AGENDA

PENINSULA CORRIDOR JOINT POWERS BOARD

Finance Committee Meeting

May 20, 2024, 2:30 pm

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

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

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

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

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

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

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

May 20, 2024 - Monday **2:30 pm**

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

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

1. Call to Order/Pledge of Allegiance

2. Roll Call

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

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

   4.a. Meeting Minutes of April 22, 2024 — Motion

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

5. Accept Statement of Revenues and Expenses for the Period Ending April 30, 2024 — Motion

6. Accept Financial Audit and Citizens Advisory Committee's Report of Measure RR Tax Revenues and Expenditures for the Fiscal Year Ended June 30, 2023 — Motion

7. Fiscal Year 2025 Capital Budget Amendment (Authorizing use of PCEP Reimbursements for Eligible Capital Projects) — Motion

8. Quarterly Financial Report for Fiscal Year 2024 Quarter 3 — Informational

9. Committee Member Requests

10. Date/Time of Next Regular Finance Committee Meeting: June 24, 2024 at 2:30 pm.
    The meeting will be accessible via Zoom and in person at the San Mateo County Transit District, Bacciocco Auditorium, 2nd Floor, 1250 San Carlos Avenue, San Carlos, CA 94070.

11. Adjourn

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

Information for the Public

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

Date and Time of Board and Committee Meetings

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

Location of Meeting

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

Public Comment*

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

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

Accessible Public Meetings/Translation

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

Availability of Public Records

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

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

DRAFT Minutes of April 22, 2024

Members Present:	Devora "Dev" Davis, Ray Mueller (arrived at 2:36 pm), Monique Zmuda (Chair)
Staff Present:	M. Bouchard, A. Burnett (Bell Burnett & Associates), J. Harrison, E. Ng, D. Seamans, A. To, M. Tseng

1. **Call to Order/Pledge of Allegiance**
   Chair Zmuda called the meeting to order at 2:32 pm and led the Pledge of Allegiance.

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

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

4. **Consent Calendar**
   Chair Monique Zmuda announced that Executive Director Michelle Bouchard is attending remotely and Kathleen Kelly, Interim Chief Financial Officer, is in-person for any questions.

   4.a. Meeting Minutes of March 25, 2024

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

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

5. **Accept Statement of Revenues and Expenses for the Period Ending March 31, 2024**
   Annie To, Director of Accounting, provided the report that included the following:
   - Revenue up to date at $146.1 million as compared to $146.8 million in the adopted budget. Small unfavorable variance at $719,000 or 0.5 percent
   - Year to date expenses was $143.8 million as compared to $145.1 in adopted budget resulting in a favorable variance of $1.32 million or 0.9 percent

Staff provided further clarification in response to Chair Zmuda's comments and questions, which included the following:

- Clarification for other income source is anything not part of the fares, Go Pass, parking revenues or rental income and the $735,000 shortfall may be attributed to timing where sometimes revenue does come in later in the year
- Reason for higher insurance expenses than budgeted was due to an increase in the number of claims and adjudication of claims

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

6. **Authorize the Application for and Receipt of Annual Low Carbon Transportation Operations Program Funds for Ridership Recovery Service Enhancement**

Evelyn Ng, Director of Grants and Fund Management, provided the presentation that included the following:

- Funds received annually and can be used for a variety of different programs and projects, including operating and capital assistance as long as meets the criteria
- Use funds towards FY (fiscal year) 2025 operating budget

Staff provided further clarification in response to Chair Zmuda's comments and questions, which included the following:

- Confirmed that grant dollars will be included in FY2025 operating budget

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

7. **Receive Energy Procurement Strategy Update and Authorize Application to California's Low Carbon Fuel Standard Program**

Alex Burnett, Bell Burnett & Associates, provided the presentation that included the following:

- 2 CCAs (Community Choice Aggregators) responsible for power supply and PG&E (Pacific Gas and Electric Company) responsible for the delivery of the power supply
- 2 CCAs, Peninsula Clean Energy (PCE) and San Jose Clean Energy (SFCE), are the default providers based on location of their traction power stations in San Jose and South San Francisco
- In active dialogue and negotiation with the CCAs about power content and that they provide balancing
- PCE offers two products, EcoPlus and Eco100, and both are 100 percent renewable

- PCE is made up in Eco100 of 50 percent solar and 50 percent wind, whereas San Jose has total green product, which is 100 percent wind
- Need to register for LCFS (low carbon fuel standard) program and negotiate pricing
- Two open issues: net energy usage and totalizing of meters (combined basis for measuring demand)

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

- Conversation outcomes with CCAs about net energy and totalizing and with BART (Bay Area Rapid Transit District) about LCFS rulemaking
- Request made to CARB (California Air Resources Board) for heavy rail designation, which is the same as BART
- Risk concerns for LCFS program considering State is not reliable about continuation of programs, cost benefits with staff versus consultants, and possible governance issues with wholesale market access
- Detailed electricity usage estimate based on loaded forecast predicated on current service levels, broken down in 15-minute increments by each traction power substation by each meter, but uncertain until in service. Actual electric usage will be next big reflection point

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

8. **Committee Member Requests -** There were none.

9. **Date/Time of Next Regular Finance Committee Meeting: May 20, 2024 at 2:30 pm.**

10. **Adjourn** - The meeting adjourned at 3:26 pm

Peninsula Corridor Joint Powers Board
Staff Report

To:	Finance Committee
Through:	Michelle Bouchard, Executive Director
From:	Robert Barnard, Chief, Rail Design & Construction
Subject:	**Renew Findings of an Emergency Regarding the North Channel Embankment of the San Francisquito Creek Bridge Due to Erosion Pursuant to Public Contract Code §22050**

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

Purpose and Recommended Action

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

1. Renew findings previously adopted by the Board pursuant to California Public Contract Code section 22050(c)(2) (Resolution No. 2023-19) on March 29, 2023, and renewed at its subsequent meetings on May 4, 2023 (Resolution 2023-23), June 1, 2023 (Resolution 2023-38), August 3, 2023 (Resolution 2023-46), September 7, 2023 (Resolution 2023-56), October 5, 2023 (Resolution 2023-62), November 2, 2023 (Resolution 2023-68), December 7, 2023 (Resolution 2023-74), January 4, 2024 (Resolution 2024-01), February 1, 2024 (Resolution 2024-13), March 7, 2024 (Resolution 2024-17), April 4, 2024 (Resolution 2024-26), and May 2, 2024 (Resolution 2024-31) that an emergency exists at the north channel embankment of the San Francisquito Creek Bridge due to erosion and scouring caused by winter storms, and that immediate action is necessary to respond to the emergency; and
2. Continue to authorize emergency repairs of the north channel embankment of the San Francisquito Creek Bridge;
3. Continue to delegate authority to approve all plans and/or designs with regard to the emergency repairs to the Executive Director, or designee; and
4. Continue to authorize the Executive Director, or designee, to take all other actions required to respond to said emergency.

Discussion

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

The JPB has the authority to undertake emergency repairs pursuant to California Public Contract Code section 22050, which requires that the Board, by a four-fifths vote, make findings based on substantial evidence that the emergency will not permit delay resulting from a competitive solicitation of bids, and that action is necessary to respond to the emergency. Public Contract Code section 1102 defines an emergency as "sudden, unexpected occurrence that poses a clear and imminent danger, requiring immediate action to prevent or mitigate the loss or impairment of life, health, property, or essential public services." The Board made these findings at its March 29, 2023, meeting (Resolution 2023-19) and renewed these findings at its subsequent meetings on May 4, 2023 (Resolution 2023-23), June 1, 2023 (Resolution 2023-38), August 3, 2023 (Resolution 2023-46), September 7, 2023 (Resolution 2023-56), October 5, 2023 (Resolution 2023-62), November 2, 2023 (Resolution 2023-68), December 7, 2023 (Resolution 2023-74), January 4, 2024 (Resolution 2024-01), February 1, 2024 (Resolution 2024-13), March 7, 2024 (Resolution 2024-17), April 4, 2024 (Resolution 2024-26), and May 2, 2024 (Resolution 2024-31). Section 22050(c) requires the Board to review the emergency action at its next regularly scheduled meeting and at every subsequent regularly scheduled meeting until the action is terminated or determine that there is a need to continue the action.

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

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

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

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

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

The temporary stabilization measures have ameliorated the risk of the immediate collapse of the embankment and the winter storm season is coming to an end. As a result, staff plans to reconsider whether to continue to extend the emergency declaration until permanent repairs can be completed or to terminate it based on current conditions. Staff will return to the Board at its next meeting with a recommendation. In the meantime, under state law, the Board must continue to review the situation at each meeting and renew findings until the emergency is resolved or terminated.

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

1. Increased frequency of visual inspections of the Bridge and conducted immediate inspections during and/or after storms.
2. Retained on-call bench consultants (WSP, AECOM, Jacobs, and TRC), to assist the JPB in obtaining the required environmental permits, designing the bank stabilization, estimating the cost of the proposed work, and providing construction management services, respectively.
3. Engaged the U.S. Army Corps of Engineers, the Regional Water Quality Control Board, and the California Department of Fish and Wildlife and submitted all necessary applications for regulatory permits and approvals.
4. Met regularly with the City of Menlo Park, the City of Palo Alto, the San Francisquito Creek Joint Powers Authority, and Stanford University to coordinate the scope of the project and jointly review iterative design updates.
5. Jointly developed 15%, 35%, 65%, and 100% designs for the bank stabilization with input from the City of Menlo Park, City of Palo Alto, and regulatory agencies.
6. Jointly prepared and executed a trilateral project agreement by and between the JPB, the City of Menlo Park, and the City of Palo Alto to memorialize cost sharing arrangements and other responsibilities.
7. Obtained iterative and independent cost estimates from consultants and Walsh Construction to establish clear cost expectations and determine a fair and reasonable not-to-exceed construction budget.
8. Awarded a construction contract to Walsh Construction to implement the bank stabilization because Walsh has a crew onsite that specializes in emergency work and because of Walsh's experience on JPB in-water construction projects, such as the Guadalupe River Bridge Replacement Project.

9. Obtained timely construction permits from the City of Menlo Park, City of Palo Alto, Regional Water Quality Control Board, and California Department of Fish and Wildlife.
10. In accordance with the Executive Director's November 18, 2023, emergency declaration, notified regulatory agencies of the temporary bank stabilization plan and JPB staff's intent to seek any relevant permits.
11. Obtained a second encroachment permit from the City of Menlo Park for the implementation of the temporary stabilization measures.
12. With Walsh Construction, implemented the emergency temporary bank stabilization measures to protect the San Francisquito Creek Bridge from 2023-2024 winter storms which could have otherwise threatened the integrity of the bridge.
13. Updated the project cost estimate to $8,988,347 to account for the cost of the temporary bank stabilization, additional permitting efforts, and extended schedule for the permanent stabilization work.
14. Extracted archaeological coring samples from the project site to support the preparation of Section 404 permit application materials for the U.S. Army Corps of Engineers.

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

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

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

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

Ongoing and Future Activities

In the months ahead:

1. JPB staff will continue to monitor conditions around the foundations of the Caltrain rail bridge.
2. JPB consultants will analyze the coring samples extracted from the project site in mid-April and summarize the results of the analysis in a report.
3. JPB staff will submit additional documents, including the archaeological report, to the U.S. Army Corps of Engineers to supplement previously submitted permit application materials.
4. JPB staff will continue to coordinate closely with the U.S. Army Corps of Engineers to facilitate the issuance of the Section 404 permit for construction of the permanent bank stabilization.
5. JPB staff will continue to assess the likely timing of the issuance of the U.S. Army Corps of Engineers Section 404 permit and implications on the timing of the implementation of the permanent stabilization project.
6. JPB staff and Walsh Construction will remove the temporary bank stabilization measures and replace them with the permanent bank stabilization measures designed under the joint project between JPB, the City of Menlo Park, and the City of Palo Alto.
7. JPB staff will report regularly to the Board regarding the status of the project and will make a recommendation to the Board regarding the continuation of the emergency at its next meeting.

Budget Impact

The San Francisquito Creek Emergency Bank Stabilization Project has an approved budget of $8,988,347 funded in part by Capital Contingency Funds, the San Mateo County Transportation Authority (SMCTA), the Cities of Palo Alto and Menlo Park, and project savings from recently completed projects. A funding source for $2,520,222 of the $8,988,347 has yet to be identified and may be included in a forthcoming FY25 budget amendment.

Prepared By:	Robert Barnard	Chief, Rail Design & Construction	650.508.7783
	Mike Boomsma	Project Manager	808.208.2355

Resolution No. 2024-

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

* * *

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

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

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

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

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

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

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

Whereas, the Board most recently renewed its findings via Resolution 2024-31 at its May 2, 2024, Board meeting; and

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

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

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

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

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

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

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

Whereas, the temporary stabilization measures have ameliorated the risk of immediate collapse of the embankment. However, a continued risk to the San Francisquito Creek Bridge exists. Accordingly, the emergency continues as of this time; and

Whereas, there is a continued and ongoing emergency to repair the north channel embankment of the San Francisquito Creek Bridge due to erosion that threatens the integrity of the structure supporting the JPB's tracks; and

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

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

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

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

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

1. Renews findings from May 2, 2024, that an emergency, as defined by Section 1102 of the California Public Contract Code, exists at the north channel embankment at the San Francisquito Creek Bridge due to erosion that threatens the integrity of the structure supporting the JPB's tracks; and
2. Renews findings, based on the substantial evidence presented by staff, that the emergency did not permit a delay that would have resulted from a formal solicitation for bids because the time required to obtain competitive bids would have unduly delayed the JPB's ability to make emergency repairs to these essential facilities, that action is necessary to respond to the ongoing emergency to prevent or mitigate loss or damage to life, health, property or essential public services, that the need for emergency actions cannot be delayed, and that the JPB has and must continue to act as expeditiously as possible to repair necessary facilities; and
3. Continues to authorize emergency repairs of the north channel embankment at the San Francisquito Creek Bridge without adopting plans and specifications or giving notice to potential bidders; and
4. Continues to delegate to the Executive Director, or designee, the authority: to approve all plans and/or designs; to amend the contract with Walsh Construction, to undertake emergency repairs of the north channel embankment at the San Francisquito Creek Bridge at a price that staff has determined is fair and reasonable; and to take all other actions required to respond to said emergency, provided that the Executive Director reports such actions to the Board at each monthly Board meeting until the emergency

situation is resolved, with a final report to be made at the first Board meeting after the emergency is resolved.

Be It Further Resolved that the Board of Directors has reviewed the emergency action taken on March 29, 2023, on May 4, 2023, on June 1, 2023, on August 3, 2023, on September 7, 2023, on October 5, 2023, on November 2, 2023, on December 7, 2023, on January 4, 2024, on February 1, 2024, on March 7, 2024, on April 4, 2024, and on May 2, 2024, to remediate emergency conditions at the embankment of the San Francisquito Bridge, and will continue to conduct such a review at every subsequent regularly scheduled meeting until the action is terminated to determine that there is a need to continue the action by a four-fifths vote pursuant to Public Contract Code section 22050(c).

Regularly passed and adopted this 6th day of June, 2024, by the following vote:

Ayes:

Noes:

Absent:

____

Chair, Peninsula Corridor Joint Powers Board

Attest:

____

JPB Secretary

(00505091)

Peninsula Corridor Joint Powers Board
Staff Report

To:	JPB Finance Committee
Through:	Michelle Bouchard, Executive Director
From:	Kate Jordan Steiner, Chief Financial Officer
Subject:	**Accept Statement of Revenues and Expenses for the Period Ending April 30, 2024**

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

Purpose and Recommended Action

Staff proposes that the Finance Committee of the Peninsula Corridor Joint Powers Board (JPB) accepts and enters into the record the Statement of Revenues and Expenses for the Period Ending April 30, 2024.

This staff report provides a brief discussion of significant items and trends in the attached Statement of Revenues and Expenses through April 30, 2024. The statement has been designed to follow the Agency-wide line-item rollup as included in the approved budget. The columns have been designed to provide an easy comparison of year-to-date actuals to the budget including dollar and percentage variances**.**

Year-to-Date Revenues: As of April year-to-date actual, the Grand Total Revenue (page 1, line 17) is $1.4 million higher than the adopted budget. This is primarily driven by the increase in Measure RR (page 1, line 11), Rental Income (page 1, line 4), which is partially offset by Other Income (page 1, line 5).

Year-to-Date Expenses: As of April year-to-date actual, the Grand Total Expense (page 2, line 51) is $2.8 million lower than the adopted budget. This is primarily driven by the decrease in Other Office Expenses and Services (page 2, line 41), Wages and Benefits (page 2, line 36), Professional Services (page 2, line 39), and Maintenance & Services-Building & Other (page 2, line 31), which is partially offset by the increases in Claims, Payments, and Reserves (page 2, line 28).

Annual Forecast: The annual forecast was derived by examining actual revenue and expense trends through March 2024, and then analyzing trends and reviewing details with business unit divisions and cost centers. Overall, a surplus of $1.0 million is projected for FY 2024, compared to a surplus of $2.0 million projected in the FY 2024 Adopted Budget. The most significant component in the negative change of $1.1 million from budget is related to the above-budget Claims expense due to recent large losses.

Forecast Revenues: Total Revenue (page 1, line 17) is forecasted to be $0.1 million above budget. The significant components that drive the forecast and budget variances are summarized below:

1. $0.9 million favorable Measure RR sales tax revenue (page 1, line 11), driven by above budget inflation and consumer spending.
2. $0.8 million favorable Rental Income (page 1, line 4), driven by back rents and new leases.

The above revenue increases are partially offset by:

1. $1.0 million unfavorable Go Pass revenue (page 1, line 2), driven by clients leaving the program.
2. $0.5 million unfavorable Other Income (page 1, line 5), driven by below budget interest and advertising revenue.

Forecast Expenses: Total Expense (page 2, line 51) is forecasted to be $1.2 million above budget, mainly driven by the following cost increases in several line items:

1. $2.9 million unfavorable Claims, Payments, and Reserves (page 2, line 28), due to recent large losses.
2. $1.0 million unfavorable Professional Services (page 2, line 39), due to increasing needs in consulting services and legal support for major projects.

The above cost increases are partially offset by:

1. $1.9 million favorable Wages and Benefits (page 2, line 36), due to vacancy cost saving.
2. $0.8 million favorable Other Office Expenses and Services (page 2, line 41), mainly driven by savings in bank fees with earning credit rates.
3. $0.4 million favorable Rail Operator Services (page 2, line 22), due to vacancy cost saving.

<u>Budget Impact</u>

There is no budget impact for the acceptance of the April 2024 Statement of Revenues and Expenses.

Prepared By:	Li Saunders	Accountant II	650.622.7848
	Danny Susantin	Financial Reporting, Manager	650.622.8073

PENINSULA CORRIDOR JOINT POWERS BOARD

STATEMENT OF REVENUE AND EXPENSE

Fiscal Year 2024

April 2024

% OF YEAR ELAPSED 83.3%

		JULY TO APRIL				ANNUAL			
		ADOPTED BUDGET	**CURRENT ACTUAL**	**$ VARIANCE**	**% VARIANCE**	**APPROVED BUDGET**	**FORECAST**	**$ VARIANCE**	
	REVENUE								
	OPERATIONS:								
1	Caltrain Fares	24,404,723	24,257,287	(147,436)	(0.6%)	29,936,000	29,936,000	-	1
2	Go Pass	13,970,000	13,919,651	(50,349)	(0.4%)	16,764,000	15,800,000	(964,000)	2
3	Parking Revenue	1,587,510	1,619,430	31,920	2.0%	1,905,015	1,829,440	(75,575)	3
4	Rental Income	855,410	1,610,499	755,089	88.3%	1,026,489	1,800,000	773,511	4
5	Other Income	5,451,050	4,715,171	(735,879)	(13.5%)	6,541,260	5,996,400	(544,860)	5
6									6
7	TOTAL OPERATING REVENUE	46,268,693	46,122,039	(146,654)	(0.3%)	56,172,764	55,361,840	(810,924)	7
8									8
9	CONTRIBUTIONS:								9
10	Operating Grants	10,667,450	10,810,367	142,917	1.3%	12,800,936	12,800,936	-	10
11	Measure RR	97,902,000	99,270,717	1,368,717	1.4%	118,400,000	119,300,000	900,000	11
12	Member Agency (VTA - Gilroy)	391,670	391,667	(3)	(0.0%)	470,000	470,000	-	12
13	LCTOP/SRA	5,757,080	5,757,253	173	0.0%	6,908,503	6,908,503	-	13
14									14
15	TOTAL CONTRIBUTED REVENUE	114,718,200	116,230,003	1,511,803	1.3%	138,579,439	139,479,439	900,000	15
16									16
17	**GRAND TOTAL REVENUE**	**160,986,893**	**162,352,042**	**1,365,149**	0.8%	**194,752,203**	**194,841,279**	**89,076**	17
18									18

PENINSULA CORRIDOR JOINT POWERS BOARD

STATEMENT OF REVENUE AND EXPENSE

Fiscal Year 2024

April 2024

% OF YEAR ELAPSED 83.3%

	JULY TO APRIL				ANNUAL		
	ADOPTED BUDGET	CURRENT ACTUAL	$ VARIANCE	% VARIANCE	APPROVED BUDGET	FORECAST	$ VARIANCE
EXPENSE							
DIRECT EXPENSE:							
Rail Operator Service	87,154,954	87,070,600	84,354	0.1%	104,889,704	104,456,834	432,870
Security Services	6,906,159	6,753,835	152,324	2.2%	8,287,745	8,287,745	-
Shuttle Services	66,670	55,973	10,697	16.0%	80,000	80,000	-
Fuel and Lubricants*	12,676,090	12,500,161	175,929	1.4%	15,211,316	15,211,316	-
Timetables and Tickets	79,160	15,076	64,084	81.0%	95,000	117,725	(22,725)
Insurance	8,524,750	8,572,119	(47,369)	(0.6%)	10,229,703	10,225,000	4,703
Claims, Payments, and Reserves	1,100,000	3,522,736	(2,422,736)	(220.2%)	1,320,000	4,248,000	(2,928,000)
Facilities and Equipment Maintenance	6,792,893	7,192,402	(399,509)	(5.9%)	8,186,535	8,338,759	(152,224)
Utilities	2,257,420	2,286,087	(28,667)	(1.3%)	2,708,900	2,823,345	(114,445)
Maint & Services-Bldg & Other	1,487,170	613,390	873,780	58.8%	1,784,600	1,802,118	(17,518)
TOTAL DIRECT EXPENSE	**127,045,266**	**128,582,378**	**(1,537,112)**	(1.2%)	**152,793,503**	**155,590,842**	**(2,797,339)**
ADMINISTRATIVE EXPENSE							
Wages and Benefits	14,927,851	13,804,754	1,123,097	7.5%	17,315,281	15,451,065	1,864,216
Managing Agency Admin OH Cost	2,971,220	2,856,420	114,800	3.9%	3,565,453	3,565,453	-
Board of Directors	52,390	14,599	37,791	72.1%	62,875	62,875	-
Professional Services	8,489,122	7,437,325	1,051,797	12.4%	10,554,391	11,560,114	(1,005,723)
Communications and Marketing	364,017	264,636	99,381	27.3%	427,961	465,141	(37,180)
Other Office Expenses and Services	3,583,834	2,399,280	1,184,554	33.1%	4,307,066	3,463,850	843,216
TOTAL ADMINISTRATIVE EXPENSE	**30,388,434**	**26,777,015**	**3,611,419**	**11.9%**	**36,233,027**	**34,568,498**	**1,664,529**
TOTAL OPERATING EXPENSE	**157,433,700**	**155,359,394**	**2,074,306**	**1.3%**	**189,026,530**	**190,159,339**	**(1,132,809)**
Governance	187,500	166,785	20,715	11.0%	225,000	225,000	-
Debt Service Expense	2,892,600	2,190,093	702,507	24.3%	3,471,125	3,502,000	(30,875)
GRAND TOTAL EXPENSE	**160,513,800**	**157,716,271**	**2,797,529**	**1.7%**	**192,722,655**	**193,886,339**	**(1,163,684)**
Projected Contribution to Reserve					2,029,548	-	(2,029,548)
NET SURPLUS / (DEFICIT)	**473,093**	**4,635,770**	**4,162,677**	**879.9%**	**-**	**954,940**	**954,940**
Reserve, Beginning Balance		**26,878,850**			**26,878,850**		
Projected Contribution to Reserve		**-**			**2,029,548**		
Reserve, Ending Balance		**26,878,850**			**28,908,398**		

*** Fuel and Lubricants costs were decreased by a realized gain of $734,937 from the fuel hedge program.**

PENINSULA CORRIDOR JOINT POWERS BOARD

INVESTMENT PORTFOLIO

AS OF APRIL 30, 2024

TYPE OF SECURITY		MATURITY DATE	INTEREST RATE	PURCHASE PRICE	MARKET RATE
Local Agency Investment Fund (LAIF) *(Unrestricted)*	*	Liquid Cash	4.272%	375,789	375,789
California Asset Management Program (CAMP) *(Unrestricted)*		Liquid Cash	5.440%	77,438,382	77,438,382
County Pool *(Unrestricted)*		Liquid Cash	3.684%	585,044	585,044
Other *(Unrestricted)*		Liquid Cash	5.210%	29,781,809	29,781,809
Other *(Restricted)*	**	Liquid Cash	4.780%	30,443,629	30,443,629
				$ 138,624,652	$ 138,624,652

Interest Earnings for April 2024	$ 754,792.80
Cumulative Earnings FY2024	3,078,417.74

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

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

Farebox Revenues by Ticket Type	PENINSULA CORRIDOR JOINT POWERS BOARD															
	Previous Years					**FY2024**										
REVENUE	FY2019	FY2020	FY2021	FY2022	FY2023	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	FY2024 Total YTD
OPERATIONS:																
401400 (TVM)	18,431,265	11,165,620	2,458,837	6,836,440	6,838,317	701,507	580,909	427,973	542,427	429,650	414,419	409,800	398,044	482,837	474,370	4,861,936
401410 (Clipper)	54,621,910	37,970,696	2,924,987	7,764,755	15,493,238	1,584,242	1,688,849	1,283,054	1,964,018	1,537,081	1,331,257	1,526,512	1,563,600	1,574,020	1,697,477	15,750,109
401420 (Central)	64,908	20,799	309,748	39,911	58,267	1,068	-	7,861	8,407	2,619	251	2,732	4,123	4,327	3,520	34,908
401430 (Mobile App)	4,716,955	5,689,776	830,051	2,808,795	3,501,791	289,934	353,887	285,899	332,212	307,863	242,542	278,638	278,385	258,148	317,034	2,944,543
401500 (Gilroy)	1,903,941	1,542,171	178,759	449,281	706,203	58,850	58,850	75,084	64,261	64,261	64,261	64,261	61,705	79,096	75,160	665,791
401700 (Go-Pass)	22,929,136	19,705,372	25,737,533	15,337,175	16,728,021	1,362,537	1,337,709	1,370,632	1,375,408	1,349,604	1,426,899	1,256,768	1,264,651	1,267,045	1,908,398	13,919,651
total Farebox Revenue	102,668,114	76,094,433	32,439,915	33,236,357	43,325,839	3,998,139	4,020,204	3,450,502	4,286,733	3,691,078	3,479,630	3,538,712	3,570,507	3,665,474	4,475,959	38,176,938
Less: Go-Pass																
401700 (Go-Pass)	22,929,136	19,705,372	25,737,533	15,337,175	16,728,021	1,362,537	1,337,709	1,370,632	1,375,408	1,349,604	1,426,899	1,256,768	1,264,651	1,267,045	1,908,398	13,919,651
Revenues without Go-Pass	79,738,978	56,389,061	6,702,382	17,899,182	26,597,817	2,635,602	2,682,496	2,079,870	2,911,325	2,341,474	2,052,731	2,281,944	2,305,856	2,398,429	2,567,561	24,257,287
Tickets Sold						Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	Total
TVM	2,354,393	1,465,876	315,378	755,674	802,158	78,363	74,658	69,149	55,296	52,840	51,726	52,299	47,968	53,472	65,236	601,007
Clipper	3,521,066	2,620,816	339,753	1,227,757	1,975,206	194,041	214,425	208,775	207,849	191,852	165,395	195,218	197,154	216,465	223,413	2,014,587
Central	9,167	5,044	-	4,032	6,440	100	231	484	717	-	478	231	349	756	581	3,927
Mobile	543,920	661,515	111,394	381,441	428,741	40,439	41,483	39,565	37,168	33,606	29,903	33,356	34,991	39,217	45,461	375,189
# of tickets sold (without go-pass)	6,428,546	4,753,251	766,525	2,368,904	3,212,545	312,943	330,797	317,973	301,030	278,298	247,502	281,104	280,462	309,910	334,691	2,994,710
AVG Revenue Per Ticket						Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-23	Feb-23	Mar-23	Apr-23	Total
TVM	$ 7.83	$ 9.05	$ 7.80	$ 9.05	$ 8.52	$ 8.95	$ 7.78	$ 6.19	$ 9.81	$ 8.13	$ 8.01	$ 7.84	$ 8.30	$ 9.03	$ 7.27	$ 8.09
Clipper	$ 15.51	$ 6.32	$ 8.61	$ 6.32	$ 7.84	$ 8.16	$ 7.88	$ 6.15	$ 9.45	$ 8.01	$ 8.05	$ 7.82	$ 7.93	$ 7.27	$ 7.60	$ 7.82
Central	$ 7.08	$ 9.90	$ -	$ 9.90	$ 9.05	$ 10.68	$ -	$ 16.24	$ 11.72	$ -	$ 0.53	$ 11.83	$ -	$ 5.72	$ 6.06	$ 8.89
Mobile	$ 8.67	$ 7.36	$ 7.45	$ 7.36	$ 8.17	$ 7.17	$ 8.53	$ 7.23	$ 8.94	$ 9.16	$ 8.11	$ 8.35	$ 7.96	$ 6.58	$ 6.97	$ 7.85
Total	$ 12.40	$ 11.86	$ 8.74	$ 7.56	$ 8.28	$ 8.42	$ 8.11	$ 6.54	$ 9.67	$ 8.41	$ 8.29	$ 8.12	$ 8.22	$ 7.74	$ 7.67	$ 8.10

Farebox Revenues by Ticket Type	PENINSULA CORRIDOR JOINT POWERS BOARD							
	July to April						Annual Budget	
REVENUE	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2024	% of Budget
401400 (TVM)	14,998,781	10,523,208	1,671,775	5,027,021	5,253,534	4,861,936		
401410 (Clipper)	45,334,179	39,488,086	2,180,394	5,632,260	12,953,836	15,750,109		
401420 (Central)	40,434	42,569	-	28,774	44,752	34,908		
401430 (Mobile App)	3,595,395	5,608,048	541,196	2,049,193	2,766,288	2,944,543		
401500 (Gilroy)	1,589,911	1,522,365	135,167	338,355	578,885	665,791		
401700 (Go-Pass)	19,234,851	18,444,142	23,613,685	12,888,764	14,144,344	13,919,651		
total Farebox Revenue	84,793,550	75,628,419	28,142,218	25,964,368	35,741,641	38,176,938	46,700,000	82%
Less: Go-Pass								
401700 (Go-Pass)	19,234,851	18,654,468	23,487,193	12,940,666	13,987,605	13,919,651	16,764,000	83%
Revenues without Go-Pass	65,558,700	56,973,951	4,655,025	13,023,702	21,754,036	24,257,287	29,936,000	81%
Tickets Sold								
TVM	1,948,831	1,431,714	229,051	583,348	655,755	601,007		
Clipper	2,898,611	2,592,875	234,459	925,638	1,586,843	2,014,587		
Central	5,882	5,044	-	2,981	4,673	3,927		
Mobile	405,510	652,947	76,418	293,551	346,750	375,189		
# of tickets sold (without go-pass)	5,258,834	4,682,580	539,928	1,805,518	2,594,021	2,994,710		
AVG Revenue Per Ticket								
TVM	$ 7.70	$ 7.35	$ 7.30	$ 8.62	$ 8.01	$ 8.09		
Clipper	$ 15.64	$ 15.23	$ 9.30	$ 6.08	$ 8.16	$ 7.82		
Central	$ 6.87	$ 8.44	$ -	$ 9.65	$ 9.58	$ 8.89		
Mobile	$ 8.87	$ 8.59	$ 7.08	$ 6.98	$ 7.98	$ 7.85		
Total	$ 12.47	$ 12.17	$ 8.62	$ 7.21	$ 8.39	$ 8.10		

Peninsula Corridor Joint Powers Board
Staff Report

To: Finance Committee

Through: Michelle Bouchard, Executive Director

From: Kate Jordan Steiner, Chief Financial Officer

Subject: Accept Financial Audit and Citizens Advisory Committee's Report of Measure RR Tax Revenues and Expenditures for the Fiscal Year Ended June 30, 2023

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

Purpose and Recommended Action

The Citizens Advisory Committee (CAC) is the independent oversight committee for the Measure RR sales tax. The CAC held a public hearing on Wednesday, March 20, 2024, to receive public comments on the Annual Audit of Measure RR Revenues and Expenditures for the Fiscal Year Ended June 30, 2023 (Measure RR 2023 Audit). After the conclusion of the hearing, the CAC voted to accept the FY2022-23 Measure RR Audit and to issue its report, as required by the terms of Measure RR.

Given the CAC's oversight role and its approval of the Measure RR audit, staff recommends that the Peninsula Corridor Joint Powers Board (JPB) Board of Directors (Board) accept the Measure RR 2023 Audit and corresponding report.

Discussion

On August 6, 2020, the JPB and its member agencies adopted and sought voter approval to implement a resolution imposing a one-eighth of one percent retail transactions and use tax to fund operating and capital expenses of the JPB's rail service (Measure RR Resolution). The voters in the City and County of San Francisco, and the Counties of San Mateo and Santa Clara approved Measure RR on November 3, 2020. The Measure RR Resolution, Resolution 2020-40 requires the JPB to have an independent auditor annually audit the receipts and expenditures of Measure RR tax proceeds, and under the express terms of Measure RR, the CAC services as the independent oversight committee for the Measure RR sales tax.

In its capacity as the independent oversight committee, the CAC is responsible for verifying that the tax proceeds are invested in a way that is consistent with the purpose of the tax by:

1. Receiving the annual independent audit of the receipt and expenditure of tax proceeds;
2. Holding a public hearing; and
3. Issuing an annual report to provide the public with information regarding how the tax proceeds have been spent.

The CAC received the audit on March 6, 2024, held a public hearing on the audit on March 20, 2024, and voted to accept the FY2022-23 Financial Statement, which confirm that the Measure RR revenues and expenditures were handled appropriately as contemplated by the ballot language, for the fiscal year ended June 30, 2023.

Budget Impact

There is no budget impact for accepting this Measure RR 2023 Audit.

Prepared by: Annie To Director, Accounting 655-622-7890

Peninsula Corridor Joint Powers Board

Citizens Advisory Committee

Report on Measure RR Tax Revenues and Expenses

Fiscal Year 2023 (July 2022 – June 2023)

The Citizens Advisory Committee (CAC) of the Peninsula Corridor Joint Powers Board (JPB) is pleased to provide its annual report on the expenditure of tax proceeds from the Measure RR Funds. This report covers the Fiscal Year 2023, from July 1, 2022, through June 30, 2023. With regards to Measure RR, the principal duties of the CAC are to ensure that the tax proceeds have been expended for the purpose set forth in the Measure RR ballot language and to provide a report on the independent audit conducted pursuant to the ballot language and the JPB Resolution which placed Measure RR on the ballot.

The CAC is composed of nine members representing the City and County of San Francisco and the Counties of San Mateo and Santa Clara. Under the CAC's charter, as amended by the JPB through Resolution No. 2022-03, the CAC serves as the independent oversight committee for the Measure RR sales tax. In its capacity as the independent oversight committee, the CAC is responsible for providing information to the taxpayers of the three counties in the following ways:

- Receive the JPB's annual audit report on receipts and expenditures of Measure RR tax proceeds
- Hold an annual public hearing on the audit report
- Issue an annual report of the CAC on the audit results to provide the public with information regarding how the tax proceeds are being spent.

The Board of Directors of the JPB is responsible for the prioritization and distribution of funds received pursuant to the provisions of Measure RR. The independent audit conducted by the JPB and the CAC's report are intended to provide additional accountability with respect to the expenditure of these proceeds by the JPB.

The JPB's annual audit report on receipts and expenditures of Measure RR tax proceeds for the Fiscal Year ended June 30, 2023, was conducted by Brown Armstrong, CPAs, an independent accounting firm. This firm has several years of experience in conducting independent audits of the financial statements of the JPB. In its audit, Brown Armstrong, CPAs provided what is known as an unmodified opinion (often referred to as a "clean" opinion) on the Measure RR financial statements as prepared by the JPB staff. The CAC held a public hearing on the audit report on March 20, 2024. A copy of the audit report is attached as Appendix A.

Section 1. Measure RR Funding Priorities

In 2020, voters in the City and County of San Francisco, County of San Mateo, and County of Santa Clara approved Measure RR, which levies a one-eighth (1/8) of one percent (0.125%) retail transactions and use tax for a period of thirty (30) years in all three areas. 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 Service Vision adopted by the JPB on October 3, 2019, as part of the Caltrain Business Plan.

In accordance with the Board of Directors of the JPB's Resolution No. 2020-41, the tax revenues from Measure RR will be prioritized as follows:

- To support the operation of Caltrain service levels throughout the corridor from San Francisco to Gilroy as necessary to sustain and expand the service.
- To support the infrastructure, rolling stock, and capital projects necessary to advance the expansion of the Caltrain peak hour service.
- To develop and implement programs to expand access to the Caltrain service and facilitate the use of the system by passengers of all income levels.
- To help leverage other local, regional, state, and federal investments to advance capital projects necessary to implement the Caltrain Business Plan's 2040 Service Vision, adopted by the JPB on October 3, 2019.
- To provide the JPB with a steady stream of funding to support the annual operating, maintenance, and capital needs of an electrified Caltrain service with increased frequency and capacity.

Section 2. Overview of Caltrain Funding Sources

In Fiscal Year 2019, prior to the pandemic, Caltrain received $103 million from fare revenue, roughly 72% of its total revenue base. This marked Caltrain one of the nation's transit systems with the highest farebox recovery. In the past, farebox revenue, though affected by downturns in the economy, was a more stable revenue source for transit agencies than sales tax, which is a major revenue source for many transit agencies in the Bay Area. However, during and since the pandemic, transit systems that used to rely heavily on ridership and fare revenues have been hit the hardest in the Bay Area and have yet to see their revenue base return.

Caltrain's farebox revenue in Fiscal Year 2023 was $43 million, less than 30% of total expenses. Pandemic-era federal funding for transit operations ceased after Fiscal Year 2022, leaving a significant financial gap. For Caltrain, the passage of Measure RR, while not originally intended as the primary source of operating funds, has replaced fare revenue as the largest revenue component. Without Measure RR, the system could not operate even lifeline service. Since many office jobs have not yet returned to in-person work at pre-pandemic levels many people riding Caltrain rely on the system as their only means of transportation to jobs, school, and appointments.

While this audit focuses on Fiscal Year 2023, the ongoing trend of reduced farebox revenue underscores the necessity of continued reliance on Measure RR funding to sustain Caltrain's operations in the coming years.

Section 3. Fiscal Year 2023 Revenues and Expenses

A. Measure RR Revenues

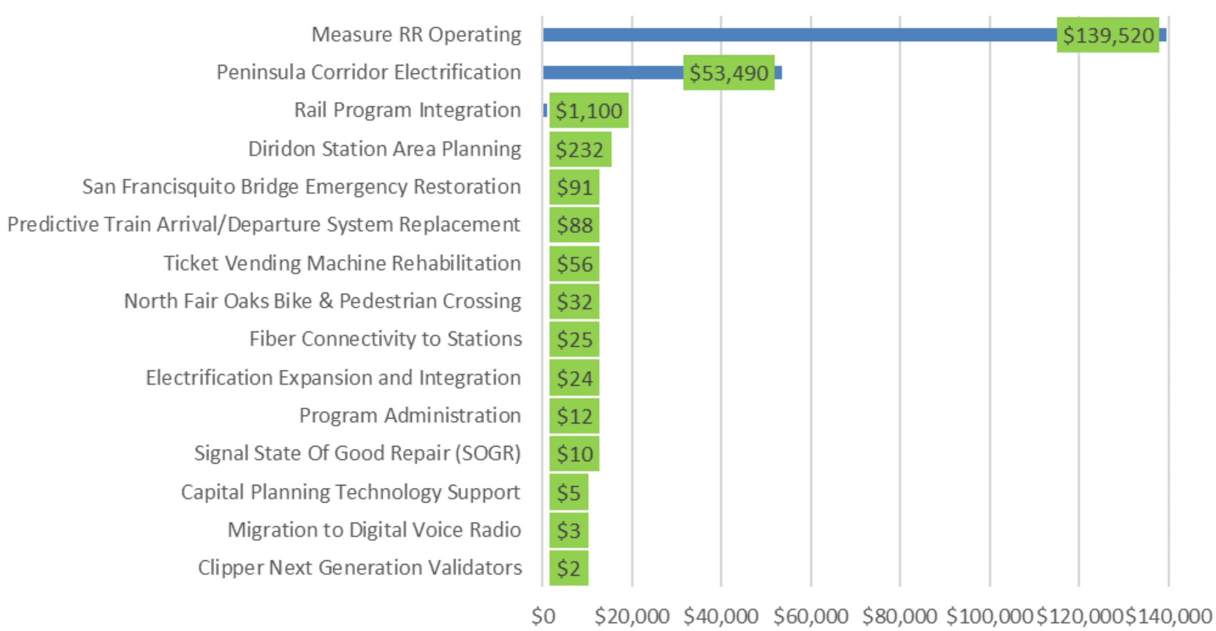
A total of $121.6 million in Measure RR transaction and use tax was realized and recorded in Fiscal Year 2023. Of that, $100.7 million was received prior to June 30, 2023, and $20.9 million was received in July and August of 2023.

B. Measure RR Allocations and Expenses

A total of $194.7 million was spent primarily on the operating expenses and critical agency initiatives, as shown in figure 1. The excess ($73.1 million) of the FY23 expenses ($194.7 million) over the FY23 revenue ($121.6 million) was funded by the FY22 unused reserves. The Measure RR funds recorded in Fiscal Year 2023 were used as follows:

1. No new funds were allocated in FY23 for capital programs. All FY23 capital programs expenses were funded by FY22 unused reserves.
2. $139.5 million was spent on operating expenses.
3. $53.5 million was spent for the Peninsula Corridor Electrification Project (PCEP).
4. $1.1 million was spent for Rail Program Integration activities.
5. $0.6 million was spent for various capital programs as shown in figure 1 below.

Figure 1: Measure RR Expenditures (in thousand)



C. Expenditure Detail and Consistency with Measure RR Core Principles

The expenditures listed below adhere to the principles of Measure RR.

1. Operating Expenses ($139.5 million). These funds allowed Caltrain to continue to run its highest ever level of service, with 104 trains operating every weekday.

2. Peninsula Corridor Electrification ($53.5 million). These funds were applied to the Peninsula Corridor Electrification Project (PCEP), while waiting for the state to allocate additional funding to complete the project. On January 31, 2023, Caltrain received $367 million from the state's Transit and Intercity Rail Capital Program (TIRCP) which, together with $43 million from the federal omnibus spending bill signed in December 2022, fully covered the $410 million PCEP funding shortfall identified in late 2021.

3. Rail Program Integration and Transition ($1.1 million). The objective of this program is to focus on identifying, defining, and implementing the integration of work necessary to support Caltrain's transition to electrified service. As part of the Program Integration, the Rail Activation effort will ensure that each element of the activation work is accomplished in accordance with the following phases: commissioning, acceptance, pre-revenue service, safety certification, and overall Electrified Revenue Service plan and objectives.

4. Diridon Station Area Planning ($0.2 million). This funding supported efforts to advance planning for future transit-oriented development (TOD) on Caltrain property adjacent to Diridon Station, which will help to expand access to Caltrain service and generate funding to support ongoing operations.

5. San Francisquito Bridge Emergency Restoration ($91k). The project will stabilize the north bank of the San Francisquito Creek and prevent scour and erosion from undermining Caltrain's San Francisquito Creek Rail Bridge. The project includes a temporary phase (implemented in November 2023) and a permanent phase to be implemented upon receipt of applicable approvals from resource agencies.

6. PADS Gap Coverage ($88k). The objectives of this project are to: 1) create functional requirement for PADS (Predictive Arrival and Departure System) phase 2 request for proposals; 2) add Stadler EMU into existing PADS; and 3) modernize and visualize Xgate virtual server to provide server redundancy between San Jose Control Center and Menlo Park Control Center.

7. Ticket Vending Machine Rehabilitation ($56k). This project upgraded all the Caltrain Ticket Vending Machines (TVM) at all the stations to include Clipper functionalities such as buying a new Clipper card and adding value and products to existing Clipper cards. The project also replaced components of the TVM which are obsolete and no longer supported by the manufacturer.

8. North Fair Oaks Bike & Pedestrian Crossing Planning Support ($32k). Caltrain entered into a service agreement with the County of San Mateo to perform a technical review of the County's conceptual design for a bicycle and pedestrian connection across the Caltrain corridor in the priority equity community of North Fair Oaks. As part of the adopted Framework for Equity, Connectivity, Recovery and Growth, it has been agreed that Caltrain will use its own funds to pay for this service agreement. Caltrain provided technical support for the review of three alternatives and developed a preliminary constructability analysis for the two overcrossings.

9. Fiber Connectivity to Stations ($25k). The project planned to build design to connect the JPB fiber backbone to the stations from 4th and King to Tamien, Caltrain digital voice radio base stations located at Positive Train Control (PTC) sites, existing Very High Frequency (VHF) Sites at tunnel and the Central Control Facility/Back-Up Central Control Facility. The project has been closed with 95% design, and the design gap to 100% has been recorded. The project has been shelved due to insufficient funding, and its scope will be now covered under a separate project. Unused Measure RR funds allocated to this item will instead be used for other projects.

10. Electrification Expansion and Integration ($24k). In preparation for the Fall 2024 launch of electrified service, Caltrain undertook a comprehensive service analysis and public engagement process with the primary purpose of developing an electrified service schedule with faster trips, improved frequency, and enhanced comfort.

11. Program Administration ($12k) - A small amount of funds was spent for the Measure RR annual audit fees.

12. Signal State of Good Repair ($10k). This project supports the purchase of Dual Tone Module Frequency (DTMF) for grade crossings throughout the Caltrain corridor. This is a radio activated crossing system that allows a hyrail operator to send a signal to the crossing gates which activates the gates and allows the hyrail operator to cross busy intersections. These were installed at nine (9) grade crossing on Caltrain's right of way.

13. Capital Planning Technical Support ($5k). This program supports technical expertise necessary to advance individual capital projects in the conceptual planning phase in collaboration with partner agencies, local jurisdictions, and internal stakeholders.

14. Migration to Digital Voice Radio ($3k). This project will update existing VHF voice communication system by co-locating VHF sites with PTC sites that already have JPB fiber backhaul services.

15. Clipper Next Generation Validators (2k). This project prepared all the Caltrain stations to have the Next Generation Clipper Validators installed by the Metropolitan Transportation Commission (MTC). Caltrain installed electrical wires to the locations where the wire will be terminated inside the new validators. Caltrain also installed

mounting bolts in the platform so MTC can mount and bolt down the validators. The new validators were tested by MTC and Caltrain. The old Clipper validators were removed after successfully testing the new validators.

Section 4. Future Measure RR Allocations

As mentioned previously, for the next two fiscal years, likely through FY25, Caltrain anticipates that nearly all Measure RR proceeds will be needed to subsidize the operating costs of the railroad. Without passage of Measure RR and the ability to use the funds for operating service, the agency would not be able to continue to operate its current service levels or transition to electrification in Fall 2024, given the increased costs associated with procuring electricity and maintaining the new traction electrification system. Using the funds to subsidize the operating budget, at least in the short-term, will allow Caltrain to continue to provide much needed service for essential workers, and to meet the changing needs of commuters who come back to the service as in-person work policies evolve and commute traffic increases. It will also enable Caltrain to offer half hourly weekend frequency under the new electrified service schedule, further strengthening the growth of weekend ridership, which has recovered at a faster rate than weekday ridership. Like other Bay Area operators, Caltrain staff continues to advocate for external funding from the state and to consider other potential regional solutions.

Attachments:

1. FY23 Measure RR Funds Financial Statements (Appendix A)

2. JPB Resolution No. 2020-40 (Appendix B) – *see Section 16 for Ballot Measure language*

Appendix A
FY23 Measure RR Funds
Financial Statements

PENINSULA CORRIDOR JOINT POWERS BOARD

MEASURE RR FUNDS

FINANCIAL STATEMENTS

JUNE 30, 2023

PENINSULA CORRIDOR JOINT POWERS BOARD

MEASURE RR FUNDS

JUNE 30, 2023

TABLE OF CONTENTS

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

www.ba.cpa
661-324-4971

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Peninsula Corridor Joint Powers Board's (the JPB) Measure RR Funds, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Measure RR Funds' 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 financial position of the Measure RR Funds as of June 30, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Measure RR Funds' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

BAKERSFIELD
4200 Truxtun Avenue, Suite 300
Bakersfield, CA 93309
661-324-4971

FRESNO
10 River Park Place East, Suite 208
Fresno, CA 93720
559-476-3592

STOCKTON
2423 West March Lane, Suite 202
Stockton, CA 95207
209-451-4833

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 opinion. 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 relating to the Measure RR Funds. 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 Measure RR Funds' 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.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Measure RR Funds are intended to present the financial position and the changes in financial position attributable to the transactions of those funds. They do not purport to, and do not, present fairly the financial position of the JPB as of June 30, 2023, or the results of its operations for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2024, on our consideration of the JPB's internal control over financial reporting relating to the Measure RR Funds 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 relating to the Measure RR Funds 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 relating to the Measure RR Funds. 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 relating to the Measure RR Funds.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
January 5, 2024

PENINSULA CORRIDOR JOINT POWERS BOARD
MEASURE RR FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2023

ASSETS	
Cash and Cash Equivalents	$ 16,508,792
Receivables - Transaction and Use Tax	20,886,440
Prepaid Items	679,082
Total Assets	$ 38,074,314
LIABILITIES AND NET POSITION	
Liabilities	
Accounts Payable and Accrued Liabilities	$ 624,153
Total Liabilities	624,153
Net Position	
Restricted for Measure RR Projects	37,450,161
Total Net Position	37,450,161
Total Liabilities and Net Position	$ 38,074,314

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

PENINSULA CORRIDOR JOINT POWERS BOARD
MEASURE RR FUNDS
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

Revenues	
Measure RR Transaction and Use Tax	$ 121,645,143
Total Revenues	121,645,143
Expenses	
Peninsula Corridor Electrification	53,489,868
Ticket Vending Machine Rehabilitation	55,938
Migration to Digital Voice Radio	3,189
Clipper Next Gen Validators	2,219
Diridon Station Area Planning	231,664
Signal SOGR FY22	9,646
Rail Program Integration	1,099,867
PADS Gap Coverage	87,677
Fiber Connectivity to Stations	24,932
Electrification Expansion and Integration	23,868
Capital Planning Tech Support	4,627
North Fair Oaks Bike & Pedestrian Crossing	32,068
San Francisquito Bridge Emergency Restoration	91,269
Measure RR Operating	139,519,729
Program Administration	12,340
Total Expenses	194,688,901
Operating Loss	(73,043,758)
Nonoperating Revenues	
Interest Income	355,571
Total Nonoperating Revenues	355,571
Change in Net Position	(72,688,187)
Net Position - Beginning of Year	110,138,348
Net Position - End of Year	$ 37,450,161

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

PENINSULA CORRIDOR JOINT POWERS BOARD
MEASURE RR FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from California Department of Tax and Fee Administration	$ 122,377,249
Payments to Vendors for Goods and Services	(195,203,153)
Payments to Employees	(74,825)
Net Cash Used by Operating Activities	(72,900,729)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income Received	355,571
Net Cash Provided by Investing Activities	355,571
Net Change in Cash and Cash Equivalents	(72,545,158)
Cash and Cash Equivalents, Beginning of Year	89,053,950
Cash and Cash Equivalents, End of Year	$ 16,508,792
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating Loss	$ (73,043,758)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Accounts Receivable	732,106
Prepaid Items	(679,082)
Accounts Payable and Accrued Liabilities	90,005
Net Cash Used by Operating Activities	$ (72,900,729)

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

PENINSULA CORRIDOR JOINT POWERS BOARD
MEASURE RR FUNDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

Under Measure RR, approved by the voters in the City and County of San Francisco, and the Counties of San Mateo and Santa Clara in November 2020, Peninsula Corridor Joint Powers Board (JPB) receives a share of the sales tax of 0.125% to fund operating and capital expenses of the JPB's rail service. The duration of the sales tax is for a period of 30 years, beginning on July 1, 2021, and ending June 30, 2051.

The financial statements of the Measure RR Funds do not purport to, and do not, present the financial position of the JPB as of June 30, 2023, or the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. The activities of the Measure RR Funds are reported within the JPB's enterprise fund. The projects funded by Measure RR Funds represent a portion of the activities of the JPB and, as such, are included in the JPB's financial statements.

B. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

C. Net Position

Net position is reported on the statement of net position as "restricted net position." This category represents net position that may only be used to support activities and costs allowable per the Measure RR Funds enabling legislation.

D. Spending Order

The accounting policy is to first consume the most restricted resources when multiple resources are available for the same purpose.

E. Cash and Cash Equivalents

For purpose of the statement of cash flows, the JPB considers all highly liquid investments with an initial maturity of 90 days or less when purchased to be cash equivalents.

F. Investments

The JPB's investments are generally 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 as a component of interest and investment income for that fiscal year.

G. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

A. Policies

All of the Measure RR Funds' cash and investments are deposited in the JPB's Treasury pool managed by the JPB staff. The pool is unrated. Investments in the pool are made in accordance with the JPB's investment policy as approved by the Board of Directors. Investments are stated at fair value. However, the value of the pool shares in the JPB's Treasury pool that may be withdrawn is determined on an amortized cost basis, which is different from the fair value of the Measure RR Funds' position in the pool.

B. 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, whichever is more restrictive, that addresses interest rate 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
Bankers' Acceptances	None	180 days	40%	30%
Commercial Paper ($500 Mil. Min. Assets) Local agencies with less that $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

C. Interest Rate Risk

Interest rate risk is the risk incurred when 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-term 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.

NOTE 3 – SUBSEQUENT EVENTS

Subsequent events were evaluated by management through January 5, 2024, which is the date of issuance.

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

www.ba.cpa
661-324-4971

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the 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, the financial statements of Peninsula Corridor Joint Powers Board's (the JPB) Measure RR Funds, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Measure RR Funds' basic financial statements, and have issued our report thereon dated January 5, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the JPB's internal control over financial reporting (internal control) relating to the Measure RR Funds as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the JPB's internal control relating to the Measure RR Funds. Accordingly, we do not express an opinion on the effectiveness of the JPB's internal control relating to the Measure RR Funds.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Measure RR Funds' financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

BAKERSFIELD
4200 Truxtun Avenue, Suite 300
Bakersfield, CA 93309
661-324-4971

FRESNO
10 River Park Place East, Suite 208
Fresno, CA 93720
559-476-3592

STOCKTON
2423 West March Lane, Suite 202
Stockton, CA 95207
209-451-4833

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Measure RR Funds' financial statements are free from material misstatement, we performed tests of the JPB's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the JPB's internal control or on compliance relating to the Measure RR Funds. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the JPB's internal control and compliance relating to the Measure RR Funds. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
January 5, 2024

PENINSULA CORRIDOR JOINT POWERS BOARD
MEASURE RR FUNDS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

None reported.

Appendix B
JPB Resolution No. 2020-40

RESOLUTION NO. 2020 - 40

BOARD OF DIRECTORS, PENINSULA CORRIDOR JOINT POWERS BOARD STATE OF CALIFORNIA

* * *

IMPOSING A ONE-EIGHTH OF ONE PERCENT RETAIL TRANSACTIONS AND USE TAX TO BE USED FOR OPERATING AND CAPITAL PURPOSES OF THE CALTRAIN RAIL SERVICE

WHEREAS, the Peninsula Corridor Joint Powers Board (hereinafter referred to as the "JPB") is a joint exercise of powers authority duly formed pursuant to Chapter 5 (commencing with Section 6500) of Division 7 of Title 1 of the Government Code of the State of California (the "Joint Exercise of Powers Act") and the joint powers agreement by and between the City and County of San Francisco ("CCSF"), the San Mateo County Transit District ("SMCTD"), and the Santa Clara Valley Transportation Authority ("VTA"), restated and dated October 3, 1996; and

WHEREAS, the JPB operates passenger rail service between San Francisco, California and Gilroy, California currently serving 32 stations along the 77-mile corridor, operating approximately 90 weekday trains, which include express, limited, and local trains ("Caltrain rail service"); and

WHEREAS, effective January 1, 2018, Part 1.7 (commencing with Section 7286.65) of Division 2 of the Revenue and Taxation Code of the State of California was amended by California Senate Bill No. 797 to authorize the JPB to submit to the voters of the City and County of San Francisco, and the Counties of San Mateo and Santa Clara (together, the "Counties"), a regional measure proposing to impose a retail transactions and use tax of not more than 0.125 percent to be used for the operating and capital purposes of the Caltrain rail service; and

WHEREAS, the measure may only be submitted to the voters upon (a) a two-thirds vote of the JPB Board of Directors, (b) approval of the Boards of Supervisors of the

Counties, and (c) approval of the governing boards of the San Francisco Municipal Transportation Agency, SMCTD, and VTA; and

WHEREAS, the JPB has proposed approval of this Resolution that has as its special purpose to authorize the JPB to impose a one-eighth of one percent (0.125%) retail transactions and use tax for a period of thirty (30) years, throughout the three Counties, to fund operating and capital expenses of the Caltrain rail service, and to support the operating and capital needs required to implement the Service Vision adopted by the JPB on October 3, 2019 as part of the Caltrain Business Plan.

NOW, THEREFORE, BE IT RESOLVED as follows:

Section 1. Title; Summary

a. This Resolution shall be known as the "2020 Peninsula Corridor Joint Powers Board Retail Transactions and Use Tax Resolution" and may also be referred to herein as the "Resolution."

b. This Resolution imposes a retail transactions and use tax at the rate of one-eighth of one percent (0.125%) within the City and County of San Francisco, and the Counties of San Mateo and Santa Clara (together, the "Counties") to be operative on the first day of the first calendar quarter commencing not less than 110 days after the adoption of this Resolution by the voters, the authority to levy such tax to remain in effect for thirty (30) years, for the operating and capital purposes of the Caltrain rail service.

c. The JPB or a successor agency, if any, will administer proceeds of the retail transactions and use tax imposed by this Resolution ("2020 Sales Tax").

d. The JPB shall develop guidelines to administer the tax proceeds received from the enactment of the retail transactions and use tax, and shall allocate the tax proceeds to the operating and capital expenses of the Caltrain rail service. Administration of the 2020 Sales Tax proceeds will be subject to review by an independent citizens' oversight committee to verify compliance with the purpose of the tax.

e. The provisions in this Resolution shall apply solely to the retail transactions and use tax adopted pursuant to this Resolution. Nothing in this Resolution is intended to modify, repeal or alter any resolutions previously adopted by the JPB.

Section 2. Definitions.

a. "Board" means the Board of Directors of the Peninsula Corridor Joint Powers Board or its successor agency.

b. "Boards of Supervisors" means the Boards of Supervisors in each of the Counties.

c. "Caltrain" means the passenger rail service on the rail line operated by the Peninsula Corridor Joint Powers Board (or its successor agency) between Gilroy and San Francisco.

d. "CCSF" means the City and County of San Francisco

e. "Counties" means the City and County of San Francisco and the Counties of San Mateo and Santa Clara. The singular term "County" may also be used to mean any of the Counties.

f. "Department of Tax and Fee Administration" means the California Department of Tax and Fee Administration or any successor thereto.

g. "Government Code" means the Government Code of the State of California, as amended and supplemented from time to time pursuant to its terms.

h. "Member Agencies of the JPB" means CCSF, SMCTD and VTA.

i. "Operative Date" means the date determined as described in Section 5 herein, July 1, 2021.

j. "JPB" means the Peninsula Corridor Joint Powers Board (or its successor agency).

k. "Public Utilities Code" means the Public Utilities Code of the State of California, as amended and supplemented from time to time pursuant to its terms.

l. "Revenue and Taxation Code" means the Revenue and Taxation Code of the State of California, as amended and supplemented from time to time pursuant to its terms.

m. "Sales and Use Tax Law" means Part 1 of Division 2 of the Revenue and Taxation Code of the State of California, commencing with Section 6001 thereof, as amended and supplemented from time to time pursuant to its terms.

n. "SMCTD" means the San Mateo County Transit District.

o. "Tax Proceeds" means amounts received by the JPB from the Department of Tax and Fee Administration from the imposition of the 2020 Sales Tax imposed pursuant to this Resolution.

p. "Tax" or "2020 Sales Tax" means the one-eighth of one percent (0.125%) retail transactions and use tax imposed by this Resolution upon approval of two-thirds (2/3) of the electors voting on the ballot measure set forth in Section 16 hereof, to be used for the operating and capital purposes of the Caltrain rail service.

q. "Transactions and Use Tax Law" means Part 1.6 of Division 2 of the Revenue and Taxation Code of the State of California, commencing with Section 7251 thereof, as amended and supplemented from time to time pursuant to its terms.

r. "Vehicle Code" means the Vehicle Code of the State of California, as amended and supplemented from time to time pursuant to its terms.

s. "VTA" means the Santa Clara Valley Transportation Authority.

Section 3. Findings.

The Board hereby finds and determines that the recitals set forth above and incorporated herein by reference are true and correct. In addition, the Board hereby finds:

a. The JPB is facing significant and ever increasing structural funding shortfalls which impact its ability to meet its operational needs, address its state of good repair requirements and undertake necessary capital improvements to sustain the Caltrain service.

b. Since its inception pursuant to the Joint Powers Agreement by and between CCSF, SMCTD, and VTA, dated October 3, 1996, the JPB has had no dedicated source of funding other than passenger fares. Instead, the JPB relies on contributions from its Member Agencies to fulfill minimum financial requirements in its operating and capital budgets under two different funding formulas. For capital costs, each of the Member Agencies contributes an equal amount of capital funding each year. The Member Agencies also supplement operating funding based on the percentage of system ridership originating in each County. The levels of both capital and operating funding are determined by the funding capacity of the Member Agency with the least ability to provide its share of funding in any given year, and the amount that Member Agency can make available then becomes the standard against which the contributions of the other Member Agencies are calculated. This approach fosters an uncertain financial and planning environment for the JPB.

c. In an environment of continual escalation in operating, maintenance and repair costs, the JPB does not have the capacity to operate service levels that meet the rising passenger demands for Caltrain service.

d. The JPB's farebox recovery rate of over 70%, which reflects the proportion of operating costs funded by passenger fares, exceeds all other rail commute services nationwide.

e. The Caltrain service is the seventh largest commuter rail service in the nation and it operates the most efficient such service based on costs per passenger mile.

f. To provide a means to address the JPB's financial challenges, in 2017 the Governor signed Senate Bill No. 797, introduced by Senator Jerry Hill, authorizing the JPB to implement a new retail transactions and use tax of up to 0.125 percent if (i) the Board of Directors of the JPB adopts, by a two-thirds vote, a resolution submitting the measure to the voters, (ii) the measure is approved by the Boards of Supervisors of each of the Counties, (iii) the measure is approved by the governing boards of the San Francisco Municipal Transportation Agency, the SMCTD, and VTA, and (iv) the tax is adopted by a two-thirds vote of the Counties' voters.

g. The JPB has embarked upon a project to electrify its right of way between San Francisco and San Jose which will transform the Caltrain service into a more environmentally sustainable, quiet and nimble operation commencing in 2022.

h. Although the electrified Caltrain service will eliminate the costs of diesel fuel, Caltrain will confront new system and technological costs for operation and maintenance of the electrified system, the electrical multiple unit rail cars, and the positive train control system.

i. The revenues derived from the 0.125 percent sales tax in the Counties is forecast to be sufficient to cover the operational needs of the Caltrain rail service, which, in turn, will reduce the pressure on the JPB to continually raise passenger fares and will reduce the need for the Member Agencies to contribute funding for operations.

j. Approval of this Resolution will place before the voters of the three Counties the opportunity to provide the JPB with a steady stream of funding to support the annual operating and maintenance needs of an electrified Caltrain service with increased frequency and capacity, which in turn will reduce traffic congestion and air pollution in the three Counties.

Section 4. Imposition of Retail Transactions and Use Tax; Special Purpose; Use of Proceeds.

Subject to the limits imposed by this Resolution and the provisions of Section 7286.65 of the Revenue and Taxation Code, which took effect January 1, 2018, the JPB hereby imposes, in the incorporated and unincorporated territory of the City and County of San Francisco County, County of San Mateo, and County of Santa Clara, an additional retail transactions and use tax at the rate of one-eighth of one percent (0.125%), such tax (i) to be imposed beginning on the first day of the first calendar quarter commencing not less than 110 days after the approval of the retail transactions and use tax by the electors voting on the ballot measure set forth in Section 17 hereof, (ii) to remain in effect for a period of thirty (30) years, and (iii) to be for the operating and capital purposes of the Caltrain rail service.

More specifically, this Resolution, if adopted, should be interpreted so as to:

a. impose a new one-eighth of one percent (0.125%) retail transactions and use tax in accordance with the provisions of Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code and consistent with Article XIII C of the California Constitution;

b. set a maximum term of thirty (30) years during which time the retail transactions and use tax shall be imposed;

c. incorporate provisions identical to those of the Sales and Use Tax Law insofar as those provisions are not inconsistent with the requirements and limitations contained in Part 1.6 of Division 2 of the Revenue and Taxation Code;

d. establish that the retail transactions and use tax be administered and collected by the Department of Tax and Fee Administration in a manner that adapts itself as fully as practicable to, and requires the least possible deviation from, the existing statutory and administrative procedures followed by the Department of

Tax and Fee Administration in administering and collecting state transactions and use taxes as such terms are defined in the Sales and Use Tax Law;

e. authorize the administration of the retail transactions and use tax in a manner that will, to the degree possible, be consistent with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code, minimize the cost of collecting the retail transactions and use taxes and at the same time minimize the burden of record keeping upon persons subject to taxation under the provisions of this Resolution;

f. require that proceeds of the Tax imposed by this Resolution be for the operating and capital purposes of the Caltrain rail service and that the tax revenues from this measure will be prioritized:
    1. To support the operation of Caltrain service levels throughout the corridor from San Francisco to Gilroy, including, but not limited to, expanded service and increased capacity realized through the operation of an electrified system. The required support includes the maintenance of equipment, infrastructure and systems necessary to sustain and expand the service;
    2. To support the infrastructure, rolling stock, and capital projects necessary to advance the expansion of the Caltrain peak hour service from six trains per hour per direction to eight trains per hour per direction, as well as the expansion of the Gilroy service to a minimum of five morning and five afternoon trains;
    3. To develop and implement programs to expand access to the Caltrain service and facilitate use of the system by passengers of all income levels, including establishing an affordability program with consideration of discounted passes and/or additional means-based fare discounts informed by Caltrain's participation in the regional Means Based Fare Pilot Program;
    4. To help leverage other local, regional, state and federal investments to advance capital projects necessary to implement the Caltrain Business Plan's 2040 Service Vision, adopted by the JPB on October 3, 2019,

including, but not limited to: the San Francisco Downtown Extension project including the Pennsylvania Avenue alignment, the extension of electrified train service to Gilroy, and grade separations throughout the Caltrain rail corridor; and

5. To provide the JPB with a steady stream of funding to support the annual operating, maintenance and capital needs of an electrified Caltrain service with increased frequency and capacity, which in turn will reduce traffic congestion and air pollution in the Counties; and

g. authorize the issuance, from time to time, of limited tax bonds to finance transportation improvements consistent with the purpose of the Tax and applicable law.

Section 5. Applicability; Effective Date; Operative Date and Period of Tax Imposition, Termination Date.

a. This Resolution shall be applicable in the incorporated and unincorporated territory of the Counties.

b. The Resolution will become effective at the close of the polls on the day of election at which the ballot measure set forth in Section 16 of this Resolution is adopted by a two-thirds (2/3) vote of the electors voting on such ballot measure at such election.

c. Pursuant to Section 7265 of the Revenue and Taxation Code, this Resolution shall be operative on the first day of the first calendar quarter commencing not less than 110 days after the adoption of the Resolution, July 1, 2021.

d. The maximum period during which the 2020 Sales Tax will be imposed is thirty (30) years, terminating June 30, 2051.

Section 6. Administration of the 2020 Sales Tax Proceeds

a. Responsibility for Administration and Implementation. The JPB or a successor agency, if any, will administer the 2020 Sales Tax Proceeds.

b. Restrictions on the Use of Tax Proceeds. Tax Proceeds must be spent for the operating and capital purposes of the Caltrain rail service.

c. Environmental Review. Environmental reporting, review, and approval procedures as provided under the National Environmental Policy Act, the California Environmental Quality Act, or other applicable laws will be adhered to as a prerequisite to implementation of any project funded with Tax Proceeds.

d. Independent Citizens Oversight; Audits. Administration of the Tax Proceeds will be subject to review by the nine-member JPB Citizens Advisory Committee, or a similar successor independent citizens oversight body, to verify that Tax Proceeds are invested in a way that is consistent with the purpose of the Tax.

Annually, the JPB shall have an audit conducted by an independent auditor. The auditor shall review the receipt of Tax Proceeds and expenditure of Tax Proceeds. The JPB independent Citizens Advisory Committee shall receive the audit findings report, hold a public hearing and issue a report annually to provide the public with information regarding how Tax Proceeds are being spent. The hearing will be held at a public meeting subject to the Ralph M. Brown Act.

Section 7. Contract with the State.

Prior to the Operative Date, as provided in the Revenue and Tax Code, the JPB will contract with the Department of Tax and Fee Administration to perform all functions incident to the administration and operation of this Resolution and the 2020 Sales Tax; provided that, if the JPB shall not have contracted with the Department of Tax and Fee Administration prior to the Operative Date of this Resolution, the JPB shall nevertheless so contract and in such case, the Operative Date of this Resolution shall be the first day of the first calendar quarter following the execution of such a contract and references herein to June 30, 2051 shall be extended to permit collection of the 2020 Sales Tax for up to thirty (30) years.

Section 8. Transactions and Use Tax Rate of One-Eighth of One Percent; Excise Tax Rate of One-Eighth of One Percent

a. Transactions Tax Rate. For the privilege of selling tangible personal property at retail, a tax is hereby imposed upon all retailers in the incorporated and unincorporated territory of San Francisco County, San Mateo County, and Santa Clara County at the rate of one-eighth of one percent (0.125%) of the gross receipts of any retailer from the sale of all tangible personal property sold at retail in the Counties on and after July 1, 2021. This tax shall be imposed for a maximum period of thirty (30) years.

b. Use Tax Rate. An excise tax is hereby imposed on the storage, use, or other consumption in San Francisco County, San Mateo County, and Santa Clara County of tangible personal property purchased from any retailer on and after July 1, 2021 for storage, use, or other consumption in the Counties at the rate of one-eighth of one percent (0.125%) of the sales price of the property. This tax shall be imposed for a maximum period of thirty (30) years.

Section 9. Place of Sale.

For the purposes of this Resolution, all retail sales are consummated at the place of business of the retailer unless the tangible personal property sold is delivered by the retailer to an out-of-state destination or to a common carrier for delivery to an out-of-state destination. The gross receipts from such sales shall include delivery charges, when such charges are subject to state sales and use tax, regardless of the place to which delivery is made. In the event a retailer has no permanent place of business in the state or has more than one place of business, the place or places at which the retail sales are consummated shall be determined under rules and regulations to be prescribed and adopted by the Department of Tax and Fee Administration.

Section 10. Adoption of Provisions of State Revenue and Taxation Code.

Except as otherwise provided in this Resolution and except insofar as they are inconsistent with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code, all of the provisions of Part 1 (commencing with Section 6001) of Division 2 of the

Revenue and Taxation Code are hereby adopted and made part of this Resolution as though fully set forth herein.

Section 11. Limitations on Adoption of State Law and Collection of Use Taxes.

In adopting the provisions of Part 1 of Division 2 of the Revenue and Taxation Code, wherever the State of California is named or referred to as the taxing agency, the name of the JPB shall be substituted therefor. The substitution, however, shall not be made: (i) when the word "State" is used as part of the title of the State Controller, the State Treasurer, the State Board of Control, the Department of Tax and Fee Administration, State Treasury, or the Constitution of the State of California; (ii) when the result of that substitution would require action to be taken by or against the JPB or any agent, officer, or employee thereof rather than by or against the Department of Tax and Fee Administration, in performing the functions incident to the administration or operation of this Resolution; (iii) in those sections, including but not necessarily limited to, sections referring to the exterior boundaries of the State of California, where the result of the substitution would be to (a) provide an exemption from the 2020 Sales Tax with respect to certain sales, storage, use or other consumption of tangible personal property which would not otherwise be exempt from the 2020 Sales Tax while such sales, storage, use, or other consumption remains subject to tax by the State of California under the provisions of Part 1 of Division 2 of the Revenue and Taxation Code, or (b) impose the 2020 Sales Tax with respect to certain sales, storage, use or other consumption of tangible personal property which would not be subject to tax by the State of California under said provisions of the Revenue and Taxation Code; and (iv) in Sections 6701, 6702 (except in the last sentence thereof), 6711, 6715, 6737, 6797, or 6828 of the Revenue and Taxation Code. The names of "San Francisco County, San Mateo County, and Santa Clara County" shall be substituted for the word "state" in the phrase "retailer engaged in business in this state" in Section 6203 and in the definition of that phrase in Section 6203.

Section 12. Permit Not Required.

If a seller's permit has been issued to a retailer under Section 6067 of the Revenue and Taxation Code, an additional transactor's permit shall not be required by this Resolution.

Section 13. Exemptions, Exclusions, and Credits.

a. There shall be excluded from the measure of the 2020 Sales Tax the amount of any transactions and use tax imposed by the State of California or by any city, city and county, or county pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law or the amount of any state-administered transactions and use tax.

b. There are exempted from the computation of the amount of transactions tax portion of the 2020 Sales Tax gross receipts derived from:
   1. Sales of tangible personal property, other than fuel or petroleum products, to operators of aircraft to be used or consumed principally outside the County in which the sale is made and directly and exclusively in the use of such aircraft as common carriers of persons or property under the authority of the laws of the State of California, the United States, or any foreign government.
   2. Sales of property to be used outside the Counties which is shipped to a point outside the Counties, pursuant to the contract of sale, by delivery to such point by a retailer or his agent, or by delivery by the retailer to a carrier for shipment to a cosignee at such point. For the purposes of this subsection, delivery to a point outside the Counties shall be satisfied;
      i. with respect to vehicles (other than commercial vehicles) subject to registration pursuant to Chapter 1 (commencing with Section 4000) of Division 3 of the Vehicle Code, aircraft licensed in compliance with Section 21411 of the Public Utilities Code, and undocumented vessels registered under Division 3.5 (commencing with Section 9840) of the Vehicle Code by registration to an out-of-Counties address and by a declaration under penalty of perjury, signed by the buyer, stating that such address is, in fact, his or her principal place of residence; and

ii. with respect to commercial vehicles, by registration to a place of business out-of-Counties, and a declaration under penalty of perjury, singed by the buyer, that the vehicle will be operated from that address.

3. Sale of tangible personal property if the seller is obligated to furnish the property for a fixed price pursuant to a contract entered into prior to the Operative Date of this Resolution; and
4. A lease of tangible personal property which is a continuing sale of such property for any period of time for which the lessor is obligated to lease the property for an amount fixed by the lease prior to the Operative Date of this Resolution.
5. For the purposes of numbered sections 3 and 4 of this Section 13(b), the sale or lease of tangible personal property shall be deemed not to be obligated pursuant to a contract or lease for any period of time for which any party to the contract or lease has the unconditional right to terminate the contract upon notice, whether or not such right is exercised.

c. There are exempted from the use tax imposed by this Resolution, the storage, use or other consumption in the Counties of tangible personal property:

1. The gross receipts from the sale of which have been subject to a transactions tax under any state-administered transactions and use tax ordinance;
2. Other than fuel or petroleum products purchased by operators of aircraft and used or consumed by such operators directly and exclusively in the use of such aircraft as common carriers of persons or property for hire or compensation under a certificate of public convenience and necessity issued pursuant to the laws of the State of California, the United States, or any foreign government. This exemption is in addition to the exemptions provided in Section 6366 and 6366.1 of the Revenue and Taxation Code of the State of California;

3. If the purchaser is obligated to purchase the property for a fixed price pursuant to a contract entered into prior to the Operative Date of this Resolution; and
4. If the possession of, or the exercise of any right or power over, the tangible personal property arises under a lease which is a continuing purchase of such property for any period of time for which the lessee is obligated to lease the property for an amount fixed by a lease prior to the Operative Date of this Resolution.
5. For the purposes of numbered sections 3 and 4 of this Section 13(c), above, storage, use, or other consumption, or possession, or exercise of any right or power over, tangible personal property shall be deemed not to be obligated pursuant to a contract or lease for any period of time during which any party to the contract or lease has the unconditional right to terminate the contract or lease upon notice, whether or not such right is exercised.
6. Except as provided in numbered section 7 of this Section 13(c), below, a retailer engaged in business in the County or Counties shall not be required to collect use tax from the purchaser of tangible personal property, unless the retailer ships or delivers the property into the County or Counties or participates within the County or Counties in making the sale of the property, including, but not limited to, soliciting or receiving the order, either directly or indirectly, at a place of business of the retailer in the County or Counties or through any representative, agency, canvasser, solicitor, subsidiary or person in the County or Counties under the authority of the retailer.
7. "A retailer engaged in business in the Counties" shall also include any retailer of any of the following: vehicles subject to registration pursuant to Chapter 1 (commencing with Section 4000) of Division 3 of the Vehicle Code, aircraft licensed in compliance with Section 21411 of the Public Utilities Code, or undocumented vessels registered under Division 3.5 (commencing with Section 9840) of the Vehicle Code. That retailer shall be required to collect use tax from any purchaser who registers or licenses the vehicle, vessel, or aircraft at an address in any of the Counties.

8. "A retailer engaged in business in the Counties" shall also include any retailer that, in the preceding calendar year or the current calendar year, has total combined sales of tangible personal property in this state or for delivery in the state by the retailer and all persons related to the retailer that exceeds five hundred thousand dollars ($500,000). For purposes of this section, a person is related to another person if both persons are related to each other pursuant to Section 267(b) of Title 26 of the United Stated Code and regulations thereunder.

d. Any person subject to use tax under this Resolution may credit against that tax any transactions or reimbursement for transaction tax paid to a district imposing, or retailer liable for a transaction tax pursuant to Chapter 1.6 of Division 2 of the Revenue and Taxation Code with respect to the sale to the person of the property, the storage, use or other consumption of which is subject to the use tax.

Section 14. Revenue and Taxation Code Amendments.

All amendments to Part 1 of Division 2 of the Revenue and Taxation Code relating to sales and use taxes and which are not inconsistent with Part 1.6 of Division 2 of the Revenue and Taxation Code, and all amendments to Part 1.6 and Part 1.7 of Division 2 of the Revenue and Taxation Code, enacted subsequent to the effective date of this Resolution as described in Section 5 hereof, shall automatically become part of this Resolution; provided, however, that no such amendment shall operate so as to affect the rate of tax imposed by this Resolution.

Section 15. Issuance of Bonds.

From time to time, pursuant to the Joint Exercise of Powers Act, the JPB is authorized to issue limited tax bonds payable from, and secured by a pledge of, Tax Proceeds for the operating and capital purposes of the Caltrain rail service.

Maximum bonded indebtedness which may be outstanding at any one time may not exceed the estimated proceeds of the 2020 Sales Tax as determined by the JPB.

Nothing herein shall limit or restrict in any way the power and authority of the JPB to issue bonds, notes or other obligations, to enter into loan agreements, leases, reimbursement agreements, standby bond purchase agreements, interest rate swap agreements or other derivative contracts or to engage in any other transaction under the Public Utilities Code, the Government Code or any other applicable law.

Section 16. Ballot Measure.

There shall be proposed to the voters of San Francisco County, San Mateo County, and Santa Clara County the following proposition:

> "To preserve Caltrain service and support regional economic recovery, prevent traffic congestion, make Caltrain more affordable and accessible, reduce air pollution with cleaner and quieter electric trains, make travel times faster, and increase Caltrain frequency and capacity between Santa Clara, San Mateo and San Francisco counties, shall the Peninsula Corridor Joint Powers Board's resolution levying a 30-year one-eighth cent sales tax with oversight and audits, providing approximately $100 million annually for Caltrain that the State cannot take away, be adopted?"

Section 17. Enjoining Collection Forbidden.

No injunction or writ of mandate or other legal or equitable process shall issue in any suit, action, or proceeding against the State of California or the JPB, or against any officer of the State of California or the JPB, to prevent or enjoin the collection of any tax or any amount of tax required to be collected under this Resolution or under Part 1.6 of Division 2 of the Revenue and Taxation Code.

Section 18. Severability.

If any provision of this Resolution or the application of this Resolution to any person or circumstance is held invalid or unenforceable by a court of competent jurisdiction, all other provisions or actions taken to implement the Resolution, which are otherwise lawful, shall remain in full force and effect.

10. Costs of the services to be provided by the Counties to the JPB in connection with the consolidation of the special election pursuant to the applicable provisions of the Elections Code shall be reimbursed by the JPB.

11. This Resolution shall take effect immediately upon its adoption.

Regularly passed and adopted this 6th day of August, 2020 by the following vote:

AYES: Bruins, Chavez, Collins, Heminger, Stone, Walton, Zmuda, Davis, and Pine

NOES: None

ABSENT: None

Chair, Peninsula Corridor Joint Powers Board

ATTEST:

JPB Secretary

16705545.8

Peninsula Corridor Joint Powers Board
Staff Report

To:	Finance Committee
Through:	Michelle Bouchard, Executive Director
From:	Kate Jordan Steiner, Chief Financial Officer
Subject:	**Fiscal Year 2025 Capital Budget Amendment (Authorizing use of PCEP Reimbursements for Eligible Capital Projects)**

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

Purpose and Recommended Action

Staff recommends that the Board of Directors (Board) of the Peninsula Corridor Joint Powers Board (JPB) amend the Fiscal Year 2025 (FY25) Capital Budget in the amount of $30,531,402, from $74,607,815 to $105,139,217.

Discussion

Background

In December 2021, the JPB adopted a total budget of $2.44 billion for the Peninsula Corridor Electrification Project (PCEP) with a $410 million (M) funding shortfall disclosed.

In April of 2023, Caltrain presented the strategic financial plan at the Board Finance Workshop. This plan included an outline of how to close the $410M funding gap in the PCEP project:

1. $367M in Transit and Intercity Rail Capital Program (TIRCP) funding (January 2023)
2. $43M in Federal Funding ($33M in FTA Capital Investment Grants plus $10M in Community Project Requests from Senators Feinstein and Padilla; both FY23 Federal Budget)

To ensure timely delivery of PCEP, the above $410M gap was temporarily funded by the items below in Section 1.

Caltrain is on track to complete the project before the end of 2024.

Section 1: Short-Term PCEP Funding Strategies

To bridge the $410M funding gap while the JPB sought additional state and federal funding, the JPB leveraged $310M of short-term temporary funding strategies:

1. Issued $150M tax-exempt bonds backed by Measure RR sales tax revenue, March 2022 (“bond proceeds”)

2. Secured $100M tax-exempt line of credit, August 2023 ("LOC")
3. Transferred $60M in Measure RR sales tax revenue from the operating budget to the capital budget

Section 2: Permanent PCEP Funding Solutions

While the above short-term solutions ensured no disruption in PCEP project progress, the above funds are needed for other critical operating and capital needs. As outlined in the background section above, the JPB secured $410M in state and federal funding to cover the project shortfall through the following awards:

1. In January 2023, the California Department of Transportation (Caltrans) awarded the JPB $367M of TIRCP funds
2. In 2022 for FY23, $43M in Capital Investment Grants and earmark funding was secured (detailed in Background section above)

With the above $410M secured for PCEP, staff aim to reallocate the short-term funding to critical needs.

Section 3: Reallocating Short-Term Funding

Upon being awarded the $410M for permanent PCEP funding above, Caltrain will replace the $310M temporary funding measures noted above.

This report outlines staff recommendation to allocate $30.5M of projects (summarized below and detailed in the Appendix) against the $150M of bond proceeds:

Project Name	Amended Request
EMU Front Masks	$624,000
CCTV Phase 1	7,543,181
Mini High Platform (South County)	2,432,318
Rail Activation Start Up:	
Maintenance of Equipment	4,143,903
Maintenance of Way	6,000,000
Traction Electrification System Vehicles	2,500,000
Overhead Catenary System Improvements	2,288,000
Enterprise Asset Management System	5,000,000
Total Amendment Requests	**$30,531,402**

Bond counsel and the grantor (Caltrans) confirmed the above allocations are allowable under the TIRCP guidelines. The projected reimbursement of the $210M of advanced local funds was identified in the Strategic Financial Plan presented to the Board in the April 6, 2023 Board

Finance Workshop. Caltrain intends to apply the reimbursed bond proceeds to fund projects meeting criteria established by bond counsel:

- Expend funds by approximately March 2027
- Fund capital projects with overall useful life consistent with the 2022 Bonds (16.5+ years in aggregate)

Next Steps

Staff will bring recommendations for the remaining $119.5M of the $150M 2022 Measure RR Bond proceeds for the review of the Finance Committee in July and August of 2024. Additional funding needs for capital projects as well as potential funding swaps to free up incremental operating funds as well as more flexible capital funds will be included.

Budget Impact

The Board approved the FY25 Capital Budget in the amount of $74,607,815 (Resolution # 2023-45). The proposed budget amendment will increase the FY25 Capital Budget with $30,531,402 of 2022 Measure RR bond funding, increasing the total capital budget from $74,607,815 to $105,139,217.

Prepared By:	Cleo Liao	Manager, Budgets	650-508-7756
	Li Zhang	Chief, Rail Commercial & Business	650-632-6800
	Kate Jordan Steiner	Chief Financial Officer	650-647-3504

Resolution No. 2024-

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

* * *

Amending the Fiscal Year 2025 Capital Budget from $74,607,815 to $105,139,217

Whereas, pursuant to Resolution No. 2023-45 adopted on June 1, 2023, the Peninsula Corridor Joint Powers Board (JPB) adopted Fiscal Year 2025 (FY25) Capital Budget for a total authorized budget of $74,607,815; and

Whereas, in December 2021, the JPB adopted a total budget of $2.44 billion for the Peninsula Corridor Electrification Project (PCEP) with a $410 million (M) funding shortfall disclosed.   In April 2023, Caltrain presented the strategic financial plan at the Board Finance Workshop. This plan included both short and long term measures to close the $410M gap; and

Whereas, to bridge the $410M funding gap in the short term while the JPB sought additional state and federal funding, the JPB leveraged $310M of temporary funding strategies:

1. Issued $150M tax-exempt bonds backed by Measure RR sales tax revenue, March 2022 (“bond proceeds”).
2. Secured $100M tax-exempt line of credit, August 2023 (“LOC“).
3. Transferred $60M in Measure RR sales tax revenue from the operating budget to the capital budget; and

Whereas, while the above short-term solutions ensured no disruption in PCEP project progress, Caltrain needed these funds for other critical operating and capital need. Therefore, the JPB secured $410M in state and federal funding to cover the project shortfall in the long term through the following awards:

1. $367M in Transit and Intercity Rail Capital Program (TIRCP) funding (January 2023)
2. $43M in Federal Funding ($33M in FTA Capital Investment Grants plus $10M in Community Project Requests from Senators Feinstein and Padilla; both FY23 Federal Budget)

With the above $410M secured for PCEP, staff aim to reallocate the short-term funding to other critical needs; and

Whereas, upon being awarded the $410M for permanent PCEP funding above, Caltrain will replace the $310M temporary funding measures noted above and will allocate $30.5M of projects as detailed in the Appendix against the $150M of bond proceeds; and

Whereas, bond counsel and the grantor (Caltrans) confirmed the above allocations are allowable under the TIRCP guidelines. The projected reimbursement of the $210M of advanced local funds was identified in the Strategic Financial Plan presented to the Board in the April 6, 2023, Board Finance Workshop. Caltrain intends to apply the reimbursed bond proceeds to fund projects meeting criteria established by bond counsel:

- Expend funds by approximately March 2027
- Fund capital projects with overall useful life consistent with the 2022 Bonds (16.5+ years in aggregate)

Staff will bring recommendations for the remaining $119.5M of the $150M 2022 Measure RR Bond proceeds for the review of the Finance Committee and Board in July and August of 2024, respectively. The recommended plan will include funding for additional capital projects as well as potential funding swaps to free up incremental operating funds as well as more flexible capital funds; and

Whereas, Staff recommends that the Board amend the FY25 Capital Budget by $30,531,402, from $74,607,815 to $105,139,217.

Now, Therefore, Be It Resolved that the Board of Directors of the Peninsula Corridor Joint Powers Board hereby approves an amendment to the FY25 Capital Budget for a total authorized capital budget increase of $30,531,402, from $74,607,815 to $105,139,217.

Regularly passed and adopted this 6th day of June, 2024 by the following vote:

Ayes:

Noes:

Absent:

____
Chair, Peninsula Corridor Joint Powers Board

Attest:

____
JPB Secretary

Appendix

FY2025 CAPITAL BUDGET AMENDMENT – $30,531,402

The following projects comprise the approximately $30.5M of Bond Fund reallocations. The below projects require immediate funding and are essential to mitigate risks related to the launch of electrified service.

1. EMU Front Masks - $624,000
   EMU Front masks are required to ensure timely return to service of electrified trainsets involved in collisions. This project is to purchase three (3) Electric Multiple Unit (EMU) front masks to maintain a sufficient on-hand inventory of new front masks. On average, Caltrain strikes four (4) cars annually. Insufficient inventory on hand can result in a train being out of service for up to six months due to the lengthy lead-time required for ordering a replacement. To maximize preparedness and minimize downtime for our new electrified trains, it is imperative to maintain adequate on-hand inventory of new front masks.

2. CCTV Phase 1 - $7,543,181
   The Closed-Circuit TV (CCTV) system will serve multiple purposes, including operational monitoring of grade crossings, aiding in accident investigations, enhancing public safety, and safeguarding against trespassing and vandalism in train yards. This first phase involves designing, procuring, and installing a new Head End Video Management System Software and associated hardware, along with adding cameras at strategic locations such as the San Francisco 4th and King Station, Caltrain Maintenance Facility, Diridon Station, and 10-12 identified high-risk grade crossings. Existing Caltrain cameras will be integrated, along with traction power facility cameras and a new EMU on-board camera system.

3. Mini High Platform (South County) - $2,432,318
   This project provides for installation of precast platforms and modifications to existing infrastructure, as needed, to accommodate the installation at the five south county platforms at Capital, Blossom Hill, Morgan Hill, San Martin, and Gilroy. Project will allow for more efficient ADA access to passenger vehicles for patrons decreasing dwell time thus improving the reliability of service for all passengers and reducing operating costs.

4. Rail Activation Start Up: Maintenance of Equipment - $4,143,903
   This project encompasses pre-revenue inspection and maintenance on the new EMU trainsets, which are essential for facilitating all testing and burn-in procedures. The project is also to procure a wastewater sump pump, portable sanding trucks, honey wagons, and wheel truing machine cutters to bolster crucial EMU maintenance operations.

5. Rail Activation Start Up: Maintenance of Way - $6,000,000
   This project encompasses several Maintenance of Way (MOW) enhancements, including augmenting fencing to deter track intrusion and installing supplementary security lighting

in San Francisco Yard. In addition, the allocated funds will facilitate numerous station improvements along the corridor prior the launch of the new electric service schedule, such as painting, thorough cleaning, glass restoration, replacement of trash receptables, elevator upgrades, etc.

6. Rail Activation Start Up: Traction Electrification System Vehicle - $2,500,000
   This project is to purchase various hi-rail trucks, forklifts, and other special maintenance vehicles necessary for the proper upkeep of the new Traction Electrification System (TES). Acquiring these vehicles will provide long-term cost savings compared to leasing alternatives.

7. Rail Activation Start Up: Overhead Catenary System Improvements - $2,288,000
   This project is to implement the recommended technological and hardware enhancements for the Traction Electrification System, as identified by Caltrain staff and subject matter experts. These enhancements aim to bolster Caltrain's maintenance capabilities for the new equipment by enabling early detection of issues as they arise, thus leading to long-term cost savings. Specific technological upgrades include the installation of two real-time data acquisition products: CatVue and PanVue. CatVue provides high-resolution image capture for manual or automated in-service inspection of the overhead catenary through real-time data collection and processing of measuring parameters such as height, stagger, wire wear/health, force, arch detection, and envelop encroachment from equipment installed to the pantograph. PanVue, on the other hand, is a three-dimensional automatic pantograph inspection system installed on a gantry in Segment 1 at MP 3.8. This technology enables analysis of wear, chipping, and cracking on pantographs to the millimetric level, provides measurements on pantograph uplift, detects damage or absence of pantograph horns, and issues automated alerts. Additional hardware improvements funded under this category will enhance isolation and grounding capabilities, replace temporary split bolt connectors with permanent crimped connections to reduce long-term maintenance costs, and integrate bird-wildlife conductor guards throughout the system.

8. Rail Activation Start Up: Enterprise Asset Management System - $5,000,000
   This project is to procure an Enterprise Asset Management (EAM) system. This system will be utilized for comprehensive tracking of various aspects including purchasing, receiving, issuing, lifecycles, reconditioning, min/max levels, warranty administration, workflows, reporting, location, preventative maintenance and inspection schedules, storage and reference of Operations & Maintenance (O&M) manuals, personnel, personnel schedules, remote asset monitoring, and asset disposal.

Peninsula Corridor Joint Powers Board
Staff Report

To:	Finance Committee
Through:	Michelle Bouchard, Executive Director
From:	Kate Jordan Steiner, Chief Financial Officer
Subject:	**Quarterly Financial Report for Fiscal Year 2024 Quarter 3**

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

Purpose and Recommended Action

The Board will receive an update on the financial result for year-to-date through Quarter 3 of Fiscal Year 2024 (FY24). This report includes a general outlook for the remainder of FY24 and Fiscal Year 2025 (FY25). This is an informational item.

Discussion

Fiscal Year 2024, Quarter 3 (FY24Q3)
Caltrain ended FY24 Q3 favorable to budget with a net result of $0.6 million (M).

Sources were $146.1M, $0.7M (0.5%) lower than the adopted budget of $146.8M, primarily driven by:
- Decrease in other income by $0.7M (15.0%)
- Partially offset by above-budget rental income $0.7M (91.4%)

Uses were $143.8M, $1.3M (0.9%) lower than the $145.1M adopted budget. This is primarily due to
- Decreased spending on rail operator service, wages and benefits, professional services, other office expenses and services, maintenance and services for buildings and others
- Partially offset by increased claims payments and reserves.

FY2024 Outlook
Net Position Forecast: The FY24 Year End operating forecast is based on FY24 Q3 year-to-date (YTD) actuals, observed trends, and includes material inputs from stakeholders. Caltrain is projected to end FY24 with a net surplus of $0.8M, a slight decrease from the $2.0M surplus projected in the FY24 Adopted Budget. The primary driver of the decrease is above-budget claims and reserve expense.

Sources Forecast: Sources are forecasted to be $0.1M below budget, driven by:

- $0.9M favorable Measure RR sales tax revenue, due to inflation and consumer spending.
- $0.8M favorable Rental Income, driven by back rents and new leases.

The above increases are offset by:

- $1.0M unfavorable Go Pass revenue
- $0.7M unfavorable Other Income, driven by below budget interest earnings and advertising revenue

Uses Forecast: Uses are forecasted to be $1.2M above budget, mainly driven by the following cost increases:

- $2.9M unfavorable Claims, Payments, and Reserves
- $1.0M unfavorable Professional Services, due to increasing needs in consulting services and legal support for major projects

The above increases are partially offset by:

- $1.9M favorable Wages and Benefits, due to vacancies
- $0.8M favorable Other Office Expenses and Services, driven by savings in bank fees
- $0.4M favorable Rail Operator Services, due to vacancies

FY25 Outlook

FY24/FY25 is Caltrain's first biennial (two-year) budget. In addition to the capital budget amendment included in this month's agenda, staff expect to bring FY25 budget amendments before the Board in the summer and fall of Calendar Year 2024 (CY24). Potential budget amendments may include costs for TASI, electrified service, insurance and claims, and administration.

Budget Impact

This is an informational item. There is no budget impact.

Prepared By: Kate Jordan Steiner, Chief Financial Officer (650) 647-3504