaration</u>: On November 16, 2023, a team of three registered California professional engineers, including a fluvial geomorphologist experienced with the San Francisquito Creek, completed a technical memorandum titled "Overview of Temporary Emergency Stabilization Measures," which stated that, in regard to the creek bank supporting the north abutment of Caltrain's rail bridge, "the existing bank is likely to erode and would not be stable during/after a large storm event."

On November 18, 2023, the Executive Director issued an emergency declaration, which concluded:

a. The situation at that time necessitated immediate action because anticipated winter storms threatened the integrity of the bridge, creating the potential for a catastrophic failure of the bridge and the subsequent risks to public safety, infrastructure, and the environment; and
b. The dry condition of the creek bed created a narrow window during which the JPB could implement emergency stabilization repairs to ensure the integrity of the bridge without risking the safety of workers or endangering aquatic life; and
c. Given a prediction of severe winter storms and a risk of flash flooding and high creek flows at the San Francisquito Creek, attempting any work during the rainy season would have presented a substantial risk to the safety of workers, threatened endangered species, and increased the risk of a failed stabilization effort and a catastrophic failure of the bridge; and
d. The situation at that time required that Caltrain take action within a time period less than the normal time needed to process regulatory applications under standard procedures.

Based on these findings, the Executive Director declared an emergency situation for the San Francisquito Creek Bridge and directed that all necessary and appropriate actions be taken to address the emergency, including the mobilization of resources and implementation of temporary creek bank stabilization measures.

The temporary stabilization measures have ameliorated the risk of the immediate collapse of the embankment. However, a continued risk to the Bridge exists, especially in light of long-term predictions of a “strong” El Nino winter for 2023-2024. Accordingly, the emergency will persist until permanent repairs can be completed in the Summer of 2024. Under state law, the Board must continue to review the situation at each meeting and renew findings until the emergency is resolved via the implementation of permanent stabilization measures during the dry-creek season in 2024.

<u>Actions Taken</u>
To date, JPB staff has:

2. Increased frequency of visual inspections of the Bridge and conducted immediate inspections during and/or after storms.
3. Retained on-call bench consultants (WSP, AECOM, Jacobs, and TRC), to assist the JPB in obtaining the required environmental permits, designing the bank stabilization, estimating the cost of the proposed work, and providing construction management services, respectively.
4. Engaged the U.S. Army Corps of Engineers, the Regional Water Quality Control Board, and the California Department of Fish and Wildlife and submitted all necessary applications for regulatory permits and approvals.
5. Met regularly with the City of Menlo Park, the City of Palo Alto, the San Francisquito Creek Joint Powers Authority, and Stanford University to coordinate the scope of the project and jointly review iterative design updates.
6. Jointly developed 15%, 35%, 65%, and 100% designs for the bank stabilization with input from the City of Menlo Park, City of Palo Alto, and regulatory agencies.
7. Jointly prepared and executed a trilateral project agreement by and between the JPB, the City of Menlo Park, and the City of Palo Alto to memorialize cost sharing arrangements and other responsibilities.
8. Obtained iterative and independent cost estimates from consultants and Walsh Construction to establish clear cost expectations and determine a fair and reasonable not-to-exceed construction budget.
9. Updated the overall project cost to $6.5 million based on recent construction cost estimates and actual costs incurred for design, permitting, and other professional services.
10. Updated the overall project funding plan to align with the cost sharing agreement between JPB, the City of Menlo Park, and City of Palo Alto.
11. Identified the necessary funding sources from other project underruns and contingency for the JPB share of costs and obtained approval from Caltrain’s Management Committee to apply those funds.

12. Awarded a construction contract to Walsh Construction to implement the bank stabilization because Walsh has a crew onsite that specializes in emergency work and because of Walsh's experience on JPB in-water construction projects, such as the Guadalupe River Bridge Replacement Project.
13. Obtained timely construction permits from the City of Menlo Park, City of Palo Alto, Regional Water Quality Control Board, and California Department of Fish and Wildlife.
14. In accordance with the Executive Director's November 18, 2023, emergency declaration, JPB staff notified regulatory agencies of the temporary bank stabilization plan and JPB staff's intent to seek any relevant permits.
15. JPB staff obtained a second encroachment permit from the City of Menlo Park for the implementation of the temporary stabilization measures.
16. JPB staff and Walsh Construction implemented the emergency temporary bank stabilization measures to protect the San Francisquito Creek Bridge from 2023-2024 winter storms which could have otherwise threatened the integrity of the bridge.

<u>Current Status</u>
As of the date of this staff report:

1. An executed trilateral project agreement is in place between the JPB, the City of Menlo Park, and the City of Palo Alto.
2. JPB has 100% final construction drawings and specifications for the permanent bank stabilization design, which has been reviewed by all relevant stakeholders.
3. JPB has a construction contractor, Walsh Construction, under contract to implement the bank stabilization. The contract is based on a time-and-materials approach to compensation and therefore allows flexibility to adapt to changes in scope and schedule.
4. Walsh Construction stands ready to begin construction immediately upon receipt of all necessary permits.
5. JPB staff has obtained the following permits:
    a. California Department of Fish and Wildlife Streambed Alteration Agreement
    b. Regional Water Quality Control Board Section 401 Water Quality Certification Permit
    c. City of Palo Alto Encroachment Permit for the permanent stabilization project
    d. City of Menlo Park Encroachment Permit for the permanent stabilization project
    e. City of Palo Alto Noise Exception Permit for the permanent stabilization project
    f. City of Menlo Park Heritage Tree Permit
    g. City of Menlo Park Encroachment Permit for the temporary stabilization measures

    JPB staff submitted a timely application for a Section 404 permit to the U.S. Army Corps of Engineers. As part of their ongoing review, the U.S. Army Corps of Engineers has determined it is necessary to seek the review of relevant historic preservation issues and approval from the State Historic Preservation Officer prior to issuing the permit. Due to the time needed for this process to be completed, JPB staff did not receive the essential Section 404 permit in time to construct the project before the end of the dry season on October 15, 2023.

6. Temporary stabilization measures are in place to protect Caltrain's San Francisquito Creek Bridge from 2023-2024 winter storms.

Ongoing and Future Activities
In the months ahead:
1. JPB staff will continue to coordinate closely with the U.S. Army Corps of Engineers to facilitate the issuance of the Section 404 permit for construction of the permanent bank stabilization during the 2024 dry season and to submit paperwork for a retroactive permit for the temporary stabilization work.
2. JPB staff will continue to monitor conditions around the foundations of the Caltrain rail bridge.
3. JPB staff will update the project cost estimate, schedule, funding plan, and contracts to align with recent implementation of temporary stabilization measures and the planned implementation of permanent stabilization measures in mid-2024.
4. During the 2024 dry season, JPB staff and Walsh Construction will remove the temporary bank stabilization measures and replace them with the permanent bank stabilization measures designed under the joint project between JPB, the City of Menlo Park, and the City of Palo Alto.
5. JPB staff will report regularly to the Board regarding the status of the project.

Budget Impact

The San Francisquito Creek Emergency Bank Stabilization Project has an approved budget of $6,471,067 funded by Capital Contingency Funds, the San Mateo County Transportation Authority (SMCTA), the Cities of Palo Alto and Menlo Park, and project savings from recently completed projects.

Prepared By:	Robert Barnard	Deputy Chief, Design and Construction	650.508.7783
	Mike Boomsma	Project Manager	808.208.2355

(00501205)

Resolution No. 2024-

Board of Directors, Peninsula Corridor Joint Powers Board
State of California

*** * ***

Renewing Findings of an Emergency Regarding the North Channel Embankment of the San Francisquito Creek Bridge Due to Erosion Pursuant to Public Contract Code §22050

Whereas, the Board of Directors (Board) of the Peninsula Corridor Joint Powers Board (JPB) previously authorized repair pursuant to California Public Contract Code section 22050 by a four-fifths vote of the Board on March 29, 2023 (Resolution 2023-19), making findings that: there was an emergency to repair the north channel embankment of the San Francisquito Creek Bridge due to erosion that threatened the integrity of the structure supporting the JPB's tracks; that the emergency did not permit a delay that would have resulted from a formal solicitation for bids; and that action is necessary to respond to the emergency; and

Whereas, Resolution 2023-19 also authorized emergency repairs of the north channel embankment of the San Francisquito Creek Bridge without adopting plans and specifications or giving notice to potential bidders; and

Whereas, California Public Contract Code Section 1102 defines an emergency as a "sudden, unexpected occurrence that poses a clear and imminent danger, requiring immediate action to prevent or mitigate the loss or impairment of life, health, property, or essential public services"; and

Whereas, California Public Contract Code section 22050 authorizes the JPB to repair and take other immediate actions required to address an emergency, and requires that findings based on substantial evidence must be made that the emergency will not permit delay resulting from a competitive solicitation of bids, and that the action is necessary to respond to the emergency, by a four-fifths vote of the Board; and

Whereas, Resolution 2023-19 delegated to the Executive Director, or designee the authority: to approve all plans and/or designs; to execute a contract with Walsh Construction II, LLC, to undertake emergency repairs of the north channel embankment at the San Francisquito Creek Bridge at a price that staff has determined is fair and reasonable; and to take all other actions required to respond to said emergency, provided that the Executive Director reports such actions to the Board at each monthly Board meeting until the emergency situation is resolved, with a final report to be made at the first Board meeting after the emergency is resolved; and

Whereas, pursuant to Public Contract Code section 22050(c), the Board must review the emergency action at its next regularly scheduled meeting and affirm by the passage of a four-fifths vote at every subsequent regularly scheduled meeting until the action is terminated to determine that there is a need to continue the action; and

Whereas, the Board most recently renewed its findings via Resolution 2023- 74at its December 7, 2023, Board meeting; and

Whereas, following months of heavy rain in January 2023, assessments of the condition of the north embankment supporting the San Francisquito Creek Bridge Main Track 1 (MT-1) and Main Track (MT-2) by the Peninsula Corridor Joint Powers Board (JPB) revealed significant erosion on the slope of the embankment, threatening the integrity of the north approaching track structure; and

Whereas, the JPB consulted with the U.S. Army Corps of Engineers (USACE), the Regional Water Quality Control Board, and the California Department of Fish and Wildlife concerning environmental permits for restoration activities to preserve the integrity of MT-1 and MT-2 tracks in light of the significant erosion of the northern embankment; and

Whereas, on November 16, 2023, a team of three registered California professional engineers, including a fluvial geomorphologist experienced with the San Francisquito Creek, completed a technical memorandum, which stated that, in regard to the creek bank supporting the north abutment of Caltrain's rail bridge, "the existing bank is likely to erode and would not be stable during/after a large storm event;"

Whereas, on November 18, 2023, the Executive Director issued an emergency declaration, which concluded:

a. The situation at that time necessitated immediate action because anticipated winter storms threatened the integrity of the bridge, creating the potential for a catastrophic failure of the bridge and the subsequent risks to public safety, infrastructure, and the environment; and
b. The dry condition of the creek bed created a narrow window during which the JPB could implement emergency stabilization repairs to ensure the integrity of the bridge without risking the safety of workers or endangering aquatic life; and
c. Given a prediction of severe winter storms and a risk of flash flooding and high creek flows at the San Francisquito Creek, attempting any work during the rainy season would have presented a substantial risk to the safety of workers, threatened endangered species, and increased the risk of a failed stabilization effort and a catastrophic failure of the bridge; and

d. The situation at that time required that Caltrain take action within a time period less than the normal time needed to process regulatory applications under standard procedures.

Based on these findings, the Executive Director declared an emergency situation for the San Francisquito Creek Bridge and directed that all necessary and appropriate actions be taken to address the emergency, including the mobilization of resources and implementation of temporary creek bank stabilization measures; and

Whereas, the temporary stabilization measures have ameliorated the risk of immediate collapse of the embankment, but these measures were designed to address the immediate risk of collapse. However, a continued risk to the San Francisquito Creek Bridge exists, especially in light of long-term predictions of a “strong” El Nino winter for 2023-2024. Accordingly, the emergency will persist until the implementation of permanent stabilization measures is completed during the dry-creek season in 2024; and

Whereas, there is a continued and ongoing emergency to repair the north channel embankment of the San Francisquito Creek Bridge due to erosion that threatens the integrity of the structure supporting the JPB’s tracks, and because meteorologists predict a wet winter including storms that could result in additional erosion; and

Whereas, action is necessary to respond to this continued and ongoing emergency to prevent or mitigate loss or damage to life, health, property, or essential public services; and

Whereas, the time required to obtain competitive bids would have unduly delayed the JPB’s ability to make emergency repairs to these essential facilities, and substantial evidence supports the conclusions that the need for emergency actions cannot be delayed, and that the JPB has and must continue to act as expeditiously as possible to repair necessary facilities; and

Whereas, JPB staff have awarded a contract to Walsh Construction, which is also working on the Guadalupe River Bridge project, to undertake emergency repair work; and

Whereas, iterative comparison of independent cost estimates from consultants and Walsh Construction has provided clear cost expectations to assure fair and reasonable pricing.

Now, Therefore, Be It Resolved that the Board of Directors of the Peninsula Corridor Joint Powers Board hereby:

1. Renews findings from December 7, 2023, that an emergency, as defined by Section 1102 of the California Public Contract Code, exists at the north channel embankment at the San Francisquito Creek Bridge due to erosion that threatens the integrity of the structure supporting the JPB's tracks; and
2. Renews findings, based on the substantial evidence presented by staff, that the emergency did not permit a delay that would have resulted from a formal solicitation for bids because the time required to obtain competitive bids would have unduly delayed the JPB's ability to make emergency repairs to these essential facilities, that action is necessary to respond to the ongoing emergency to prevent or mitigate loss or damage to life, health, property or essential public services, that the need for emergency actions cannot be delayed, and that the JPB has and must continue to act as expeditiously as possible to repair necessary facilities; and
3. Continues to authorize emergency repairs of the north channel embankment at the San Francisquito Creek Bridge without adopting plans and specifications or giving notice to potential bidders; and

4. Continues to delegate to the Executive Director, or designee, the authority: to approve all plans and/or designs; to amend the contract with Walsh Construction, to undertake emergency repairs of the north channel embankment at the San Francisquito Creek Bridge at a price that staff has determined is fair and reasonable; and to take all other actions required to respond to said emergency, provided that the Executive Director reports such actions to the Board at each monthly Board meeting until the emergency situation is resolved, with a final report to be made at the first Board meeting after the emergency is resolved.

Be It Further Resolved that the Board of Directors has reviewed the emergency action taken on March 29, 2023, on May 4, 2023, on June 1, 2023, on August 3, 2023, on September 7, 2023, on October 5, 2023, on November 2, 2023, and on December 7, 2023, to remediate emergency conditions at the embankment of the San Francisquito Bridge, and will continue to conduct such a review at every subsequent regularly scheduled meeting until the action is terminated to determine that there is a need to continue the action by a four-fifths vote pursuant to Public Contract Code section 22050(c).

Regularly passed and adopted this 4th day of January, 2024 by the following vote:

Ayes:

Noes:

Absent:

____

Chair, Peninsula Corridor Joint Powers Board

Attest:

____

JPB Secretary

(00501203)

Peninsula Corridor Joint Powers Board
Staff Report

To:	Finance Committee
Through:	Michelle Bouchard, Executive Director
From:	Kate Jordan Steiner, Chief Financial Officer
Subject:	**Accept Statement of Revenues and Expenses for the Period Ending November 30, 2023**

☐ Finance Committee Recommendation ☐ Technology, Operations, Planning, and Safety Committee Recommendation ☐ Advocacy and Major Projects Committee Recommendation

Purpose and Recommended Action

Staff proposes that the Finance Committee of the Peninsula Corridor Joint Powers Board (JPB) accept and enter into the record the Statement of Revenues and Expenses for the Period Ending November 30, 2023.

This staff report provides a brief discussion of significant items and trends on the attached Statement of Revenues and Expenses through November 30, 2023. The statement has been designed to follow the Agency-wide line-item rollup as included in the approved budget. The columns have been designed to provide an easy comparison of year-to-date current actuals to the budget including dollar and percentage variances**.**

Discussion

Annual Forecast: The annual forecast is currently the same as the budget and will be reviewed in a few months.

Year-to-Date Revenues: As of November year-to-date actual, the Grand Total Revenue (page 1, line 17) is $0.8 million lower than the adopted budget. This is primarily driven by the decrease in Other Income (page 1, line 5).

Year-to-Date Expenses: As of November year-to-date actual, the Grand Total Expense (page 2, line 51) is $3.8 million lower than the adopted budget. This is primarily driven by the decreases in Rail Operator Service (page 2, line 22), Wages and Benefits (page 2, line 36), Professional Services (page 2, line 39) and Facilities and Equipment Maintenance (page 2, line 29) which is partially offset by the increase in Claims, Payments, and Reserves (page 2, line 28).

Budget Impact

There is no budget impact for November 2023.

Prepared By:	Li Saunders	Accountant II	650.622.7848
	Danny Susantin	Grants & Capital Accounting, Manager	650.622.8073

PENINSULA CORRIDOR JOINT POWERS BOARD

STATEMENT OF REVENUE AND EXPENSE

Fiscal Year 2024

NOVEMBER 2023

% OF YEAR ELAPSED 41.7%

#		JULY TO NOVEMBER				ANNUAL			#
		CURRENT ACTUAL	**ADOPTED BUDGET**	**$ VARIANCE**	**% VARIANCE**	**APPROVED BUDGET**	**FORECAST**	**$ VARIANCE**	
	REVENUE								
	OPERATIONS:								
1	Caltrain Fares	12,650,767	12,657,096	(6,329)	(0.1%)	29,936,000	29,936,000	-	1
2	Go Pass	6,795,890	6,985,000	(189,110)	(2.7%)	16,764,000	16,764,000	-	2
3	Parking Revenue	781,906	793,755	(11,849)	(1.5%)	1,905,015	1,905,015	-	3
4	Rental Income	669,053	427,705	241,348	56.4%	1,026,489	1,026,489	-	4
5	Other Income	2,077,972	2,725,525	(647,553)	(23.8%)	6,541,260	6,541,260	-	5
7	TOTAL OPERATING REVENUE	22,975,588	23,589,081	(613,493)	(2.6%)	56,172,764	56,172,764	-	7
9	CONTRIBUTIONS:								9
10	Operating Grants	5,356,620	5,333,725	22,895	0.4%	12,800,936	12,800,936	-	10
11	Measure RR	48,573,445	48,778,000	(204,555)	(0.4%)	118,400,000	118,400,000	-	11
12	Member Agency (VTA - Gilroy)	195,833	195,833	(0)	0.0%	470,000	470,000	-	12
13	LCTOP/SRA	2,878,626	2,878,626	(0)	0.0%	6,908,503	6,908,503	-	13
15	TOTAL CONTRIBUTED REVENUE	57,004,525	57,186,185	(181,660)	(0.3%)	138,579,439	138,579,439	-	15
17	**GRAND TOTAL REVENUE**	**79,980,112**	**80,775,266**	**(795,153)**	(1.0%)	**194,752,203**	**194,752,203**	**-**	17

Item #5.
12/18/2023

PENINSULA CORRIDOR JOINT POWERS BOARD

STATEMENT OF REVENUE AND EXPENSE

Fiscal Year 2024

NOVEMBER 2023

% OF YEAR ELAPSED 41.7%

	JULY TO NOVEMBER				ANNUAL		
	CURRENT ACTUAL	ADOPTED BUDGET	$ VARIANCE	% VARIANCE	APPROVED BUDGET	FORECAST	$ VARIANCE
EXPENSE							
DIRECT EXPENSE:							
Rail Operator Service	41,816,348	43,816,805	(2,000,457)	(4.6%)	104,889,704	104,889,704	-
Security Services	3,505,590	3,452,514	53,076	1.5%	8,286,045	8,286,045	-
Shuttle Services	28,553	33,335	(4,782)	(14.3%)	80,000	80,000	-
Fuel and Lubricants*	6,428,165	6,338,045	90,120	1.4%	15,211,316	15,211,316	-
Timetables and Tickets	7,591	39,580	(31,989)	(80.8%)	95,000	95,000	-
Insurance	4,566,131	4,262,375	303,756	7.1%	10,229,703	10,229,703	-
Claims, Payments, and Reserves	2,299,011	550,000	1,749,011	318.0%	1,320,000	1,320,000	-
Facilities and Equipment Maintenance	2,650,948	3,404,899	(753,951)	(22.1%)	8,171,766	8,171,766	-
Utilities	974,499	1,128,710	(154,211)	(13.7%)	2,708,900	2,708,900	-
Maint & Services-Bldg & Other	396,403	743,585	(347,182)	(46.7%)	1,784,600	1,784,600	-
TOTAL DIRECT EXPENSE	**62,673,238**	**63,769,848**	**(1,096,610)**	(1.7%)	**152,777,034**	**152,777,034**	-
ADMINISTRATIVE EXPENSE							
Wages and Benefits	6,841,521	8,210,680	(1,369,159)	(16.7%)	18,127,993	18,127,993	-
Managing Agency Admin OH Cost	1,332,130	1,485,610	(153,480)	(10.3%)	3,565,453	3,565,453	-
Board of Directors	5,029	26,198	(21,169)	(80.8%)	62,875	62,875	-
Professional Services	3,028,713	4,183,562	(1,154,849)	(27.6%)	9,808,779	9,808,779	-
Communications and Marketing	130,581	184,470	(53,889)	(29.2%)	442,730	442,730	-
Other Office Expenses and Services	1,656,372	1,797,746	(141,374)	(7.9%)	4,241,666	4,241,666	-
TOTAL ADMINISTRATIVE EXPENSE	**12,994,346**	**15,888,265**	**(2,893,920)**	**(18.2%)**	**36,249,496**	**36,249,496**	-
TOTAL OPERATING EXPENSE	**75,667,584**	**79,658,113**	**(3,990,529)**	**(5.0%)**	**189,026,530**	**189,026,530**	-
Governance	145,757	93,750	52,007	55.5%	225,000	225,000	-
Debt Service Expense	1,603,199	1,446,300	156,899	10.8%	3,471,125	3,471,125	-
GRAND TOTAL EXPENSE	**77,416,540**	**81,198,163**	**(3,781,623)**	**(4.7%)**	**192,722,655**	**192,722,655**	-
Projected Contribution to Reserve					2,029,548	2,029,548	-
NET SURPLUS / (DEFICIT)	**2,563,572**	**(422,898)**	**2,986,470**	**(706.2%)**	-	-	-
Reserve, Beginning Balance	**26,878,850**				**26,878,850**		
Projected Contribution to Reserve	**-**				**2,029,548**		
Reserve, Ending Balance	**26,878,850**				**28,908,398**		

*** Fuel and Lubricants costs were decreased by a realized gain of $647,443 from the fuel hedge program.**

PENINSULA CORRIDOR JOINT POWERS BOARD

INVESTMENT PORTFOLIO

AS OF NOVEMBER 30, 2023

TYPE OF SECURITY		MATURITY DATE	INTEREST RATE	PURCHASE PRICE	MARKET RATE
Local Agency Investment Fund (Unrestricted) *		Liquid Cash	3.670%	372,051	372,051
County Pool (Unrestricted)		Liquid Cash	3.283%	580,022	580,022
Other (Unrestricted)		Liquid Cash	5.060%	34,839,464	34,839,464
Other (Restricted)	**	Liquid Cash	5.269%	32,810,452	32,810,452
				$ 68,601,989	$ 68,601,989

Interest Earnings for November 2023	$	270,416.01
Cumulative Earnings FY2024		1,036,478.51

* The market value of Local Agency Investment Fund (LAIF) is calculated annually and is derived from the fair value factor as reported by LAIF for quarter ending June 30th each year.

** Prepaid Grant funds for Homeland Security, PTMISEA and LCTOP projects, and funds reserved for debt repayment.
The Portfolio and this Investment Report comply with the Investment Policy and the provisions of SB 564 (1995).
The Joint Powers Board has the ability to meet its expenditure requirements for the next six months.

Farebox Revenues by Ticket Type	PENINSULA CORRIDOR JOINT POWERS BOARD										
	Previous Years					FY2024					
REVENUE	FY2019	FY2020	FY2021	FY2022	FY2023	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	FY2024 Total YTD
OPERATIONS:											
401400 (TVM)	18,431,265	11,165,620	2,458,837	6,836,440	6,838,317	701,507	580,909	427,973	542,427	429,650	2,682,465
401410 (Clipper)	54,621,910	37,970,696	2,924,987	7,764,755	15,493,238	1,584,242	1,688,849	1,283,054	1,964,018	1,537,081	8,057,244
401420 (Central)	64,908	20,799	309,748	39,911	58,267	1,068	-	7,861	8,407	2,619	19,955
401430 (Mobile App)	4,716,955	5,689,776	830,051	2,808,795	3,501,791	289,934	353,887	285,899	332,212	307,863	1,569,796
401500 (Gilroy)	1,903,941	1,542,171	178,759	449,281	706,203	58,850	58,850	75,084	64,261	64,261	321,307
401700 (Go-Pass)	22,929,136	19,705,372	25,737,533	15,337,175	16,728,021	1,362,537	1,337,709	1,370,632	1,375,408	1,349,604	6,795,890
total Farebox Revenue	102,668,114	76,094,433	32,439,915	33,236,357	43,325,839	3,998,139	4,020,204	3,450,502	4,286,733	3,691,078	19,446,657
Less: Go-Pass											
401700 (Go-Pass)	22,929,136	19,705,372	25,737,533	15,337,175	16,728,021	1,362,537	1,337,709	1,370,632	1,375,408	1,349,604	6,795,890
Revenues without Go-Pass	79,738,978	56,389,061	6,702,382	17,899,182	26,597,817	2,635,602	2,682,496	2,079,870	2,911,325	2,341,474	12,650,767
Tickets Sold						Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Total
TVM	2,354,393	1,465,876	315,378	755,674	802,158	78,363	74,658	69,149	55,296	52,838	330,304
Clipper	3,521,066	2,620,816	339,753	1,227,757	1,975,206	194,041	214,425	199,252	207,799	191,843	1,007,360
Central	9,167	5,044	-	4,032	6,440	100	231	484	717	-	1,532
Mobile	543,920	661,515	111,394	381,441	428,741	40,439	41,483	39,565	37,168	33,606	192,261
# of tickets sold (without go-pass)	6,428,546	4,753,251	766,525	2,368,904	3,212,545	312,943	330,797	308,450	300,980	278,287	1,531,457
AVG Revenue Per Ticket						Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Total
TVM	$ 7.83	$ 9.05	$ 7.80	$ 9.05	$ 8.52	$ 8.95	$ 7.78	$ 6.19	$ 9.81	$ 8.13	$ 8.12
Clipper	$ 15.51	$ 6.32	$ 8.61	$ 6.32	$ 7.84	$ 8.16	$ 7.88	$ 6.44	$ 9.45	$ 8.01	$ 8.00
Central	$ 7.08	$ 9.90	$ -	$ 9.90	$ 9.05	$ 10.68	$ -	$ 16.24	$ 11.72	$ -	$ 13.03
Mobile	$ 8.67	$ 7.36	$ 7.45	$ 7.36	$ 8.17	$ 7.17	$ 8.53	$ 7.23	$ 8.94	$ 9.16	$ 8.16
Total	$ 12.40	$ 11.86	$ 8.74	$ 7.56	$ 8.28	$ 8.42	$ 8.11	$ 6.74	$ 9.67	$ 8.41	$ 8.26

Farebox Revenues by Ticket Type	PENINSULA CORRIDOR JOINT POWERS BOARD							
	July to November						Annual Budget	
REVENUE	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2024	% of Budget
401400 (TVM)	8,798,099	7,199,849	790,401	2,751,277	3,107,777	2,682,465		
401410 (Clipper)	23,392,668	23,821,145	1,101,613	2,696,384	6,987,239	8,057,244		
401420 (Central)	31,475	31,902	-	25,470	29,831	19,955		
401430 (Mobile App)	1,616,065	3,388,902	262,318	1,047,600	1,639,799	1,569,796		
401500 (Gilroy)	836,163	877,533	74,740	142,925	314,885	321,307		
401700 (Go-Pass)	9,039,820	10,014,742	12,750,283	6,167,824	7,206,545	6,795,890		
total Farebox Revenue	43,714,290	45,334,073	14,979,355	12,831,480	19,286,077	19,446,657	46,700,000	41%
Less: Go-Pass								
401700 (Go-Pass)	9,039,820	10,014,742	12,750,283	6,167,824	7,206,545	6,795,890	16,764,000	43%
Revenues without Go-Pass	34,674,470	35,319,332	2,229,072	6,663,656	12,079,532	12,650,767	29,936,000	40%
Tickets Sold								
TVM	1,124,328	948,062	118,795	309,643	391,237	330,304		
Clipper	1,497,951	1,608,964	113,502	443,629	856,509	1,007,360		
Central	3,816	3,585	-	2,607	2,590	1,532		
Mobile	179,215	398,136	37,360	146,176	200,857	192,261		
# of tickets sold (without go-pass)	2,805,310	2,958,747	269,657	902,055	1,451,193	1,531,457		
AVG Revenue Per Ticket								
TVM	$ 7.83	$ 7.59	$ 6.65	$ 8.89	$ 7.94	$ 8.12		
Clipper	$ 15.62	$ 14.81	$ 9.71	$ 6.08	$ 8.16	$ 8.00		
Central	$ 8.25	$ 8.90	$ -	$ 9.77	$ 11.52	$ 13.03		
Mobile	$ 9.02	$ 8.51	$ 7.02	$ 7.17	$ 8.16	$ 8.16		
Total	$ 12.36	$ 11.94	$ 8.27	$ 7.39	$ 8.32	$ 8.26		

Peninsula Corridor Joint Powers Board
Staff Report

To:	Finance Committee
Through:	Michelle Bouchard, Executive Director
From:	Kate Jordan Steiner, Chief Financial Officer
Subject:	**Accept Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023**

☐ Finance Committee Recommendation ☐ Technology, Operations, Planning, and Safety Committee Recommendation ☐ Advocacy and Major Projects Committee Recommendation

Purpose and Recommended Action

Staff proposes the committee recommend the Board accept the Peninsula Corridor Joint Powers Board's (JPB) Fiscal Year (FY) 2023 Annual Comprehensive Financial Report (ACFR).

Discussion

Annually, staff is responsible for preparation of an annual report on the financial position and financial results of the JPB. The JPB contracts with an independent auditor, Brown Armstrong Accountancy Corporation, to conduct yearly audits of the Financial Statements (prepared by JPB staff) in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. The independent auditor has provided an unmodified, or "clean" opinion on the Financial Statements.

The JPB presents these audited financial statements, along with the auditor's opinion thereupon, in a comprehensive document called the Annual Comprehensive Financial Report (ACFR). The ACFR serves as the JPB's primary source of disclosure to the public and to the financial community regarding the status of the JPB's finances.

The ACFR is prepared in accordance with the guidelines set forth by the Government Accounting Standards Board and is organized into three sections – Introductory, Financial, and Statistical Sections.

- The **Introductory** Section includes a Transmittal Letter and provides general information on the JPB's structure, personnel, and economic outlook.
- The **Financial** Section includes audited financial statements which provide detailed financial information as well as comparative financial data. The Management Discussion & Analysis (MD&A) is also found in the Financial Section. Along with the Transmittal

Letter, the MD&A is of most interest to those looking for a narrative annual review of the JPB's finances.

- The **Statistical** Section provides a broad range of data covering key financial trends including revenue and debt capacity, economic and demographic data and operating information.

The introductory section and the statistical section presented in the ACFR are not required by California Government Code to be reported as part of the audited financial statements of the JPB. These sections are required when producing an ACFR which the JPB chooses to provide detailed information about the financial condition of the JPB in a form that is understandable to our customers and constituents.

Together, all sections of the ACFR provide the detail as well as the perspective with which to assess the JPB's financial condition.

The ACFR is prepared and presented to the Government Finance Officers Association for their review, evaluation and to apply for the certificate of Achievement for Excellence in Financial Reporting. The JPB has received an award for every year that the report was submitted.

The ACFR draft being presented at the JPB Finance Committee meeting on December 18, 2023, is the final draft. The complete signed package will be presented at the JPB Board meeting on January 4, 2024.

Budget Impact

There is no impact on the Budget.

Prepared by: Annie To Director, Accounting 650-622-7890

Item #6.
12/18/2023

Peninsula Corridor Joint Powers Board

San Carlos, California

A Joint Powers Authority
Established by Agreement among:

City and County of San Francisco
San Mateo County Transit District
Santa Clara Valley Transportation Authority

Annual Comprehensive Financial Report

Fiscal Years Ended June 30, 2023 and 2022

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PENINSULA CORRIDOR JOINT POWERS BOARD

San Carlos, California

Annual Comprehensive Financial Report
Fiscal Years Ended June 30, 2023 and 2022

Prepared by the Finance Division

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Table of Contents

Section I

INTRODUCTORY

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PENINSULA CORRIDOR JOINT POWERS BOARD

LETTER OF TRANSMITTAL

December 14, 2023

To the Board of Directors of the Peninsula Corridor Joint Powers Board and the Citizens of San Francisco, San Mateo, and Santa Clara Counties
San Carlos, California

Annual Comprehensive Financial Report Year Ended June 30, 2023

We are pleased to present the Annual Comprehensive Financial Report (ACFR) of the Peninsula Corridor Joint Powers Board (JPB) for the fiscal year July 1, 2022, through June 30, 2023. This transmittal letter provides a summary of the JPB's finances, services, achievements, and economic prospects for readers without a technical background in accounting or finance. This fiscal year reflects continued challenges as the agency moves forward in its recovery from the COVID pandemic. This letter will address those impacts where appropriate. Readers desiring a more detailed discussion of the JPB's financial results may refer to the Management's Discussion and Analysis in the Financial Section.

Management assumes sole responsibility for all the information contained in this report, including its presentation and the adequacy of its disclosures. To the best of our knowledge, we believe this report to be complete and reliable in all material respects. To provide a reasonable basis for making this representation, we have established a comprehensive system of internal controls designed to protect the JPB's assets from loss, to identify and record transactions accurately, and to compile the information necessary to produce financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not exceed the likely benefits, the JPB's internal control system intends to provide reasonable, but not absolute, assurance that the financial statements are free from material misstatement.

To test the performance of the internal control system, the JPB contracted for independent auditing services from Brown Armstrong Accountancy Corporation, a certified public accounting firm licensed to practice in the State of California. The auditor expressed an opinion that the JPB's financial statements are fairly stated in all material respects and in compliance with accounting principles generally accepted in the United States of America. This conclusion is the most favorable kind, commonly known as an “unmodified” or “clean” opinion.

PROFILE OF THE ORGANIZATION

Purpose

The JPB is responsible for the Caltrain passenger rail service on the San Francisco Peninsula and south into Santa Clara County. Caltrain owns and operates the rail system that has been a central part of Peninsula communities since 1865. The rail line on which service is operated currently extends from San Francisco 77 miles south to Gilroy, serving 31 stations. Spanning San Francisco, San Mateo, and Santa Clara counties, Caltrain directly serves 20 cities and provides critical connections to other transit services. The JPB owns 51 miles of the rail line and operates on Union Pacific owned track for the remaining 26 miles.

Entity

The JPB is a Joint Powers Authority that is legally and financially independent from its three member agencies, namely the San Mateo County Transit District (District), the Santa Clara Valley Transportation Authority (VTA) and the City and County of San Francisco (CCSF), and is not a component unit of any other organization. Furthermore, the JPB has no component unit organizations under its control. Therefore, this ACFR and the financial statements contained within represent solely the activities, transactions, and status of the JPB.

History

In 1980, after two years of negotiations, the California Department of Transportation (Caltrans) and the Southern Pacific Transportation Company (Southern Pacific) executed a purchase-of-service agreement for maintaining passenger rail service between San Francisco and San Jose. Service under this agreement began in 1980 with Southern Pacific operating the trains while receiving subsidies to cover its operating costs from Caltrans and the three member agencies and with Caltrans providing contract administration, service planning, marketing, engineering, scheduling, fare management, customer support, and performance monitoring.

In 1988, CCSF, the District, and VTA commissioned a study that recommended transferring responsibility for the rail service from the state to the local level. The three member agencies accomplished this objective in October 1991, executing a new joint powers agreement that formed the current JPB. Two months later, the JPB purchased the rail right-of-way between San Francisco and San Jose (Mainline) and perpetual trackage rights between San Jose and Gilroy (Gilroy Extension) from Southern Pacific.

The JPB Member Agencies and the California Transportation Commission funded this acquisition. The JPB holds title to all right-of-way property located in the County of San Francisco and the County of Santa Clara. The JPB holds title to all right-of-way property in the County of San Mateo as tenants in common with the District, each to an undivided 50% share. Pursuant to a 2022 agreement between the JPB and its member agencies, the District is in the process of conveying its tenant in common interest on the right-of-way property in the County of San Mateo to the JPB. In addition, the JPB holds trackage rights that extend south from the end of its property ownership in San Jose to Gilroy over a rail line owned by the Union Pacific Railroad. Those rights include the rights to operate five daily two-way train pairs.

The JPB assumed responsibility for the operation of Caltrain service from Caltrans in 1992. Amtrak served as the JPB's contracted rail operator until May 2012. The Caltrain Board of Directors, at its September 2011 meeting, authorized the award of a new operating contract to TransitAmerica Services, Inc. (TASI). The contract carried a 5-year base term with the ability to execute 5 additional one-year options. In 2017, the JPB exercised all 5 of the option years, extending the contract with TASI to June 2022. In January 2021, the JPB extended the contract through June 2027 in order to enable the completion of construction of the Federal Transit Administration (FTA)-funded corridor electrification project and subsequent start-up of service in the electrified environment.

Governance

The joint powers agreement establishes a nine-person Board of Directors (Board) that governs the operations, maintenance, repair, improvements, and expansion of Caltrain. Each of the three Member Agencies appoints three persons to serve on the Board. The JPB also created a nine-person Citizens Advisory Committee (CAC) composed of three citizens from each JPB county. The principal objective of the CAC is to articulate the interests and needs of current and future customers.

On August 4, 2022, the JPB, the District, VTA, and CCSF approved a Memorandum of Understanding (MOU) relating to the JPB's governance. The MOU established a permanent, separate Executive Director position for Caltrain while authorizing five additional management positions for the agency: Chief of Staff, Director of Government and Community Affairs, Director of Budgets and Financial Analysis, Director of Real Estate, and Director of Grants and Fund Management. The General Manager of the District formerly served as the Executive Director of Caltrain. Under this agreement, the Executive Director reports directly to the Caltrain Board of Directors and the District provides services to Caltrain in the areas of Human Resources, Contracts and Procurements, Information Technology, Civil Rights, Accounting, Treasury, Budgets, Finance, Communications, Government and External Affairs, Real Estate, Grants, and Safety and Security. Subsequent to the MOU, the District and Caltrain also agreed to add a Chief Safety Officer position for Caltrain reporting to the Caltrain Executive Director. The MOU also provides for repayment of the District's initial investment in the Caltrain Right of Way; upon repayment, the District is required to reconvey its tenancy in common interest in the Right of Way to the JPB. The repayment is now complete and, as discussed above, the District is now in the process of reconveying its interest to the JPB.

Administration

The joint powers agreement as first executed in 1988, and as amended and restated in 1996, and as modified by the 2022 MOU, designates the District as the Managing Agency to provide management, administrative, and staff services for Caltrain under the direction and oversight of the JPB Board. The JPB reimburses the District for the direct and administrative costs incurred in providing the Managing Agency services. Some administrative costs are determined by overhead rates approved by the FTA. Currently, the District provides the following services for the JPB:

The *Communications Division* is responsible for customer service, marketing, sales, advertising, distribution services, public information, fare media, media relations, legislative activities, and community outreach.

The *Finance Division* is responsible for financial accounting and reporting, capital and operational budgeting, payroll and vendor disbursements, investments and cash management, debt management, revenue control, purchasing, contract administration, grant administration, financial planning and analysis, and risk management.

The *Information Technology (IT) Division* is responsible for the innovation and technology of the District including but not limited to Cybersecurity, Database Administration, IT Infrastructure, IT Applications and Software, Network Administration, and Systems Administration.

The *People and Culture Division* is responsible for Office of Civil Rights (OCR), Employee and Labor Relations (ER), and Human Resources (HR) Services. OCR consists of Civil Rights and EEO, Diversity, Equity, Inclusion & Belonging (DEIB), Disadvantage and Small Business Enterprise (DBE/SBE) Administration, Contract (Labor) Compliance, and Title VI. ER consists of Employee and Labor Relations, Drugfree and Pull Notice Programs, Training and Development, and Employee Engagement. Human Resources consists of Benefits, Employee Services (Day-to-Day Administration), HR Policies, Leave of Absences (LOA), Retirement, Talent Acquisition (Recruitment), HR Strategies and HR/Rail Shared Services.

Rail Division

The *Rail Division* operates under the direction of the Caltrain Executive Director, and is responsible for Caltrain operations and maintenance oversight (including administration of the rail service-operating contract), state-of-good-repair, operations planning, engineering, rail safety, capital project planning, and delivery including design, construction, and integration of electrified service. The *Caltrain Modernization Program (CalMod)* is responsible for the implementation of the electrification project that will upgrade the performance, operating efficiency, capacity, safety and reliability of Caltrain's commuter rail service.

Budgetary Control

State law requires the JPB to adopt an annual budget by resolution of the Board. In FY2023, the Board adopted an amendment to the JPB Balanced Budget and Financial Reserve Policy to require appropriating funds for operating and capital budgets on a biennial basis each even numbered fiscal year, beginning with fiscal year 2024 and 2025. Instituting a biennial budget for both the operating and capital budgets allowed the agency to focus on longer-term financial planning for operation of an electrified railroad while facilitating coordination with members agencies on capital improvements and obligations. The Board monitors budget-to-actual performance through monthly staff reports. The Financial Section of this report includes a supplemental schedule that compares actual results on a budgetary basis of accounting to the final adopted budgets.

The Board has delegated the authority to transfer budget amounts between divisions and departments to the Executive Director or his/her designee. However, any increase to the expenditure budget as a whole requires the approval of the Board. In addition, the JPB uses an encumbrance system to reduce budget balances by issuing purchase orders to avoid over-commitment of resources.

The JPB employs the same basis and principles of accounting for both budgeted and actual revenues and expenses, except that actual proceeds from the sale of capital assets, unrealized investment gains and losses, depreciation and amortization, and inter-fund transfers are not included in the budget. As a special purpose organization established pursuant to joint powers legislation, the JPB is not subject to the State of California's Gann Act requiring adherence to an annual appropriation limit.

FINANCIAL AND ECONOMIC OUTLOOK

Local Economy

The Bay Area continues its rebound from the pandemic, but high inflation and massive tech layoffs clouded the Bay Area economy with uncertainty in FY23. The second half of 2022 reflected the highest inflation since the early 1980s, which led to concerns of slower economic growth and a possible recession. To combat high and persistent inflation, the Federal Reserve implemented aggressive interest rate hikes starting in March 2022. As a result, inflation dipped in June 2023 to its lowest pace in more than 2 years, indicating price increases are cooling amid the Federal Reserve’s rate-hiking regime. On employment, despite the massive tech industry layoffs in late 2022 and early 2023, the Bay Area job market powered through with robust job gains in spring 2023, partly thanks to the ascendance of artificial intelligence, and strong job growth in the education, health services, and construction sectors, further underscoring the diversity of the region’s economy and its ability to withstand industry-specific turbulence. For the remainder of 2023 and into 2024, the pace of inflation on housing, consumer goods/services and job markets growth remain key factors and can present continued challenges to Bay Area economy.

According to the state of California Employment Development Department (EDD), the unemployment rate in the San Francisco-Redwood City-South San Francisco Metropolitan Area was 3.2 percent in June 2023, up from a revised 2.9 percent in May 2023, and higher than estimates a year-ago of 2.5 percent. The unemployment rate in the San Jose-Sunnyvale-Santa Clara Area was 3.7 percent in June 2023, up from a revised 3.3 percent in May 2023, and above estimates a year-ago of 2.7 percent. This compares with an unadjusted unemployment rate of 4.9 percent for California and 3.8 percent for the nation during the same period.

The unemployment rate was 3.2 percent in San Francisco County, 3.1 percent in San Mateo County, and 3.6 percent in Santa Clara County. Per the EDD, between May 2022 and May 2023, the total number of jobs in the counties of San Francisco and San Mateo increased by 30,600 or 2.6 percent. Between June 2022 and June 2023, the combined employment in the South Bay Counties of San Benito and Santa Clara, increased by 32,900 or 2.8 percent.

COVID, and the changes it brought to the workplace as we knew it, has had a more dramatic impact on Caltrain's ridership than any occurrence in its history. With ridership dropping by 97 percent in the early days of the shelter-in-place order, the pandemic posed a unique and serious challenge to Caltrain as the service adapted to the new normal. Caltrain's historical reliance on farebox revenues made the agency especially vulnerable to that drop, resulting in substantial budget deficits. However, despite these challenges, Caltrain was quick to react in order to protect the health and safety of its riders and employees. In addition, Caltrain received federal funds to reduce the budget deficits.

Fortunately, Caltrain's ridership continues to trend upward. In June 2023, weekday ridership exceeded 20,000 on average, approximately 33% of the pre-COVID level. Weekend ridership had been growing at a higher rate through 2022; however, in early 2023 Caltrain embarked on a series of partial weekend closures in order to accelerate work on the Electrification Project, which has impacted ridership growth due to the need for customers to transfer to substitute bus service. Nonetheless, special events during the Spring and Summer of 2023 led to a steady increase in weekend ridership from April through June of this year.

Caltrain continues to operate a schedule featuring 104 trains each weekday, including hourly all-stop local trains throughout the day as well as a number of peak-hour limited and express trains to provide faster travel times and several different service options to increase ridership demand. On September 12, 2022, Caltrain implemented a schedule adjustment increasing service to 22nd St and South San Francisco stations by adding stops to existing limited trains, as well as adjusting the evening schedule to provide better transfers with the Bay Area Rapid Transit District (BART) at the Millbrae Transit Center.

Additionally, there have been several temporary weekday schedule reductions to accommodate Peninsula Corridor Electrification Project (PCEP) construction, along with the partial weekend closures mentioned above, with the goal of initiating electrified revenue service in September 2024.

In May 2023, Caltrain's Executive Director authorized a promotional fare reduction, which postponed previously approved May 2022 fare changes to further alleviate the economic effects of the COVID-19 pandemic on riders, incentivize Caltrain ridership, and potentially increase overall fare revenue. This action extended the ongoing postponement of Caltrain fares, after the Board voted to delay the implementation of certain previously approved fare increases in both June 2021 and May 2022. Caltrain has taken additional steps during the pandemic to enhance affordability – for example, providing a 50% discounted fare promotion in both September 2021 and April 2022 in addition to implementing and expanding a donation program for unused institutional pass products. Caltrain has also formed a Ridership Recovery Growth Force to develop specific customer acquisition strategies including community partnerships, brand campaigns, and engagement events.

Housing production has increased in recent years but is projected to be primarily made up of apartments and condominiums. Housing affordability remains a major issue for the entire Bay Area, with median home selling prices as of June 2023 at $1.4 million in San Francisco and San Mateo Counties, and $1.6 million in Santa Clara County. Per Redfin, San Francisco County home prices were down 8.8% compared to last year. San Mateo County home prices were down 4.1%, while Santa Clara County were up 2.6%. Home ownership will continue to be expensive in the entire Bay area with high inflation, higher interest rates, and low inventory. Because of this, the relatively high cost of living, and a greater ability to work remotely, population growth in all 3 counties is not expected to grow but continue to decline through 2027.

Job growth continues to improve, both nationally and in the Bay Area with the San Jose metro area outpacing other parts of the Bay Area in terms of overall employment recovery. The median household income in 2022 was $146,300, $136,700, and $148,600 in Santa Clara County, San Francisco County, and San Mateo County respectively, placing the three counties among the wealthiest regions in California.

Measure RR

In 2020, the voters of San Francisco, San Mateo, and Santa Clara Counties approved a ballot measure, known as Measure RR, which levies a one-eight (1/8) of one percent (0.125%) retail transactions and use tax for a period of thirty (30) years in all three counties. This tax provides the first and only dedicated funding source for Caltrain. The purpose of Measure RR is to fund the operating and capital expenses of the JPB rail service and to support the operating and capital needs required to implement the Long-Range Service Vision adopted by the Board as part of the Caltrain Business Plan. The revenue from Measure RR in the fiscal year 2023 is $121.6 million.

Caltrain's Citizens Advisory Committee (CAC), in its capacity as the independent oversight committee for the Measure RR sales tax, is responsible for providing information to the taxpayers of the three counties to ensure that the tax proceeds have been expended for the purposes set forth in the Measure RR ballot language. On March 15, 2023, the CAC held a public hearing on the annual Measure RR audit report conducted by Brown Armstrong, Accountancy Corporation, an independent accounting firm. On June 21, 2023, the CAC approved the annual Measure RR report.

As the only Bay Area transit system without a dedicated revenue source prior to the passage of Measure RR, Caltrain was heavily reliant on passenger fares to maintain operations, making the service especially vulnerable to a pandemic. The measure RR will allow Caltrain to invest in the operation and expansion of faster, more frequent electrified service with the added capacity necessary to accommodate expected increases in ridership demand in the decades to come. It will also allow the system to advance equity policies to help ensure Caltrain is accessible and affordable to all members of the communities it serves.

Despite operating without a dedicated funding source for so many years, Caltrain had grown to become the seventh largest commuter railroad in the country, the largest carrier of bikes of any American transit system, and the nation's most efficient railroad pre-COVID as measured by farebox recovery. Even after the pandemic, Caltrain remains the eighth largest commuter rail system in the nation.

Long-Term Financial and Strategic Planning

In 2017, Caltrain launched a Business Plan process that provided a major update to Caltrain's plans, policies, and financial projections given the financial performance of Caltrain at that time. As part of the Business Plan process, in October 2019, the Caltrain Board of Directors unanimously adopted a Long-Range Service Vision for the railroad, which provides high-level policy guidance to evolve the Caltrain corridor and service from a traditional commuter railroad to a regional rail system operating at transit-level frequencies throughout the day.

In fall of 2020, the Caltrain Board of Directors adopted an Equity, Connectivity, Recovery, and Growth Policy Framework to direct Caltrain's focus on COVID response and recovery in the near-term, while still supporting longer-term progress towards achieving the Service Vision. As the Caltrain team focused on COVID response and recovery, staff also participated in the Metropolitan Transportation Commission (MTC)-led Blue Ribbon Transit Recovery Task Force initiative (Task Force).

In July 2021, the Task Force approved 27 specific near-term actions to accelerate regional recovery and create a better connected, more efficient, and more customer-focused Bay Area transit system. Caltrain has been a leader in many Task Force-initiated projects, including Regional Network Management and the Rail Partnerships Study. Both initiatives are focused on creating frameworks for better regional decision-making on capital projects, operations, and funding. Caltrain will continue to collaborate with its regional partners, in particular the rail operators, to provide a better customer experience and greater value to corridor communities.

Due to lasting impacts of the COVID-19 pandemic on ridership, revenue, and traditional funding sources, Caltrain has continued to face significant financial challenges, including an ongoing structural deficit in its operating budget. In November 2022, Caltrain began the process of developing a Strategic Financial Plan in response to the ongoing impacts of the COVID-19 pandemic on Caltrain's finances. The objective of the Strategic Financial Plan was to forecast Caltrain's operating position over the next ten years while sustaining a competitive and attractive level of service; maintaining a commitment to equity; building ridership by holding fares steady; and completing electrification. A special Board workshop was conducted on April 6, 2023, to present the Strategic Financial Plan, which concluded that Caltrain can effectively manage its operating costs and use its financial resources to delay the fiscal cliff by two years until FY26, but Caltrain still needs significant additional funding to support both operations and its capital investments moving forward. The Strategic Financial Plan also estimated a cumulative 10-year operating deficit as high as high as $545 million based on numerous revenue and cost assumptions.

Caltrain is currently reviewing the Strategic Financial Plan to assess what changes may be merited given the financial performance of Caltrain since April 2023. Factors that influence the system's projected operating results include, but are not limited to, ridership, Measure RR revenues, service levels, fare policy and pass programs, incremental impacts of electrified service on operating revenues and costs, and cost containment strategies, among other factors. Caltrain currently anticipates presenting an update to the Strategic Financial Plan in the first quarter of 2024.

Caltrain's current capital program focuses on maintaining the JPB's assets in a state-of-good-repair, enhancing the reliability of the system, and delivering electrified service from San Francisco to San Jose by 2024. The capital program also reflects Caltrain's ongoing planning for the next generation of system improvements that are needed through the fiscal year 2024 timeframe to expand system capacity and continue preparations for the Caltrain/High Speed Rail (HSR) blended system. Over the coming year, Caltrain will continue to work on the development of a formal 10-year Capital Improvement Plan (CIP), which will provide the organization with a roadmap to the agency's investments in capital projects and programs, improve the organization's understanding of Caltrain's long-term funding needs, and support the implementation of new potential funding strategies.

MAJOR INITIATIVES

Caltrain Electrification

The Peninsula Corridor Electrification Project (PCEP) is the largest component of the Caltrain Capital Improvement Program. PCEP will electrify the Caltrain Corridor from San Francisco's 4th and King Caltrain Station to approximately the Tamien Caltrain Station, convert diesel-hauled to Electric Multiple Unit (EMU) trains, and enable faster and more frequent service. PCEP includes electrification and other projects that will upgrade the performance, efficiency, capacity, safety, and reliability of Caltrain's service. Electrification provides the foundation for future improvements, including full conversion to a zero-emission fleet, platform and station improvements, the extension of service to Downtown San Francisco, and other projects that allow Caltrain to grow and evolve with the Bay Area.

Regional Service Coordination

Caltrain is at the heart of the Peninsula transportation network and collaborates with other Bay Area transit agencies to provide connections between systems. These connections are with the District (SamTrans), the San Francisco Municipal Transportation Agency (SFMTA/Muni), BART, VTA, Capitol Corridor, Altamont Corridor Express (ACE), Dumbarton Express, and the Alameda-Contra Costa Transit District (AC Transit) as follows:

- SamTrans Bus Service: Passengers may connect to SamTrans at most stations in San Mateo County.
- Muni Light Rail and Muni Bus: Passengers may connect to the Muni Light Rail N-Judah and T-Third lines and the Muni Bus lines 30 and 45 across from the San Francisco Caltrain Station.
- BART: Passengers may connect to BART at the Millbrae Transit Center.

- VTA Light Rail: Caltrain passengers may connect to the VTA system at the Mountain View station and the Diridon and Tamien stations in San Jose.
- VTA Bus Service: Passengers may connect to VTA buses at most stations in Santa Clara County.
- Amtrak's Capitol Corridor: Passengers may connect to Caltrain at the San Jose Diridon station.
- ACE: Passengers may connect to Caltrain at the Santa Clara and San Jose Diridon stations.
- Dumbarton Express: Passengers may connect to the DB Express at the Palo Alto station.

In addition to service connectivity, Caltrain is one of the Bay Area transit agencies that is a partner in Clipper, an electronic fare payment card. The program is coordinated by the Metropolitan Transportation Commission, which is the region's planning organization.

State-of-Good-Repair Program

This program includes system-wide, scheduled improvements on infrastructure, tracks, bridges, signal and communication equipment, stations, right-of-way fencing, ticket vending equipment, and preventative maintenance and strategic replacement of the Caltrain rolling stock. In order to ensure these assets are kept in a state-of-good-repair, replacement and rehabilitation of these assets must be done at intervals recommended by industry or manufacturer standards. Failure to maintain this program could lead to higher costs of operating these assets due to higher maintenance costs and operational delays that occur when these assets are out of service or in a state of disrepair.

Projects reaching substantial completion in fiscal year (FY) 23 include Bayshore Station Overpass Pedestrian Bridge Rehabilitation in San Francisco, Next Generation Clipper Validator Site Preparation, and closed-circuit television (CCTV) Assessment.

Projects currently underway include Guadalupe River Bridge Replacement in San Jose which began construction; the San Francisquito Creek Bridge Conceptual Design & Community Engagement, which has been redefined to undertake additional alternative analyses; the Migration to Digital Voice Radio System, which completed design; and the Broadband Wireless Communication System project, which issued Notice to Proceed.

Rolling stock activities completed in FY23 include various component replacements on locomotives and cars to improve reliability, safety, and customer experience. Of note, a complete mid-life overhaul project is currently in progress on six MP-36-3C locomotives that will remain in service following electrification. Through FY23, two vehicles have been overhauled and returned, and two others were undergoing rehabilitation. The remaining two vehicles are scheduled to begin rehabilitation in FY24.

Caltrain Safety Improvements

Caltrain safety improvements include station redesign, grade crossing improvements, construction of grade separations, right-of-way fencing, and closed-circuit camera systems. In addition to these capital projects, Caltrain is improving safety through a focused safety culture development program, safety performance dashboards, roadway worker protection enhancements, and risk-based hazard management.

Ongoing improvements to stations include the demolition of existing narrow center platforms and construction of new platforms, installation of center fencing between the existing mainline tracks through the platform area, and installation of new pedestrian underpasses and/or signalized pedestrian at-grade crossings with pedestrian gates. The South San Francisco Station is an example of such a station project.

The grade crossing improvement program was developed to make grade crossings in San Francisco, San Mateo, and Santa Clara Counties safer for both vehicular and pedestrian traffic. Projects are developed using a hazard analysis tool.

Grade crossing improvement projects undertaken in FY23 included the completion of the Mary Avenue Signal Preemption project, beginning of the work at the Watkins Ave. grade crossing, and 100% design completion for 16th Street (San Francisco), Mission Bay (San Francisco), East Meadow (Palo Alto), Whipple Ave. (Redwood City), Ravenswood (Menlo Park), and Main St. (Redwood City).

Grade separation projects aim to improve safety by separating vehicle traffic from rail crossings. Caltrain is working with numerous other cities to help plan, design, and eventually construct grade separations at some of the busiest intersections along the rail line. In FY23, those efforts included the Broadway Burlingame Grade Separation project that advanced to 65% design; the Mountain View Transit Center and Grade Separation project that advanced to 65% design; the Rengstorff Grade Separation project that advanced into 65% design; South Linden and Scott that began preliminary design; and the following projects which are in the planning stage – Whipple Avenue, Bernardo Avenue, Sunnyvale, Middle Avenue, and the North Fair Oaks Bicycle and Pedestrian Crossing.

The safety-fencing project is an ongoing annual project to install high security fencing along the right-of-way to deter trespassing as well as illegal dumping.

The emphasis on safety culture development is evident by the creation of Caltrain's core value: Safety First and Always. Bi-weekly and monthly safety culture messaging; safety moments at all meetings; a Safety Champions program; and development of safety reporting, training, communication, and recognition programs further emphasize safety as our primary core value. Caltrain has also created the Caltrain Executive Safety Committee that meets monthly to ensure compliance to the Caltrain Safety Plan.

A renewed emphasis on data-based decision making has led to the development of Safety Performance dashboards that include both lagging and leading performance indicators, enabling a more proactive approach to safety that will help reduce the chance of injury and damage to property.

Roadway Worker Protection (RWP) has also been a focus in the aftermath of a train collision incident in March 2022. Gaps were discovered in RWP programs that contributed to the San Bruno incident, and Caltrain has closed those gaps through revised RWP training; changed to a safer fouling distance – 10 feet from the rail and 10 feet from the overhead wires; improved processes for issuing track and time protection; and investment in a software based enhanced employee protection system that adds yet another layer of RWP.

Finally, Caltrain has created an enterprise-wide Hazard/Risk Register and Risk Based Hazard Management processes that are being integrated into many Caltrain processes to ensure risk is being considered in prioritization and decision making across all departments.

FUTURE OF CALTRAIN – SYSTEM EXPANSION AND CONNECTIONS

Prior to California High Speed Rail's anticipated arrival, additional system upgrades must also be planned, funded, and constructed. These include high-speed rail station modifications and the Transbay Joint Powers Authority's (TJPA) rail extension from the Caltrain 4th and King station to the new Salesforce Transit Center in downtown San Francisco. The blended system may also necessitate passing tracks that allow high-speed rail trains to bypass the Caltrain trains; grade crossing upgrades, including potential grade separations; a storage and maintenance facility; and other system upgrades such as expanded platforms that allow for longer trains and level boarding.

Prior to the onset of the pandemic, Caltrain operated 92 diesel locomotive-hauled trains per day on weekdays between San Francisco and San Jose with limited service further south to Gilroy. In the peak period, it operated 5 trains per peak hour per direction. The railroad expanded service to 104 trains per day at the end of August 2021 with an emphasis on more frequent service during off-peak and evening hours, with 4 trains per hour per direction in the peak periods. After electrification is complete, pending anticipated approval from the FTA, Caltrain plans to extend the timeline for implementation of increased service levels to 114 trains per day (6 trains per hour per direction in the peak periods) until the railroad achieves an Average Weekday Ridership level of 63,598 riders, which was the 2019 Average Weekday Ridership level before the COVID-19 pandemic.

As discussed above, the Long-Range Service Vision (Service Vision) was adopted by the JPB to guide the long-range development of the Caltrain rail service and supporting plans, policies, and projects. The Service Vision was based on detailed technical analysis undertaken by Caltrain and its partner agencies as part of the Caltrain Business Plan process. The Service Vision directs the railroad to plan for substantially expanded rail service that in the long-term will address the local and regional mobility needs of the corridor while supporting local economic development activities. When fully realized, this service will provide:

- A mixture of express and local services operated in an evenly spaced, bidirectional pattern.
- Accommodation of California High Speed Rail, Capitol Corridor, Altamont Corridor Express, and freight services in accordance with the terms of existing agreements.
- Incremental development of corridor projects and infrastructure.
- Continued planning for a potential "higher" growth level of service as well as potential new regional and mega-regional connections.

The Service Vision will be periodically reaffirmed to ensure that it continues to provide relevant and useful guidance to the railroad. Such reaffirmations will occur in regular intervals of no less than five years and in response to significant changes to JPB or partner projects that materially influence the substance of the Service Vision.

In March 2023, the JPB entered into a Memorandum of Understanding with the Transportation Agency of Monterey County to collaborate on the continued development of a potential extension of Caltrain services along the Union Pacific Railroad (UPRR) Coast Main Line Track, between the City of Gilroy at Milepost (MP) 77.4, to the City of Salinas at MP 114.94. The implementation of this project is contingent on funding availability and the parties' execution of an operations and maintenance agreement.

FINANCIAL POLICIES

The JPB uses a comprehensive set of internal and board adopted financial policies. These policies address items such as cash management, reserves, and debt management. The policies are reviewed regularly by staff and are brought to the JPB Board for amendment and/or re-adoption as necessary.

AWARDS AND ACKNOWLEDGMENTS

The JPB staff and its contracted service providers bring an effective combination of skill, experience and dedication to carrying out the agency's mission. Together, they plan, develop, and finance the creation of a modern, coordinated multimodal transportation system offering convenient access to the many areas of the Bay Area and beyond.

The Government Finance Officers Association (GFOA) recognized the JPB's 2022 Annual Comprehensive Financial Report for excellence in financial reporting and the Certificate of Achievement appears immediately following this transmittal letter. To be awarded a certificate, a report must be easy to read and efficiently organized, while satisfying both generally accepted accounting principles and applicable legal requirements. We believe our 2023 Annual Comprehensive Financial Report also meets the requirements for a Certificate of Achievement and have submitted it to the GFOA for evaluation. We would like to thank our independent audit firm, Brown Armstrong Accountancy Corporation, for its timely and expert guidance in this matter.

The Annual Comprehensive Financial Report requires the dedicated effort of many individuals working together as a team. We would like to extend our grateful recognition to all the individuals who assisted in both the preparation of this report and the processing of financial transactions throughout the fiscal year. Finally, we wish to thank the Board of Directors for their interest and support in the development of a reliable financial management and reporting system.

Respectfully submitted,

Michelle Bouchard
Executive Director

Kate Jordan Steiner
Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Peninsula Corridor Joint Powers Board California

For its Annual Comprehensive

Financial Report

For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

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Monique Zmuda

Shamann Walton

Representing San Mateo County Transit District:

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John Hogan, Chief Operating Officer, Rail

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Nate Kramer, Chief People & Culture Officer

Mehul Kumar, Chief Information & Technology Officer

Michael Meader, Chief Safety Officer

Dora Seamans, Executive Officer, District Secretary

Pranaya Shrestha, Chief Officer, Caltrain Planning, CalMod

Vacant – Chief of Staff

Vacant – Chief of Commercial and Business Development

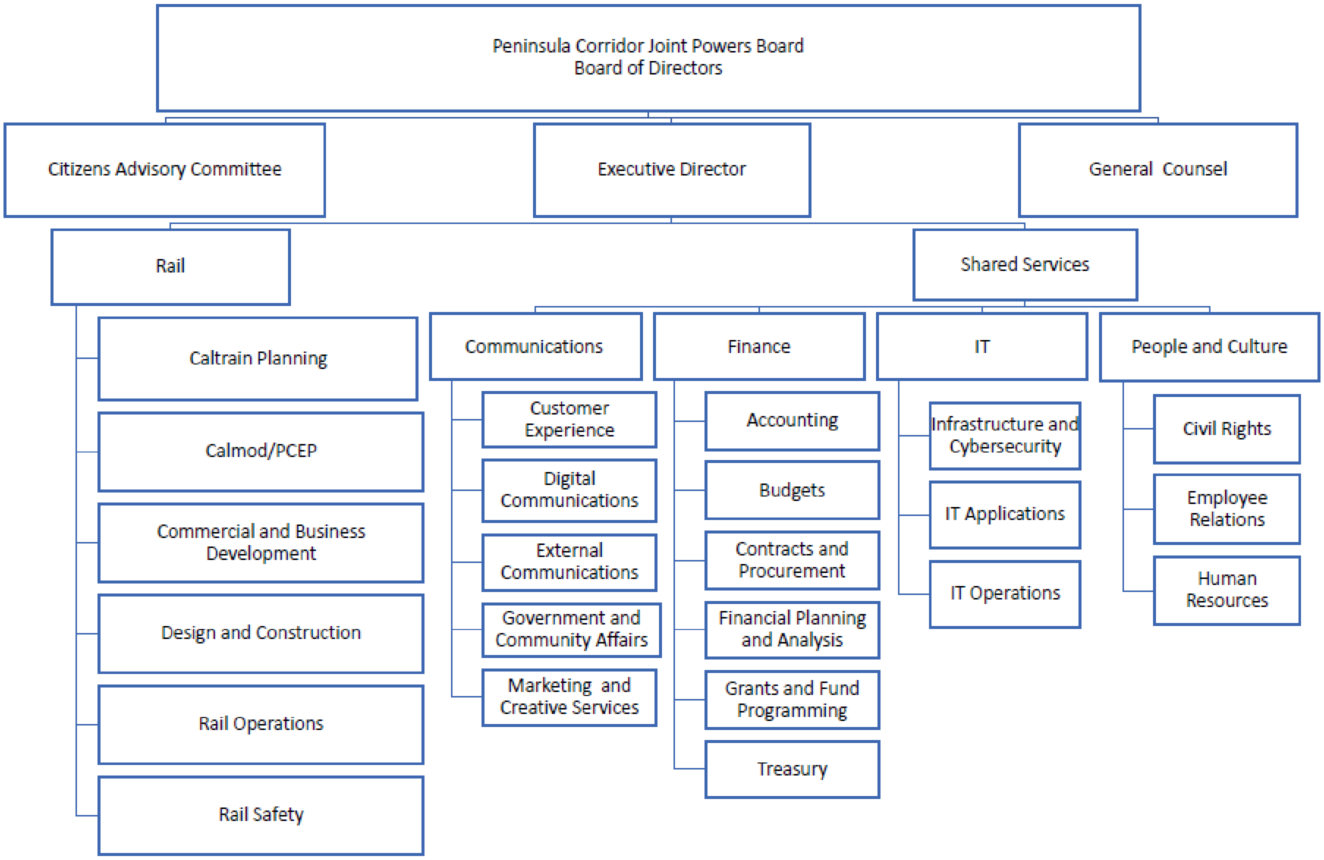
GENERAL COUNSEL

Olson Remcho, LLP

James Harrison, Esq.

PENINSULA CORRIDOR JOINT POWERS BOARD

ORGANIZATION CHART



MAP

San Francisco
Pacific Ocean
Oracle Park
Chase Center
22nd St.
Bayshore
San Bruno
South San Francisco
San Bruno
Millbrae Transit Center
SFO
San Francisco International Airport
Broadway Weekend Only
Burlingame
San Mateo
San Francisco Bay
Hayward Park
Hillsdale
Belmont
San Carlos
Redwood City
Menlo Park
Palo Alto
Stanford Special Event Only
California Ave.
San Antonio
Mountain View
Orange
Sunnyvale
Lawrence
Levi's® Stadium
SJC San Jose International Airport
Santa Clara
PayPal Park
College Park
San Jose Diridon
SAP Center
Tamien
Capitol
Blossom Hill
Morgan Hill
San Martin
Gilroy
Distance between Blossom Hill and Gilroy not to scale
ZONE 1
ZONE 2
ZONE 3
ZONE 4
ZONE 5
ZONE 6

TABLE OF CREDITS

The following individuals contributed to the production of the fiscal year 2023 Annual Comprehensive Financial Report:

Finance:

Chief Financial Officer	Kate Jordan Steiner
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Acting Director, Accounting	Jeannie Chen
Director, Treasury	Connie Mobley-Ritter, MBA, CTP
Manager, Grants and Capital Accounting	Danny Susantin, CPFO

Audit Firm:

Partner	Ryan L. Nielsen, CPA
Manager	Melissa L. Cabezzas, CPA

Section II

FINANCIAL

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements:

- Statements of Net Position
- Statements of Revenues, Expenses, and Changes in Net Position
- Statements of Cash Flows
- Notes to the Financial Statements

Supplementary Information

- Supplementary Schedule of Revenues and Expenses – Comparison of Budget to Actual (Budgetary Basis)
- Notes to Supplementary Schedule

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Peninsula Corridor Joint Powers Board
San Carlos, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the Peninsula Corridor Joint Powers Board (JPB) as of and for the fiscal years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the JPB's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the JPB, as of June 30, 2023 and 2022, and the respective changes in financial position, and cash flows thereof for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the JPB and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the JPB's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the JPB's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the JPB's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the JPB's basic financial statements. The accompanying supplementary schedule of revenues and expenses – comparison of budget to actual (budgetary basis) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedule of revenues and expenses – comparison of budget to actual (budgetary basis) is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2023, on our consideration of the JPB's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the JPB's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the JPB's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
November 27, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Peninsula Corridor Joint Powers Board's (JPB) financial performance provides an overview of the JPB's activities for the fiscal year ended June 30, 2023, with comparisons to prior fiscal years ended June 30, 2022, and June 30, 2021. We encourage readers to consider the information presented here in conjunction with the transmittal letter contained in the Introductory Section and with the statements and related notes contained in the Financial Section.

FINANCIAL HIGHLIGHTS

- At June 30, 2023, the JPB's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $3,446.3 million (net position). Of this amount, $143.7 million represents unrestricted net position, which may be used to meet the JPB's ongoing obligations. At June 30, 2022, the JPB's assets exceeded its liabilities and deferred inflows of resources by $3,228.4 million. Of this amount, $280.6 million represents unrestricted net position.
- The JPB's total net position increased by $217.9 million and $505.1 million in fiscal years 2023 and 2022, respectively, mainly because of capital contributions.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Section of this report presents the JPB's financial statements as two components: basic financial statements and notes to the financial statements. It also includes supplementary information.

Basic Financial Statements

The *Statement of Net Position* presents information on assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as *net position*. Changes in net position over time may provide an indicator as to whether the financial position of the JPB is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Position* reports how net position has changed during the fiscal year. It compares related operating revenues and operating expenses connected with the JPB's principal business of providing rail service. Operating expenses include the cost of direct services to passengers, administrative expenses, contracted services, and depreciation on capital assets. All other revenues and expenses are reported as nonoperating.

The *Statement of Cash Flows* reports inflows and outflows of cash, classified into four major categories:

- *Cash flows from operating activities* include transactions and events reported as components of operating income in the statement of revenues, expenses, and changes in net position.
- *Cash flows from noncapital financing activities* include operating grant proceeds and operating subsidy payments from third parties as well as other nonoperating items.
- *Cash flows from capital and related financing activities* include the borrowing and repayment (principal and interest) of capital-related debt, the acquisition and construction of capital assets, and the proceeds of capital grants and contributions.
- *Cash flows from investing activities* include proceeds from the sale of investments, receipt of interest, and changes in the fair value of investments subject to reporting as cash equivalents. Outflows in this category include the purchase of investments.

Notes to the Financial Statements

Various notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and are found immediately following the financial statements to which they refer.

Other Information

This report also presents certain *supplementary* information concerning compliance with the JPB's annual budget. This *supplementary* information, as well as associated notes, can be found immediately following the *basic financial statements* and the accompanying notes.

Analysis of Basic Financial Statements

Total assets increased by $93.8 million or 2.5% to $3,834.9 million at June 30, 2023, compared to June 30, 2022, and increased by $710.7 million or 23.5% at June 30, 2022, compared to June 30, 2021. The increase for fiscal year 2023 was mainly due to activities in construction in progress. The increase for fiscal year 2022 was mainly due to activities in construction in progress and restricted investment with fiscal agents. Current assets decreased by $204.2 million or 40.6% to $298.8 million in fiscal year 2023. In fiscal year 2022, current assets increased by $180.2 million or 55.8% compared to fiscal year 2021. The decrease for fiscal year 2023 was due to a decrease in cash and cash equivalents and restricted investment with fiscal agents. The increase for fiscal year 2022 was due to increases in cash and cash equivalents, restricted investment with fiscal agents, and receivables – transaction and use tax.

Total capital assets, net of accumulated depreciation and amortization increased by $298.0 million or 9.2% at June 30, 2023, to $3,536.1 million from $3,238.1 million on June 30, 2022, and increased by $530.5 million or 19.6% from $2,707.6 million at June 30, 2022, compared to June 30, 2021. Investments in capital assets, before depreciation and amortization, consist of acquisitions and improvements to the right-of-way ($1,439.5 million or 30.5%), rail vehicles ($338.4 million or 7.2%), facilities and equipment ($145.9 million or 3.1%), office equipment ($13.8 million or 0.3%), intangible asset – trackage rights ($8.0 million or 0.2%), right-to-use lease assets ($1.9 million or 0.0%), and construction in progress ($2,775.1 million or 58.8%) in fiscal year 2023.

In fiscal year 2022, investments in capital assets, before depreciation and amortization, consist of acquisitions and improvements to the right-of-way ($1,436.0 million or 32.9%), rail vehicles ($338.1 million or 7.7%), facilities and equipment ($145.2 million or 3.3%), office equipment ($13.8 million or 0.3%), intangible asset – trackage rights ($8.0 million or 0.2%), right-to-use lease assets ($0.6 million or 0.0%), and construction in progress ($2,424.0 million or 55.5%).

Total deferred outflows of resources increased by $1.0 million to $1.0 million at June 30, 2023, compared to June 30, 2022. The fiscal year 2023 increase was due to an increase in unrealized loss related to fuel-hedge derivatives.

Total liabilities decreased by $127.8 million or 25.0% to $382.6 million at June 30, 2023, compared to June 30, 2022, and increased by $204.7 million or 67.0% to $510.4 million at June 30, 2022, compared to June 30, 2021. The fiscal year 2023 decrease was mainly due to a decrease in the revolving credit facility and accounts payable and accrued liabilities offset by an increase in unearned revenue. The fiscal year 2022 increase was mainly due to an increase in the revolving credit facility and revenue bonds payable – long-term, partially offset by a decrease in unearned member contributions.

Total deferred inflows of resources increased by $4.7 million or 199.1% at June 30, 2023, to $7.0 million from $2.4 million on June 30, 2022, and increased by $0.9 million or 57.1% from $1.5 million at June 30, 2021. The fiscal year 2023 increase was due to an increase in leases. The fiscal year 2022 increase was due to increases in unrealized gain related to fuel-hedge derivatives and leases.

Total net position was $3,446.3 million at June 30, 2023, which represents an increase of $217.9 million or 6.7% from June 30, 2022, and $3,228.4 million at June 30, 2022, which represents an increase of $505.1 million or 18.5% from June 30, 2021. The increase was largely due to capital contributions received associated with the Caltrain electrification project. Net investment in capital assets was $3,302.7 million at June 30, 2023, representing 95.8% of the total net position; $2,947.8 million at June 30, 2022, representing 91.3% of total net position; and $2,652.2 million at June 30, 2021, representing 97.4% of total net position. The JPB's net investment in capital assets represents right-of-way improvements, rail vehicles, and facilities and equipment, less any related outstanding debt that was used to acquire those assets. The JPB uses these capital assets to provide a variety of services to its customers. Accordingly, these assets are not available for future spending. Although the JPB's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balances of $143.7 million, $280.6 million, and $71.1 million were unrestricted at June 30, 2023, 2022, and 2021, respectively, and may be used to meet the JPB's ongoing obligations to its citizens and creditors.

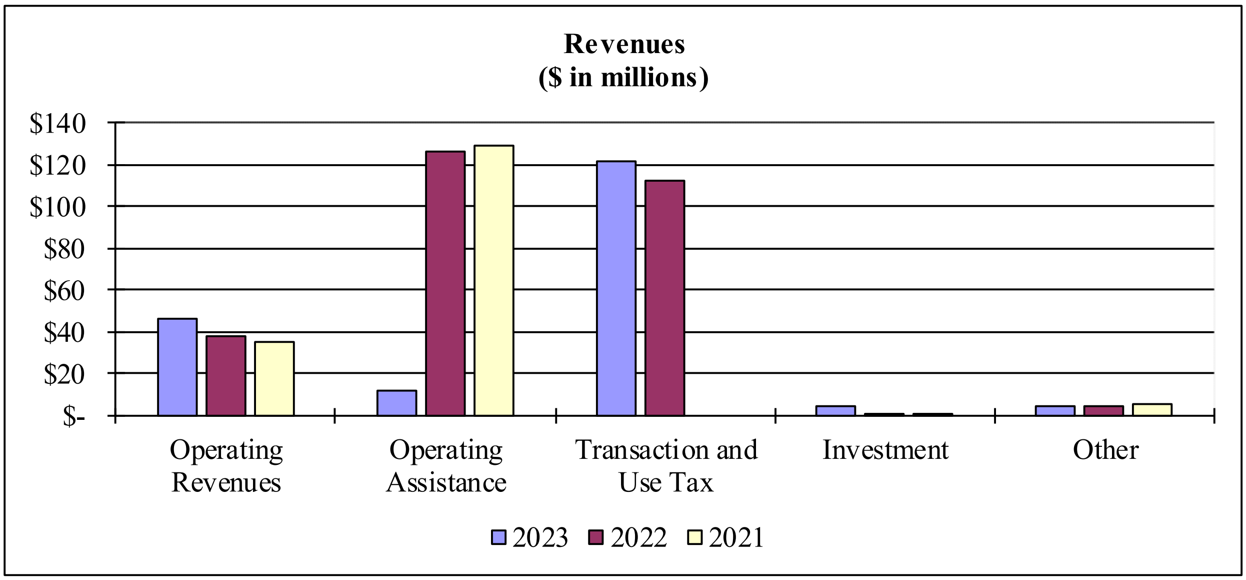
NET POSITION
(in thousands)

	2023	2022	2021
Assets:			
Current assets	$ 298,846	$ 503,067	$ 322,821
Capital assets, net of depreciation/amortization	3,536,086	3,238,071	2,707,573
Total assets	3,834,932	3,741,138	3,030,394
Deferred outflows of resources:			
Derivatives	977	-	-
Total deferred outflows of resources	977	-	-
Liabilities:			
Current liabilities	158,855	285,008	249,824
Long-term liabilities	223,754	225,412	55,854
Total liabilities	382,609	510,420	305,678
Deferred inflows of resources:			
Derivatives	-	1,826	1,346
Leases	7,031	525	151
Total deferred inflows of resources	7,031	2,351	1,497
Net position:			
Net investment in capital assets	3,302,606	2,947,760	2,652,168
Unrestricted	143,663	280,607	71,051
Total net position	$ 3,446,269	$ 3,228,367	$ 2,723,219

Revenue Highlights

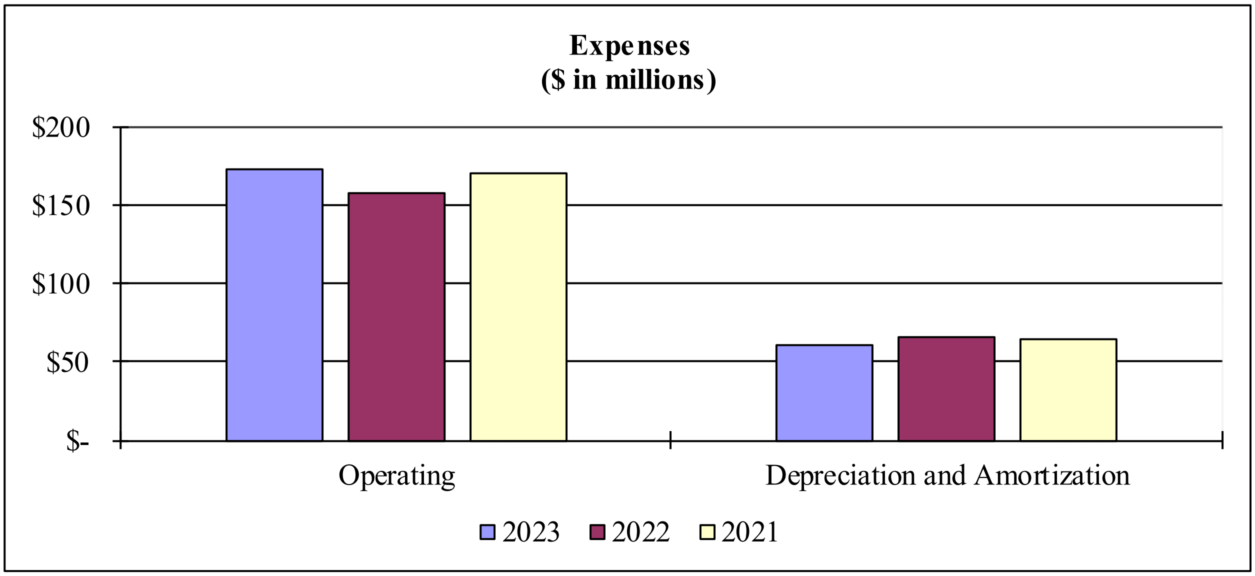
Operating revenues increased to $46.7 million in fiscal year 2023, a $9.0 million or 23.8% increase from fiscal year 2022 and increased to $37.7 million in fiscal year 2022, a $2.5 million or 7.1% increase from fiscal year 2021. The increase in fiscal year 2023 was mostly due to an increase in passenger fares. The increase in fiscal year 2022 was mostly due to an increase in parking, shuttle, and pass revenues.

Nonoperating revenues decreased by $101.3 million or 41.6% to $142.5 million at June 30, 2023, compared to June 30, 2022, and increased by $108.6 million or 80.4% in fiscal year 2022 compared to fiscal year 2021. The decrease in fiscal year 2023 was mainly due to the federal, state, and local operating assistance. The increase in fiscal year 2022 was mainly due to the transaction and use tax (Measure RR) funding of $112.6 million and the American Rescue Plan Act (ARPA) funding of $116.0 million.



Expense Highlights

Total operating expenses of $173.3 million in fiscal year 2023 were $16.1 million or 10.3% higher than fiscal year 2022, and in fiscal year 2022, $13.7 million or 8.0% lower than fiscal year 2021. The total expense increase in fiscal year 2023 was mostly due to increases in contract services and insurance. The total expense increase in fiscal year 2022 was mostly due to an increase in utilities and supplies and fuel. Depreciation and amortization for fiscal year 2023 was $60.6 million, a $5.1 million or 7.7% decrease over fiscal year 2022. In fiscal year 2022, depreciation and amortization were $65.7 million, a $0.5 million or 0.8% increase over fiscal year 2021. The decrease in depreciation and amortization expenses in fiscal year 2023 was due to less assets capitalized and depreciated.



CHANGES IN NET POSITION
(in thousands)

	2023	2022	2021
Operating revenues:			
Passenger fares	$ 43,330	$ 33,236	$ 32,440
Parking, shuttle, and pass revenues	2,239	2,778	1,547
Advertising	821	412	114
Other	275	1,268	1,108
Total operating revenues	46,665	37,694	35,209
Operating expenses:			
Contract services	117,289	108,946	122,030
Insurance	11,855	6,148	8,473
Fuel	15,995	13,491	7,088
Parking, shuttle, and pass expenses	1,507	3,254	3,211
Professional services	2,445	2,944	11,061
Wages and benefits	14,063	11,356	13,068
Utilities and supplies	2,836	5,118	2,083
Maintenance services	773	609	503
Temporary services, rent, and other	5,808	5,298	3,330
Debt fees	716	-	-
Total operating expenses	173,287	157,164	170,847
Operating loss before depreciation and amortization	(126,622)	(119,470)	(135,638)
Depreciation and amortization	(60,582)	(65,656)	(65,112)
Operating loss	(187,204)	(185,126)	(200,750)
Nonoperating revenues (expenses)			
Federal, state, and local operating assistance	11,644	126,118	129,634
Transaction and use tax	121,645	112,620	-
Rental income	1,300	1,237	1,125
Investment income	4,838	679	334
Nonoperating expenses	(2,351)	(2,210)	(2,890)
Expense for noncapitalized projects	(31,059)	(19,954)	-
Other income	3,059	3,172	4,085
Total nonoperating revenues (expenses)	109,076	221,662	132,288
Net income (loss) before capital contributions	(78,128)	36,536	(68,462)
Capital contributions	296,030	468,612	434,567
Change in net position	217,902	505,148	366,105
Net position - beginning of year	3,228,367	2,723,219	2,357,114
Net position - end of year	$ 3,446,269	$ 3,228,367	$ 2,723,219

Capital Program

The JPB incurred capital expenses of $356.4 million and recognized related revenue in the form of capital contributions of $296.0 million in fiscal year 2023, which was a $172.6 million or 36.8% decrease in capital contributions in fiscal year 2023 over fiscal year 2022. The fiscal year 2023 capital sources mainly consisted of federal grants ($92.1 million or 31.1%), state grants ($156.7 million or 52.9%), and local assistance including the three member agencies ($47.2 million or 16.0%). The JPB incurred capital expenses of $595.1 million and recognized related revenue in the form of capital contributions of $468.6 million in fiscal year 2022, which was a $34.0 million or 7.8% increase in capital contributions in fiscal year 2022 over fiscal year 2021. The JPB's capital contributions are comprised of federal grants, state grants, and local assistance including the member agencies which are on a reimbursement basis and therefore tied to the related capital expenses. The reason for the decrease in fiscal year 2023 was due to less activities on right-of-way improvement projects. The reason for the increase in fiscal year 2022 compared to fiscal year 2021 was due to more activities on right-of-way improvement projects.

Following is a summary of the JPB's major capital expenses for fiscal year 2023:

- Peninsula Corridor Electrification program ($274.0 million)
- Caltrain modernization program ($32.3 million)
- Grade crossing and separations ($26.1 million)
- Communications ($7.7 million)
- Bridge improvements ($6.4 million)

Additional information about the JPB's capital activities appears in Note 6 – Capital Assets in the notes to the financial statements.

Debt

At the end of fiscal year 2023, the JPB had $52.07 million in outstanding 2019 Series A Farebox Revenue bonds, including the unamortized premium, $1.4 million less than the bonds outstanding at the end of fiscal year 2022. In February 2019, the JPB issued $56,218,000 in 2019 Series A Farebox Revenue Bonds; this issuance used $24,087,000 of the proceeds to fully pay and legally defease the 2007 Series A Farebox Revenue Bonds and used $11,363,000 to fully payoff the 2015 Series A Farebox Revenue Bonds. In addition, $20,768,000 of the proceeds were used for building acquisitions. Principal on the 2019 Series A Farebox Revenue Bonds is payable on October 1, 2021, and annually thereafter on October 1 of each year through 2049.

At the end of fiscal year 2023, the JPB had $170.7 million in outstanding 2022 Series A Measure RR Sales Tax Revenue Bonds (Green Bonds – Climate Bond Certified), $1.1 million less than the bonds outstanding at the end of fiscal year 2022. In February 2022, the JPB issued $140,000,000 in 2022 Measure RR Sales Tax Revenue Bonds (Green Bonds – Climate Bond Certified) Series A along with a premium of $32,179,642. $150,463,899 of the proceeds are allocated to certain improvements to the Caltrain system, including electrification; $21,000,000 of the proceeds were set aside to fund capitalized interest costs of the bonds. Principal on the 2022 Series A Measure RR Sales Tax Revenue Bonds (Green Bonds – Climate Bond Certified) is payable on June 1, 2025, and annually thereafter on June 1 of each year through 2051.

More information regarding the JPB's long-term debt activity can be found in Note 9 – Revenue Bonds Payable in the notes to the financial statements.

Economic Factors and Next Year's Budget

The JPB Board of Directors (Board) approved the Fiscal Year 2024 Operating Budgets on June 1, 2023. The Fiscal Year 2024 Operating Budgets continue to support a high level of service and reliability that the community has come to expect from Caltrain, as it makes every effort to control costs.

The Fiscal Year 2024 Operating Budgets consist of $194.8 million and $192.7 million in revenues and expenses, respectively. The major components of revenue include operating revenue of $56.2 million, primarily from Caltrain fares, Go Pass, and other income, and $138.6 million in contributed revenue, which mainly includes State Transit Assistance formula funds, Measure RR funds, Low-Carbon Transit Operations Program funds, and State Rail Assistance funds. Operating expenses are projected to be $152.8 million with the Rail Operator Contract, security service costs, fuel costs, insurance costs, facilities and equipment maintenance costs, and utility costs making up a significant part of the budget. Administrative expenses are projected to be $36.2 million.

The Fiscal Year 2024 Capital Budget was also approved on June 1, 2023, and amended on September 7, 2023. The $53.3 million Capital Budget consists primarily of critical infrastructure and equipment state-of-good-repair (SOGR), operational improvements, and planning. The fiscal year 2024 Capital Budget will be funded by federal, state, regional, and local grants as well as funds provided by the member agencies and others. The adopted budget includes $15.0 million contributions from the member agencies.

Some of the highlights of the capital budget include:

- Guadalupe Bridges Replacement.
- San Francisquito Creek Bridge Emergency North Channel Restoration.
- San Francisquito Bridge Acoustic Monitoring System.
- SOGR MOW Track.
- SOGR MOW Track – Track Equipment.
- San Mateo Replacement Parking Track.
- DTX Support Project.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the JPB's finances and to demonstrate accountability for the funds it manages. Please direct any questions about this report or requests for additional information about the JPB's finances to: Peninsula Corridor Joint Powers Board, Attn: Chief Financial Officer, 1250 San Carlos Avenue, San Carlos, California 94070-1306.

BASIC FINANCIAL STATEMENTS

PENINSULA CORRIDOR JOINT POWERS BOARD

STATEMENTS OF NET POSITION (in thousands)
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS:		
Current assets:		
Cash and cash equivalents (Note 3)	$ 22,980	$ 200,370
Restricted cash (Note 3)	6,505	5,545
Total cash and cash equivalents	29,485	205,915
Due from other governmental agencies	169,431	162,014
Receivables - transaction and use tax	20,886	21,619
Receivables from member agencies (Note 16)	22,113	12,246
Accounts receivable - other, net of allowance	10,640	3,544
Lease receivable	7,105	529
Inventory	8,291	8,084
Prepaid items	2,386	-
Commodity derivative contracts	778	4,672
Restricted investments with fiscal agents (Note 3)	27,731	84,444
Total current assets	298,846	503,067
Noncurrent assets:		
Capital assets:		
Depreciable (Note 6)		
Right-of-way improvements	1,202,236	1,199,128
Rail vehicles	338,413	338,072
Facilities and equipment	145,879	145,177
Office equipment	13,765	13,750
Less accumulated depreciation	(1,186,380)	(1,127,638)
Depreciable assets, net	513,913	568,489
NonDepreciable		
Construction in progress (Note 2L)	2,775,062	2,424,021
Right-of-way (Note 6)	237,254	236,968
Intangible assets - trackage rights (Note 6)	8,000	8,000
Nondepreciable assets	3,020,316	2,668,989
Right-to-use lease assets, net (Note 15)	1,857	593
Total noncurrent assets	3,536,086	3,238,071
Total assets	3,834,932	3,741,138
DEFERRED OUTFLOWS OF RESOURCES:		
Derivatives (Note 12)	977	-
Total deferred outflows of resources	977	-

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF NET POSITION (in thousands) (Continued)
JUNE 30, 2023 AND 2022

	2023	2022
LIABILITIES:		
Current liabilities:		
Accounts payable and accrued liabilities	72,140	133,477
Interest payable	1,150	1,165
Self-insurance claims liabilities (Note 10)	2,274	2,292
Unearned member contributions (Note 16)	28,979	31,405
Unearned revenue	29,785	18,460
Revolving credit facility (Note 17)	20,964	95,716
Current portion of long-term debt (Note 9)	2,609	1,805
Current portion of lease liabilities (Note 15)	899	632
Other	55	56
Total current liabilities	158,855	285,008
Noncurrent liabilities:		
Self-insurance claims liabilities - long-term (Note 10)	2,572	1,897
Revenue bonds payable - long-term (Note 9)	220,162	223,515
Lease liabilities - long-term (Note 15)	1,020	-
Total noncurrent liabilities	223,754	225,412
Total liabilities	382,609	510,420
DEFERRED INFLOWS OF RESOURCES:		
Derivatives (Note 12)	-	1,826
Leases	7,031	525
Total deferred inflows of resources	7,031	2,351
NET POSITION:		
Net investment in capital assets	3,302,606	2,947,760
Unrestricted	143,663	280,607
Total net position	$ 3,446,269	$ 3,228,367

The accompanying notes are an integral part of the financial statements.

PENINSULA CORRIDOR JOINT POWERS BOARD

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(in thousands)
FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
OPERATING REVENUES:		
Passenger fares	$ 43,330	$ 33,236
Parking, shuttle, and pass revenues	2,239	2,778
Advertising	821	412
Other	275	1,268
Total operating revenues	46,665	37,694
OPERATING EXPENSES:		
Contract services (Note 13A)	117,289	108,946
Insurance	11,855	6,148
Fuel	15,995	13,491
Parking, shuttle, and pass expenses	1,507	3,254
Professional services	2,445	2,944
Wages and benefits	14,063	11,356
Utilities and supplies	2,836	5,118
Maintenance services	773	609
Temporary services, rent, and other	5,808	5,298
Debt fees	716	-
Total operating expenses before depreciation and amortization	173,287	157,164
Depreciation and amortization	60,582	65,656
Total operating expenses	233,869	222,820
Operating loss	(187,204)	(185,126)
NONOPERATING REVENUES (EXPENSES):		
Federal, state, and local operating assistance (Note 7)	11,644	126,118
Transaction and use tax	121,645	112,620
Rental income	1,300	1,237
Investment income	4,838	679
Interest expense	(2,351)	(2,210)
Expense for noncapitalized projects	(31,059)	(19,954)
Other income	3,059	3,172
Total nonoperating revenues (expenses), net	109,076	221,662
Income (Loss) before capital contributions	(78,128)	36,536
Capital contributions (Note 11)	296,030	468,612
Change in net position	217,902	505,148
NET POSITION:		
Beginning of year	3,228,367	2,723,219
End of year	$ 3,446,269	$ 3,228,367

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CASH FLOWS (in thousands)
FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 39,500	$ 39,293
Rent and other cash receipts	4,360	4,033
Payments to vendors for services	(160,073)	(145,470)
Payments to employees	(14,063)	(11,356)
Net cash used for operating activities	(130,276)	(113,500)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating grants received	11,644	126,118
Transaction and use tax	122,377	91,001
Net cash provided by noncapital financing activities	134,021	217,119
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(449,074)	(612,741)
Capital contributions from grants	287,647	496,644
Proceeds from (payments on) the revolving credit facility	(74,752)	35,416
Payment of capital debt	(3,180)	(1,749)
Proceeds from revenue bond	-	172,180
Interest paid on capital debt	(2,366)	(2,045)
Net cash provided by (used for) capital and related financing activities	(241,725)	87,705
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investment	56,712	(82,160)
Investment income received	4,838	679
Net cash provided by (used for) investing activities	61,550	(81,481)
Net increase (decrease) in cash and cash equivalents	(176,430)	109,843
Cash and cash equivalents, beginning of year	205,915	96,072
Cash and cash equivalents, end of year	$ 29,485	$ 205,915

The accompanying notes are an integral part of the financial statements.

DRAFT

STATEMENTS OF CASH FLOWS (in thousands) (Continued)
FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:		
Operating loss	$ (187,204)	$ (185,126)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation and amortization	60,582	65,656
Rent and other cash receipts	4,358	4,409
Effect of changes in:		
Receivables	(7,096)	2,571
Lease receivables	(70)	(1,348)
Prepaid items	(2,386)	-
Inventory	(207)	26
Commodity derivative contracts	1,091	149
Accounts payable and accrued liabilities	(1)	-
Claims liabilities	657	163
Net cash used for operating activities	$ (130,276)	$ (113,500)
NONCASH INVESTING AND CAPITAL ACTIVITIES:		
Change in fair value of investments	$ (977)	$ 1,826
Noncash capital contributions	-	-
Net noncash investing and capital activities	$ (977)	$ 1,826

The accompanying notes are an integral part of the financial statements.

INDEX TO THE NOTES **_Pages_**

Notes are essential to present fairly the information contained in the overview level of the basic financial statements. Narrative explanations are intended to communicate information that is not readily apparent or cannot be included in the statements and schedules themselves, and to provide additional disclosures as required by the Governmental Accounting Standards Board.

NOTE 1 – ORGANIZATION

In 1987, representatives of the City and County of San Francisco (CCSF), the San Mateo County Transit District (District), and the Santa Clara Valley Transportation Authority (VTA) formed the Peninsula Corridor Joint Powers Board (JPB) to plan for the full transfer of administrative and financial responsibility for the Caltrain rail service from the State of California to the local level. In October 1991, a Joint Powers Agreement (Agreement) signed by the three parties (Member Agencies) stipulated the JPB membership and powers, specified financial commitments for each member, and detailed other administrative procedures, including designating the District as the Managing Agency.

The JPB acquired the rail corridor right-of-way between San Francisco and San Jose (Mainline) and perpetual trackage rights between San Jose and Gilroy (Gilroy Extension) from Southern Pacific Transportation Company in December 1991, with contributions provided by the District, the San Mateo County Transportation Authority, VTA for Gilroy trackage rights only, and the California Transportation Commission. The JPB holds title to the Mainline located in all three counties. Because the District advanced an initial contribution in the amount of $82 million on behalf of all the Member Agencies to complete the funding package to acquire the right-of-way, the JPB and the District are currently tenants in common as to all right-of-way property located in San Mateo County. However, pursuant to a memorandum of understanding (MOU) between the JPB and the Member Agencies executed in 2022, the District is required to convey its interest in the right-of-way to the JPB upon payment by the Metropolitan Transportation Commission to the District of $19.6 million. The District received these funds in full in September 2023.

Under a 2008 agreement between the JPB and the three Member Agencies, the District is authorized to serve as Managing Agency of the JPB until it no longer chooses to do so. The District continues to serve as Managing Agency, as modified by the 2022 MOU, which transfers some authority to the JPB.

The JPB assumed an expanded role in July 1992 as the State of California Department of Transportation (Caltrans) and the District coordinated the transfer of Caltrain operations and administration to the JPB. The JPB selected the National Railroad Passenger Corporation (Amtrak) as the contract operator, and Amtrak operated the rail service from July 1, 1992, through May 25, 2012. TransitAmerica Services, Inc., (TASI) assumed operations and maintenance of the service on May 26, 2012.

The JPB is governed by a nine-member Board of Directors (Board) representing the three Member Agencies. The base term of the Agreement establishing the JPB expired in 2001, but the Agreement provides that it continues on a year-to-year basis, with a Member Agency's withdrawal requiring a minimum one-year advance written notice to the JPB and the other Member Agencies.

To enhance public involvement, the JPB established a Citizen Advisory Committee (CAC) composed of three representatives from each of the JPB counties. The CAC's principal function is to assist the JPB by articulating the interests and needs of transit users and potential customers.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The accompanying financial statements include the financial activities of the JPB only.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Implementation of Governmental Accounting Standards Board (GASB) Statements

Effective this Fiscal Year

GASB Statement No. 93 – In May 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objectives of this statement are to address those and other accounting and reporting implications resulting from the replacement of an Interbank Offered Rate (IBOR) by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced and providing clarification to the hedge accounting termination provisions, removing the London Interbank Offered Rate (LIBOR) as a benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap, identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap, and providing an exception to the lease modifications guidance in GASB Statement No. 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend. The requirements of this statement are effective for reporting periods beginning after June 15, 2021, or fiscal year 2021/2022, except the removal of LIBOR as a benchmark interest rate which is effective for periods beginning after December 31, 2022, or fiscal year 2023/2024. There is no net effect to the financial statements.

GASB Statement No. 94 – In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objectives of this statement improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this statement are effective for reporting periods beginning after June 15, 2022, or fiscal year 2022/2023. There is no net effect to the financial statements.

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this statement are effective for reporting periods beginning after June 15, 2022, or fiscal year 2022/2023. There is no net effect to the financial statements.

Effective in Future Fiscal Years

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2022, or fiscal year 2023/2024. The JPB is evaluating the impact of this statement on the financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Implementation of Governmental Accounting Standards Board Statements (Continued)

Effective in Future Fiscal Years (Continued)

GASB Statement No. 99 – *Omnibus 2022*. The requirements of this statement are effective as follows:

- The requirements related to the extension of the use of LIBOR, accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in GASB Statement No. 34, as amended, and terminology updates related to GASB Statement No. 53 and GASB Statement No. 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB Statement No. 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

The JPB will implement GASB Statement No. 99 if and where applicable.

GASB Statement No. 100 – *Accounting Changes and Error Corrections*. The requirements of this statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The JPB will implement GASB Statement No. 100 if and where applicable.

GASB Statement No. 101 – *Compensated Absences*. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The JPB will implement GASB Statement No. 101 if and where applicable.

C. Basis of Accounting

The JPB accounts for its transactions in a single enterprise fund and maintains its records using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

D. Cash and Cash Equivalents

For purpose of the statement of cash flows, the JPB considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents also include amounts invested in the Local Agency Investment Fund (LAIF) and the San Mateo County Investment Pool (see Note 3).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Accounts Receivable – Other

During the course of normal operations, the JPB carries various receivable balances for services and rent. At June 30, 2023 and 2022, the allowances for doubtful accounts included in accounts receivable – other, were $176,769 and $178,353, respectively.

F. Inventories

Inventories consist principally of spare parts that are recorded when purchased and expensed when used. Inventories are stated at average cost which approximates market and are maintained by TASI as part of its contractual agreement.

G. Investments

Investment transactions are recorded on the trade date at fair value. Fair value is defined as the amount that the JPB could reasonably expect to receive for an investment in a current sale from a willing buyer and is based on current market prices.

H. Restricted Investments with Fiscal Agents

Provisions of the JPB's trust agreements related to its farebox and Measure RR transaction and use tax revenue bonds require that certain restricted investments accounts be established. These accounts are held by the fiscal agent and include funds for payment of principal and interest on the farebox and Measure RR transaction and use tax revenue bonds.

I. Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for the same purpose (e.g., construction projects), the JPB's policy is to use all available restricted resources first before unrestricted resources are utilized.

J. Capital Assets

Capital assets are recorded at historical cost or appraised value. However, donated capital assets are recorded at estimated acquisition value at the date of donation plus ancillary charges, if any. The JPB defines capital assets as assets with a cost greater than $5,000 and an estimated useful life in excess of one year. Donated assets are recorded at acquisition value on the date donated. Major additions and replacements are capitalized. Maintenance repairs and additions of a minor nature are expensed as incurred.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Depreciation and Amortization

Depreciation and amortization are calculated using the straight-line method over the following estimated useful lives:

- Right-of-way improvements – 3 to 40 years
- Rail vehicles – 10 to 36 years
- Facilities and equipment – 4 to 35 years
- Office equipment – 3 to 5 years
- Right-to-use lease assets – varies

L. Construction in Progress

(In thousands)	2023	2022
Caltrain Modernization program	$ 2,394,982	$ 2,088,620
Bridge improvements	18,379	11,985
Rolling stock - purchase/improvements	32,408	32,758
Grade crossing and separations	229,584	203,520
System-wide track improvements	263	562
Station improvements	87,699	84,681
Safety	3,521	1,418
Communications	8,226	477
Total Construction in Progress	$ 2,775,062	$ 2,424,021

Caltrain Modernization program includes purchases of new Electric Multiple Unit (EMU) trains.

M. Bond Issuance Costs

Bond issuance costs are expensed upon the issuance of related debt.

N. Unearned Member Contributions

Unearned member contributions are the result of advances from the Member Agencies. To the extent that these amounts exceed committed funds (see Note 16), they may be refunded to the Member Agencies or used to offset future required contributions.

O. Unearned Revenue

Unearned revenue represents fares, rents, and state assistance amounts received which have not yet been earned. Advance ticket sales are included as unearned revenue until earned.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Member Agency Assistance

Amounts received from Member Agencies for operations are recognized as revenues when operating and administrative expenses are incurred. Amounts received from Member Agencies for acquisition of assets or matching grants are recognized as capital contributions when capital expenses are incurred.

Q. Federal, State, and Local Operating Assistance

Federal, state, and local operating assistance are recorded as revenue when operating expenses are incurred.

R. Wages and Benefits

Personnel costs of the JPB represent the allocated costs of District employees addressing JPB functions in the District's capacity as Managing Agency. Participation in pension plans, compensated absences, and postretirement health care benefits for these employees are administered by the District.

S. Operating/Nonoperating Revenues and Expenses

The JPB distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from directly providing services in connection with the JPB's principal operations of commuter rail service. These revenues are primarily passenger fares and parking, shuttle, and pass revenues. Operating expenses include the cost of sales and services, administrative expenses, contracted services, and depreciation on capital assets. All other revenues and expenses (including member contributions) not meeting this definition are reported as nonoperating revenues and expenses.

T. Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the financial statements.

U. Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

V. Fair Value Measurements

Accounting principles generally accepted in the United States of America provide guidance for determining a fair value measurement for reporting purposes, applying fair value to investments, and disclosures related to a hierarchy established by accounting principles generally accepted in the United States of America. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs include inputs that are directly observable for the investment including quoted prices for similar investments and inputs that are not directly observable but are derived from observable market data through correlation; and Level 3 inputs are significant unobservable inputs.

W. Reclassifications

For the fiscal year ended June 30, 2023, certain classifications have been changed to improve financial statement presentation. For comparative purposes, prior year balances have been reclassified to conform with the fiscal year 2023 presentation.

X. Subsequent Events

Subsequent events have been evaluated through November 27, 2023, the date these financial statements were available to be issued.

NOTE 3 – CASH AND INVESTMENTS

The JPB's investments are carried at fair value, as required by accounting principles generally accepted in the United States of America. The JPB adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end and includes the effects of these adjustments in income for that fiscal year.

The JPB is in compliance with the Board approved Investment Policy and California Government Code requirements.

The JPB's cash and investments as of June 30 are classified in the statements of net position as follows (in thousands):

	2023	2022
Cash and cash equivalents	$ 22,980	$ 200,370
Restricted cash	6,505	5,545
Restricted investments with fiscal agents	27,731	84,444
Total Cash and Investments	$ 57,216	$ 290,359

NOTE 3 – CASH AND INVESTMENTS (Continued)

	2023	2022
Cash on hand	$ 1	$ 1
Deposits with financial institutions	28,592	205,283
Investments	28,623	85,075
Total Cash and Investments	$ 57,216	$ 290,359

Investments Authorized by the California Government Code and the JPB's Investment Policy

The table below identifies the investment types that are authorized for the JPB by the California Government Code or the JPB's investment policy, when more restrictive, that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the JPB, rather than the general provisions of the JPB's investment policy.

Authorized Investment Type	Minimum Credit Rating	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	15 years	100%	N/A
U.S. Agency Securities	None	15 years	100%	N/A
Banker's Acceptances	None	180 days	40%	30%
Commercial Paper ($500 Mil. Min. Assets). Local agencies with less than $100M of investment assets under management may invest no more than 25% of the agency's money in eligible commercial paper	A1/P1/F1	270 days	40%	10%
Negotiable Certificates of Deposit	None	5 years	30%	N/A
Repurchase Agreements	None	1 year	100%	N/A
Reverse Repurchase Agreements	None	92 days	20%	N/A
Medium-Term Notes	A	5 years	30%	10%
Shares of Beneficial Interest Issued by Diversified Management Companies	None	N/A	20%	10%
Local Government Investment Pools	None	N/A	100%	N/A
Asset-Backed and Mortgage-Backed securities	AA	5 years	20%	N/A
Municipal Obligations	None	10 years	100%	N/A
Supranational Obligations	AA	5 years	30%	N/A
Local Agency Investment Fund (LAIF)	None	N/A	None	$75M
San Mateo County Investment Pool	None	N/A	Up to the current state limit	N/A

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California government code or the JPB's investment policy. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years and money market funds.

NOTE 3 – CASH AND INVESTMENTS (Continued)

Disclosure Relating to Interest Rate Risk

Interest rate risk is the risk incurred when changes in market interest rates adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the JPB manages its exposure to interest rate risk is by purchasing a combination of short and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

The JPB's weighted average maturity of its investment portfolio at June 30, 2023, was as follows (in thousands):

Investment Type	Amount	Weighted Average Maturity (in years)
LAIF	$ 337	0.71
San Mateo County Investment Pool	555	1.65
Held by Bond Trustee:		
Money Market Mutual Funds	27,731	-
Total Investment Portfolio	$ 28,623	
Portfolio Weighted Average Maturity		1.29

The JPB's weighted average maturity of its investment portfolio at June 30, 2022, was as follows (in thousands):

Investment Type	Amount	Weighted Average Maturity (in years)
LAIF	$ 87	0.80
San Mateo County Investment Pool	544	1.81
Held by Bond Trustee:		
Money Market Mutual Funds	84,444	-
Total Investment Portfolio	$ 85,075	
Portfolio Weighted Average Maturity		0.75

NOTE 3 – CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the JPB's investment policy, or debt agreements, and the actual rating as of June 30, 2023 and 2022, for each investment type (in thousands):

		Rating as of June 30, 2023	
Investment Type	Amount	S&P Rating AAA	Not Rated
LAIF	$ 337	$ -	$ 337
San Mateo County Investment Pool	555	-	555
Held by Bond Trustee:			
Money Market Mutual Funds	27,731	27,731	-
Total	$ 28,623	$ 27,731	$ 892

		Rating as of June 30, 2022	
Investment Type	Amount	S&P Rating AAA	Not Rated
LAIF	$ 87	$ -	$ 87
San Mateo County Investment Pool	544	-	544
Held by Bond Trustee:			
Money Market Mutual Funds	84,444	84,444	-
Total	$ 85,075	$ 84,444	$ 631

Concentration of Credit Risk

The investment policy of the JPB contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The JPB does not have any investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the JPB's total investments at June 30, 2023, or June 30, 2022.

Fair Value Measurements

Fair value measurements are categorized based on the valuation inputs used to measure fair value: Level 1 inputs are quoted prices in active markets for identical asset assets; Level 2 inputs include inputs that are directly observable for the investment including quoted prices for similar investments and inputs that are not directly observable but are derived from observable market data through correlation; and Level 3 inputs are significant unobservable inputs. Investments in LAIF and the San Mateo County Investment Pool are uncategorized as deposits and withdrawals are made on the basis of $1 and not fair value.

NOTE 3 – CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued)

The following is the JPB's fair value hierarchy table as of June 30, 2023 (in thousands):

Investment Type	Total	Level 2 Inputs	Uncategorized
LAIF	$ 337	$ -	$ 337
San Mateo County Investment Pool	555	-	555
Money Market Mutual Funds	27,731	27,731	-
Total Investments by Fair Value Type	$ 28,623	$ 27,731	$ 892

The following is the JPB's fair value hierarchy table as of June 30, 2022 (in thousands):

Investment Type	Total	Level 2 Inputs	Uncategorized
LAIF	$ 87	$ -	$ 87
San Mateo County Investment Pool	544	-	544
Money Market Mutual Funds	84,444	84,444	-
Total Investments by Fair Value Type	$ 85,075	$ 84,444	$ 631

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the JPB will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the JPB will not be able to recover the value of its investment or collateral securities that are in possession of another party. The California Government Code and the JPB's Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure the JPB's deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

As of June 30, 2023 and 2022, the JPB had $57,215,535 and $290,358,685, respectively, of deposits with financial institutions. Additionally, the JPB is required to hold certain capital fund amounts in interest bearing accounts. These balances are in excess of the $250,000 FDIC limit; however due to California State Law, the excess balances are collateralized with pledged securities by the financial institutions holding the JPB's deposits.

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investment in San Mateo County Investment Pool

The JPB is a voluntary participant that invested in the San Mateo County Treasurer's Investment Pool (County Pool) at June 30, 2023 and 2022, in the amount of $554,663 and $544,072, respectively.

The County Pool is a governmental investment pool managed and directed by the elected San Mateo County Treasurer. It is not registered with the Securities and Exchange Commission. The fair value of the JPB's investment in this pool is reported in the accompanying financial statements at amounts based upon the JPB's pro-rata share of the fair value provided by the County Pool for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Pool, which are recorded on an amortized cost basis.

Investment in State Investment Pool

The JPB is a voluntary participant in LAIF which is regulated by the California Government Code under the oversight of the Treasurer of the State of California. LAIF is not registered with the Securities and Exchange Commission. The fair value of the JPB's investment in this pool is reported in the accompanying financial statements at amounts based upon the JPB's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

As of June 30, 2023, the JPB had a contractual withdrawal value of $336,793 in the pool. As of June 30, 2022, the JPB had a $87,125 contractual withdrawal value in the pool.

NOTE 4 – GILROY EXTENSION

The JPB holds trackage rights that extend south from the end of its property ownership in San Jose to Gilroy over a rail line owned by the Union Pacific Railroad. Those rights include the rights to operate five two-way train pairs. In addition, the Santa Clara Valley Transportation holds the rights to operate five additional train pairs to Gilroy.

NOTE 5 – CONTRIBUTED ASSETS FROM CALTRANS

In order to facilitate the purchase of the Mainline and the Gilroy Extension on a timely basis, and to provide for an orderly transition to local administration in a manner that would assure no service interruption, Caltrans and the JPB executed an agreement memorializing various commitments. Caltrans granted the JPB the right to use and control various real and personal property. These properties included: stations, locomotives, passenger cars ("rolling stock"), inventories, and other property associated with Caltrain service. The agreement required that Caltrans transfer all of its rights, titles, and interests in these properties to the JPB, in accordance with Public Utilities Code Section 99234.7.

NOTE 5 – CONTRIBUTED ASSETS FROM CALTRANS (Continued)

On April 4, 1996, the JPB's Board approved a resolution accepting transfer of rolling stock and station sites subject to certain terms and conditions outlined in the resolution. The transfer of rolling stock to the JPB was completed in December 1996, and the transfer of station sites was completed in May 1997. The rolling stock and station sites transferred were recorded at their appraised value as contributed capital in the amount of $106,710,000 and $60,432,365, respectively. Station sites consist principally of land and were capitalized as right-of-way.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2023, was as follows (in thousands):

	Balance June 30, 2022	Additions and Transfers	Deletions and Transfers	Balance June 30, 2023
Depreciable and amortized capital assets:				
Right-of-way-improvements	$ 1,199,128	$ 4,048	$ (940)	$ 1,202,236
Rail vehicles	338,072	341	-	338,413
Facilities and equipment	145,177	702	-	145,879
Office equipment	13,750	15	-	13,765
Total depreciable and amortized capital assets	1,696,127	5,106	(940)	1,700,293
Accumulated depreciation/amortization for:				
Right-of-way-improvements	761,680	46,862	(940)	807,602
Rail vehicles	273,766	8,075	-	281,841
Facilities and equipment	78,725	4,567	-	83,292
Office equipment	13,467	178	-	13,645
Total accumulated depreciation/amortization	1,127,638	59,682	(940)	1,186,380
Capital assets non-depreciable/nonamortizable:				
Right-of-way	236,968	286	-	237,254
Construction in progress	2,424,021	356,147	(5,106)	2,775,062
Intangible asset - trackage rights	8,000	-	-	8,000
Total non-depreciable/nonamortizable capital assets	2,668,989	356,433	(5,106)	3,020,316
Capital assets, net	$ 3,237,478	$ 301,857	$ (5,106)	$ 3,534,229

NOTE 6 – CAPITAL ASSETS (Continued)

Capital asset activity for the fiscal year ended June 30, 2022, was as follows (in thousands):

	Balance June 30, 2021	Additions and Transfers	Deletions and Transfers	Balance June 30, 2022
Depreciable and amortized capital assets:				
Right-of-way improvements	$ 1,188,736	$ 10,392	$ -	$ 1,199,128
Rail vehicles	337,025	1,047	-	338,072
Facilities and equipment	145,065	461	(349)	145,177
Office equipment	13,767	(2)	(15)	13,750
Total depreciable and amortized capital assets	1,684,593	11,898	(364)	1,696,127
Accumulated depreciation/amortization for:				
Right-of-way improvements	710,610	51,071	(1)	761,680
Rail vehicles	265,139	8,627	-	273,766
Facilities and equipment	74,279	4,794	(348)	78,725
Office equipment	13,306	176	(15)	13,467
Total accumulated depreciation/amortization	1,063,334	64,668	(364)	1,127,638
Capital assets non-depreciable/nonamortizable:				
Right-of-way	236,968	-	-	236,968
Construction in progress	1,840,831	595,088	(11,898)	2,424,021
Intangible asset - trackage rights	8,000	-	-	8,000
Total non-depreciable/nonamortizable capital assets	2,085,799	595,088	(11,898)	2,668,989
Capital assets, net	$ 2,707,058	$ 542,318	$ (11,898)	$ 3,237,478

Depreciation/amortization expense for the fiscal years ended June 30, 2023 and 2022 was $59,680,437 and $64,667,724, respectively.

NOTE 7 – OPERATING ASSISTANCE

Member Agencies provided operating funding to the JPB prior to fiscal year 2022. Net operating and administrative costs were apportioned on the basis of mutually agreed contribution rates, updated on an annual basis prior to fiscal year 2022. In fiscal years 2023 and 2022, due to the funding from Measure RR transaction and use tax, the JPB did not request member agencies contributions. Funding allocations for the fiscal years ended June 30 were:

	2023	2022
District - Operating	0.00%	0.00%
VTA - Operating	0.00%	0.00%
CCSF - Operating	0.00%	0.00%

NOTE 7 – OPERATING ASSISTANCE (Continued)

Federal, state, and local operating assistance revenue amounts included in the statements of revenues, expenses, and changes in net position for the fiscal years ended June 30 were (in thousands):

	2023	2022
Member Agency local funds	$ 84	$ -
Assembly Bill 434 operating assistance	40	80
American Rescue Plan Act (ARPA)	-	115,996
State transit assistance	11,520	10,042
Total	$ 11,644	$ 126,118

NOTE 8 – CAPITAL ASSISTANCE

Capital expenses are primarily funded by federal and state grants, equal annual contributions from all three Member Agencies, and proceeds from Revenue Bonds (See Note 9 – Revenue Bonds Payable). Costs of capital replacement and enhancement projects that are not covered by outside funding sources are allocated to the Member Agencies based upon the terms of the Joint Powers Agreement.

A. Member Agencies

On an annual basis, the Board determines the amount to be contributed to a Capital Contingency Fund (CCF) to cover unanticipated necessary capital improvements. The total amount contributed to the CCF was $1,325,000 and $990,000 for the fiscal years ended June 30, 2023 and 2022.

In fiscal years 2023 and 2022, the JPB received capital reimbursements and capital advances from the Member Agencies totaling $37,648,269 and $43,744,085, respectively. The unexpended amounts at June 30, 2023 and 2022, are shown as Unearned Member Contributions. (See Note 16 – Related Parties.)

B. Federal and State Grants

At June 30, 2023 and 2022, the JPB had federal, state, and local grants/allocations that provide funding for Caltrain capital projects. Capital additions for the fiscal years ended June 30, 2023 and 2022, applicable to these projects were $296,030,449 and $468,612,379, respectively. The related federal participation was $92,120,447 and $277,219,356 for fiscal years ended June 30, 2023 and 2022, respectively.

The JPB had receivables of $23,778,148 and $43,960,063 at June 30, 2023 and 2022, respectively, for qualifying capital project expenditures under Federal Transit Administration (FTA) grant contracts in excess of reimbursements, which is reported as due from other governmental agencies. In addition, the JPB has receivables of $145,479,734 and $99,333,706 at June 30, 2023 and 2022, respectively, for qualifying capital project expenditures under various state grants, which also is reported as due from other governmental agencies.

NOTE 8 – CAPITAL ASSISTANCE (Continued)

B. Federal and State Grants (Continued)

Under the terms of the grants, proceeds from equipment sold during its useful life are refundable to the federal government in proportion to the related capital grant funds received, unless the net book value or proceeds from sale are under grant-prescribed limits.

NOTE 9 – REVENUE BONDS PAYABLE

Composition and Changes

The JPB generally incurs long-term debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt. The JPB's debt issues and transactions are summarized below and discussed in detail thereafter.

Long-term debt activity for the fiscal year ended June 30, 2023, was as follows (in thousands):

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023	Current Portion
2019 Series A Revenue Bonds	$ 46,515	$ -	$ 1,175	$ 45,340	$ 1,235
Add: Unamortized premium, net	6,991	-	264	6,727	264
2022 Series A Revenue Bonds	140,000	-	-	140,000	-
Add: Unamortized premium, net	31,814	-	1,110	30,704	1,110
Total long-term debt	$ 225,320	$ -	$ 2,549	$ 222,771	$ 2,609

Long-term debt activity for the fiscal year ended June 30, 2022, was as follows (in thousands):

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022	Current Portion
2019 Series A Revenue Bonds	$ 47,635	$ -	$ 1,120	$ 46,515	$ 1,175
Add: Unamortized premium, net	7,255	-	264	6,991	264
2022 Series A Revenue Bonds	-	140,000	-	140,000	-
Add: Unamortized premium, net	-	32,180	366	31,814	366
Total long-term debt	$ 54,890	$ 172,180	$ 1,750	$ 225,320	$ 1,805

Description of the JPB's Long-Term Debt Issues

A. 2019 Series A Farebox Revenue Bonds

In February 2019, the JPB issued $47,635,000 in 2019 Series A Farebox Revenue Bonds along with a premium of $8,111,446 and other sources related to the defeasance of prior bond issuances netted proceeds of $56,217,759; $24,087,000 of the proceeds were used to fully pay and legally defease the 2007 Series A Farebox Revenue Bonds and $11,363,000 were used to fully payoff 2015 Series A Farebox Revenue Bonds. $20,768,000 of the proceeds are allocated for building acquisitions or to finance other improvements to Caltrain. The 2019 Series A Farebox Revenue Bonds carry a fixed

NOTE 9 – REVENUE BONDS PAYABLE (Continued)

Description of the JPB's Long-Term Debt Issues (Continued)

A. <u>2019 Series A Farebox Revenue Bonds</u> (Continued)

coupon of 5.0 percent with interest due on April 1 and October 1 of each year through October 1, 2037. Principal on the 2019 Series A Farebox Revenue Bonds is payable on October 1, 2021, and annually thereafter on October 1 of each year through 2049.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $84,342. The JPB completed the refunding to reduce its total debt service payments over the next 11.9 years (average life of the refunded 2007 Series A Farebox Revenue Bonds) by $3.4 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $3.6 million (present value of prior debt and net present value savings).

The 2019 Series A Farebox Revenue Bonds are special obligations of the JPB payable from and secured by a pledge of farebox revenues. For pledge purposes, the term "farebox revenues" means the amounts generated and collected in connection with the operation of Caltrain, including passenger fares; parking, shuttle, and pass revenues; and other revenues from operations. Farebox revenues does not include grants from the state or the federal government. The amount and terms of pledged revenue are the outstanding secured debt service as noted on the debt service requirement schedule in the following paragraph.

B. <u>2022 Series A Measure RR Sales Tax Revenue Bonds (Green Bonds – Climate Bond Certified)</u>

In February 2022, the JPB issued $140,000,000 in 2022 Measure RR Sales Tax Revenue Bonds (Green Bonds – Climate Bond Certified) Series A along with a premium of $32,179,642. $150,463,899 of the proceeds are allocated to certain improvements to the Caltrain system, including electrification; $21,000,000 of the proceeds were set aside to fund capitalized interest costs of the bonds; and $715,743 of the proceeds were allocated to the cost of issuance of the bonds. The 2022 Series A Measure RR Sales Tax Revenue Bonds (Green Bonds – Climate Bond Certified) carry a coupon of 5.0% with interest payable semiannually on June 1 and December 1, commencing June 1, 2022. Principal payments on the 2022 Series A Measure RR Sales Tax Revenue Bonds (Green Bonds – Climate Bond Certified) begins June 1, 2025, and are payable annually thereafter on June 1 of each year through 2051.

The 2022 Series A Measure RR Sales Tax Revenue Bonds (Green Bonds – Climate Bond Certified) are limited obligations of the JPB payable from and secured by certain revenues from sales and use tax on taxable transactions within the City and County of San Francisco, San Mateo County, and Santa Clara County, at a rate of one-eighth of one percent (1/8%) after deducting amounts payable to the California Department of Tax and Fee Administration (CDTFA) in connection with the collection and disbursement of the sales tax pursuant to the agreement between the CDTFA and the JPB.

C. <u>Pledged Revenues and Annual Debt Service Payments</u>

The amount of farebox pledged revenues recognized during the fiscal years ended June 30, 2023 and 2022, were $46,665,873 and $37,695,156, respectively. The amount of Measure RR Sales Tax pledged revenues recognized during the fiscal years ended June 30, 2023 and 2022, were

NOTE 9 – REVENUE BONDS PAYABLE (Continued)

Description of the JPB's Long-Term Debt Issues (Continued)

C. Pledged Revenues and Annual Debt Service Payments (Continued)

$121,645,143 and $112,619,647, respectively. The total debt service requirement for the 2019 Series A Farebox Revenue Bonds and for the 2022 Series A Measure RR Sales Tax Revenue Bonds (Green Bonds – Climate Bond Certified) for the fiscal years ended June 30, 2023 and 2022, was $10,471,375 and $5,204,306, respectively; the first payment on the 2019 Series A Farebox Revenue Bonds debt was October 1, 2019, with repayment of principal starting October 1, 2021, and continuing as laid out in the table below. Annual principal and interest payments for the 2019 Series A Farebox Revenue Bonds were as follows (in thousands):

Year Ending June 30:	Principal	Interest	Total
2024	$ 1,235	$ 2,236	$ 3,471
2025	1,300	2,173	3,473
2026	1,365	2,106	3,471
2027	1,435	2,036	3,471
2028	1,510	1,963	3,473
2029-2033	8,790	8,569	17,359
2034-2038	11,275	6,073	17,348
2039-2043	6,370	3,843	10,213
2044-2048	8,175	2,034	10,209
2049-2050	3,885	197	4,082
Total	$ 45,340	$ 31,230	$ 76,570

The 2022 Series A Measure RR Sales Tax Revenue Bonds (Green Bonds – Climate Bond Certified) were the first bonds issued by the JPB as Green Bonds as certified by Climate Bonds Initiative (CBI) and verified by Kestrel Verifiers under the standards of the 2015 Paris Agreement. The bonds were issued with ratings of AA+ by Standard & Poor's Rating Services (S&P) and AAA by Kroll Bond Rating Agency, LLC (KBRA). The first principal payment for the 2022 Series A Measure RR Sales Tax Revenue Bonds (Green Bonds – Climate Bond Certified) debt is scheduled for June 1, 2025. Annual debt service payments are as follows:

Year Ending June 30:	Principal	Interest	Total
2024	$ -	$ 7,000	$ 7,000
2025	2,560	7,000	9,560
2026	2,690	6,872	9,562
2027	2,825	6,738	9,563
2028	2,965	6,596	9,561
2029-2033	17,200	30,604	47,804
2034-2038	21,950	25,853	47,803
2039-2043	28,020	19,787	47,807
2044-2048	35,755	12,046	47,801
2049-2051	26,035	2,646	28,681
Total	$ 140,000	$ 125,142	$ 265,142

NOTE 10 – INSURANCE PROGRAMS

The JPB is exposed to various risks of loss including, but not limited to, those related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The JPB is self-insured for a portion of its public liability and damage to property. As of June 30, 2023 and 2022, coverage provided by self-insurance and excess coverage (purchased by or for the JPB) is generally summarized as follows:

Type of Coverage	Self-Insured Retention	Excess Insurance
Railroad Liability	$2,000,000 Self-Insured Retention	$323,000,000 Per Occurrence/ Annual Aggregate ($200,000,000 carried by the JPB and $100,000,000 carried by the Caltrain operator, TASI) plus an additional $23,000,000 xs $300,000,000 carried by JPB for a total of $323,000,000
Real and Personal Property	$500,000 Maximum Self-Insured Retention	$400,000,000
Public Official Liability	$75,000 Self-Insured Retention	$15,000,000 Aggregate
Special Events	$25,000 Self-Insured Retention Per Occurrence	$2,000,000 Per Occurrence / $4,000,000 Aggregate
Environmental Liability	$50,000 Self-Insured Retention	$10,000,000 2-Year Policy Aggregate (FY23-FY24)
Federal Employees Liability Act (FELA)	$500,000 Self-Insured Retention	$50,000,000 Annual Aggregate

All rolling stock is insured at full replacement value. Total insurable values (TIV) covering all rolling stock, real and personal property, tunnels, bridges, and stations exceeds $1 billion. The JPB carries a $400,000,000 loss limit per occurrence. Terrorism coverage is included. The JPB owns four parcels of vacant property that do not require flood insurance. Earthquake coverage remains cost prohibitive; as such, it is not procured. To date, there have been no significant reductions in any of the JPB's insurance coverage. Settlements have not exceeded coverages for each of the past three fiscal years.

The unpaid claims liabilities are based on the results of actuarial studies and include amounts for claims incurred but not reported. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. Annual expense is charged using various allocation methods that include actual costs, trends in claims experience, and number of participants. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expense regardless of whether allocated to specific claims. It is the JPB's practice to obtain full actuarial studies annually. Changes in the balances of self-insured claims liabilities for public liability and property damage for the fiscal years ended June 30, 2023 and 2022, were as follows (in thousands):

NOTE 10 – INSURANCE PROGRAMS (Continued)

	2023	2022
Self-insured claims liabilities, beginning of year	$ 4,189	$ 4,030
Incurred claims and changes in estimates	2,801	383
Claim payments and related costs	(2,144)	(224)
Total self-insured claims liabilities	4,846	4,189
Less current portion	2,274	2,292
Noncurrent portion	$ 2,572	$ 1,897

NOTE 11 – CAPITAL CONTRIBUTIONS

The JPB receives capital grants and contributions from the federal, state, and local governments for the acquisition and improvement of capital assets. Capital grants and contributions used for capital purposes are recorded as capital contributions and the cost of the related assets is included in capital assets.

Depreciation and amortization on assets acquired with capital contributions is included in the statements of revenues, expenses, and changes in net position. Capital contributions earned for the fiscal years ended June 30 were as follows (in thousands):

	2023	2022
Contributions from the federal government	$ 92,120	$ 277,219
Contributions from the state	156,737	140,466
Contributions from local governments	47,173	50,927
Total	$ 296,030	$ 468,612

NOTE 12 – HEDGE PROGRAM

In order to create more certain future diesel fuel costs and to manage the budget risk caused by uncertain future diesel fuel prices, the JPB established a diesel fuel hedging program. The hedging instruments used are New York Harbor Ultra Low Sulfur Diesel (“NYHRBRULSD”) futures contracts with a notional amount of 42,000 gallons each as listed on the NYMEX. As of June 30, 2023, the JPB had 106 futures contracts covering the period from July 2023 to June 2024. As of June 30, 2022, the JPB had 87 futures contracts covering the period from July 2022 to June 2023.

The JPB enters into futures contracts to hedge its price exposures to diesel fuel which is used in its vehicles to provide transportation. These contracts are derivative instruments. The effectiveness of the hedge is determined according to GASB Statement No. 53 (*Accounting and Financial Reporting for Derivative Instruments*) rules, which require a statistically strong relationship between the price of the futures contracts and the JPB’s cost of diesel fuel from its supplier in order to insure that the futures

NOTE 12 – HEDGE PROGRAM (Continued)

contracts effectively hedge the expected cash flows associated with diesel fuel purchases/exposures. The JPB applies hedge accounting for derivatives that are deemed effective hedges. Under hedge accounting, the increase (decrease) in the fair value of a hedge is reported as a deferred cash flow on the statements of net position. For the reporting period, all of the JPB's derivatives meet the effectiveness tests. Net gains/losses from completed hedges become an element of diesel fuel cost.

For diesel fuel futures contracts, the fair values are determined according to exchange settlement prices and the prices at which the futures contracts were purchased where each contract has a volume of 42,000 gallons. The following is a summary of the fair values and notional amounts of derivative instruments (diesel futures contracts) outstanding as of June 30, 2023 and 2022 (in thousands).

	2023 Change in Fair Value		Fair Value June 30, 2023		
	Classification	Amount	Classification	Amount	Notional
Effective Cash Flow Hedges					
Futures contracts	Deferred Inflow	$ (2,804)	Derivative Instruments	$ (977)	4,452 Gallons

	2022 Change in Fair Value		Fair Value June 30, 2022		
	Classification	Amount	Classification	Amount	Notional
Effective Cash Flow Hedges					
Futures contracts	Deferred Inflow	$ 480	Derivative Instruments	$ 1,826	3,938 Gallons

Credit Risk

The JPB is exposed to credit risk in the amount of the derivative's fair value. When the fair value of any derivative has a positive market value, the risk is that the counterparty will not fulfill its obligations. The counterparty for diesel futures contracts is the New York Mercantile Exchange Clearinghouse. Futures do not have credit risk because the clearing house guarantees against default risk by taking both sides of all transactions where positions are marked-to-market on a daily basis. Futures contracts are highly regulated by the Commodity Futures Trading Commission.

Basis Risk

The JPB is exposed to basis risk on its expected fuel hedge contracts because the future fuel purchases are based on a pricing point different from the pricing point at which the future contracts are expected to settle NYHRBRULSD.

Market Risk

The JPB is exposed to market risk arising from adverse changes in the market prices of the commodity.

NOTE 13 – COMMITMENT AND CONTINGENCIES

A. Operating Contract

The JPB Board awarded a contract to TASI of St. Joseph, MO, at the September 1, 2011 Board meeting. TASI provides rail operations, maintenance, and support services for a base term of five years plus five months of mobilization, with five, one-year option terms. Mobilization efforts began on October 1, 2011, and TASI began its service on May 26, 2012. The contract with TASI has been extended to 2027. Amtrak continued to provide services through the mobilization period.

This is a Cost Plus Performance Fee based contract. All direct costs are reimbursable and TASI has the opportunity to earn up to $4.5 million per year as a performance fee. The first year budget plus mobilization costs were negotiated prior to the contract award. A performance fee program and quantifiable metrics are discussed and agreed upon annually by the parties in key areas such as safety and on-time performance. These metrics are measured quarterly with the exception of adherence to the budget which will be measured annually. TASI's reported results are also independently verified and validated by a third party consultant. The expenses billed to the JPB by TASI for providing rail operation services for the fiscal years ended June 30, 2023 and 2022, are recorded as Contract Services in the statements of revenues, expenses, and changes in net position.

B. Litigation

As of June 30, 2023 and 2022, the JPB had accrued amounts that management believes are adequate to resolve claims and lawsuits which arose during the normal course of business. A few claims and lawsuits remain outstanding for which the JPB cannot determine the ultimate and resulting liability, if any. However, the JPB's management and its counsel believe the ultimate outcome of these claims and lawsuits will not materially impact the JPB's financial position.

Caltrain Collision with Hi-Rail Maintenance Vehicles on March 10, 2022

On March 10, 2022, at approximately 10:30 a.m., a southbound Caltrain train struck three stationary on-track (or hi-rail) maintenance vehicles at milepost (MP) 11.6 on main track 2 near San Bruno, California. The maintenance vehicles were on-track to pick-up catenary poles for installation along the right-of-way (ROW) as part of the Peninsula Corridor Electrification Project (PCEP). Balfour Beatty Infrastructure, Inc. (BBI) is the PCEP contractor, and TransitAmerica Services, Inc. (TASI) provides signaling services on the ROW. The National Transportation Safety Board (NTSB), which has not yet issued its final report, has stated that the TASI roadway worker-in-charge released exclusive track occupancy while the hi-rail vehicles were still on the track. The locomotive derailed, and all three maintenance vehicles were destroyed. Leaking fuel from the hi-rail maintenance vehicles resulted in a fire that spread to one of the passenger rail cars. Fourteen people reported injuries: 12 passengers, one train crew member (a TASI employee), and one maintenance contractor (a BBI employee). Of these, seven were transported to local hospitals, and seven were treated and released at the scene. The incident remains under NTSB investigation.

The following plaintiffs have filed lawsuits in San Mateo Superior Court related to the incident against the JPB and other entities:

- Phillip Merlino and Carolina Campnuevo: Mr. Merlino, a BBI employee, was injured in the accident and is seeking damages related to the accident, and his wife, Ms. Campnuevo, has brought a cause of action for loss of consortium.

NOTE 13 – COMMITMENT AND CONTINGENCIES (Continued)

B. Litigation (Continued)

Caltrain Collision with Hi-Rail Maintenance Vehicles on March 10, 2022

- William Bryan: Mr. Bryan was the TASI locomotive engineer on the Caltrain train involved in the incident. He seeks damages related to the incident.
- The following plaintiffs, who were passengers on the Caltrain train, have also brought suit seeking damages related to the incident:
  - Mary Liu
  - Lawrence Walton
  - Isaac Ortiz
  - Victor Morales

The JPB tendered all claims and lawsuits arising out of the March 10, 2022, accident to TASI and, subject to a reservation of rights, TASI agreed to indemnify and defend the JPB in these cases. The JPB has also agreed to defend and indemnify several other entities named in the lawsuit, and then the JPB tendered those requests to TASI, which accepted them subject to a reservation of rights. As a result, in addition to defending the JPB in all of the above cases, TASI is also defending the District in the Merlino/Campnuevo and Liu cases, and VTA in the Morales and Ortiz case (these plaintiffs filed together).

These cases have all been related but not consolidated. No alternative dispute resolution (ADR), mediation, or trial dates have been set, and currently the parties are engaged in discovery. No depositions have occurred. Vince Castillo of the firm Castillo, Moriarty, Tran & Robinson has been retained by TASI to represent it, the JPB, the District, and VTA in these cases.

In addition to these lawsuits, BBI notified the JPB in 2022 that it incurred losses of $2,397,426 as a result of the incident, including approximately $900,000 in property damage related to the destroyed hi-rail vehicles and related equipment; $200,000 in workers compensation claims to date; and $1,141,245 in labor costs to BBI and its subcontractors related to suspension of PCEP work on the ROW due to the incident.

William Rogers, et al. v. JPB, et al. **(San Mateo Superior Court, Case No. 23-CIV-03335)**

On August 25, 2022, at approximately 1:00 a.m., William Rogers, an employee of Modern Rail Systems (MRS), which is a subcontractor to BBI under the PCEP contract, was performing work near MP 31.7, near Palo Alto, California. While walking across a bridge adjacent to the tracks to reach a signal house, the employee fell approximately 25 feet through the wooden deck structure, onto the Oregon Expressway below the bridge. Mr. Rogers was injured and transported to Stanford Medical Center. On July 20, 2023, Mr. Rogers and his wife Sarah Rogers filed suit against the JPB in San Mateo County Superior Court. Mr. Rogers seeks damages related to the accident and Ms. Rogers has filed a claim for loss of consortium. Plaintiffs also named TASI, Herzog Transit Services (TASI's parent company), and the District as defendants. The JPB has agreed to defend and indemnify TASI and Herzog, subject to a reservation of rights, and the District. No ADR, mediation, or trial dates have been set in the case, and currently the parties are engaged in discovery. No depositions have occurred. Todd Master of the firm Ridley Master has been retained by the JPB to represent it, TASI, and the District in these cases.

NOTE 13 – COMMITMENT AND CONTINGENCIES (Continued)

B. Litigation (Continued)

***Abel and Erika Cuevas et al. v. JPB, et al* (Santa Clara Superior Court, Case No. 21CV385375)**

The parents of Abel Cuevas have brought this wrongful death action against the JPB and Union Pacific Railroad Company (UP) for the death of their 17-year-old son, who was walking on main track 2 (MT2) between Capitol Station and the Skyway Drive grade crossing in San Jose on the morning of May 16, 2021, when he was struck by a Caltrain train traveling from the Central Equipment Maintenance & Operations Facility in San Jose to Gilroy. This portion of the track is owned by Union Pacific Railroad Company (UP) and runs parallel to Monterey Road. While this stretch of track is not fenced-off, there are "no trespassing" signs posted along the right-of-way at each intersection on Monterey Road, which would be the most likely entry points to the right-of-way by a pedestrian. There is no sidewalk on the railroad side of Monterey Road but there is approximately a 45-foot area of flat, dirt space with some trees, between Monterey Road and MT2, where a trespasser could walk without being close to the tracks. Abel Cuevas was struck from behind and was apparently wearing earbuds. The train engineer had sounded the horn multiple times and continuously for six seconds before impact.

The JPB agreed to defend and indemnify UP in this case pursuant to a trackage rights agreement between the parties. Todd Master of the law firm Ridley Master represents the JPB and UP in the case.

Mediation was held on September 7, 2023, but the parties were unable to settle the case. The parties have, however, continued to engage in post-mediation settlement discussions. Recently, the JPB made a global settlement offer of $1.5 million and plaintiffs countered with a global demand of $6.5 million. The JPB's self-insured retention is $2 million. Further mediation is scheduled for May 29, 2024. Trial is scheduled for June 3, 2024.

Etzel Williams et al. v. JPB, et al.* (San Mateo Superior Court, Case No. 03763*)

On October 25, 2022, the four adult children of Cynthia Robinson filed this wrongful lawsuit against the JPB and the City of Burlingame. Ms. Robinson sustained fatal injuries when her vehicle was struck by a northbound Caltrain train on August 17, 2021, at approximately 4:35 p.m. at the Broadway crossing in Burlingame. Kevin Allen of the Allen Law Office represents the JPB in this case. Discovery is ongoing but no ADR or trial date has been scheduled. Mediation is scheduled for February 6, 2024.

NOTE 13 – COMMITMENT AND CONTINGENCIES (Continued)

C. PTMISEA Grants

The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, approved by the voters as Proposition 1B on November 7, 2006, includes a program of funding in the amount of $4 billion to be deposited in the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA). Of this amount, $3.6 billion in the PTMISEA is available to project sponsors in California for allocation to eligible public transportation projects. The following table shows the changes in activity related to the PTMISEA grant funds during the fiscal years as well as the remaining commitment as of June 30, 2023 and 2022 (in thousands):

	PTMISEA South Terminal Project (Fund 3605)	PTMISEA Community Based Overlay Signal System (Fund 3607)	PTMISEA Rolling Stock State-of-Good-Repair (Fund 3623)	PTMISEA Rolling Stock State-of-Good-Repair (Fund 3634)
Total Allocations as of June 30, 2022	$ 875	$ 210	$ 692	$ 130
Adjustments	-	-	-	(1)
Net Expenditures	(875)	(210)	(692)	(129)
Unspent balance at June 30, 2023	$ -	$ -	$ -	$ -

	PTMISEA Electrification Improvements (Fund 3638)	PTMISEA Community Based Overlay Signal System (Fund 3647)	PTMISEA Interest Earned (Fund 3636)
Total Allocations as of June 30, 2022	$ 36	$ 317	$ 221
Adjustments	(1)	-	-
Interest Earned, Net of Bank Charges	-	-	2
Net Expenditures	(35)	(302)	(214)
Unspent balance at June 30, 2023	$ -	$ 15	$ 9

NOTE 13 – COMMITMENT AND CONTINGENCIES (Continued)

C. PTMISEA Grants (Continued)

	PTMISEA South Terminal Project (Fund 3605)	PTMISEA Community Based Overlay Signal System (Fund 3607)	PTMISEA Rolling Stock State-of-Good-Repair (Fund 3623)	PTMISEA Rolling Stock State-of-Good-Repair (Fund 3634)
Total Allocations as of June 30, 2021	$ 959	$ 345	$ 770	$ 464
Adjustments	-	-	-	-
Net Expenditures	(84)	(135)	(78)	(334)
Unspent balance at June 30, 2022	$ 875	$ 210	$ 692	$ 130

	PTMISEA Electrification Improvements (Fund 3638)	PTMISEA Community Based Overlay Signal System (Fund 3647)	PTMISEA Interest Earned (Fund 3636)
Total Allocations as of June 30, 2021	$ 36	$ 1,314	$ 313
Adjustments	-	-	-
Interest Earned, Net of Bank Charges	-	-	2
Net Expenditures	-	(997)	(94)
Unspent balance at June 30, 2022	$ 36	$ 317	$ 221

NOTE 14 – LEASING TRANSACTIONS

In February 2002, the JPB entered into a leasing transaction (the 2002 Lease Transaction) with respect to 38 Nippon Sharyo trailer cars, 14 Nippon Sharyo cab cars, and 13 GM F40PH-2 locomotives (collectively, the “Equipment”). The JPB leased the Equipment to a trust under a Head Lease and simultaneously leased back the Equipment under a Sublease. The leasing transaction terminated and restructured a portion of “a 1996 leasing transaction” (the “1996 Transaction”) that had not been previously terminated. The JPB received net proceeds in the amount of $2,392,510, which represents the difference between the appraised value of the Equipment and the termination cost associated with the remaining portion of the 1996 Transaction and certain required deposits and expenses. The Equipment remains on the books of the JPB at its original cost and is being depreciated over the original useful life determined at the date of acquisition. The net proceeds have been recorded as Lease-Leaseback income for the fiscal year ended June 30, 2002. The JPB has an option to purchase the Equipment for an agreed upon purchase price in January 2026.

At the outset of the lease, a portion of the Head Lease payment was deposited under agreements with two debt payment undertakers whose repayment obligations are guaranteed, as the case may be, by Assured Guaranty Municipal Corporation (“AGM”) as successor to Financial Security Assurance (“FSA”), or Swiss Reinsurance Corporation (“Swiss Re”). Another portion of the Head Lease payment was deposited under an agreement with an equity payment undertaker whose repayment obligations are guaranteed by AGM as successor to FSA. The repayment obligations of AGM and Swiss Re under their respective debt undertaking agreements are due in amounts and at times that correspond to the JPB’s scheduled payments under the Sublease. The repayment obligations of AGM under the equity payment agreement are due in amounts and at times that correspond to the JPB’s purchase option dates under the 2002 Lease Transaction.

NOTE 14 – LEASING TRANSACTIONS (Continued)

At the time of the 2002 Lease Transaction, FSA was rated "Aaa/AAA" by Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services ("S&P"). Although the debt and equity payment undertaking arrangements do not represent a legal defeasance of the JPB's obligations under the Sublease, management believes that these transactions are structured in such a way that it is not probable that the JPB will need to access other monies to make Sublease payments or pay the purchase option prices in 2026. Therefore, the assets and the Sublease obligations are not recorded on the financial statements of the JPB as of June 30, 2023 and 2022.

The terms of the 2002 Lease Transaction require the JPB to replace AGM and Swiss Re within certain timeframes if their ratings are downgraded below certain rating minimums. On January 17, 2013, Moody's downgraded AGM to "A2", which is below the threshold of "Aa3" under the 2002 Lease Transaction with respect to AGM's role as surety provider and guarantor of the equity payment agreement. The current Moody's AGM rating of "A1" remains below the required threshold.

Failure of the JPB to replace AGM following a downgrade by either Moody's or S&P to below the applicable rating threshold within specified timeframes could allow the equity investor to issue a default notice to the JPB. Because replacement of AGM is not practicable, the JPB could become liable to pay termination costs as provided in certain schedules of the 2002 Lease Transaction. The scheduled termination costs as of June 30, 2023, less the accreted value under the equity payment agreement, would approximate $14.3 million. The equity investor under the 2002 Lease Transaction has provided forbearance letters to the JPB with respect to replacing AGM since the Moody's downgrade to below "Aa3" and has not demanded that the JPB replace AGM.

NOTE 15 – GASB STATEMENT NO. 87, *LEASES*

The JPB, as a lessee, has entered into various leases for office space, tower space, land, and parking with lease terms expiring between fiscal year 2023 and 2028 with some leases containing options to renew.

The JPB, as a lessor, has entered into lease agreements for mainly commercial and ground lease transactions. The lease terms are expiring between fiscal year 2025 and 2122 with some leases containing options to renew.

The JPB adopted GASB Statement No. 87, *Leases*, in fiscal year 2022 with a conversion date of July 1, 2020. In accordance with the adopted standard, the JPB, as a lessee, is required to recognize intangible right-to-use lease assets and corresponding lease liabilities, and as a lessor, lease receivables and deferred inflows of resources, for all leases that are not considered short-term. The JPB has adopted the following policies to assist in determining lease treatment according to the standard (unless otherwise specified, the following policies pertain to agreements in which the JPB acts as lessee, and agreements in which the JPB acts as lessor):

Basis of Lease Classification – The maximum possible lease term(s) is non-cancelable by both lessee and lessor, and is more than 12 months will not be considered short-term.

Term – At the time of lease commencement or conversion, the term of the lease will include possible extension periods that are deemed to be reasonably certain given all available information, regarding the likelihood of renewal.

NOTE 15 – GASB STATEMENT NO. 87, *LEASES* (Continued)

Discount Rate – Unless explicitly stated in the lease agreement, known by the JPB, or the JPB is able to determine the rate implicit within the lease, the discount rate used to calculate lease right-to-use lease assets and liabilities in the case of agreements in which the JPB acts as lessee, or deferred inflows of resources and related lease receivable, in the case of agreements in which the JPB acts as lessor, is the annual 110% Applicable Federal Rates (AFR). The Short-term annual 110% AFR applies to a lease term that is less than three years, the Mid-term annual 110% AFR applies to a lease term that is between three to nine years, and the Long-term annual 110% AFR applies to a lease term that is longer than nine years. The Short-term annual 110% AFR was 0.13% for July 2021 and 2.62% for July 2022, the Mid-term annual 110% AFR was 1.10% for July 2021 and 3.30% for July 2022, and the Long-term annual 110% AFR was 2.28% for July 2021 and 3.54% for July 2022. The July 2021 and July 2022 AFR were used for applicable leases beginning in fiscal years 2022 and 2023, respectively.

Variable Payments – Variable payments based on the future performance of the lessee or lessor or usage of the underlying asset are not included in the measurement of lease assets or liabilities. For fiscal years 2022 and 2023, as a lessee, all leases are based on fixed payments and do not have variable payment components. For fiscal years 2022 and 2023, as a lessor, all leases are based on fixed payments and variable payments based on the Consumer Price Index (CPI).

Residual Value Guarantees – There were no residual guarantees included in the measurement of lease assets and liabilities, or deferred inflow of resources and lease receivables, for fiscal years 2022 and 2023.

Remeasurement – There were no remeasurements for fiscal years 2022 and 2023 due to (1) early termination which included a termination fee, (2) reduction in monthly lease payment, and (3) a change in the discount rate.

Lease related assets by major class of underlying assets at June 30 were as follows (in thousands):

	Balance at June 30, 2022	Additions	Reductions	Balance at June 30, 2023
Right-to-use lease assets:				
Office space	$ 1,066	$ 953	$ (1,066)	$ 953
Land	-	-	-	-
Parking	-	1,196	-	1,196
Tower space	4	15	(4)	15
Total right-to-use lease assets	1,070	2,164	(1,070)	2,164
Accumulated amortization for:				
Office space	472	697	(1,066)	103
Land	-	-	-	-
Parking	-	199	-	199
Tower space	5	4	(4)	5
Total accumulated amortization	477	900	(1,070)	307
Total right-to-use lease assets, net	$ 593	$ 1,264	$ -	$ 1,857

NOTE 15 – GASB STATEMENT NO. 87, *LEASES* (Continued)

	Balance at June 30, 2021	Additions	Reductions	Balance at June 30, 2022
Right-to-use lease assets:				
Office space	$ 1,913	$ 1,066	$ (1,913)	$ 1,066
Land	91	-	(91)	-
Parking	13	-	(13)	-
Tower space	4	-	-	4
Total right-to-use lease assets	2,021	1,066	(2,017)	1,070
Accumulated amortization for:				
Office space	1,435	952	(1,915)	472
Land	62	28	(90)	-
Parking	6	6	(12)	-
Tower space	3	2	-	5
Total accumulated amortization	1,506	988	(2,017)	477
Total right-to-use lease assets, net	$ 515	$ 78	$ -	$ 593

As a lessee, the JPB recognized $901,198 and $988,109 of lease related amortization expense in fiscal years 2023 and 2022, respectively. The JPB also recognized $30,269 and $2,043 of lease related interest expense in fiscal years 2023 and 2022, respectively.

As a lessor, the JPB recognized $64,476 and $1,997 in lease related interest revenue in fiscal years 2023 and 2022, respectively. The JPB also recognized revenues from lease related deferred inflows of resources of $215,269 and $78,237 in fiscal years 2023 and 2022, respectively.

Lease related obligations consist of the following:

	Balance at July 1, 2022	Additions	Retirements	Balance June 30, 2023	Current Portion
Lease liabilities	$ 632	$ 1,919	$ 632	$ 1,919	$ 899
Total long-term debt	$ 632	$ 1,919	$ 632	$ 1,919	$ 899

	Balance at July 1, 2021	Additions	Retirements	Balance June 30, 2022	Current Portion
Lease liabilities	$ 593	$ 631	$ 592	$ 632	$ 632
Total long-term debt	$ 593	$ 631	$ 592	$ 632	$ 632

NOTE 15 – GASB STATEMENT NO. 87, *LEASES* (Continued)

A summary of the combined remaining principal and interest amounts by fiscal year for the lease liabilities are shown below:

Year Ending June 30:	Principal	Interest	Total
2024	$ 899	$ 46	$ 945
2025	472	24	496
2026	248	14	262
2027	257	6	263
2028	43	-	43
Total	$ 1,919	$ 90	$ 2,009

NOTE 16 – RELATED PARTIES

A. <u>Operating Expenses Paid to the District</u>

The District serves as the Managing Agency of the JPB, providing management and administrative personnel and facilities (see Note 1). The District is compensated based on actual costs incurred and administrative overhead. Total expenses billed to the JPB by the District, which were included as operating expenses in the accompanying statements of revenues, expenses, and changes in net position, were as follows (in thousands):

	2023	2022
Wages and fringe benefits	$ 13,280	$ 11,080
Overhead	783	276
Total	$ 14,063	$ 11,356

B. <u>Receivables from Member Agencies</u>

The JPB is owed amounts from Member Agencies for grants and prior obligations. The balances at June 30 are as follows (in thousands):

	2023	2022
District	$ 4,883	$ 1,202
VTA	8,254	1,076
CCSF	8,976	9,968
Total	$ 22,113	$ 12,246

C. <u>Payables to the District</u>

Amounts due to the District as Managing Agency at June 30, 2023 and 2022, total $5,595,981 and $3,012,217, respectively, and are included in accrued liabilities.

NOTE 16 – RELATED PARTIES (Continued)

D. Unearned Member Contributions

The JPB recognizes Member Agencies' advances as contributed capital when expenses are incurred or assets are purchased. Accordingly, some Member Agencies' payments are classified as Unearned Member Contributions. The balances at June 30 were as follows (in thousands):

	2023	2022
District	$ 16,464	$ 18,279
VTA	11,115	11,734
CCSF	1,400	1,392
Total	$ 28,979	$ 31,405
Committed for:		
Centralized traffic control system	$ 1	$ 1
Farebox capital	1	1
Capital Contingency Fund	2,334	2,650
Capital contribution, Member's local match	26,643	28,753
Total Committed	28,979	31,405
Uncommitted funds:		
District	-	-
VTA	-	-
CCSF	-	-
Total Uncommitted	-	-
Total	$ 28,979	$ 31,405

NOTE 17 – REVOLVING CREDIT FACILITY

Cash flow projections for the Peninsula Corridor Electrification Project (PCEP) forecast funding gaps between the time payments are due for work performed and the timing of receipts from the funding sources associated with such work, most of which are available on a reimbursement basis. At its highest point, the funding gap is currently projected to be approximately $120 million.

In December 2016, the JPB secured the 2016 Credit Facility to assist the JPB in meeting its cash flow needs in connection with the PCEP. The amount outstanding under the 2016 Credit Facility may not exceed $170 million at any one time. This Credit Facility commitment was reduced March 31, 2019, to a level not to exceed $120 million. Funds drawn will be applied to fund cash flow mismatch with respect to the PCEP and the 2018 TIRCP Grant Projects and/or to enable the JPB to access the 2018 TIRCP Grant awarded to the JPB to fund a portion of the 2018 TIRCP Grant Projects. Funds drawn by the JPB pursuant to the 2016 Credit Facility constitute loans made to the JPB by the provider of the 2016 Credit Facility.

NOTE 17 – REVOLVING CREDIT FACILITY (Continued)

On August 16, 2021, the JPB replaced the existing Credit Facilities with two new Credit Facilities. The new Credit Facilities were issued in the amounts of $100 million each for PCEP project funding (PCEP Credit Facility) and Working Capital funding (Working Capital Facility). The terms on the new Credit Facilities is set forth in the Fee and Pricing Agreements for each credit line. There are two ongoing fees associated with the revolving credit facilities: an undrawn and a draw fee. For those amounts available to the JPB but undrawn and not used at a particular time, the Lender will charge a commitment fee equal to 0.23 percent times the undrawn amount. For those amounts drawn and used under the revolving credit facility, the Lender will charge a draw fee (i.e., and interest rate). The draw fee for Tax Exempt draws is equal to the following formula: The Secured Overnight Financing Rate (SOFR) plus an Applicable Tax-Exempt Margin, which currently stands at 0.36% based on the Current S&P rating of AA+. The draw fee for Taxable draws is equal to the Secured Overnight Financing Rate (SOFR) plus an applicable Taxable Margin, which currently stands at 0.45% based on the current S&P rating of AA+. As of June 30, 2023, there was no outstanding (drawn) revolving credit line balances on the PCEP Credit Facility and $20,964 million for the Working Capital Facility.

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SUPPLEMENTARY INFORMATION

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PENINSULA CORRIDOR JOINT POWERS BOARD

SUPPLEMENTARY SCHEDULE OF REVENUES AND EXPENSES – COMPARISON OF BUDGET TO ACTUAL (BUDGETARY BASIS)
(in thousands)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Budget (Unaudited)	Actual	Variance with Final Budget
OPERATING REVENUES:			
Passenger fares	$ 46,479	$ 43,330	$ (3,149)
Parking, shuttle, and pass revenues	2,151	2,239	88
Advertising	128	821	693
Other	342	275	(67)
Total operating revenues	49,100	46,665	(2,435)
OPERATING EXPENSES:			
Contract services	119,513	117,289	2,224
Insurance	10,620	11,855	(1,235)
Fuel	17,539	15,995	1,544
Parking, shuttle, and pass expenses	1,593	1,507	86
Professional services	2,868	2,445	423
Wages and benefits	14,077	14,063	14
Utilities and supplies	2,893	2,836	57
Maintenance services	540	773	(233)
Temporary services, rent, and other	6,968	5,808	1,160
Debt fees	-	716	(716)
Total operating expenses	176,611	173,287	3,324
Operating loss	(127,511)	(126,622)	889
NONOPERATING REVENUES (EXPENSES):			
Federal, state, and local operating assistance	11,328	11,644	316
Transaction and use tax	114,300	121,645	7,345
Rental income	935	1,300	365
Investment income	105	3,468	3,363
Interest expense	(2,582)	(2,351)	231
Expense for noncapitalized projects	-	(31,059)	(31,059)
Other income	846	3,059	2,213
Total nonoperating revenues (expenses), net	124,932	107,706	17,226
Net loss	(2,579)	(18,916)	(16,337)
CAPITAL OUTLAY:			
Capital assistance	90,957	296,030	205,073
Capital debt financing	-	60,402	60,402
Capital expenditures	(90,957)	(356,432)	(265,475)
Net capital outlay	-	-	-
Deficiency of Revenues and Nonoperating Income under Expenses, Capital Outlay, and Debt Principal Payment	$ (2,579)	$ (18,916)	$ (16,337)

NOTES TO SUPPLEMENTARY SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

The Peninsula Corridor Joint Powers Board (JPB) prepares its budget on a basis of accounting that differs from accounting principles generally accepted in the United States of America (GAAP). The actual results of operations are presented in the supplementary schedule on the budgetary basis to provide a meaningful comparison of actual results with budget. In addition, certain budget amounts have been reclassified to conform to the presentation of actual amounts in the supplementary schedule. Budgeted amounts presented are the final adopted budget. The primary difference between the budgetary basis of accounting and GAAP concerns capital assets. Depreciation and amortization expense per GAAP and amortization of lease are not budgeted and budgeted capital expenses are not recorded as an expense per GAAP. In addition, unrealized gains and losses under Governmental Accounting Standards Board (GASB) Statement No. 31 are not recognized on a budgetary basis as well as some long-term expenses such as bond related payments. The capital expense budget does not include the carry-over budget from 2022.

NOTE 2 – RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

Deficiency of Revenues and Nonoperating Income under Expenses, Capital Outlay, and Debt Principal Payment		$ (18,916)
Reconciling Items		
Capital expenditures	$ 356,432	
Depreciation and amortization	(60,582)	
Capital debt financing	(60,402)	
GASB Statement No. 31 unrealized gain/loss	(3)	
Bond premium amortization	1,373	
Subtotal reconciling items		236,818
Change in net position, GAAP basis		$ 217,902

Section III

STATISTICAL

Financial Trends

- Net Position and Changes in Net Position

Revenue Capacity

- Revenue Base and Revenue Rate
- Principal Revenue Payers

Debt Capacity

- Ratio of Outstanding Debt
- Bonded Debt
- Direct and Overlapping Debt
- Debt Limitations
- Pledged Revenue Coverage
- Sales Tax Receipts

Demographics and Economic Information

- Population, Income, and Unemployment Rates
- Principal Employers

Operating Information

- Farebox Recovery and Passenger Miles
- Employees (Full-Time Equivalents)
- Capital Assets

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STATISTICAL SECTION

The Statistical Section of the Peninsula Corridor Joint Powers Board (JPB) Annual Comprehensive Financial Report represents detailed information as a context for understanding the information in the financial statements, note disclosures, and supplementary information for assessing the JPB's economic condition.

Financial Trends

These schedules contain trend information to assist readers in understanding and assessing how the JPB's financial position has changed over time.

Revenue Capacity

These schedules contain information to assist readers in understanding and assessing the factors affecting the JPB's ability to generate passenger fares.

Debt Capacity

These schedules assist readers in understanding and assessing the JPB's debt burden and its capacity to issue future debt.

Demographic and Economic Information

These schedules present socioeconomic indicators to assist readers in understanding the environment within which the JPB's financial activities take place.

Operating Information

These schedules contain contextual information about the JPB's operations and resources to assist readers in using financial statement information as a tool to understand and assess the JPB's economic condition.

FINANCIAL TRENDS – NET POSITION AND CHANGES IN NET POSITION
FISCAL YEARS 2014 THROUGH 2023 (in thousands)

	2023	2022	2021	2020
OPERATING REVENUES:				
Passenger fares	$ 43,330	$ 33,236	$ 32,440	$ 76,094
Parking, shuttle, and pass revenues	2,239	2,778	1,547	6,045
Advertising	821	412	114	1,469
Other	275	1,268	1,108	849
Total operating revenues	46,665	37,694	35,209	84,457
OPERATING EXPENSES:				
Contract services	117,289	108,946	122,030	107,037
Insurance	11,855	6,148	8,473	4,166
Fuel	15,995	13,491	7,088	9,311
Parking, shuttle, and pass expenses	1,507	3,254	3,211	5,591
Professional services	2,445	2,944	11,061	5,535
Wages and benefits	14,063	11,356	13,068	17,355
Utilities and supplies	2,836	5,118	2,083	2,059
Maintenance services	773	609	503	1,391
Temporary services, rent, and other	5,808	5,298	3,330	4,579
Debt fees	716	-	-	-
Total operating expenses	173,287	157,164	170,847	157,024
Operating loss before depreciation and amortization	(126,622)	(119,470)	(135,639)	(72,567)
Depreciation and amortization	(60,582)	(65,656)	(65,112)	(66,966)
Operating loss	(187,204)	(185,126)	(200,750)	(139,533)
NONOPERATING REVENUES:				
Federal, state, and local operating assistance	11,644	126,118	129,634	63,044
Transaction and use tax	121,645	112,620	-	-
Rental income	1,300	1,237	1,125	534
Investment income	4,838	679	334	495
Other income	3,059	3,172	4,085	1,201
Total nonoperating revenues	142,486	243,826	135,178	65,274
NONOPERATING EXPENSES:				
Interest expense	(2,351)	(2,210)	(2,890)	(2,642)
Expense for noncapitalized projects	(31,059)	(19,954)	-	-
Total nonoperating expenses	(33,410)	(22,164)	(2,890)	(2,642)
Net loss before capital contributions	(78,128)	36,536	(68,462)	(76,901)
Capital contributions	296,030	468,612	434,567	361,303
Change in net position	217,902	505,148	366,105	284,402
NET POSITION:				
Beginning of year	3,228,367	2,723,219	2,355,685	2,071,282
Prior period adjustment per GASB 87[1]	-	-	1,429	-
Beginning of year, as restated	3,228,367	2,723,219	2,357,114	2,071,282
End of year	$ 3,446,269	$ 3,228,367	$ 2,723,219	$ 2,355,685
COMPONENTS OF NET POSITION:				
Net investment in capital assets	$ 3,302,606	$ 2,947,760	$ 2,652,168	$ 2,312,715
Unrestricted	143,663	280,607	71,051	42,970
Net position, end of year	$ 3,446,269	$ 3,228,367	$ 2,723,219	$ 2,355,685

[1] Per Governmental Accounting Standards Board (GASB) Statement No. 87 effective as of fiscal year 2021, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

Source: Current and prior years' Annual Comprehensive Financial Reports.

This table presents revenues and expenses, contributions, depreciation and amortization, and net position components.

2019	2018	2017	2016	2015	2014
$ 102,668	$ 97,050	$ 92,429	$ 86,959	$ 83,351	$ 74,846
7,894	7,790	7,911	7,226	5,990	5,859
1,050	1,016	370	190	227	86
1,165	1,180	1,321	1,057	1,194	1,354
112,777	107,036	102,031	95,432	90,762	82,145
99,541	92,899	89,639	82,942	78,240	75,238
4,129	1,188	7,105	35	6,593	3,874
11,184	10,322	8,613	8,312	12,118	14,797
5,280	5,916	5,629	6,104	5,316	5,476
2,068	2,178	1,514	1,618	1,255	1,322
16,765	13,911	13,561	12,943	11,501	10,668
2,189	2,063	2,179	2,172	2,068	1,524
1,643	1,668	1,508	1,054	1,039	1,007
4,528	2,782	2,886	2,664	1,981	1,854
-	-	-	-	-	-
147,327	132,927	132,634	117,844	120,111	115,760
(34,550)	(25,891)	(30,603)	(22,412)	(29,349)	(33,616)
(78,890)	(100,097)	(83,922)	(93,540)	(75,300)	(73,452)
(113,440)	(125,988)	(114,525)	(115,952)	(104,649)	(107,068)
35,070	25,346	25,489	25,078	27,578	29,522
-	-	-	-	-	-
1,901	2,070	1,861	1,781	1,764	1,728
714	93	28	111	242	206
3,210	1,198	2,413	613	1,007	4,044
40,895	28,707	29,791	27,583	30,590	35,500
(3,222)	(1,501)	(1,302)	(1,301)	(1,192)	(1,120)
-	-	-	-	-	-
(3,222)	(1,501)	(1,302)	(1,301)	(1,192)	(1,120)
(75,767)	(98,782)	(86,036)	(89,670)	(75,251)	(72,688)
405,162	321,303	246,767	131,329	115,225	111,349
329,393	222,521	160,731	41,659	39,974	38,661
1,741,889	1,519,366	1,358,635	1,316,975	1,277,001	1,238,339
-	-	-	-	-	-
1,741,889	1,519,366	1,358,635	1,316,975	1,277,001	1,238,339
$ 2,071,282	$ 1,741,889	$ 1,519,366	$ 1,358,635	$ 1,316,974	$ 1,277,001
$ 2,030,255	$ 1,707,243	$ 1,484,730	$ 1,323,485	$ 1,282,932	$ 1,246,218
41,027	34,646	34,636	35,150	34,043	30,783
$ 2,071,282	$ 1,741,889	$ 1,519,366	$ 1,358,635	$ 1,316,975	$ 1,277,001

REVENUE CAPACITY – REVENUE BASE AND REVENUE RATE
FISCAL YEARS 2014 THROUGH 2023

	2023	2022	2021	2020
Passenger fares (in thousands)	$ 43,330	$ 33,236	$ 32,440	$ 75,789
Revenue Base				
Number of passengers (in thousands)	6,678	4,055	1,296	13,684
Source: National Transit Database (NTD)				
Four-zone fare structure				
Full adult fare:				
One-way (Ticket Machine)	$ 10.50	$ 10.50	$ 10.50	$ 10.50
One-way (Clipper Card)	9.95	9.95	-	-
Day Pass	21.00	21.00	21.00	21.00
8-ride[1]	-	-	-	-
Monthly Pass	238.80	238.80	298.50	298.50
Eligible discount fare:				
One-way (Ticket Machine)	$ 4.75	$ 4.75	$ 4.75	$ 4.75
One-way (Clipper Card)	4.60	4.60	-	-
Day Pass	10.50	10.50	10.50	10.50
8-ride [1]	-	-	-	-
Monthly pass	110.40	110.40	138.00	138.00

[1] 8-ride tickets replaced 10-ride tickets effective on March 2, 2009. 8-ride tickets were discontinued on October 1, 2017.

Source: Annual Comprehensive Financial Reports, Caltrain codified tariff, and Caltrain board reports on passenger counts; National Transit Database.

This table presents passenger fares, number of passengers, and four-zone revenue fare structure.

2019	2018	2017	2016	2015	2014
$ 102,668	$ 97,050	$ 92,429	$ 86,959	$ 83,351	$ 74,846
17,797	18,944	18,743	19,233	18,567	17,029
$ 10.50	$ 10.50	$ 9.75	$ 9.75	$ 9.25	$ 9.25
-	-	-	-	-	-
21.00	21.00	19.50	19.50	18.50	18.50
-	-	68.10	68.10	64.75	64.75
298.50	278.60	243.80	243.80	232.00	232.00
$ 4.75	$ 4.75	$ 4.75	$ 4.75	$ 4.50	$ 4.50
-	-	-	-	-	-
10.50	10.50	9.75	9.75	9.25	9.25
-	-	34.05	34.05	32.25	32.25
138.00	128.80	121.90	121.90	116.00	116.00

DRAFT

REVENUE CAPACITY – PRINCIPAL REVENUE PAYERS
FISCAL YEAR ENDED JUNE 30, 2023

The JPB does not have major revenue payers as most of the operating revenues are derived from passenger fares.

DEBT CAPACITY – RATIO OF OUTSTANDING DEBT
FISCAL YEARS 2014 THROUGH 2023 (in thousands)

Fiscal Year	Revenue Bonds (in thousands)[1]	Personal Income for San Mateo County[2]	As a Percent of Personal Income
2023	$ 222,771	$ 117,533	189.539%
2022	225,320	114,109	197.460%
2021	54,890	110,787	49.546%
2020	55,153	107,560	51.276%
2019	55,417	101,056	54.838%
2018	34,496	96,306	35.819%
2017	34,514	89,223	38.683%
2016	34,532	81,489	42.376%
2015	34,551	78,525	44.000%
2014	23,564	71,027	33.176%

[1] Source: Current and prior years' Annual Comprehensive Financial Reports.

[2] Data include retroactive revisions by the U.S. Department of Commerce, Bureau of Economic Analysis. Personal Income and Per Capital Personal Income data for 2021, 2022, and 2023 is based on an estimated three percent annual increase over 2020.

Source data for table is the FY22 San Mateo County Annual Comprehensive Financial Report.

This table presents the capacity of the JPB to issue Revenue Bonds based on the total personal income for San Mateo County.

DEBT CAPACITY – BONDED DEBT
FISCAL YEARS 2014 THROUGH 2023 (in thousands)

Fiscal Year	Revenue Bonds	Operating Contributions / Transaction and Use Tax	As a Percent of Operating Contributions / Transaction and Use Tax
2023	$ 222,771	$ 121,645	183.1%
2022	225,320	112,620	200.1%
2021	54,890	28,538	192.3%
2020	55,153	28,035	196.7%
2019	55,417	25,448	217.8%
2018	34,496	20,448	168.7%
2017	34,514	20,448	168.8%
2016	34,532	19,727	175.0%
2015	34,551	19,829	174.2%
2014	23,564	17,236	136.7%

Source: Current and prior years' Annual Comprehensive Financial Reports.

This table presents the capacity of the JPB to issue Revenue Bonds based on the total member contributions from the District, VTA, and CCSF prior to fiscal year 2023 and the Measure RR transaction and use tax since fiscal year 2022.

PENINSULA CORRIDOR JOINT POWERS BOARD

DEBT CAPACITY – DIRECT AND OVERLAPPING DEBT
FISCAL YEAR ENDED JUNE 30, 2023

The JPB does not have overlapping debt with other governmental agencies.

DEBT CAPACITY – DEBT LIMITATIONS
FISCAL YEAR ENDED JUNE 30, 2023

The JPB does not have a legal debt limit.

DEBT CAPACITY – PLEDGED REVENUE COVERAGE
FISCAL YEARS 2014 THROUGH 2023 (in thousands)

		Debt Service (Farebox Revenue Bonds)			
Fiscal Year	Pledged Revenue	Principal	Interest	Total	Debt Coverage
2023	$ 46,665	$ 1,175	$ 2,296	$ 3,471	13
2022	37,694	1,120	2,354	3,474	11
2021	35,206	-	2,382	2,382	15
2020	84,458	-	2,283	2,283	37
2019	112,777	-	1,451	1,451	78
2018	107,036	-	1,282	1,282	83
2017	102,031	-	1,292	1,292	79
2016	95,433	-	1,282	1,282	74
2015	90,763	-	1,148	1,148	79
2014	82,145	-	1,103	1,103	74

		Debt Service (Measure RR Sales Tax Revenue Bonds)			
Year	Pledged Revenue	Principal	Interest	Total	Debt Coverage
2023	$ 121,645	$ -	$ 7,000	$ 7,000	17
2022	112,620	-	1,731	1,731	65

Source: Current and prior years' Annual Comprehensive Financial Reports.

These tables present the relationship between total farebox and Measure RR transaction and use tax revenues and total principal and interest payments, as well as the JPB's ability to meet its debt obligations.

SALES TAX RECEIPTS – COUNTY OF SAN MATEO
FISCAL YEARS 2022 AND 2013 (in thousands)

	2022			2013		
Major Industry Group	Rank	Percent of Sales Receipts	Amount	Rank	Percent of Sales Receipts	Amount
County and State Pool	1	22.1%	$ 46,690	4	12.3%	$ 17,490
Autos and Transportation	2	16.1%	34,151	2	16.5%	23,510
General Consumer Goods	3	15.6%	32,985	1	22.0%	31,380
Business and Industry	4	14.5%	30,750	6	11.5%	16,367
Restaurants and Hotels	5	11.8%	24,979	3	12.5%	17,835
Building and Construction	6	8.0%	16,843	7	8.0%	11,360
Fuel and Service Stations	7	7.3%	15,457	5	11.5%	16,431
Food and Drugs	8	4.5%	9,556	8	5.3%	7,594
Transfers and Unidentified	9	0.1%	181	9	0.3%	418
Total			**$ 211,592**			**$ 142,385**

Source: County-wide sales tax receipts provided for the County of San Mateo by Major Industry Group by Hinderliter, de Llamas and Associates (HDL).

SALES TAX RECEIPTS – CITY AND COUNTY OF SAN FRANCISCO
FISCAL YEARS 2022 AND 2013 (in thousands)

	2022			2013		
Major Industry Group	Rank	Percent of Sales Receipts	Amount	Rank	Percent of Sales Receipts	Amount
County and State Pool	1	24.9%	$ 46,516	3	14.2%	$ 23,550
Restaurants and Hotels	2	21.9%	40,887	2	25.0%	41,400
General Consumer Goods	3	20.1%	37,581	1	28.1%	46,605
Business and Industry	4	10.1%	18,799	4	10.2%	16,838
Building and Construction	5	5.9%	11,072	7	4.9%	8,125
Food and Drugs	6	5.9%	11,009	6	6.1%	10,045
Autos and Transportation	7	5.6%	10,430	8	4.8%	7,978
Fuel and Service Stations	8	5.2%	9,746	5	6.7%	11,065
Transfers and Unidentified	9	0.3%	522	9	0.0%	25
Total			**$ 186,562**			**$ 165,631**

Source: County-wide sales tax receipts provided for the City and County of San Francisco by Major Industry Group by Hinderliter, de Llamas and Associates (HDL).

SALES TAX RECEIPTS – COUNTY OF SANTA CLARA
FISCAL YEARS 2022 AND 2013 (in thousands)

	2022			2013		
Major Industry Group	**Rank**	**Percent of Sales Receipts**	**Amount**	**Rank**	**Percent of Sales Receipts**	**Amount**
Business and Industry	1	29.1%	$ 164,461	1	24.1%	$ 90,099
County and State Pool	2	18.9%	106,425	3	13.7%	51,270
General Consumer Goods	3	13.7%	77,520	2	20.4%	76,285
Autos and Transportation	4	12.9%	72,527	4	12.8%	47,627
Restaurants and Hotels	5	9.9%	56,087	5	10.3%	38,351
Building and Construction	6	6.9%	38,883	7	6.7%	24,950
Fuel and Service Stations	7	5.1%	28,660	6	8.0%	29,926
Food and Drugs	8	3.3%	18,728	8	4.0%	14,881
Transfers and Unidentified	9	0.2%	1,027	9	0.0%	105
Total			**$ 564,318**			**$ 373,494**

Source: County-wide sales tax receipts provided for the County of Santa Clara by Major Industry Group by Hinderliter, de Llamas and Associates (HDL).

DEMOGRAPHICS AND ECONOMIC INFORMATION – POPULATION, INCOME, AND UNEMPLOYMENT RATES – COUNTY OF SAN MATEO
FISCAL YEARS 2014 THROUGH 2023

Fiscal Year	Population [1]	Total Personal Income (in millions) [2]	Per Capita Personal Income [2]	Average Unemployment Rates [3]
2023	738,705 *	$ 117,533 *	$ 154,993 *	3.1%
2022	744,662	114,109 *	150,479 *	2.1%
2021	751,596	110,786 *	146,096 *	5.0%
2020	771,061	107,559	141,841	10.8%
2019	774,231	101,056	132,133	2.2%
2018	772,372	96,306	125,332	2.5%
2017	770,256	89,223	116,077	2.9%
2016	765,895	81,488	106,115	3.3%
2015	759,155	78,525	102,639	3.3%
2014	758,581	71,027	93,802	4.2%

[1] Data include retroactive revisions by the State of California Department of Finance, Demographic Research Unit.

[2] Data include retroactive revisions by the U.S. Department of Commerce Bureau of Economic Analysis.

[3] Data include retroactive revisions by the State of California Employment Development Department. Unemployment rates are non-seasonally adjusted for June.

* 2023 Population growth is based on 0.8% decline from 2022.

* Personal Income and Per Capita Personal Income data for 2021, 2022, and 2023 is based on an estimated three percent annual increase over 2020. Source data for table is the fiscal year 2022 San Mateo County Annual Comprehensive Financial Report.

Source: County of San Mateo fiscal year 2022 Annual Comprehensive Financial Report.

This table highlights San Mateo County's total population, total personal and per capita income, and percentage of unemployed residents

DEMOGRAPHICS AND ECONOMIC INFORMATION – POPULATION, INCOME, AND UNEMPLOYMENT RATES – CITY AND COUNTY OF SAN FRANCISCO
FISCAL YEARS 2014 THROUGH 2023

Fiscal Year	Population [1]	Total Personal Income (in millions) [2]	Per Capita Personal Income [2]	Average Unemployment Rates [3]
2023	804,508 *	$ 141,274 *	$ 175,597 *	3.2%
2022	804,534	137,159	170,483	3.3%
2021	815,201	136,122	166,980	6.9%
2020	870,014	125,500	144,250	4.8%
2019	881,549	117,636	133,442	2.3%
2018	880,696	115,445	131,083	2.6%
2017	879,166	106,007	120,576	3.1%
2016	876,103	96,161	109,760	3.4%
2015	862,004	89,533	103,867	4.0%
2014	852,469	77,233	90,600	5.2%

[1] U.S. Census Bureau. Fiscal years 2020 and 2021 were updated from last year's Annual Comprehensive Financial Report with newly available data.

[2] U.S. Bureau of Economic Analysis. Fiscal years 2019, 2020, and 2021 were updated from last year's Annual Comprehensive Financial Report with newly available data.

[3] California Employment Development Department.

* 2023 Population Estimate reflects a small decline from 2022.

* Personal Income and Per Capita Personal Income data for 2023 is based on an estimated three percent annual increase over 2022. Source data for table is the fiscal year 2022 San Francisco City and County Annual Comprehensive Financial Report.

Source: Fiscal year 2022 San Francisco City and County Annual Comprehensive Financial Report.

This table highlights the City and County of San Francisco's total population, total personal and per capita income, and percentage of unemployed residents.

DEMOGRAPHICS AND ECONOMIC INFORMATION – POPULATION, INCOME, AND UNEMPLOYMENT RATES – COUNTY OF SANTA CLARA
FISCAL YEARS 2014 THROUGH 2023

Year	Population [1]	Total Personal Income (in millions) [2]	Per Capita Personal Income [2]	Average Unemployment Rates [3]
2023	1,892,187 *	$ 257,704	$ 135,128	3.6%
2022	1,894,783 *	250,198	131,192	2.2%
2021	1,934,171	242,911	127,371	5.2%
2020	1,961,969	235,835	123,661	10.7%
2019	1,954,286	223,625	115,997	2.6%
2018	1,956,598	209,020	107,877	2.9%
2017	1,938,180	190,002	98,032	3.5%
2016	1,927,888	170,673	88,920	4.0%
2015	1,889,638	158,729	82,756	4.6%
2014	1,868,558	141,874	74,883	6.1%

[1] Data include retroactive revisions by the State of California Department of Finance, Demographic Research Unit.

[2] U.S. Department of Commerce – Bureau of Economic Analysis. Actual data is available through 2020. Years 2021, 2022, and 2023 data are preliminary and assume a 3% increase over the prior year.

[3] California Employment Development Department.

* 2023 Population estimate is based on 0.1% decline from 2022.

Source: County of Santa Clara fiscal year 2022 Annual Comprehensive Financial Reports.

This table highlights Santa Clara County’s total population, total personal and per capita income, and percentage of employed residents.

DEMOGRAPHICS AND ECONOMIC INFORMATION – PRINCIPAL EMPLOYERS – COUNTY OF SAN MATEO
FISCAL YEARS 2021 AND 2013

		2021*			2013		
Employers in San Mateo County	Business Type	Number of Employees	Rank	Percent of Total County Employment	Number of Employees	Rank	Percent of Total County Employment
Meta (Facebook Inc.)	Social Network	15,407	1	3.51%	2,865	7	0.75%
Genentech Inc.	Biotechnology	12,000	2	2.73%	8,800	2	2.30%
Oracle Corp.	Hardware and Software	9,149	3	2.08%	6,524	3	1.71%
United Airlines	Airline	7,894	4	1.80%	10,000	1	2.62%
County of San Mateo	Government	5,705	5	1.30%	5,929	4	1.55%
Gilead Sciences Inc.	Biotechnology	4,190	6	0.95%	2,596	8	0.68%
YouTube	Online Video-Streaming Platform	2,384	7	0.54%			
Sony Interactive Entertainment	Interactive Entertainment	1,855	8	0.42%			
Alaska Airlines	Airline	1,591	9	0.36%			
Electronic Arts Inc.	Video Game Developer and Publisher	1,478	10	0.34%			
Visa USA/Visa International	Global Payments Technology				2,895	6	0.76%
Kaiser Permanente	Healthcare				3,911	5	1.02%
Mills-Peninsula Health Services	Healthcare				2,200	9	0.58%
Safeway Inc	Retail Grocer				2,195	10	0.57%
Total		61,653		14.03%	47,915		12.54%

* The latest information available for principal employers in San Mateo County.

Source: San Francisco Business Times - 2022 Book of Lists; California Employment Development Department (provided by San Mateo County Controller's office) from the fiscal year 2022 County of San Mateo Annual Comprehensive Financial Report.

This table presents the top 10 principal employers in San Mateo County for 2021 and 2013.

DEMOGRAPHICS AND ECONOMIC INFORMATION – PRINCIPAL EMPLOYERS – CITY AND COUNTY OF SAN FRANCISCO
FISCAL YEARS 2021 AND 2012

	2021*			2012		
Employers in San Francisco City and County	Number of Employees	Rank	Percent of Total City Employment	Number of Employees	Rank	Percent of Total City Employment
City and County of San Francisco	35,802	1	6.38%	25,458	1	5.33%
University of California, San Francisco	29,500	2	5.26%	22,664	2	4.74%
Salesforce	10,603	3	1.89%	4,000	9	0.84%
San Francisco Unified School District	10,322	4	1.84%	8,189	5	1.71%
Sutter Health	6,100	5	1.09%			
Wells Fargo & Co	5,899	6	1.05%	8,300	4	1.74%
Uber Technologies Inc.	5,500	7	0.98%			
Allied Universal	4,095	8	0.72%			
Kaiser Permanente	3,921	9	0.70%	3,581	10	0.75%
First Republic Bank	3,042	10	0.54%			
PG&E Corporation				4,415	7	0.92%
California Pacific Medical Center				8,559	3	1.79%
Gap, Inc				6,000	6	1.26%
State of California				4,184	8	0.88%
Total	114,784		20.45%	95,350		19.96%
Total City and County Employment	561,308			477,650		

* The latest information available for principal employers in the City and County of San Francisco.

Source: Fiscal year 2022 City and County of San Francisco Annual Comprehensive Financial Report. City and County of San Francisco data is provided by Office of the Controller's Payroll and Personnel Services Division. The University of California, San Francisco data is from the Data Source Corporate Personnel Data Warehouse. All other data is obtained from the San Francisco Business Times Book of Lists.

This table presents the top 10 principal employers in San Francisco City and County for 2021 and 2012.

DEMOGRAPHICS AND ECONOMIC INFORMATION – PRINCIPAL EMPLOYERS – COUNTY OF SANTA CLARA
FISCAL YEARS 2022 AND 2013

	2022*			2013		
Company or Organization	**Estimated Number of Employees**	**Rank**	**Percent of Total County Employment**	**Estimated Number of Employees**	**Rank**	**Percent of Total County Employment**
Google LLC	41,665	1	4.10%	11,000	6	1.27%
Apple Inc.	25,000	2	2.46%	12,000	5	1.39%
Tesla Motors Inc.	22,000	3	2.16%	0		
County of Santa Clara	20,912	4	2.06%	15,564	2	1.80%
Stanford University	15,750	5	1.55%	14,369	3	1.66%
Stanford Health Care (formerly Hospital & Clinics)	15,708	6	1.54%	7,936	7	0.92%
Kaiser Permanente Northern California	14,675	7	1.44%	13,500	4	1.56%
Cisco Systems Inc.	10,847	8	1.07%	16,494	1	1.90%
Applied Materials Inc	8,500	9	0.84%			
City of San Jose	7,627	10	0.75%	5,495	9	0.63%
Lockheed Martin Space Systems Co.	n/a		n/a	6,800	8	0.79%
Intel Corporation	n/a		n/a	5,400	10	0.62%
Total - Top 10 Employers	182,684			108,558		
Total County Employment	1,016,800			865,900		

* The latest information available for principal employers in Santa Clara County.

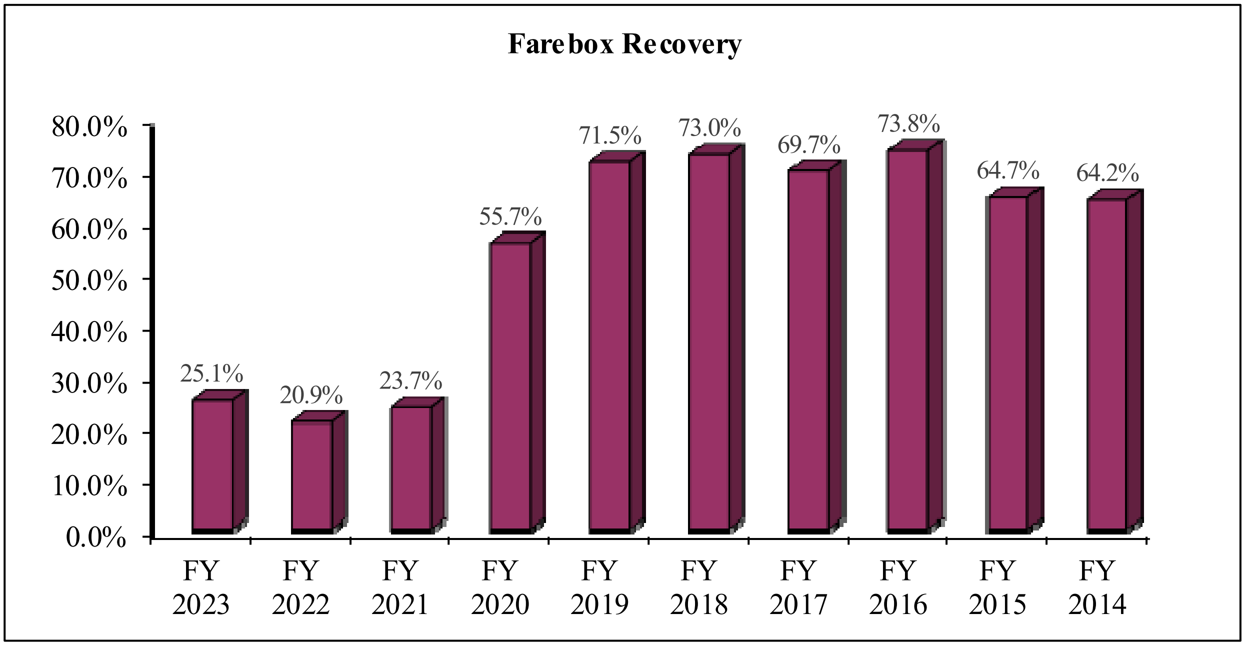
Source: County Employment Data is from California Employee Development Department. Fiscal year 2021 estimated number of employees is from Silicon Valley/San Jose Business Journal July 8-14-2022. All other data is from the fiscal year 2022 County of Santa Clara Annual Comprehensive Financial Report.

This table lists the top 10 principal employers in Santa Clara County for 2022 and 2013.

OPERATING INFORMATION – FAREBOX RECOVERY AND PASSENGER MILES
FISCAL YEARS 2014 THROUGH 2023

FAREBOX RECOVERY

The farebox recovery table shows the relationship between total passenger fares and operating expenses. The Board of Directors (Board) adopted a farebox recovery rate goal minimum of 65 percent effective December 2018.

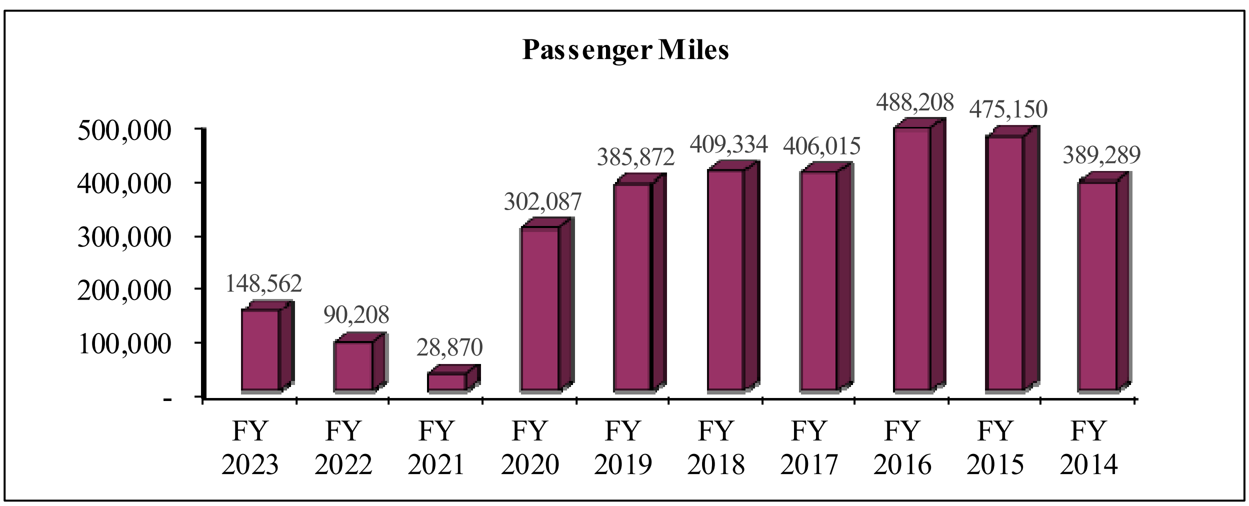


PASSENGER MILES

(in thousands)

Total passenger miles

Caltrain moved to a 104 weekday train schedule at the end of August 2021.



Source: The JPB's National Transportation Database.

OPERATING INFORMATION – EMPLOYEES (FULL-TIME EQUIVALENTS)
FISCAL YEARS 2014 THROUGH 2023

	FULL-TIME EQUIVALENTS (FTEs)									
DIVISION	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
EXECUTIVE	4.61	0.90	0.90	0.90	0.52	0.52	0.56	0.70	0.76	0.85
PUBLIC AFFAIRS	-	-	-	-	-	-	-	5.35	4.80	4.80
OPERATIONS, ENGINEERING, AND CONSTRUCTION	128.91	94.12	95.19	79.13	84.38	62.60	42.88	51.64	49.64	47.81
PLANNING AND DEVELOPMENT	7.61	7.79	8.08	8.09	7.00	6.70	8.45	6.43	5.95	6.40
FINANCE AND ADMINISTRATION	26.12	26.21	27.74	28.96	28.10	29.86	33.71	29.44	29.40	31.00
CALTRAIN MODERNIZATION PROGRAM	8.00	9.00	9.00	9.00	9.00	17.45	8.25	9.95	5.95	4.95
CUSTOMER SERVICE AND MARKETING	21.12	18.20	18.41	17.34	15.09	16.79	24.01	11.27	11.14	14.61
TOTAL FTEs	196.37	156.22	159.32	143.42	144.09	133.92	117.85	114.78	107.64	110.42

Note: The JPB went through a reorganization in fiscal year 2010; Caltrain Modernization Program division was added in fiscal year 2013 as a replacement for the Peninsula Rail department.

Source: The JPB’s annual capital and operating budget.

This table presents the total full-time equivalents (FTEs) by division.

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PENINSULA CORRIDOR JOINT POWERS BOARD

OPERATING INFORMATION – CAPITAL ASSETS (in thousands)
FISCAL YEARS 2014 THROUGH 2023

	2023	2022	2021	2020
Depreciable and amortized capital assets				
Right-of-way improvements	$ 1,202,236	$ 1,199,128	$ 1,188,736	$ 1,192,985
Rail vehicles	338,413	338,072	337,025	333,025
Facilities and equipment	145,879	145,177	145,065	145,121
Office equipment	13,765	13,750	13,767	13,354
Total depreciable and amortized capital assets	1,700,293	1,696,127	1,684,593	1,684,485
Accumulated depreciation and amortization				
Right-of-way improvements	(807,602)	(761,680)	(710,610)	(666,113)
Rail vehicles	(281,841)	(273,766)	(265,139)	(258,608)
Facilities and equipment	(83,292)	(78,725)	(74,279)	(70,530)
Office equipment	(13,645)	(13,467)	(13,306)	(13,229)
Total accumulated depreciation and amortization	(1,186,380)	(1,127,638)	(1,063,334)	(1,008,480)
Non-depreciable capital assets				
Right-of-way	237,254	236,968	236,968	236,340
Construction in progress	2,775,062	2,424,021	1,840,831	1,447,512
Intangible asset - trackage rights*	8,000	8,000	8,000	8,000
Total non-depreciable capital assets	3,020,316	2,668,989	2,085,799	1,691,852
Capital assets, net	$ 3,534,229	$ 3,237,478	$ 2,707,058	$ 2,367,857

* Per GASB Statement No. 51 effective as of fiscal year 2009, trackage rights are a non-depreciable capital asset. The activity for fiscal year 2009 has been restated to reflect the change.

Source: Annual Comprehensive Financial Reports.

This table presents the total non-depreciable capital assets, total depreciable capital assets, and total accumulated depreciation and amortization.

2019	2018	2017	2016	2015	2014
$ 1,183,600	$ 1,170,025	$ 1,131,890	$ 1,033,142	$ 972,866	$ 804,003
333,787	333,572	312,738	300,680	284,023	284,128
136,599	130,231	130,942	128,365	128,584	127,653
14,529	18,129	2,669	1,085	1,084	869
1,668,515	1,651,957	1,578,239	1,463,272	1,386,557	1,216,653
(632,433)	(579,398)	(515,275)	(452,151)	(399,280)	(341,424)
(246,236)	(230,537)	(206,161)	(190,840)	(161,494)	(149,882)
(66,271)	(61,357)	(57,522)	(52,459)	(48,396)	(43,790)
(13,927)	(9,105)	(1,342)	(928)	(854)	(648)
(958,867)	(880,397)	(780,300)	(696,378)	(610,024)	(535,744)
233,711	226,973	226,972	226,972	226,972	226,893
1,124,618	735,025	486,333	356,152	305,977	354,256
8,000	8,000	8,000	8,000	8,000	8,000
1,366,329	969,998	721,305	591,124	540,949	589,149
$ 2,075,977	$ 1,741,558	$ 1,519,244	$ 1,358,017	$ 1,317,482	$ 1,270,058

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Peninsula Corridor Joint Powers Board
Staff Report

TO:	Finance Committee
THROUGH:	Michelle Bouchard, Executive Director
FROM:	Kate Jordan Steiner, Chief Financial Officer
SUBJECT:	**Amend and Increase the Fiscal Year 2024 Caltrain Capital Budget By $3,250,000 from $517,525,704 to $520,775,704**

☐ Finance Committee Recommendation ☐ Technology, Operations, Planning, and Safety Committee Recommendation ☐ Advocacy and Major Projects Committee Recommendation

Purpose and Recommended Action

Staff proposes that the Board of Directors (Board) of the Peninsula Corridor Joint Powers Board (JPB) amend the Fiscal Year (FY) 2024 Capital Budget, included as Attachment B, as follows:

1. Include $2,500,000 for the Broadway Burlingame Grade Separation Project; and
2. Include $750,000 for the Charleston Road Grade Crossing Improvements Project.

Discussion

Pursuant to Resolution No. 2023-78, the Board adopted the FY24 Capital Budget Amendment 3 on December 7, 2023 for a total amount of $517,525,704. The proposed amendment would increase the FY24 Capital Budget from $517,525,704 to $520,775,704.

Staff proposes an amendment to the FY24 Caltrain Capital Budget to include an additional $3,250,000 for the above-mentioned projects, and as further discussed below.

Broadway Burlingame Grade Separation Project
The Broadway Burlingame Grade Separation Project was originally approved by the Board in FY18 for a budget of $4,350,000 funded by San Mateo County Transportation Authority (TA) and the City of Burlingame (City). Amendments since then increased the project's budget to $25,413,000, funded by TA for $23,413,000 and the City for $2,000,000. Execution of the amendment to the agreement between JPB, TA, and the City will provide additional funding to the project of $2,500,000, increasing the project budget to $27,913,000.

Charleston Road Grade Crossing Improvements Project
Execution of the funding agreement with Caltrans will provide Section 130 Program funds of $750,000 to the Charleston Road Grade Crossing Improvements Project. This funding will result in a project budget of $750,000, which will allow JPB to initiate the project and proceed with Preliminary Engineering.

BUDGET IMPACT

The funding for this budget amendment shall be as follows:

Project	Funding Source	Amount
Broadway Burlingame Grade Separation Project	TA ($2.3M) City of Burlingame ($0.2M)	$2,500,000
Charleston Road Grade Crossing Improvements Project	Section 130 Program Funds	$750,000
TOTAL		**$3,250,000**

Prepared By: Claudette Valbuena, Manager, Budgets

Ladi Millard-Olmeda, Director, Budgets

Resolution No. 2024-

**Board of Directors, Peninsula Corridor Joint Powers Board
State of California**

* * *

Amend and Increase the Fiscal Year 2024 Caltrain Capital Budget By $3,250,000 from $517,525,704 to $520,775,704

WHEREAS, pursuant to Resolution No. 2023-78 adopted on December 7, 2023, the Peninsula Corridor Joint Powers Board (JPB) adopted Fiscal Year 2024 (FY24) Capital Budget Amendment 3 for a total authorized budget of $517,525,704; and

WHEREAS, pursuant to Resolution No. 2023-79 adopted on December 7, 2023, the execution of the amendment to the agreement between JPB, San Mateo County Transportation Authority, and the City of Burlingame for the Broadway Burlingame Grade Separation Project will provide additional funding to the project of $2,500,000; and

WHEREAS, execution of the funding agreement with Caltrans will provide Section 130 Program funds of $750,000 to the Charleston Road Grade Crossing Improvements Project; and

WHEREAS, staff recommends that the Board increase the total project authority for the Broadway Burlingame Grade Separation Project to $27,913,000; and

WHEREAS, staff recommends that the Board increase the total project authority for the Charleston Road Grade Crossing Improvements Project to $750,000.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Peninsula Corridor Joint Powers Board hereby approves a fourth amendment to the FY24 Capital Budget for a total authorized capital budget increase of $3,250,000, from $517,525,704 to $520,775,704.

Regularly passed and adopted this 4th day of January 2024 by the following vote:

AYES:

NOES:

ABSENT:

____
Chair, Peninsula Corridor Joint Powers Board

ATTEST:

____
JPB Secretary

FY2024 ADOPTED CAPITAL BUDGET

Attachment B
Amendment 4
January 2024

Item #	PROJECT NAME	FY2024 ADOPTED CAPITAL BUDGET	Amendment 4	FY2024 AMENDED CAPITAL BUDGET	Federal Funds	STA SOGR	Santa Clara (Measure B)	San Fancisco (SFCTA)	San Mateo (SMCTA)	Member Agency Funds	Others	Externally Funded / Stadler Cars	FY2024 ADOPTED CAPITAL BUDGET
i. S O G R													
	Bridges												
1	Guadalupe Bridges Replacement[1]	17,364,622		17,364,622	12,138,098	892,549	2,192,000			2,192,000	2,141,975	-	17,364,622
2	San Francisquito Creek Bridge Emergency North Channel Restoration[2]	5,165,715		5,165,715					2,490,020	2,490,020	2,675,695	-	5,165,715
3	San Francisquito Bridge Acoustic Monitoring System[3]	857,638		857,638						-	857,638	-	857,638
4	SOGR Structures	1,560,000		1,560,000	1,248,000	312,000				-	-	-	1,560,000
	Total Bridges	**24,947,975**	**-**	**24,947,975**	**13,386,098**	**1,204,549**	**2,192,000**	**-**	**2,490,020**	**4,682,020**	**5,675,308**	**-**	**24,947,975**
	Right of Way												
5	SOGR MOW Track[4]	4,100,543		4,100,543	2,957,273					-	1,143,270	-	4,100,543
6	SOGR MOW Track - Track Equipment	2,556,828		2,556,828		264,318		2,112,165	180,345	2,292,510	-	-	2,556,828
7	ROW Fencing[5]	1,835,951		1,835,951				461,316	730,635	1,191,951	644,000	-	1,835,951
	Total Right of Way	**8,493,322**	**-**	**8,493,322**	**2,957,273**	**264,318**	**-**	**2,573,481**	**910,980**	**3,484,461**	**1,787,270**	**-**	**8,493,322**
	Signal & Communications												
8	Signal SOGR FY24 and FY25	632,000		632,000	505,600	126,400				-	-	-	632,000
	Total Signal & Communications	**632,000**	**-**	**632,000**	**505,600**	**126,400**	**-**	**-**	**-**	**-**	**-**	**-**	**632,000**
	Station & Intermodal Access												
9	Station SOGR Project	1,226,519		1,226,519				1,226,519		1,226,519	-	-	1,226,519
	Total Station & Intermodal Access	**1,226,519**	**-**	**1,226,519**	**-**	**-**	**-**	**1,226,519**	**-**	**1,226,519**	**-**	**-**	**1,226,519**
	Total SOGR	**35,299,816**	**-**	**35,299,816**	**16,848,971**	**1,595,267**	**2,192,000**	**3,800,000**	**3,401,000**	**9,393,000**	**7,462,578**	**-**	**35,299,816**
ii. LEGAL MANDATE													
10	MS4 Trash Management	200,000		200,000	-				200,000	200,000	-	-	200,000
	Total	**200,000**	**-**	**200,000**	**-**	**-**	**-**	**-**	**200,000**	**200,000**	**-**	**-**	**200,000**
iii. OPERATIONAL IMPROVEMENTS/ENHANCEMENTS													
11	Mini-High Platforms[6]	460,000		460,000	-					-	460,000	-	460,000
12	Next Generation Visual Messaging Sign (VMS)	1,200,000		1,200,000				1,200,000		1,200,000	-	-	1,200,000
13	22nd Street ADA Access Improvements[7]	447,198		447,198						-	447,198	-	447,198
14	San Mateo Replacement Parking Track[8]	3,773,000		3,773,000						-	3,773,000	-	3,773,000
15	Support for Property Mapping	520,000		520,000					520,000	520,000	-	-	520,000
29	Broadband Communications[14] Total Project Budget (Post-Amendment): $30,440,518	1,620,277		1,620,277						-	1,620,277	-	1,620,277
30	*Broadway Burlingame Grade Separation Project [15]* *Total Project Budget (Post-Amendment): $27,913,000*	-	2,500,000	2,500,000						-	2,500,000	-	2,500,000
31	*Charleston Road Grade Crossing Improvements [16]* *Total Project Budget (Post-Amendment): $750,000*	-	750,000	750,000						-	750,000	-	750,000
	Total	**8,020,475**	**3,250,000**	**11,270,475**	**-**	**-**	**-**	**1,200,000**	**520,000**	**1,720,000**	**9,550,475**	**-**	**11,270,475**
iv. PLANNING/STUDIES													
16	Capital Planning (CIP)	359,000		359,000	-				359,000	359,000	-	-	359,000
17	San Francisco Railyards TOD[9]	806,000		806,000	-				-	-	806,000	-	806,000
18	Level Boarding Roadmap	520,000		520,000	-				520,000	520,000	-	-	520,000
19	Battery EMU R/D[10]	1,352,000		1,352,000	-					-	1,352,000	-	1,352,000
20	DISC/Diridon Business Case	1,560,000		1,560,000	-		1,560,000			1,560,000	-	-	1,560,000
21	Rail Network and Operations Planning	1,248,000		1,248,000	-		1,248,000			1,248,000	-	-	1,248,000
22	DTX Funding[3]	250,000		250,000	-					-	250,000	-	250,000
26	DTX Support Project[11] Total Project Budget (Post-Amendment): $9,349,113	5,018,239		5,018,239	-					-	5,018,239	-	5,018,239
27	SF Railyards Preliminary Business Case[12] Total Project Budget (Post-Amendment): $4,676,623	274,174		274,174	-					-	274,174	-	274,174
28	DTX Enabling Works[13] Total Project Budget (Post-Amendment): $1,055,000	460,000		460,000							460,000		460,000
	Total	**11,847,413**	**-**	**11,847,413**	**-**	**-**	**2,808,000**	**-**	**879,000**	**3,687,000**	**8,160,413**	**-**	**11,847,413**

FY2024 ADOPTED CAPITAL BUDGET

Attachment B
Amendment 4
January 2024

Item #	PROJECT NAME	FY2024 ADOPTED CAPITAL BUDGET	Amendment 4	FY2024 AMENDED CAPITAL BUDGET	Federal Funds	STA SOGR	Santa Clara (Measure B)	San Fancisco (SFCTA)	San Mateo (SMCTA)	Member Agency Funds	Others	Externally Funded / Stadler Cars	FY2024 ADOPTED CAPITAL BUDGET
v. STADLER CARS													
23	Stadler Cars	355,000,000		355,000,000	-				-	-	-	355,000,000	355,000,000
	Total	**355,000,000**	**-**	**355,000,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**355,000,000**	**355,000,000**
vi. EXTERNALY-FUNDED GRADE SEPARATION PROJECTS													
24	Mountain View Transit Center Grade Separation	107,000,000		107,000,000						-	-	107,000,000	107,000,000
25	San Mateo Grade Separation	158,000		158,000						-	-	158,000	158,000
	Total	**107,158,000**	**-**	**107,158,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**107,158,000**	**107,158,000**
	Total	**517,525,704**	**3,250,000**	**520,775,704**	**16,848,971**	**1,595,267**	**5,000,000**	**5,000,000**	**5,000,000**	**15,000,000**	**25,173,466**	**462,158,000**	**520,775,704**

[1] $76,760 is funded by AB664 Net Bridge Toll Revenue, $665,215 is funded by Altamont Corridor Express (ACE), and $1,400,000 is funded by Union Pacific Railroad (UPRR)

[2] The additional project budget of $1,171,066 and the change in cost sharing commitment from the cities of Palo Alto and Menlo Park of $1,861,909 are funded by: SMCTA from San Francisquito Acoustic Monitoring System Project $2,028,704; Project Savings from existing/closed projects $683,121; and Capital Contingency Funds $321,150. The City of Palo Alto/Menlo Park and SMCTA will continue to fund the project as follows: $1,671,424 and $461,316, respectively.

[3] Funding plan for the San Francisquito Bridge Acoustic Monitoring System and DTX Funding projects have yet to be finalized

[4] $423,240 is funded by AB664 Net Bridge Toll Revenue; $720,030 is funded by San Francisco Prop K

[5] $800,000 is funded by competitive federal funds offset by $156,000 Measure RR due to fund switch from FY22 Measure RR to SMCTA coming from the San Francisco Railyards TOD project

[6] $460,000 is funded by competitive federal funds

[7] $447,198 is funded by San Francisco Prop K

[8] $3,773,000 is funded by Local Partnership Program (LPP)

[9] $650,000 is funded by competitive federal funds; $156,000 is funded Measure RR due to fund switch from SMCTA to FY22 Measure RR coming from the ROW Fencing project

[10] $1,352,000 is funded by California State Transportation Agency (CalSTA)

[11] $5,018,239 is funded by Transbay Joint Powers Authority (TJPA) through an Interim Agreement between JPB and TJPA

[12] $274,174 is funded by Prologis through an Amended Memorandum of Understanding (MOU) between JPB and Prologis

[13] $460,000 is funded by Transbay Joint Powers Authority (TJPA) through an Amended Memorandum of Agreement between JPB and TJPA

[14] $1,494,809 is funded by State Rail Assistance (SRA) Program; $125,468 is funded by project savings

[15] $2,300,000 is funded by San Mateo County Transportation Authority (SMCTA) and $200,000 is funded by the City of Burlingame

[16] $750,000 is funded by Section 130 Program funds

Peninsula Corridor Joint Powers Board
Staff Report

To: Finance Committee

Through: Michelle Bouchard, Executive Director

From: Brian W. Fitzpatrick, Director, Real Estate and Property Development

Subject: **Authorization for the Executive Director to Enter into a 3-year Lease with Elevate PropCo IV LLC for Warehouse Space in San Francisco**

☐ Finance Committee Recommendation ☐ Technology, Operations, Planning, and Safety Committee Recommendation ☐ Advocacy and Major Projects Committee Recommendation

Purpose and Recommended Action

Staff recommends that the Board of Directors (Board) of the Peninsula Corridor Joint Powers Board (JPB or Caltrain) authorize the Executive Director to enter into a three-year lease with Elevate PropCo IV LLC for approximately 44,898 square feet of warehouse building space and approximately 45,171 square feet of outdoor yard/parking space (approximately 90,069 square feet total space) located at 6000 3rd Street, San Francisco, California 94124 (Warehouse).

Discussion

Balfour Beatty International Inc. (BBII), the contractor hired by Caltrain to construct the Peninsula Corridor Electrification Project (PCEP), currently leases the Warehouse. The Warehouse has been used for delivery and storage of machinery and equipment used for the Project.

As BBII's work comes to an end, it is important for Caltrain to retain warehouse space to store materials and equipment required to support the operations of an electrified railroad and the maintenance of a mixed fleet of diesel and electric trains. Caltrain does not currently have capacity at its existing facilities to receive the spare parts and special tooling that BBII is required to submit for substantial completion. Operations and Maintenance staff have recommended that Caltrain extend BBII's current lease to allow materials and equipment currently stored in the warehouse, and new material that will be delivered through the end of BBII's contract, to remain in place while the transition to revenue service occurs. BBII's lease will terminate on March 31, 2024; staff proposes that Caltrain's lease commence on April 1, 2024.

Staff estimates that the lease will be needed for three years. During this period of time, Caltrain Planning staff will assess the comprehensive real estate needs to support an electrified railroad, which are expected to include more conveniently located warehouse space and additional office space. The warehouse space subject to this report will provide sufficient operating capacity until this planning work is completed and other space can be secured.

Budget Impact

Staff have negotiated a triple net base monthly rent (NNN Rate) of $123,600. Market-based NNN Rates require the tenant to pay its share of certain operating maintenance costs, which are estimated to be approximately $30,000 per month. These operating costs may fluctuate, as they are based on the actual cost to operate the building.

The NNN Rate is consistent with the rate currently paid by BBII and will increase 3% annually thereafter on the anniversary date of the lease. Staff has negotiated three months of free rent from the landlord. Staff estimates that the total cost of this lease will be approximately $5.3M dollars, with slight potential for fluctuation depending on actual operating costs encountered during that period of time.

This rate was reviewed by an outside independent third-party broker who endorsed the rate as reflective of market rates.

Caltrain will existing funds included in the PCEP budget to pay for the lease until the beginning of Fiscal Year 2025, at which time staff will provide an amended operating budget to address the ongoing costs of the facility.

Prepared by:	Brian W. Fitzpatrick	Director Real Estate and Property Development	650-508-7781

Resolution No. 2024-

Board of Directors, Peninsula Corridor Joint Powers Board
State of California

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Authorization for the Executive Director to Enter Into a 3-year Lease with Elevate PropCo IV LLC for Warehouse Space in San Francisco

Whereas, Balfour Beatty International Inc. (BBII), the contractor hired by the Peninsula Corridor Joint Powers Board (JPB or Caltrain) to construct the Peninsula Corridor Electrification Project (PCEP), currently leases a warehouse building space with approximately 44,898 square feet of warehouse building space and approximately 45,171 square feet of outdoor yard/parking space (approximately 90,069 square feet total space) located at 6000 3rd Street, San Francisco, California 94124 (Warehouse) from Elevate PropCo IV LLC; and

Whereas, the Warehouse has been used for delivery and storage of machinery and equipment used for the Project; and

Whereas, as BBII's work comes to an end, it is important for Caltrain to retain warehouse space to store materials and equipment required to support the operations of an electrified railroad and the maintenance of a mixed fleet of diesel and electric trains; and

Whereas, Caltrain does not currently have capacity at its existing facilities to receive the spare parts and special tooling that BBII is required to submit for substantial completion; and

Whereas, Operations and Maintenance staff recommend that Caltrain extend BBII's current lease to allow materials and equipment currently stored in the warehouse, and new material that will be delivered through the end of BBII's contract, to remain in place while the transition to revenue service occurs; and

Whereas, BBII's lease will terminate on March 31, 2024; staff proposes that Caltrain's lease commence on April 1, 2024; and

Whereas, staff estimates that the lease will be needed for three years, or until a more suitable location is secured; and

Whereas, during this lease, Caltrain Planning staff will assess the comprehensive real estate needs to support an electrified railroad, which are expected to include more conveniently located warehouse space and additional office space. The Warehouse will provide sufficient operating capacity until this planning work is completed and other space can be secured; and

Whereas, staff have negotiated a triple net base monthly rent (NNN Rate) of $123,600.00; and

Whereas, market-based NNN Rates require the tenant to pay its share of certain operating maintenance costs, which are estimated to be approximately $30,000.00 per month. These operating costs may fluctuate, as they are based on the actual cost to operate the building; and

Whereas, the NNN Rate is consistent with the rate currently paid by BBII and will increase annually thereafter on the anniversary date of the lease. Staff has negotiated three months of free rent from the landlord. Staff estimates that the total cost of this lease will be approximately $5.3M dollars, with slight potential for fluctuation depending on actual operating costs encountered during that period of time; and

Whereas, this rate was reviewed by an outside independent third-party broker who endorsed the rate as reflective of market rates; and

Whereas, Caltrain will use existing funds included in the PCEP budget to pay for the lease until the start of revenue service for PCEP, at which time staff will provide an amended operating budget to address the ongoing costs of the facility.

Now, Therefore, Be It Resolved that the Board of Directors of the Peninsula Corridor Joint Powers Board hereby authorizes the Executive Director, or designee, to enter into a three-year lease with Elevate PropCo IV LLC for approximately 44,898 square feet of warehouse building space and approximately 45,171 square feet of outdoor yard/parking space (approximately 90,069 square feet total space) located at 6000 3rd Street, San Francisco, California 94124.

Regularly passed and adopted this 4th day of January, 2024 by the following vote:

Ayes:

Noes:

Absent:

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Chair, Peninsula Corridor Joint Powers Board

Attest:

____

JPB Secretary

Peninsula Corridor Joint Powers Board
Staff Report

To: Finance Committee

Through: Michelle Bouchard, Executive Director

From: Kate Jordan Steiner, Chief Financial Officer

Subject: **Authorize the Disposition of 34 Gallery Cars and Two Locomotives**

☐ Finance Committee Recommendation ☐ Technology, Operations, Planning, and Safety Committee Recommendation ☐ Advocacy and Major Projects Committee Recommendation

Purpose and Recommended Action

Peninsula Corridor Joint Powers Board (JPB) staff have identified 34 surplus gallery cars and 2 surplus diesel locomotives that have surpassed the end of their useful lives, in accordance with Federal Transit Administration (FTA) regulations and guidance. The new Stadler Electric Multiple Unit (EMU) trainsets purchased as part of the Peninsula Corridor Electrification Project (PCEP) will replace the surplus gallery cars and diesel locomotives when electrified revenue service begins in September 2024.

Staff recommends, with the requisite approval from the Director of Contracts and Procurement, that the Board of Directors (Board) of the JPB authorize the Executive Director or designee to dispose of 34 surplus Nippon Sharyo passenger gallery cars and two surplus General Motors-EMD F40PH-2 diesel locomotives, in accordance with the JPB's Procurement Policy.

Discussion

There are 93 passenger ~~The above-referenced 34~~ gallery cars and ~~two~~ 20 F40PH-2 diesel locomotives in the Caltrain fleet that will be retired as a result of the completion of PCEP. These vehicles were built between 1985 and 1987 and have reached the end of their useful lives. ~~With completion of PCEP in 2024, Caltrain will not operate the surplus rolling stock on the electrified portion of the right-of-way nor on the diesel-powered portion of the rail service between Tamien Station and Gilroy. Furthermore, the JPB does not need to retain these gallery cars or diesel locomotives~~ The 34 gallery cars and two diesel locomotives that are the focus of this action represent the first tranche of vehicles to be sold or disposed of. This equipment is not used in revenue service, is not needed for compliance with FTA's spare vehicle ratio, and is currently stored at the 4th and King yard in San Francisco, where space is needed to store the 11 EMU trainsets that are being delivered in 2024.

With the completion of PCEP in September 2024, the remaining 59 gallery cars and 18 F40PH-2 diesel locomotives will be sold or disposed of in the same manner. Nine diesel locomotives and 41 Bombardier passenger cars will remain in revenue service for Gilroy operations and fleet resiliency purposes.

If the proposed disposition is approved by the Board, staff will prepare a solicitation to dispose of the 34 gallery cars and two diesel locomotives. The solicitation process will happen in parallel with the transport and storage of the surplus equipment to an offsite location, which will create EMU storage space in San Francisco. Staff are currently evaluating the limited equipment storage locations in the Bay Area and discussing transport pricing and process with Union Pacific. ~~Staff also will store the surplus cars and locomotives off-site until their sale to provide valuable space at the JPB facility in San Francisco for the new EMUs slated for delivery in 2024~~

JPB Procurement Policy provides four methods of disposition for surplus or scrap items: (1) transfer or sale to other public agencies; (2) trade-in as part of a new procurement; (3) sale by auction, advertisement for sealed Bids, or negotiation; and (4) where appropriate, proper recycling, disposal, or donation to a non-profit entity. The Director of Contracts and Procurement, working closely with JPB Executive staff and members of the Finance, Legal and Rail Operations teams, have determined that sale by advertisement for sealed bids is the preferred method for the surplus gallery cars and F40PH-2 diesel locomotives.

The JPB has not sold rolling stock equipment in many years. The market for the gallery cars and diesel locomotives may be limited, but staff is aware of commuter rail operators in the United States and abroad with strong interest. According to the State of California, the sealed bid method of public sale typically brings the highest cash return to a public agency. In 2020, LTK Engineering Services (LTK) provided JPB staff with valuations for the gallery car fleet. An average valuation was provided based on five straight line depreciation schedules commonly used in the passenger railroad industry.

LTK recommended the use of the average valuation as the minimum market valuation for the gallery cars, recognizing that straight line depreciation represents a point in time and the limited market for this equipment can make determining value difficult. Current FTA guidance allows for depreciation to be used to calculate the value of an asset if fair market value cannot be easily established. The same FTA guidance defines fair market value as the “most probable price that property would bring in a competitive and open market.”

Separately, JPB staff maintains an asset database with net book values for each type of equipment, including the gallery cars and diesel locomotives. If disposition is approved by the Board, JPB staff will look to both data sets to assess the reasonableness of the highest bid amount as part of the solicitation to dispose of the 34 gallery cars and two diesel locomotives, as well as the remaining 59 gallery cars and 18 diesel locomotives post-September 2024.

Finally, JPB staff have notified FTA and the Metropolitan Transportation Commission (MTC) of the disposal action and planned solicitation, as the gallery cars and diesel locomotives were originally purchased, in part, with federal funds. JPB staff ~~Staff~~ will return to the Board later in 2024 to recommend action on the remaining 59 gallery cars and 18 diesel locomotives, closer to the start of EMU revenue service.

Budget Impact

The budget for storage of the surplus gallery cars and locomotives is in development. Costs include, but are not limited to, transportation to the storage site, the cost of storage on a per car, per day basis, and insurance. Staff anticipates the cost of pre-sale storage and transport to be offset, in part, by revenue from the sale and disposition of the surplus equipment and savings within the FY2024 operating budget.

Prepared By:	Kevin Yin	Director, Contracts and Procurement	650.622.7860
	Sam Sargent	Director, Strategy and Policy	650.730.6223

Resolution No. 2024-

Board of Directors, Peninsula Corridor Joint Powers Board
State of California

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Authorize the Disposition of 34 Gallery Cars and Two Locomotives

Whereas, the Peninsula Corridor Joint Powers Board (JPB) owns and operates Caltrain passenger rail service between San Francisco and Gilroy, which serves 31 stations along the 77-mile corridor; and

Whereas, the JPB's thirty-four Nippon Sharyo passenger gallery cars (Gallery Cars) and two General Motors-EMD F40 diesel locomotives (Locomotives) have surpassed the end of their useful lives and are due for replacement in accordance with Federal Transit Administration transit asset disposition regulations and guidance; and

Whereas, the JPB will complete the Peninsula Corridor Electrification Project and replace the 34 Gallery Cars and two Locomotives with Stadler Electric Multiple Unit (EMU) trainsets in mainline revenue service in September of 2024; and

Whereas, the 34 Gallery Cars and two Locomotives will not be needed for remaining diesel service to Gilroy or spare ratio purposes once the EMU trainsets are delivered and placed in mainline revenue service.

Now, Therefore, Be It Resolved that the Board of Directors of the Peninsula Corridor Joint Powers Board hereby authorizes the Executive Director or designee to dispose of thirty-four surplus Nippon Sharyo passenger gallery cars and two surplus General Motors-EMD F40 diesel locomotives in accordance with the JPB's Procurement Policy.

Regularly passed and adopted this 4th day of January, 2024 by the following vote:

Ayes:

Noes:

Absent:

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Chair, Peninsula Corridor Joint Powers Board

Attest:

____

JPB Secretary

Peninsula Corridor Joint Powers Board
Staff Report

To:	Finance Committee
Through:	Michelle Bouchard, Executive Director
From:	Kate Jordan Steiner, Chief Financial Officer
Subject:	**Award of Contracts for On-Call Construction Management Services**

☐ Finance Committee Recommendation ☐ Technology, Operations, Planning, and Safety Committee Recommendation ☐ Advocacy and Major Projects Committee Recommendation

Purpose and Recommended Action

The Peninsula Corridor Joint Powers Board (JPB) has an ongoing need for On-Call Construction Management Services (On-Call CM Services) consisting of, but not limited to, construction management planning, developing and updating staffing plans, providing resources to support and provide constructability review, contract administrative activities, control of work activities, quality assurance, construction safety and security, contract changes, document control of project monthly reports and project closeout reports, budgeting, and scheduling.

Staff recommends that the Board of Directors (Board) of the Peninsula Corridor Joint Powers Board (JPB):

1. Award a bench of contracts for On-Call Construction Management (CM) Services for an aggregate total not-to-exceed amount of $40 million for a seven-year term to:
   a. Gannett Fleming, Inc. of Camp Hill, PA (GFI);
   b. Ghirardelli Associates, Inc. of San Jose, CA (Ghirardelli); and
   c. WSP USA, Inc. of New York, NY (WSP).

2. Authorize the Executive Director or designee to execute contracts with each of the above firms in full conformity with the terms and conditions of the solicitation documents and negotiated agreements, and in a form approved by legal counsel.

Discussion

The JPB contracts with consultants to provide On-Call CM Services in support of capital projects. Approval of the above actions will provide the JPB with a bench of qualified firms available to provide On-Call CM Services for successful completion of current and future capital projects.

Award of these contracts will not obligate the JPB to purchase any specific level of service from any particular firm. The On-Call CM Services will be performed under qualification-based competitive Work Directives (WDs) that will be issued to each firm on an as-needed, project-by-project basis. Staff will evaluate WD proposals in accordance with federal and state laws governing the procurement of architectural and engineering services.

On August 4, 2023, the JPB issued Request for Proposals (RFP) number 24-J-P-003 for the On-Call CM Services. The RFP was advertised on the JPB's e-procurement website. Staff held a pre-proposal conference on August 10, 2023; 27 potential proposers and 36 potential subconsultants attended.

By the September 12, 2023 due date, the JPB received proposals from eight firms:

1. ABA Global, San Francisco, CA
2. Bureau Veritas North America, San Francisco, CA
3. Gannett Fleming, Inc., Camp Hill, PA
4. Ghirardelli Associates, Inc., San Jose, CA
5. MNS Engineering, Oakland, CA
6. PGH Wong Engineering, San Francisco, CA
7. TRC Engineers, Concord, CA
8. WSP USA, Inc., New York, NY

In accordance with federal and state laws governing the procurement of architectural and engineering services, proposals were evaluated, scored, and ranked solely on a qualification-based selection process, with price being negotiated only with the highest-ranked proposers. A Selection Committee (Committee), composed of qualified staff from the Rail Development and the Office of Civil Rights departments, reviewed, scored, and ranked the proposals in accordance with the following weighted criteria:

Evaluation Criteria	**Maximum Points**
Company Qualifications, Experience & References	30 Points
Qualifications and Experience of Key Personnel	25 Points
Project Understanding and Management Plan	25 Points
Quality Control Plan	20 Points
Small Business Enterprise (SBE) Preference	5 Points
Total	**105 Points**

After the initial screening of the proposals, staff determined that all eight proposals were responsive to the requirements in the RFP. The Committee scored and ranked the eight proposals and found seven of the eight proposals to be in the competitive range; the seven firms were invited to participate in oral interviews. After the oral interviews, the Committee determined GFI, Ghirardelli, and WSP to be the highest-ranked firms. All three firms possess the requisite experience and qualifications required for successful performance of the services as defined in the solicitation documents.

Staff successfully negotiated contract terms, including prices, with the three highest-ranked firms. Staff performed a price analysis and determined the prices to be fair, reasonable, and consistent with those currently paid by the JPB, and other public agencies in the Bay Area, for similar services.

Staff performed pre-bid outreach to certified Disadvantaged Business Enterprises (DBE) and SBEs. GFI, Ghirardelli, and WSP committed to utilizing SBEs for this contract, and each firm received the full five-point SBE preference. The JPB may assign DBE goals to federally funded WDs.

The JPB currently has On-Call CM Services contracts with MNS Engineers, Inc. and TRC Engineers (previously Vali Cooper & Associates, Inc.). These contracts will expire in March 2024.

Budget Impact

WDs will be funded by a variety of funding sources that may include federal, state, regional, and local revenues and grants from approved and future operating and capital budgets.

Prepared By:	Deborah Cordova	Procurement Administrator	650.678.8152
	Alfred Darmousseh	Program Manager, Construction Services	650.444.5732

Resolution No. 2024-

Board of Directors, Peninsula Corridor Joint Powers Board
State of California

* * *

Awarding Contracts to Gannett Fleming, Inc., Ghirardelli Associates, Inc., and WSP USA, Inc. for On-Call Construction Management Services for an Aggregate Total Not-To-Exceed Amount of $40 Million for a Seven-Year Term

Whereas, on August 4, 2023, the Peninsula Corridor Joint Powers Board (JPB) issued Request for Proposals (RFP) number 24-J-P-003 for On-Call Construction Management Services (On-Call CM Services); and

Whereas, in response to the RFP, the JPB received eight proposals; and

Whereas, staff found all eight proposals to be responsive to the requirements in the RFP; and

Whereas, a Selection Committee (Committee) composed of qualified JPB staff from the Rail Development and the Office of Civil Rights departments evaluated, scored, and ranked all eight proposals in accordance with the evaluation criteria set forth in the RFP, and found seven of the eight firms to be in the competitive range; and

Whereas, after the oral interviews, the Committee determined that the following three highest-ranked firms possess the requisite experience and qualifications required for successful performance of the Scope of Services in the RFP:

- Gannett Fleming, Inc. of Camp Hill, Pennsylvania (GFI),
- Ghirardelli Associates, Inc. of San Jose, California (Ghirardelli), and
- WSP USA, Inc. of New York, New York (WSP); and

Whereas, staff successfully negotiated contract terms, including prices, with the three highest-ranked firms; and

Whereas, staff performed a price analysis and determined that the negotiated prices with all three firms are fair, reasonable, and consistent with those currently paid by the JPB and other public agencies in the Bay Area for similar services; and

Whereas, staff and legal counsel determined that the proposals submitted by the three highest-ranked firms comply with the requirements of the solicitation documents; and

Whereas, staff recommends that the Board of Directors (Board) award a bench of contracts to GFI, Ghirardelli, and WSP to provide On-Call CM Services for an aggregate not-to-exceed amount of $40 million for a seven-year term.

Now, Therefore, Be It Resolved that the Board of Directors of the Peninsula Corridor Joint Powers Board hereby awards a bench of contracts for On-Call Construction Management Services to Gannett Fleming, Inc. of Camp Hill, Pennsylvania; Ghirardelli Associates, Inc. of San Jose, California; and WSP USA, Inc. of New York, New York for an aggregate not-to-exceed amount of $40 million for a seven-year term; and

Be It Further Resolved that the Board authorizes the Executive Director or designee to execute contracts on behalf of the JPB with GFI, Ghirardelli, and WSP in full conformity with the terms and conditions of the RFP and negotiated agreements, and in a form approved by legal counsel.

Regularly passed and adopted this 4th day of January, 2024 by the following vote:

Ayes:

Noes:

Absent:

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Chair, Peninsula Corridor Joint Powers Board

Attest:

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JPB Secretary

Peninsula Corridor Joint Powers Board
Staff Report

To: Finance Committee

Through: Michelle Bouchard, Executive Director

From: Kate Jordan Steiner, Chief Financial Officer

Subject: **Award of Contracts for On-Call General Engineering Consultant Design Services**

☐ Finance Committee Recommendation ☐ Technology, Operations, Planning, and Safety Committee Recommendation ☐ Advocacy and Major Projects Committee Recommendation

Purpose and Recommended Action

The Peninsula Corridor Joint Powers Board (JPB) has an ongoing need for On-Call General Engineering Consultant Design Services (On-Call GEC Design Services) to support implementation of various capital projects.

Staff recommends that the Board of Directors (Board) of the JPB:

1. Award a bench of contracts for On-Call GEC Design Services for an aggregate total not-to-exceed amount of $50 million for a five-year base term with two one-year option terms to:
    - AECOM Technical Services, Inc. of San Jose, CA (AECOM),
    - HDR Engineering, Inc., of Walnut Creek, CA (HDR), and
    - T.Y. Lin International, Inc. of San Jose, CA (T.Y. Lin).
2. Authorize the Executive Director or designee to execute contracts with each of the above firms in full conformity with the terms and conditions set forth in the solicitation documents and negotiated agreements, and in a form approved by legal counsel.
3. Authorize the Executive Director or designee to exercise up to two one-year option terms for an additional aggregate total not-to-exceed amount of $20 million, if in the best interest of JPB.

Discussion

The JPB contracts with consultants to provide On-Call GEC Design Services in support of capital projects, which includes project management; site civil engineering; cost estimating; electrical, mechanical, plumbing and marine design engineering; and related services. Approval of the above actions will provide the JPB with continued access to a bench of qualified firms available to provide On-Call GEC Design Services necessary for successful completion of current and future capital projects.

Award of these contracts will not obligate the JPB to purchase any specific level of service from any particular firm. The On-Call GEC Design Services will be performed under qualification-based competitive Work Directives (WDs) that will be issued to each firm on an as-needed, project-by-project basis. Staff will evaluate WD proposals in accordance with federal and state laws governing the procurement of architectural and engineering services.

On July 28, 2023, the JPB issued Request for Proposals (RFP) number 24-J-P-010 for the On-Call GEC Design Services and advertised on the JPB's e-procurement website. Staff held a pre-proposal conference on August 10, 2023, and 43 potential proposers attended.

By the September 8, 2023 due date, the JPB received proposals from seven firms:

1. AECOM Technical Services, Inc. of San Jose, CA
2. HDR Engineering, Inc. of Walnut Creek, CA
3. HNTB Corporation of Oakland, CA
4. Mark Thomas & Company, Inc. of San Jose, CA
5. Mott MacDonald Group, Inc. of San Jose, CA
6. STV Incorporated of Oakland, CA
7. T.Y. Lin International, Inc. of San Jose, CA

In accordance with federal and state laws governing the procurement of architectural and engineering services, proposals were evaluated, scored, and ranked solely on a qualification-based selection process, with price being negotiated only with the highest-ranked proposers. Staff only negotiated price with the highest-ranked, successful proposers. A Selection Committee (Committee) composed of qualified staff from the Rail Engineering and the Rail Project Management departments reviewed, scored, and ranked the proposals in accordance with the following weighted criteria:

Evaluation Criteria	**Maximum Points**
Understanding and Approach to Providing the Services	30
Company Qualifications, Experience & References	25
Qualifications and Experience of Key Personnel	25
Quality Management Plan (QMP)	20
Small Business Enterprise (SBE) Preference	5
Total	**105 Points**

After the initial screening of proposal submittals, staff found all seven proposals to be responsive to the requirements in the RFP. The Committee scored and ranked all seven proposals and determined AECOM, HDR, and T.Y. Lin to be the highest-ranked firms. The Committee determined that an oral interview process was not needed as the process would not change the outcome.

The three highest-ranked firms possess the requisite experience and qualifications required for successful performance of the scope of services as defined in the solicitation documents. Staff successfully negotiated contract terms and conditions, including prices, with each of these three highest-ranked firms. Staff determined the prices to be fair, reasonable, and consistent with those currently paid by the JPB, and other public agencies in the Bay Area, for similar services.

All three firms committed to utilizing SBE subcontractors and were awarded the full five-point SBE preference.

The On-Call GEC Design Services are currently being provided by AECOM Technical Services, Inc. and HNTB Corporation under contracts set to expire on December 31, 2023.

Budget Impact

Work directives will be funded by a variety of funding sources which may include federal, state, regional, and local revenues and grants from approved and future operating and capital budgets.

Prepared By:	Michael Sztenderowicz	Procurement Administrator II	650.508.7908
	Zouheir Farah	Director, Engineering	650.445.2440

Resolution No. 2024-

Board of Directors, Peninsula Corridor Joint Powers Board
State of California

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Awarding Contracts to AECOM Technical Services, Inc., HDR Engineering, Inc., and T.Y. Lin International, Inc. for On-Call General Engineering Consultant Design Services for an Aggregate Total Not-to-Exceed Amount of $50 Million for a Five-Year Base Term and Authorizing up to Two One-Year Option Terms for an Additional Aggregate Not-to-Exceed Amount of $20 million

Whereas, on July 28, 2023, the Peninsula Corridor Joint Powers Board (JPB) issued Request for Proposals (RFP) number 24-J-P-010 for On-Call General Engineering Consultant Design Services (On-Call GEC Design Services); and

Whereas, in response to the RFP, the JPB received seven proposals; and

Whereas, staff found all seven proposals were responsive to the requirements in the RFP; and

Whereas, a Selection Committee (Committee) composed of qualified JPB staff evaluated, scored, and ranked all seven proposals in accordance with the evaluation criteria set forth in the RFP, and found three of the seven firms to be in the competitive range; and

Whereas, the Committee determined that the following three highest-ranked firms possess the requisite experience and qualifications required for successful performance of the Scope of Services in the RFP:

- AECOM Technical Services, Inc. of San Jose, California (AECOM),
- HDR Engineering, Inc. of Walnut Creek, California (HDR), and
- T.Y. Lin International, Inc. of San Jose, California (T.Y. Lin); and

Whereas, staff successfully negotiated contract terms and conditions, including prices, with each of the three highest-ranked firms; and

Whereas, staff performed a price analysis and determined the negotiated prices with all three firms are fair, reasonable, and consistent with those currently paid by the JPB and other public agencies in the Bay Area for similar services; and

Whereas, staff and legal counsel determined that the proposals submitted by the three highest-ranked firms comply with the requirements of the solicitation documents; and

Whereas, staff recommends that the Board of Directors (Board) award a bench of contracts to AECOM, HDR, and T.Y. Lin to provide On-Call GEC Design Services for an aggregate not-to-exceed amount of $50 million for a five-year base term, and authorize up to two one-year option terms for an additional aggregate not-to-exceed amount of $20 million, if in the best interest of the JPB.

Now, Therefore, Be It Resolved that the Board of Directors of the Peninsula Corridor Joint Powers Board hereby awards contracts to AECOM Technical Services, Inc. of San Jose, California; HDR Engineering, Inc. of Walnut Creek, California; and T.Y. Lin International, Inc. of San Jose, California for the total aggregate not-to-exceed amount of $50 million; and

Be It Further Resolved that the Board authorizes the Executive Director or designee to execute contracts on behalf of the JPB with AECOM, HDR, and T.Y. Lin in full conformity with the terms and conditions of the solicitation documents and negotiated agreements, and in a form approved by legal counsel; and

Be It Further Resolved that the Board authorizes the Executive Director or designee to execute up to two one-year option terms for an additional aggregate not-to-exceed amount of $20 million, if in the best interest of the JPB.

Regularly passed and adopted this 4th day of January, 2024 by the following vote:

Ayes:

Noes:

Absent:

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Chair, Peninsula Corridor Joint Powers Board

Attest:

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JPB Secretary

Peninsula Corridor Joint Powers Board
Staff Report

To: Finance Committee

Through: Michelle Bouchard, Executive Director

From: Kate Jordan Steiner, Chief Financial Officer

Subject: **Award of Contracts for On-Call Program Management Oversight Services**

☐ Finance Committee Recommendation ☐ Technology, Operations, Planning, and Safety Committee Recommendation ☐ Advocacy and Major Projects Committee Recommendation

Purpose and Recommended Action

The Peninsula Corridor Joint Powers Board (JPB) has an ongoing need for Program Management Oversight Services (PMO Services) to support implementation of various capital projects, primarily consisting of, but not limited to, program and project management, document control, records management, cost estimating and scheduling, and support services.

Staff recommends that the Board of Directors (Board) of the JPB:

1. Award a bench of contracts for On-Call PMO Services for an aggregate total not-to-exceed amount of $55 million for a seven-year term to:
   - Consor PMCM, Inc. of San Francisco, CA (Consor);
   - Ghirardelli Associates, Inc. of San Jose, CA (Ghirardelli); and
   - Jacobs Project Management Company of San Francisco, CA (Jacobs).

2. Authorize the Executive Director or designee to execute contracts with each of the above firms in full conformity with the terms and conditions of the solicitation documents and negotiated agreements, and in a form approved by legal counsel.

Discussion

The JPB contracts with consultants to provide On-Call PMO Services in support of capital projects. Approval of the above actions will provide the JPB with a bench of qualified firms available to provide On-Call PMO Services for successful completion of current and future capital projects.

Award of these contracts will not obligate the JPB to purchase any specific level of service from any particular firm. The On-Call PMO Services will be performed under qualification-based competitive Work Directives (WDs) that will be issued to each firm on an as-needed, project-by-project basis. Staff will evaluate WD proposals in accordance with federal and state laws governing the procurement of architectural and engineering services.

On August 31, 2023, the JPB issued a Request for Proposals (RFP) number 24-J-P-002 for the On-Call PMO Services. The RFP was advertised on the JPB's e-procurement website. Staff held a pre-proposal conference on September 7, 2023; 11 potential proposers attended.

By the September 28, 2023 due date, the JPB received proposals from seven firms:

1. Barrow Wise Consulting, LLC, Rockville, MD
2. Consor PMCM, Inc., San Francisco, CA
3. Ghirardelli Associates, Inc., San Jose, CA
4. Jacobs Project Management Company, San Francisco, CA
5. PM Training Solutions, LLC, Alabaster, AL
6. Toll International LLC, New York, NY
7. Xentrans, Corte Madera, CA

In accordance with federal and state laws governing the procurement of architectural and engineering services, proposals were evaluated, scored, and ranked solely on a qualification-based selection process, with price being negotiated only with the highest-ranked proposers. A Selection Committee (Committee), composed of qualified staff from the Rail Development department, reviewed, scored, and ranked the proposals in accordance with the following weighted criteria:

Evaluation Criteria	**Maximum Points**
Approach to Scope of Services/Project Methodology	30 Points
Qualifications and Experience of Firm	35 Points
Qualifications and Experience of Management Team and Key Personnel	35 Points
Small Business Enterprise (SBE) Preference	5 Points
Total	**105 Points**

After the initial screening of proposal submittals, staff determined that six of the seven proposals were responsive to the requirements in the RFP. The Committee scored and ranked the six responsive proposals and found Consor, Ghirardelli, and Jacobs to be the highest-ranked firms. The Committee determined that oral interviews were not needed because the interviews would not change the ranking outcome. The three highest-ranked firms possess the requisite experience and qualifications required for successful performance of the scope of services as defined in the solicitation documents.

Staff successfully negotiated contract terms, including prices, with the three highest-ranked firms. Staff determined the prices to be fair, reasonable, and consistent with those currently paid by the JPB and other public agencies in the Bay Area for similar services.

Staff performed pre-bid outreach to certified Disadvantaged Business Enterprises (DBE) and SBEs. Consor, Ghirardelli, and Jacobs committed to utilizing SBEs for this contract, and each firm received the full five-point SBE preference. The JPB may assign DBE goals to federally-funded WDs.

The JPB currently has On-Call PMO Services contracts with Jacobs Engineering Group Inc. and Consor PMCM, Inc. (previously CPM Associates, Inc.). These contracts will expire in March 2024.

Budget Impact

Work directives will be funded by a variety of funding sources which may include federal, state, regional, and local revenues and grants from approved and future operating and capital budgets.

Prepared By:	Cathie Silva	Procurement Administrator III	650.622.7854
	Robert Tam	Manager, Technology Research & Development	650.508.7969

Resolution No. 2024-

Board of Directors, Peninsula Corridor Joint Powers Board
State of California

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Awarding Contracts to Consor PMCM, Inc., Ghirardelli Associates, Inc., and Jacobs Project Management Company to Provide On-Call Program Management Oversight Services for an Aggregate Total Not-To-Exceed Amount of $55 Million for a Seven-Year Term

Whereas, on August 31, 2023, the Peninsula Corridor Joint Powers Board (JPB) issued Request for Proposals (RFP) number 24-J-P-002 for On-Call Program Management Oversight Services (On-Call PMO Services); and

Whereas, in response to the RFP, the JPB received seven proposals; and

Whereas, staff found six of the seven proposals to be responsive to the requirements in the RFP; and

Whereas, a Selection Committee (Committee) composed of qualified JPB staff from the Rail Development department evaluated, scored, and ranked those six proposals in accordance with the evaluation criteria set forth in the RFP, and found three of the six firms to be in the competitive range; and

Whereas, the Committee determined that the following three highest-ranked firms possess the requisite experience and qualifications required for successful performance of the Scope of Services in the RFP:

- Consor PMCM, Inc. of San Francisco, California (Consor),
- Ghirardelli Associates, Inc. of San Jose, California (Ghirardelli), and
- Jacobs Project Management Company of San Francisco, California (Jacobs); and

Whereas, staff successfully negotiated contract terms, including prices, with the three highest-ranked firms; and

Whereas, staff performed a price analysis and determined that the negotiated prices with all three firms are fair, reasonable, and consistent with those currently paid by the JPB and other public agencies in the Bay Area for similar services; and

Whereas, staff and legal counsel determined that the proposals submitted by the three highest-ranked firms comply with the requirements of the solicitation documents; and

Whereas, staff recommends that the Board of Directors (Board) award a bench of contracts to Consor, Ghirardelli, and Jacobs to provide On-Call PMO Services for an aggregate not-to-exceed amount of $55 million for a seven-year term.

Now, Therefore, Be It Resolved that the Board of Directors of the Peninsula Corridor Joint Powers Board hereby awards a bench of contracts for On-Call Program Management Oversight Services to Consor PMCM, Inc. of San Francisco, California; Ghirardelli Associates, Inc. of San Jose, California; and Jacobs Project Management Company of San Francisco, California for an aggregate not-to-exceed amount of $55 million for a seven-year term; and

Be It Further Resolved that the Board authorizes the Executive Director or designee to execute contracts with Consor, Ghirardelli, and Jacobs in full conformity with the terms and conditions of the RFP and negotiated agreements, and in a form approved by legal counsel.

Regularly passed and adopted this 4th day of January, 2024 by the following vote:

Ayes:

Noes:

Absent:

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Chair, Peninsula Corridor Joint Powers Board

Attest:

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JPB Secretary

Peninsula Corridor Joint Powers Board
Staff Report

To:	Finance Committee
Through:	Michelle Bouchard, Executive Director
From:	Dahlia Chazan; Deputy Chief, Caltrain Planning
Subject:	**Receive Update on Caltrain Energy Policy**

☐ Finance Committee Recommendation ☐ Technology, Operations, Planning, and Safety Committee Recommendation ☐ Advocacy and Major Projects Committee Recommendation

Purpose and Recommended Action

Staff proposes that the Finance Committee receive and provide feedback on the draft Caltrain Energy Policy ("Energy Policy"), which will be brought back to the Board of Directors for recommended action in a future month.

Discussion

In the last seven years, Caltrain has taken steps on energy procurement:

1. In 2016, Caltrain's Board approved procuring energy from local community choice aggregator services including CleanPower SF, Peninsula Clean Energy, and Silicon Valley Clean Energy and municipal utilities City of Palo Alto Utilities and Silicon Valley Power. In 2017, the Caltrain Board approved procurement of 100 percent renewable energy service from these firms. In 2018, Caltrain enrolled in 100 percent renewable energy service with San Jose Community Energy, a newly formed community choice aggregator.
2. In 2019, Caltrain developed a Business Plan reflecting its long-term service vision, which transitions the system to provide fully electrified service between San Francisco and San Jose, and a connector to Gilroy which will be diesel powered.
3. Anticipating future electrification, in 2020 Caltrain launched an Energy Procurement Strategy Study ("Energy Study") to analyze Caltrain's electrified energy demand and procurement options. The Energy Study's Executive Summary can be found here: https://www.caltrain.com/media/6785/download and the full study can be found here: https://www.caltrain.com/media/6786/download.
4. In parallel with the Energy Study, staff developed a draft Energy Policy to help guide Caltrain's future decision-making regarding energy matters. The Energy Policy is attached.
5. In 2022 Caltrain hired Bell Burnett & Associates (BB&A) to prepare a Strategic Financial Plan (SFP). The SFP recognizes that once service is fully electrified, electric costs could be as much as $30M or more depending on the ultimate cost of electricity and usage. To advance Caltrain's energy procurement ahead of 2024 electrified service, BB&A is also working with Caltrain to develop and implement an Energy Procurement Strategy (EPS).

Caltrain is at the beginning of the process of managing its energy demand and sourcing, but financial modeling demonstrates that once electrified, electric power will be among Caltrain's highest costs for the foreseeable future. Caltrain's actual energy needs will not be entirely known until service is fully operational and real-time data is available, but is currently estimated at approximately $30 million annually, and projected to double within the decade. The Energy Policy is aimed at minimizing and, to the extent possible, controlling price volatility at Caltrain.

Staff recommends that Caltrain adopt the Energy Policy to express Caltrain's organizational priorities and objectives on energy, and to facilitate decision-making related to energy matters going forward. California's energy market is complex and dynamic; market conditions, prices, regulation, and technology will continue to evolve. Caltrain will need to respond to these factors and related opportunities with a set of coherent, consistent values and priorities it can communicate to the public. The framework will facilitate the consideration of long-term strategies, such as seeking wholesale market access.

The Energy Policy is not prescriptive; rather, it is designed to provide Caltrain staff with a decision-making framework to evaluate energy-related tradeoffs. The framework's objectives are as follows:

1. Balance sustainability with financial imperatives.
2. Improve Caltrain's environmental sustainability.
3. Minimize operational and maintenance impacts.
4. Enhance system resilience.
5. Support the regional economy.

Staff expect to update the Energy Policy periodically to ensure its continued relevance and to address changing energy market and regulatory conditions.

Budget Impact

Adopting the Energy Policy will not have a direct impact on the budget. The Energy Policy provides a framework for evaluating Caltrain's future energy procurement and other energy investment decisions, which are expected to have a material impact on Caltrain's budget, and as noted above, electric power will be among Caltrain's greatest costs and sources of financial risk.

Prepared By:	Amelia Timbers	Environmental and Sustainability Planning Manager	(650) 508-7713

Caltrain Energy Policy

Definitions

- *Carbon intensity*: carbon dioxide per a kilowatt-hour of electricity consumed. Describes the relative harm to the atmosphere of a given resource or activity.

- *Fossil fuel(s)*: a natural fuel composed of hydrocarbons, formed in the geological past from the remains of living organisms. Fossil fuels include substances such as oil, coal, and natural gas. The combustion of fossil fuels creates atmospheric carbon that has been proven to cause global warming and consequently global climate change.

- *Greenhouse gas (GHG)*: gases that trap atmospheric heat. These include carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), and fluorinated gases.

- *Low Carbon Fuel Standard Program (LCFS)*: a program by the State of California, which compensates agencies for substituting fossil fuels with low carbon fuels.

- *Renewable energy*: electricity that comes from a source that when consumed is not depleted. In California, the term "eligible renewable" refers to energy sources that qualify for the state's Renewable Energy Portfolio Standard (RPS). Qualifying resources include solar photovoltaic, wind, biomass, and small hydropower as "renewable". Nuclear power and large hydroelectric sources are not eligible renewable sources in California.

    - *Distributed energy resources (DER)*: energy sources that are modular and generate electricity near where the user consumes it, away from a centralized power plant. In California, this typically refers to solar photovoltaic and energy storage / batteries.

- *Sustainability:* avoidance of the depletion of natural resources in order to maintain an ecological balance.

BACKGROUND & PURPOSE

Owned and operated by the Peninsula Corridor Joint Powers Board, Caltrain's rail service significantly reduces Bay Area fossil fuel dependence by providing an alternative to reliance on carbon intense, inefficient single occupancy vehicle travel. In California, transportation accounts for nearly half of the state's GHG emissions. Maximizing ridership on public transportation, including Caltrain's commuter rail service, is a vital method of reducing GHG emissions from on-road transportation.

The Peninsula Corridor Electrification Project will transition Caltrain from a rail system fueled by diesel to one primarily powered by electricity. The financial and sustainability impacts of decisions Caltrain makes about energy will increase in proportion with its electricity consumption. Electrification presents Caltrain with new risks and opportunities that the agency has not previously addressed, such as substantially greater participation in California's dynamic, rapidly evolving electric power market and policy environment. It also presents Caltrain with significant price and cost exposure given the amount of electricity that Caltrain will need to purchase to provide electric service.

The Energy Policy it is intended to equip Caltrain staff and Board with guideposts to navigate existing and emerging questions related to fuel and energy procurement, technology acquisition, and project development, among others. The Energy Policy describes organizational values regarding energy, which encompasses issues of cost, savings, revenue opportunities, sustainability, regulation, carbon intensity, and the trade-offs among these factors. The policy lays a foundation for the development of energy-related standard operating procedures.

Objectives

1. **Balance sustainability with financial imperatives.**
   - Minimize cost and price volatility in electricity purchases while seeking to procure 100 percent renewable energy.
   - Seek to capture energy from regenerative breaking and pursue compensation for energy from regenerative breaking.
   - Strive to maximize revenue from the Low Carbon Fuel Standard (LCFS) program, which will be committed to funding Caltrain's ongoing operations to the extent regulations allows.
   - Consider implementing or partnering with others to implement distributed energy resource (DER) projects within the Caltrain right-of-way that are financially viable and compatible with the Rail Corridor Use Policy.
   - Participate in applicable energy programs and opportunities that generate revenues, cost-savings, and/or returns.
   - Monitor, and where relevant, engage in regulatory processes at agencies that regulate energy and energy markets and whose decisions may significantly affect Caltrain's operations and financial interests once electrified.

2. **Improve Caltrain's environmental sustainability.**
   - Seek to reduce the use of fossil fuel and fossil fuel infrastructure throughout the organization.
   - Increase the proportion of renewable energy content in Caltrain's energy procurements.

3. **Minimize operational and maintenance impacts.**
   - Prioritize maintaining continuity of rail operations and consider operational impacts and maintenance costs as part of a lifecycle cost analysis for energy-related projects.

4. **Enhance system resilience.**
    - Caltrain will explore options to increase the resilience of its electric power supply and infrastructure by researching energy storage opportunities, microgrids, or other relevant technologies and programs to deliver its critical transportation services.

5. **Support the regional economy.**
    - Consider the economic impact of energy procurement practices and projects and seek to positively benefit the regional economy.