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

This Page Left Intentionally Blank.

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

This Page Left Intentionally Blank.

Table of Contents

Table of Contents

Section I

INTRODUCTORY

This Page Left Intentionally Blank.

December 19, 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 FY23, 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

EXECUTIVE MANAGEMENT

EXECUTIVE DIRECTOR

Michelle Bouchard

EXECUTIVE OFFICERS

Robert Barnard, Deputy Chief, Design and Construction

Dahlia Chazan, Deputy Chief, Caltrain Planning

Tabby Davenport, Director, Safety and Security

Casey Fromson, Chief Communications Officer

John Hogan, Chief Operating Officer, Rail

Kate Jordan Steiner, Chief Financial Officer

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

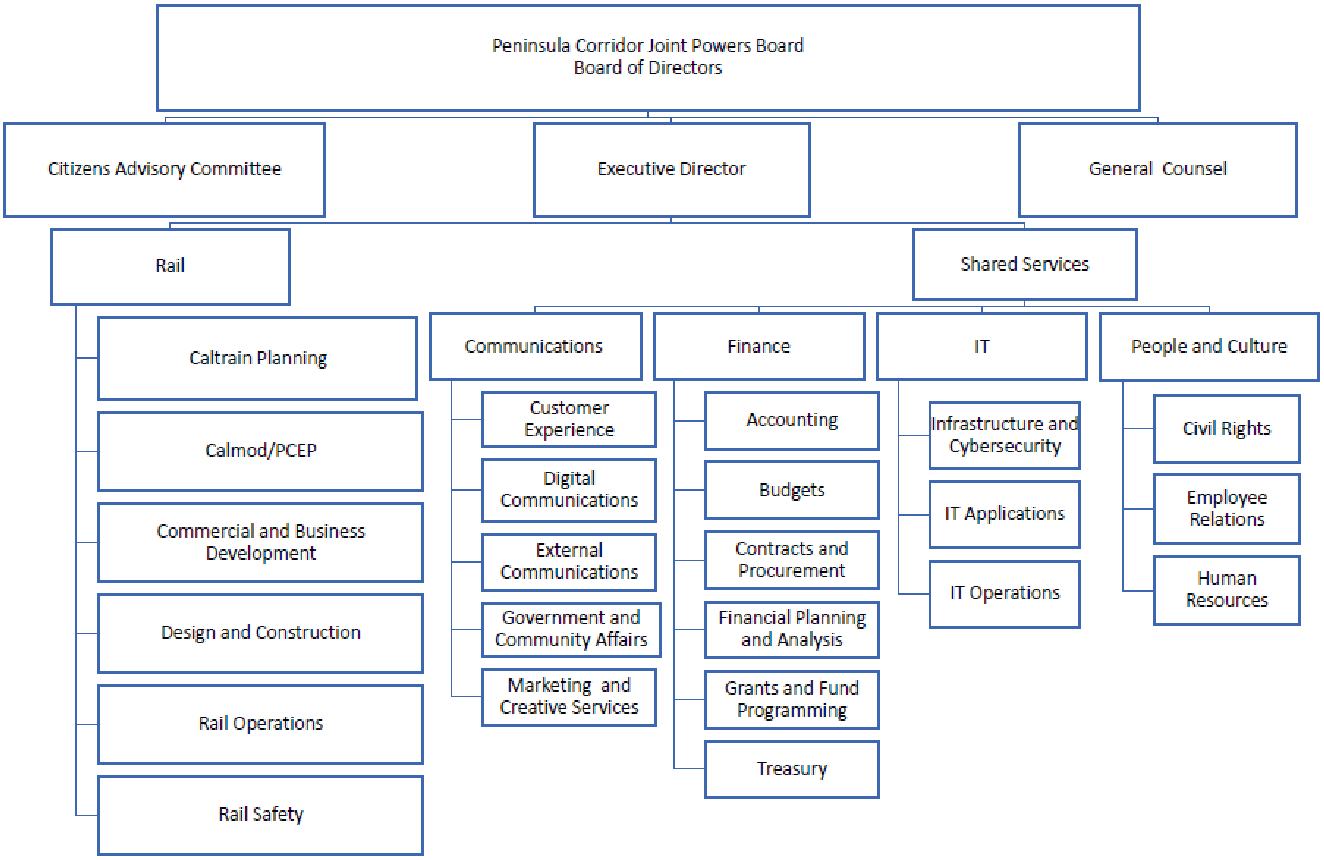
GENERAL COUNSEL

Olson Remcho, LLP

James Harrison, Esq.

PENINSULA CORRIDOR JOINT POWERS BOARD

ORGANIZATION CHART



PENINSULA CORRIDOR JOINT POWERS BOARD

MAP

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
Director, Accounting	Annie To
Budget Manager	Jeannie Chen
Director, Treasury	Connie Mobley-Ritter, MBA, CTP
Manager, Grants and Capital Accounting	Danny Susantin, CPFO

Audit Firm:

Brown Armstrong Accountancy Corporation	
Partner	Ryan L. Nielsen, CPA
Manager	Melissa L. Cabezzas, CPA

This Page Left Intentionally Blank.

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

This Page Left Intentionally Blank.

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 December 19, 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

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 19, 2023

This Page Left Intentionally Blank.

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, $141.80 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 $3,304.5 million at June 30, 2023, representing 95.9% 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, lease assets, 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 $141.8 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.

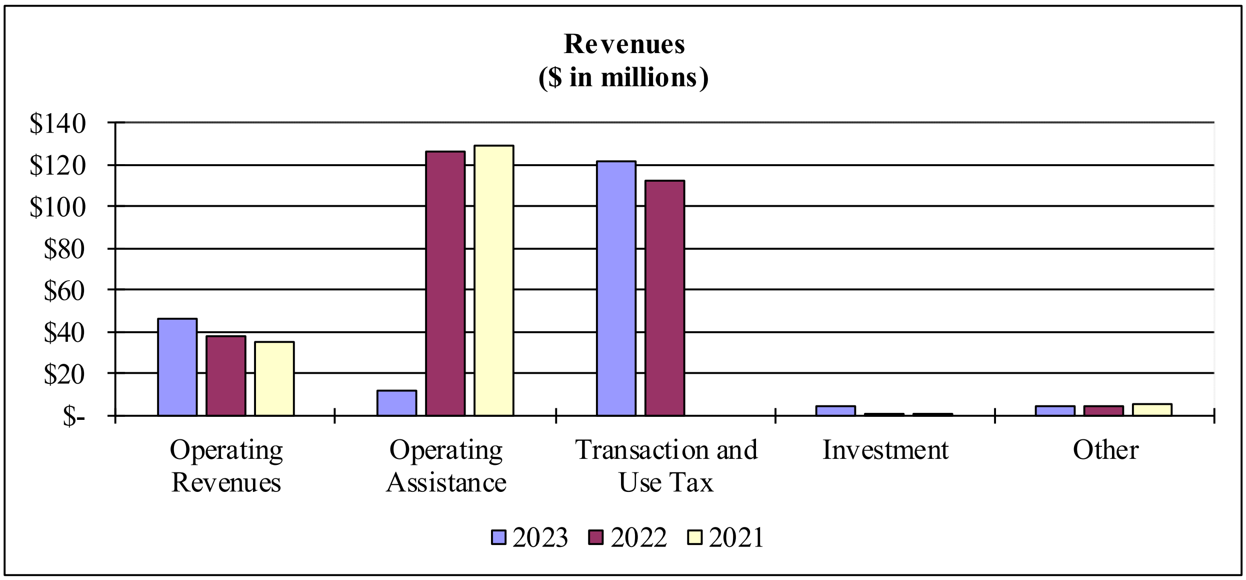
NET POSITION
(in thousands)

	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	3,304,463	2,947,760	2,652,168
Unrestricted	141,806	280,607	71,051
Total net position	$ 3,446,269	$ 3,228,367	$ 2,723,219

Revenue Highlights

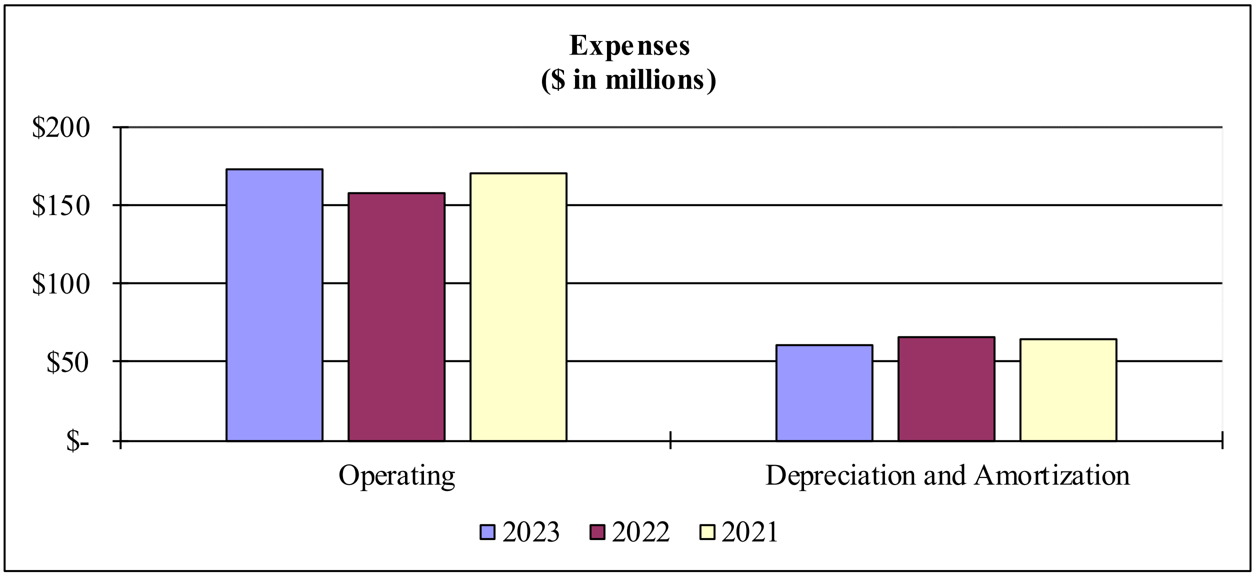
Operating revenues increased to $46.7 million in fiscal year 2023, a $9.0 million or 23.8% increase from fiscal year 2022 and increased to $37.7 million in fiscal year 2022, a $2.5 million or 7.1% increase from fiscal year 2021. The increase in fiscal year 2023 was mostly due to an increase in passenger 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	3,304,463	2,947,760
Unrestricted	141,806	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.

PENINSULA CORRIDOR JOINT POWERS BOARD

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.

PENINSULA CORRIDOR JOINT POWERS BOARD

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 December 19, 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. <u>Litigation</u> (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. <u>Litigation</u> (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.

This Page Left Intentionally Blank.

SUPPLEMENTARY INFORMATION

This Page Left Intentionally Blank.

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)

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

This Page Left Intentionally Blank.

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.

PENINSULA CORRIDOR JOINT POWERS BOARD

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	$ 3,304,463	$ 2,947,760	$ 2,652,168	$ 2,312,715
Unrestricted	141,806	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

PENINSULA CORRIDOR JOINT POWERS BOARD

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

PENINSULA CORRIDOR JOINT POWERS BOARD

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.

PENINSULA CORRIDOR JOINT POWERS BOARD

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.

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.

PENINSULA CORRIDOR JOINT POWERS BOARD

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.

PENINSULA CORRIDOR JOINT POWERS BOARD

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).

PENINSULA CORRIDOR JOINT POWERS BOARD

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.

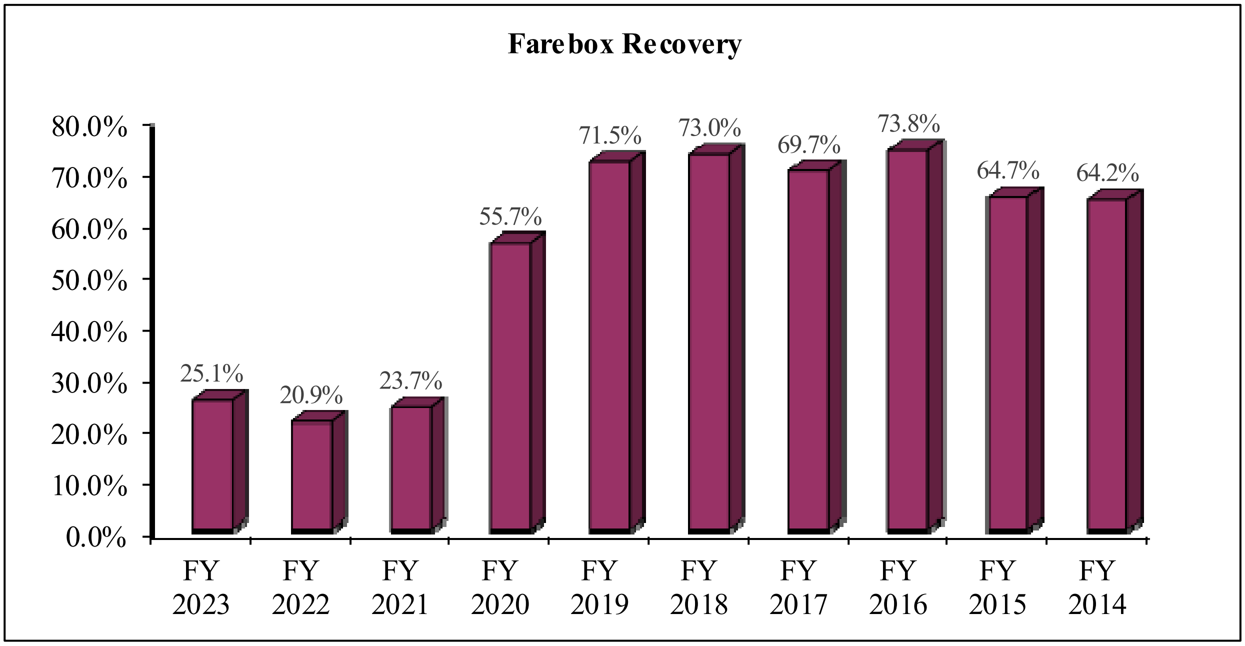
Source: County Employment Data is from California Employee Development Department. Fiscal year 2021 estimated number of employees is from Silicon Valley/San Jose Business Journal July 8-14-2022. All other data is from the fiscal year 2022 County of Santa Clara Annual Comprehensive Financial Report.

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.

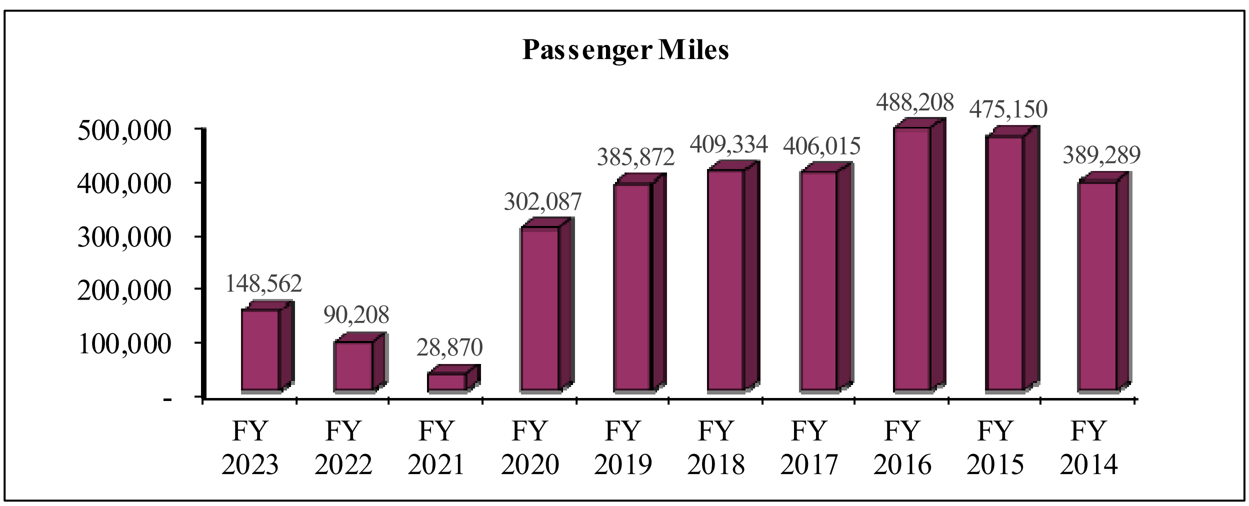


PASSENGER MILES

(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.

PENINSULA CORRIDOR JOINT POWERS BOARD

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.

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