AGENDA

Peninsula Corridor Joint Powers Board

Finance Committee Meeting

April 21, 2025, 2:30 pm

Bacciocco Auditorium, 2nd Floor
1250 San Carlos Avenue, San Carlos, CA 94070

Committee Members: Monique Zmuda (Chair), David J. Canepa (Vice Chair), David Cohen

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 Avenue, 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.

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

April 21, 2025 - 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

2. Roll Call

3. Pledge of Allegiance / Safety Briefing

4. 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.

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

   5.a. Approval of Meeting Minutes for March 24, 2025 — Motion

6. Receive Caltrain Non-Fare Revenue Strategy Study Initial Results — Informational

7. Accept Statement of Revenues and Expenses for the Period Ending February 28, 2025 — Motion

8. Accept Annual Audit of Measure RR Tax Revenues and Expenditures for the Fiscal Year Ended June 30, 2024 — Motion

9. Award a Cooperative Purchasing Contract to Mansfield Oil Company of Gainesville, Inc. to Supply Renewable and Standard Red-Dye, Ultra-Low Sulfur Diesel Fuel and Fueling Services through September 2027 for a Total Estimated Amount of $2,527,274* — Motion

10. Receive Quarterly Financial Report for Fiscal Year 2025 Quarter 3 Results and Annual Outlook — Informational

11. Committee Member Requests

12. Date/Time of Next Regular Finance Committee Meeting: Monday, May 19, 2025 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.

13. 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 650.551.6108. Agendas are available on the Caltrain website at https://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; JPB Technology, Operations, Planning, and Safety (TOPS) Committee: Two Wednesdays before the Board meeting, 1:30 pm. JPB Advocacy and Major Projects (AMP) Committee: Two Wednesdays before the Board meeting, 3:30 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 March 24, 2025

Members Present:	David J. Canepa, David Cohen, Monique Zmuda (Chair)
Members Absent:	None
Staff Present:	M. Bouchard, J. Brook, J. Harrison, K. Jordan Steiner, L. Lumina-Hsu, H. Salem, B. Thompson, L. Zhang

1. **Call to Order**
   Chair Monique Zmuda called the meeting to order at 2:30 pm.

   Item 3 (Pledge of Allegiance) was heard before Item 2 and (Safety Briefing) was heard after Item 4.

2. **Roll Call**
   JPB Deputy Secretary Loana Lumina-Hsu called the roll and confirmed a quorum was present.

3. **Pledge of Allegiance / Safety Briefing**
   Chair Zmuda led the Pledge of Allegiance.

4. **Public Comment on Items not on the Agenda**

   Barbara Kilpatrick, Safeway UFCW (United Food and Commercial Workers) Local 5, commented on state sanctions on products and services related to Caltrain service.

   Adrian Brandt commented that San Mateo County and Santa Clara County were left off the proposed regional transit measure.

   Roland commented on the Quarterly On-Call Consultant Report in the Board's reading file.

5. **Consent Calendar**
   6.a. Approval of Meeting Minutes for February 24, 2025
   Motion/Second: Canepa/Cohen
   Ayes: Canepa, Cohen, Zmuda
   Noes: None
   Absent: None

6. **Accept Statement of Revenues and Expenses for the Period Ending January 31, 2025**
Kate Jordan Steiner, Chief Financial Officer, presented the staff report, which included the following:
   - Financial picture continues to be favorable: expenses below budget, shortfall better than the budgeted deficit due to fare revenue and investment income, claims payments and reserves
   - Sources (revenues) unfavorable by approximately 3 percent mainly due to delayed receipts for LCTOP (Low Carbon Transit Operations Program) and SRA (State Rail Assistance) grant funding, and Measure RR sales tax receipts lower than budget
   - Uses (expenses) favorable due to professional services/contractor billing being slightly behind schedule

   The Committee members had a discussion and staff provided further clarification in response to the Committee comments and questions, which included the following:
   - Measure RR: $1 million under budget as of January and expected to persist
   - Reserves to be brought before the Board at a later date
   - Approximately 35 percent of budget attributed to farebox recovery; includes growth in ridership plus effective fare enforcement

   Motion/Second: Canepa/Cohen
   Ayes: Canepa, Cohen, Zmuda
   Noes: None
   Absent: None

7. **Conduct Public Hearing and Adopt Changes to Caltrain Fare Structure and Charter Train, Bike Lockers, and Parking Fees and Receive Report on the Updated Draft GoPass Pricing Structure**
Chair Zmuda opened the public hearing at 3:10 pm.

   Li Zhang, Chief, Rail Commercial and Business, provided a summary of the GoPass program, and introduced Bruce Thompson, Manager, Fare Program Operations. Mr. Thompson provided the presentation, which included the following:
   - Targeted campaign to bring in new business unsuccessful due to all-in requirement, and high costs
   - Establish GoPass and Other Institutional Programs section in fare structure
   - Establish Educational Institution category – undergraduates receive free transit passes
   - Offer tiered pricing
   - Bay Pass participants able to purchase Caltrain monthly parking
   - Continued partnership with Stanford University (over 70 percent of revenue)
   - Short-term revenue loss from current customers switching to new fare category
   - Evaluation criteria included growth in participation
   - Expand and establish new mechanism for entering into institutional pass agreements

<u>Public Comment</u>

Adina Levin, Seamless Bay Area, commented on the success of the Bay Pass program.

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

- Total revenue approximately $14.8 million for the calendar year; Stanford University wants to increase level of partnership and utilization
- Packages will be negotiated with individual organizations
- Organizations should be presented with a menu of options with no preferential treatment
- Structured pricing sheet - specific pricing terms will not be made public
- Organizations purchase passes based on total headcount, then loads passes on individual employee Clipper cards
- Other adjustments to fare structure; staff looking at budget and ticket types

Motion to close the public hearing at 3:26 pm/Second: Cohen/Canepa
Ayes: Canepa, Cohen, Zmuda
Noes: None
Absent: None

Motion/Second: Canepa/Cohen
Ayes: Canepa, Cohen, Zmuda
Noes: None
Absent: None

8. **Authorize the Application for and Receipt of Annual Low Carbon Transit Operations Program (LCTOP) Funds for Ridership Recovery Service Enhancement**

Heather Salem, Manager, Grants and Fund Program, provided the presentation, which included the following:

- Provides operating and capital assistance for California transit agencies to support ridership recovery
- Reduces emissions and benefits disadvantaged communities with expanded transit services
- Improve service, attract new riders, and support equitable transit options

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

- Funding amount varies slightly from year to year
- Likelihood of program continuing

Motion/Second: Cohen/Canepa
Ayes: Canepa, Cohen, Zmuda
Noes: None
Absent: None

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

10. **Date/Time of Next Regular Finance Committee Meeting:** Monday, April 21, 2025 at 2:30 pm.

11. **Adjourn -** The meeting adjourned at 3:30 pm.

Peninsula Corridor Joint Powers Board
Staff Report

To:	JPB Finance Committee
Through:	Michelle Bouchard, Executive Director
From:	Li Zhang, Chief, Commercial and Business Development
For:	May 2025 JPB Board of Directors Meeting
Subject:	**Receive Caltrain Non-Fare Revenue Strategy Study Initial Results**

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

Purpose and Recommended Action

This report presents the initial results of Caltrain's Non-Fare Revenue Strategy Study as an information item for the Finance Committee's review and discussions. Comments from the Finance Committee members will be incorporated into the final presentation to the Board.

Discussion

Prior to the COVID-19 pandemic, Caltrain's farebox recovery ratio was a nation-leading 73 percent, with ticket sales contributing $103 million to operating needs annually. The COVID-19 pandemic resulted in a sharp decline in farebox recovery, with farebox recovery ratio dropping to 24 percent in Fiscal Year (FY) 2024, and ticket sales revenue decreasing to $43 million, equaling a loss of $60 million per year compared to pre-pandemic levels. Fare revenue loss together with the increased operating costs of the electrified system, Caltrain's latest 10-year Strategic Financial Plan (January 2025) projected an average $75 million annual deficit beginning FY2027 through FY2034.

Like many transit agencies across the country, Caltrain faces serious financial difficulties in both the near and long term without new or increased operational funding. To overcome these challenges, Caltrain has been actively working with all regional transportation partners to explore and advocate for a viable regional measure with the goal of establishing a reliable long term funding source to address the fiscal cliffs many of the transit operators in the region are facing. In parallel, over the past year, staff has focused on key initiatives to improve operational efficiency, cut costs, increase ridership, and explore diverse non-fare revenue generation strategies to help the agency achieve financial sustainability.

While none of the above cost-saving and revenue generating initiatives individually would provide significant and immediate relief to Caltrain's financial stress, all together they would help Caltrain build stronger financial resilience and enable more nimble responses to abrupt changes in ridership.

Staff engaged the consultant team from Hatch to conduct the Non-Fare Revenue Generation Strategy Study in October 2024. Extensive effort has been invested in this study over the last five months with the engagement of agency staff and subject matter experts (SME). A comprehensive baseline report – documenting current conditions of all relevant assets, existing revenue generating efforts, as well as related policies – was prepared and circulated for internal review and validation. Based on the baseline report, and the various high-level initial research conducted by the Hatch team, a set of recommendations – a roadmap for future implementation – has been developed for the Board’s review and discussion. The recommendations focus on five major areas:

- Fiber Optic Cable and Telecommunications Leasing
- Transit Oriented Development (TOD) and Commercial Leasing
- Special Events
- Advertising and Naming Rights
- Solar, Energy Storage Systems, EV (electric vehicle) Charging Leasing

Note that careful prioritization of limited resources will be necessary for implementation while allowing for continued delivery of service and safety. It is important to acknowledge that while these strategies alone will not fully solve Caltrain's immediate financial issues or create significant near-term impacts, they are crucial for long-term stability. Diversifying revenue sources through non-fare revenue strategies will enhance fiscal resilience and essential for Caltrain's longevity. The Board's thoughtful trade-off discussions and policy guidance are crucial for staff to effectively implement the recommended non-fare revenue strategies and maximize their financial benefits, while also allowing for timely responses to market needs.

Budget Impact

Budget impact of each of the specific strategies will be evaluated during actual implementation and brought forward to the board for consideration.

Prepared By: Li Zhang Chief, Commercial and Business Development 4/9/2025

Peninsula Corridor Joint Powers Board
Staff Report

To:	JPB Finance Committee
Through:	Michelle Bouchard, Executive Director
From:	Kate Jordan Steiner, Chief Financial Officer
For:	May 2025 JPB Board of Directors Meeting
Subject:	**Accept Statement of Revenues and Expenses for the Period Ending February 28, 2025**

☐ 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 accepts and enters into the record the Statement of Revenues and Expenses, and supplemental information for the period ending February 28, 2025.

Discussion

This staff report provides a brief discussion of significant items and trends in the attached Statement of Revenues and Expenses through February 28, 2025. The columns have been designed to provide an easy comparison of current year-to-date actuals to the year-to-date budget, including dollar and percentage variances.

Total Revenues:

As of February 28, 2025, total revenues were $140.3 million compared to $138.0 million in the adopted budget, resulting in a favorable variance of $2.3 million (1.7 percent).

The favorable revenue variance was primarily driven by the following:

- **Caltrain Fare Revenue**: $1.9 million favorable to budget (8.1 percent). This reflects a continued ridership recovery, reaching 49.3 percent of pre-pandemic levels in February (42.7 percent year-to-date). Year-over-year ridership is up 48.9 percent, with a year-to-date increase of 38.6 percent compared to the same period last year.
- **Other Income (Investment Earnings)**: $1.7 million favorable to budget (62.5 percent). This was driven by interest earnings on California Asset Management Program (CAMP) and increased interest income.

The favorable revenue variance was partially offset by the following:

- **LCFS/LCTOP/SRA Grants:** ($1.0 million) unfavorable to budget (11.1 percent) with:
  - $2.6 million unfavorable Low Carbon Fuel Standard (LCFS) credits as the team works to execute new transactions to sell credits – we anticipate recognizing

this revenue once credits are sold, however uncertainty remains with the timing of our receipt of this source and if portions may materialize in FY26;

This is offset by the following:

- $0.9 million favorable Low Carbon Transit Offset Program (LCTOP) revenues with total annual budgeted receipts received prior to year-end; and
- $0.7 million favorable variance in State Rail Assistance (SRA) with $5.5 million of recognized revenue year-to-date, with year-end values expected to match budget.

Total Expenses:

As of February 28, 2025, total expenses were $142.1 million compared to $154.1 million in the adopted budget, resulting in a favorable variance of $11.9 million (7.7 percent).

The favorable expense variance was primarily driven by the following:

- **Professional Services**: $3.4 million favorable to budget (41.8 percent). This variance reflects delayed vendor invoicing and it is projected that it will become *unfavorable* by year-end.
- **Facilities and Equipment Maintenance:** $2.4 million favorable to budget (34.6 percent). This is primarily due to delayed contractor invoices. It is expected that the favorability will continue through fiscal year end however the magnitude of favorability will decline significantly.
- **Overhead Contact System/Train Power Supply Maintenance**: $1.9 million favorable to budget (38.4 percent). The variance is driven by the timing of invoices and efforts to optimize consulting needs for rail support. It is expected that the favorability will continue through year-end however decline in magnitude significantly.
- **Other Expenses and Services:** $0.9 million favorable to budget (25.8 percent). Favorable variances are attributed to lower software maintenance and license costs, reduced recruitment expenses, and timing differences for bank fees associated with interest on a line of credit. It is projected that this variance will become *unfavorable* by year-end as invoices are received and processed and with increasing expenses associated with contract renewals, software licenses expenses, and banking & financial services fees.

The favorable expense variance was partially offset by the following:

- **Electric Charges for Power Traction:** ($0.7 million) unfavorable to budget (9.9 percent). The variance reflects expenses slightly higher than the budget during this period. We expect this line item to become favorable by year-end and to align closer with our updated budget values.
- **Fuel and Lubricants:** ($0.6 million) unfavorable to budget (20.2 percent). We reduced our budget mid-year as usage declined, however usage in the Gilroy section remains slightly higher than plan, contributing to the variance. It is expected that the unfavourability will continue through year-end.

- **Rail Operator Service**: ($0.1 million) unfavorable to budget (0.2 percent). The unfavorable variance is due to Transit America Services, Inc. (TASI) cost differential between the expense incurred and what was accrued. We project this variance to resolve by year-end, however inventory adjustments at year-end could alter this projection.

Other Information:

JPB accounts for revenue and expense on a modified accrual basis (only material revenues and expenses are accrued) on the monthly financial statement. As such, the variance between the current year actual and the budget may show noticeable variances due to the timing of expenses.

Budget Impact

Acceptance of the month of February 2025 Statement of Revenues and Expenses has no budget impact.

Prepared By:	Li Saunders	Accountant II	3/13/2025
	Danny Susantin	Financial Reporting, Manager	3/13/2025

PENINSULA CORRIDOR JOINT POWERS BOARD

STATEMENT OF REVENUE AND EXPENSE
FISCAL YEAR 2025
AS OF FEBRUARY 2025

(In Thousands)

	YEAR-TO-DATE JULY TO FEBRUARY				ANNUAL
	BUDGET	ACTUAL	$ VARIANCE	% VARIANCE	BUDGET
REVENUE					
OPERATIONS:					
Caltrain Fares	$ 23,638	$ 25,562	$ 1,924	8.1%	$ 36,682
Go Pass	10,933	10,867	(66)	(0.6%)	16,400
Parking Revenue	1,373	1,867	493	35.9%	2,103
Rental Income	1,000	1,091	91	9.1%	1,500
Other Income	2,677	4,350	1,673	62.5%	4,015
TOTAL OPERATING REVENUE	**39,622**	**43,736**	**4,115**	**10.4%**	**60,700**
CONTRIBUTIONS:					
Operating Grants	7,961	7,392	(569)	(7.2%)	11,942
Measure RR	80,581	80,550	(31)	(0.0%)	120,610
Member Agency (VTA - Gilroy)	658	470	(188)	(28.6%)	987
LCFS, LCTOP/SRA	9,137	8,120	(1,017)	(11.1%)	14,489
TOTAL CONTRIBUTED REVENUE	**98,337**	**96,532**	**(1,806)**	**(1.8%)**	**148,028**
GRAND TOTAL REVENUE	**$ 137,959**	**$ 140,268**	**$ 2,309**	**1.7%**	**$ 208,728**

PENINSULA CORRIDOR JOINT POWERS BOARD
STATEMENT OF REVENUE AND EXPENSE
FISCAL YEAR 2025
AS OF FEBRUARY 2025

(In Thousands)

	YEAR-TO-DATE JULY TO FEBRUARY				ANNUAL
	BUDGET	ACTUAL	$ VARIANCE	% VARIANCE	BUDGET
EXPENSE					
DIRECT EXPENSE:					
Rail Operator Service	$ 81,448	$ 81,597	(149)	(0.2%)	$ 123,316
OCS/TPS Maintenance	4,856	2,992	1,864	38.4%	8,460
Security Services	6,028	5,678	350	5.8%	9,042
Shuttle Services	53	46	7	13.4%	80
Fuel and Lubricants*	2,874	3,455	(581)	(20.2%)	3,045
Electric Charges for Power Traction	6,819	7,493	(674)	(9.9%)	12,274
Timetables and Tickets	63	51	13	19.9%	95
Insurance	7,867	7,505	362	4.6%	11,800
Claims, Payments, and Reserves	2,183	1,937	245	11.2%	3,274
Facilities and Equipment Maintenance	6,971	4,559	2,411	34.6%	10,525
Utilities	2,334	2,007	327	14.0%	3,501
Maint & Services-Bldg & Other	1,250	686	564	45.1%	1,875
TOTAL DIRECT EXPENSE	**122,746**	**118,006**	**4,739**	**3.9%**	**187,287**
ADMINISTRATIVE EXPENSE					
Wages and Benefits	14,027	13,704	322	2.3%	20,589
Managing Agency Admin OH Cost	2,859	2,347	513	17.9%	4,289
Board of Directors	13	13	0	3.2%	20
Professional Services	8,151	4,746	3,405	41.8%	12,314
Communications and Marketing	423	251	173	40.8%	633
Other Expenses and Services	3,354	2,489	866	25.8%	5,004
TOTAL ADMINISTRATIVE EXPENSE	**28,828**	**23,549**	**5,279**	**18.3%**	**42,848**
TOTAL OPERATING EXPENSE	**151,574**	**141,556**	**10,018**	**6.6%**	**230,135**
Governance	120	9	111	92.3%	240
Debt Service Expense	2,403	551	1,851	77.1%	7,763
GRAND TOTAL EXPENSE	**$ 154,096**	**$ 142,116**	**$ 11,869**	**7.7%**	**$ 238,138**
Projected Contribution to Reserve					6,812
NET SURPLUS / (DEFICIT)	**$ (16,137)**	**$ (1,848)**	**$ 14,289**	**88.5%**	**(36,222)**
Draw from Measure RR Reserve for PCEP					36,222
ADJUSTED NET SURPLUS / (DEFICIT)	**$ (16,137)**	**$ (1,848)**	**$ 14,289**	**88.5%**	**-**
Reserve, Beginning Balance **					**26,879**
Projected Contribution to Reserve					**6,812**
Claims, Payments, and Reserve					
Reserve, Ending Balance					**33,691**

*** Fuel and Lubricants costs were increased by a realized loss of $59k from the fuel hedge program.**
**** Updated based on FY24 Audited Actuals**

PENINSULA CORRIDOR JOINT POWERS BOARD

INVESTMENT PORTFOLIO

AS OF FEBRUARY 28, 2025

TYPE OF SECURITY		MATURITY DATE	INTEREST RATE	PURCHASE PRICE	MARKET RATE
Local Agency Investment Fund (LAIF) *(Unrestricted)*	*	Liquid Cash	4.333%	393,164	393,164
California Asset Management Program (CAMP) *(Unrestricted)*		Liquid Cash	4.510%	13,756,885	13,756,885
County Pool *(Unrestricted)*		Liquid Cash	4.044%	607,783	607,783
Other *(Unrestricted)*		Liquid Cash	3.780%	120,107,766	120,107,766
Other *(Restricted)*	**	Liquid Cash	4.061%	137,233,175	137,233,175
				$ 272,098,774	$ 272,098,774

* 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.

Peninsula Corridor Joint Powers Board
Staff Report

To: JPB Finance Committee

Through: Michelle Bouchard, Executive Director

From: Kate Jordan Steiner, Chief Financial Officer

For: May 2025 JPB Board of Directors Meeting

Subject: **Accept Annual Audit of Measure RR Tax Revenues and Expenditures for the Fiscal Year Ended June 30, 2024**

☐ 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 19, 2025, to receive public comments on the Annual Audit of Measure RR Revenues and Expenditures for the Fiscal Year Ended June 30, 2024 (Measure RR 2024 Audit). After the conclusion of the hearing, the CAC voted to accept the Fiscal Year (FY) 24 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 2024 Audit.

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 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 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 held a public hearing on the audit on March 19, 2025, and voted to accept the FY24 Financial Statement, which confirms that the Measure RR revenues and expenditures were handled appropriately as contemplated by the ballot language, for the fiscal year ended June 30, 2024.

Budget Impact

There is no budget impact for accepting this Measure RR 2024 Audit.

Prepared By: Annie To Director, Accounting 4/4/2025

Peninsula Corridor Joint Powers Board

Citizens Advisory Committee

Report on Measure RR Tax Revenues and Expenses

Fiscal Year 2024 (July 2023 – June 2024)

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 2024, from July 1, 2023, through June 30, 2024. 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 comprises 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 concerning 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, 2024, was conducted by Brown Armstrong, CPAs, an independent accounting firm. This firm has several years of experience 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 holds a public hearing on the audit report on March 19, 2025. 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 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, before the pandemic, Caltrain received $103 million from fare revenue, roughly 72 percent of its total revenue base. This marked Caltrain as 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 2024 was $47 million, less than 30 percent 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 2024, 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 2024 (FY24) Revenues and Expenses

A. Measure RR Revenues

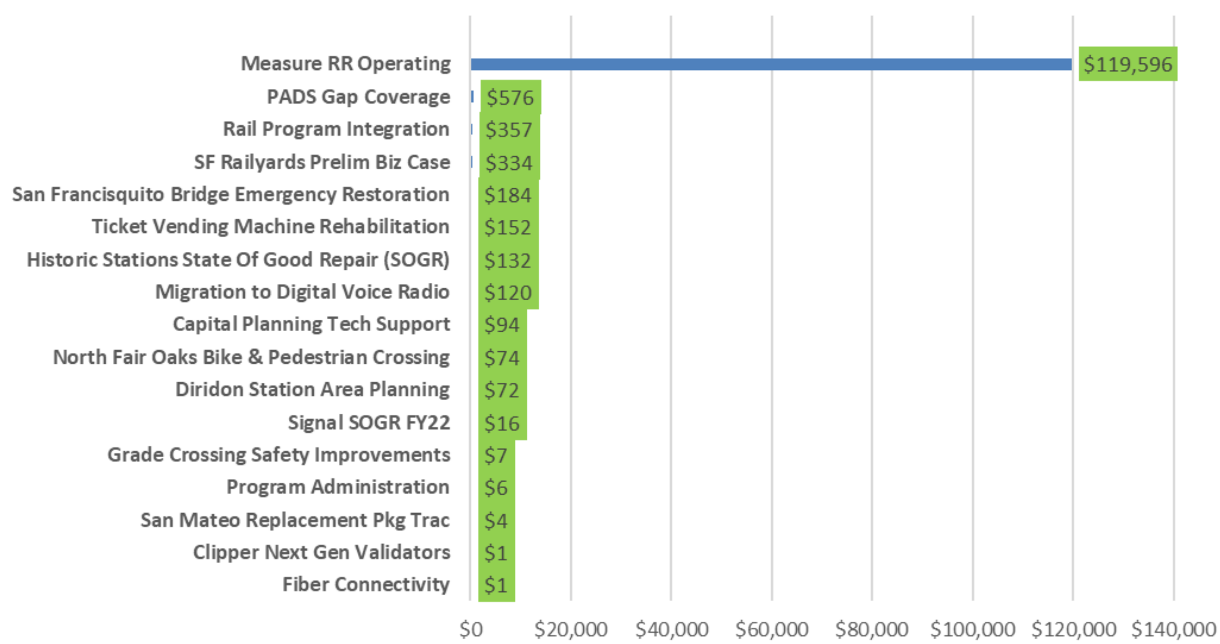
A total of $119.6 million in Measure RR transaction and use tax was realized and recorded in FY24. Of that, $98.8 million was received before June 30, 2024, and $20.8 million was received in July and August 2024.

B. Measure RR Allocations and Expenses

A total of $121.7 million was spent primarily on operating expenses and critical agency initiatives, as shown in Figure 1. The excess ($2.1 million) of the FY24 expenses ($121.7 million) over the FY24 revenue ($119.6 million) was funded by the FY23 unused reserve. The Measure RR funds recorded in FY24 were used as follows:

1. There was no new fund allocated in FY24 for capital programs. All FY24 capital programs expenses were funded by FY23 unused reserved.
2. $120.0 million was spent on operating expenses.
3. $0.6 million was spent on the PADS Gap Coverage.
4. $1.1 million was spent on 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 ($119.6 million). These funds allowed Caltrain to continue to run its highest-ever level of service, with 104 trains operating every weekday.
2. PADS Gap Coverage ($576,000). The objectives of this project are to 1) create functional requirements for PADS (Predictive Arrival and Departure System) phase 2, PADS replacement; 2) add Stadler EMU into existing PADS; and 3) modernize and visualize Xgate virtual server to provide server redundancy between SJCC and MPCC.
3. Rail Program Integration and Transition ($357,000). 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 Post-Revenue Service systems integration objectives.
4. SF Railyards Prelim Biz Case ($334,000). This project, led in partnership by Caltrain and Prologis, evaluates the potential for mixed-use development on the San Francisco Railyards site, which currently contains Caltrain’s 4th/King station and associated terminal facilities and storage tracks. The Preliminary Business Case looks at potential phasing, operational impacts, development potential, and constructability. It will be used to inform the strategic approach to potential investment in development of the Railyards site. In FY24, most of the technical work for the Preliminary Business Case has been completed, and the report will be finalized during FY25.
5. San Francisquito Bridge Emergency Restoration ($184,000). This project includes stabilizing the north bank of the San Francisquito Creek and prevent scour and erosion from undermining Caltrain’s San Francisquito Creek Rail Bridge supporting foundations. This project is currently in the design phase to finalize the deliverables required for environmental permit amendments. 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. Ticket Vending Machine Rehabilitation ($152,000). 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.

7. Historic Stations State of Good Repair ($132,000). This project provides dedicated funding to address various repairs at the seven historic stations we are responsible for. This includes roof replacements, painting of the interior and exterior, plumbing, electrical, and any other repairs that are necessary. All repairs are coordinated with the South Bay Historical Railroad Society (SBHRS) to ensure compliance with the state of California.

8. Migration to Digital Voice Radio ($120,000). The project is to update existing VHF voice communication system by co-locating VHF sites with PTC sites that already have JPB fiber backhaul services.

9. Capital Planning Technical Support ($94,000). This program supports the technical expertise necessary to advance individual capital projects in the conceptual planning phase in collaboration with partner agencies, local jurisdictions, and internal stakeholders.

10. North Fair Oaks Bike & Pedestrian Crossing Planning Support ($74,000). 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 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.

11. Diridon Station Area Planning ($72,000). 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.

12. Signal State of Good Repair ($16,000). 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. Grade Crossing Safety Improvements ($7,000). This project will improve the safety at the Mission Bay, 16^{th} St, Whipple, Ravenswood, and E. Meadow grade crossings by installing new pavement markers and markings. It will also install a new pedestrian gate at the Mission Bay crossing.

14. Program Administration ($6,000). A small amount of funds was spent on the Measure RR annual audit fees.

15. San Mateo Replacement Parking Track ($4,000). The project involves the design and construction of an approximately 1,000-ft-long parking track off MT-2 in the Caltrain ROW in the City of San Mateo, between 9th and 14th Avenues, to replace the old one in the Bay Meadows area that was removed to make way for the 25th Ave. Grade

Separation Project. The project will also involve the construction of an access road from 9th Ave to 14th Avenue, a 12-foot-tall concrete screen wall with creeping fig vegetation along Railroad Ave., and associated landscaping, irrigation, and water service.

16. Clipper Next Generation Validators ($1,000). 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.

17. Fiber Connectivity to Stations ($1,000). The project planned to build a 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 the tunnel and the Central Control Facility/Back-Up Central Control Facility. The project has been closed with 95% design, design gap of 100% gap has been recorded. Some of this work has been completed, for example, the VHF radios being collocated at the PTC base stations is almost complete. There are only two tunnel sites that won’t be able to have this done because there was no fiber run to them. The project is shelved due to no funding and scope will be covered by another project. The Unused Measure RR fund will be used for other projects.

Section 4. Future Measure RR Allocations

As mentioned previously, for the next fiscal year, likely through FY25, Caltrain anticipates that nearly all Measure RR proceeds will be needed to subsidize the operating costs of the railroad. Without the 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.

Attachment: FY24 Measure RR audit (Appendix A)

PENINSULA CORRIDOR JOINT POWERS BOARD

MEASURE RR FUNDS

FINANCIAL STATEMENTS

JUNE 30, 2024

PENINSULA CORRIDOR JOINT POWERS BOARD

MEASURE RR FUNDS

JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

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, 2024, 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, 2024, 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.

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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, 2024, 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 3, 2025, 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 3, 2025

PENINSULA CORRIDOR JOINT POWERS BOARD
MEASURE RR FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2024

ASSETS	
Cash and Cash Equivalents	$ 120,721,536
Receivables - Transaction and Use Tax	20,796,804
Total Assets	$ 141,518,340
LIABILITIES AND NET POSITION	
Liabilities	
Accounts Payable and Accrued Liabilities	$ 400,623
Total Liabilities	400,623
Net Position	
Restricted for Measure RR Projects	141,117,717
Total Net Position	141,117,717
Total Liabilities and Net Position	$ 141,518,340

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, 2024

Revenues	
Measure RR Transaction and Use Tax	$ 119,614,442
Total Revenues	119,614,442
Expenses	
Ticket Vending Machine Rehabilitation	152,253
Migration to Digital Voice Radio	119,887
Fiber Connectivity	636
Grade Crossing Safety Improvements	7,372
Clipper Next Gen Validators	1,025
Diridon Station Area Planning	72,424
Signal SOGR FY22	15,882
Historic Stations State Of Good Repair (SOGR)	132,315
Rail Program Integration	356,742
PADS Gap Coverage	576,317
Capital Planning Tech Support	93,990
San Mateo Replacement Pkg Trac	4,027
SF Railyards Prelim Biz Case	334,162
North Fair Oaks Bike and Pedestrian Crossing	74,185
San Francisquito Bridge Emergency Restoration	183,550
Measure RR Operating	119,595,916
Program Administration	6,112
Total Expenses	121,726,795
Operating Loss	(2,112,353)
Nonoperating Revenues	
Transit and Intercity Rail Capital Program (TIRCP)	53,110,778
Peninsula Corridor Electrification	52,355,008
Interest Income	314,123
Total Nonoperating Revenues	105,779,909
Change in Net Position	103,667,556
Net Position - Beginning of Year	37,450,161
Net Position - End of Year	$ 141,117,717

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, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from California Department of Tax and Fee Administration	$ 119,704,078
Payments to Vendors for Goods and Services	(121,198,097)
Payments to Employees	(73,146)
Net Cash Used by Operating Activities	(1,567,165)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating Grants Received	53,110,778
Peninsula Corridor Electrification	52,355,008
Net Cash Provided by Noncapital Financing Activities	105,465,786
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income Received	314,123
Net Cash Provided by Investing Activities	314,123
Net Change in Cash and Cash Equivalents	104,212,744
Cash and Cash Equivalents, Beginning of Year	16,508,792
Cash and Cash Equivalents, End of Year	$ 120,721,536
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating Loss	$ (2,112,353)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Accounts Receivable	89,636
Prepaid Items	679,082
Accounts Payable and Accrued Liabilities	(223,530)
Net Cash Used by Operating Activities	$ (1,567,165)

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, 2024

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, 2024, 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 3, 2025, which is the date of issuance.

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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, 2024, 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 3, 2025.

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.

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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 3, 2025

PENINSULA CORRIDOR JOINT POWERS BOARD
MEASURE RR FUNDS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

None reported.

Peninsula Corridor Joint Powers Board
Staff Report

To:	JPB Finance Committee
Through:	Michelle Bouchard, Executive Director
From:	Kate Jordan Steiner, Chief Financial Officer
	John Hogan, Chief Operating Officer, Rail
For:	May 2025 JPB Board of Directors Meeting
Subject:	**Award a Cooperative Purchasing Contract to Mansfield Oil Company of Gainesville, Inc. to Supply Renewable and Standard Red-Dye, Ultra-Low Sulfur Diesel Fuel and Fueling Services through September 2027 for a Total Estimated Amount of $2,527,274***

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

Purpose and Recommended Action

The award of this contract will provide the Peninsula Corridor Joint Powers Board (JPB) with continued fuel and fueling services to operate its remaining fleet of diesel locomotives to ensure uninterrupted Caltrain operations through September 2027.

Staff proposes the Finance Committee recommend that the Board of Directors (Board) of the JPB:

1. Award a contract to Mansfield Oil Company of Gainesville, Inc. of Gainesville, Georgia (Mansfield) to provide Renewable and Standard Red-Dye, Ultra-Low Sulfur Diesel (ULSD) Fuel and Fueling Services (Services), governed by a cooperative agreement issued by the National Cooperative Purchasing Alliance (NCPA) following a competitive procurement conducted by the Region 14 Education Service Center (ESC), as the lead agency, for a total estimated amount of $2,527,274 through September 30, 2027, including all applicable fuel taxes, associated petroleum fees, and freight charges.
2. Authorize the Executive Director or designee to execute a cooperative purchasing contract with Mansfield in full conformity with the terms and conditions of ESC Contract #05-72, and in a form approved by legal counsel.
3. Authorize the Executive Director or designee to exercise contract contingency authority for amendments totaling up to 100 percent of the Board-approved estimated amount.

Discussion

In February 2022, pursuant to Resolution 2021-58, the JPB awarded a cooperative purchasing contract to Mansfield to furnish fuel and fueling services through June 30, 2025.

The JPB has a continuing need for fuel and fueling services for its remaining fleet of diesel locomotives to ensure uninterrupted Caltrain operations. By utilizing the Mansfield-NCPA cooperative contract, the JPB will benefit from access to a supplier that has a demonstrated history of reliable service with the JPB, as well as time and cost savings realized from utilizing a cooperative procurement.

Approval of the above actions will provide the JPB with the requested Services, which includes delivery of fuel to the JPB's Centralized Equipment Maintenance and Operations Facility (CEMOF) in San Jose, the San Francisco Rail Yard at the intersection of 7th Street and Townsend Street, and the Gilroy Rail Yard, including for:

- 2 Standalone 35,000-gallon tanks at CEMOF;
- 5 Locomotives at the Gilroy Yard, with fuel tank capacities of 1,600-2,500 gallons;
- 4 Locomotives at CEMOF, with fuel tank capacities of 1,6000-2,500 gallons, and
- 2 Rescue/shuttle locomotives at CEMOF, each equipped with a 12,000-gallon fuel tank.

Staff successfully negotiated continuation of the JPB's current pricing and rates for fuel per gallon, including the local Oil Price Information Service (OPIS) gross contract average and National Cooperative Purchasing Alliance (NPCA) adder tank delivery fees. More specifically, the negotiated prices reflect reductions relative to proposed NCPA adder fees, from $0.99 to $0.0529 (Standard Diesel San Jose), $0.0500 (Standard Diesel San Francisco), $0.0763 (Renewable Diesel San Jose), and $0.0562 (Renewable Diesel San Francisco). Staff has determined that the price per-gallon being offered under the proposed contract is fair and reasonable, and staff recommends award of the contract to Mansfield to provide the Services.

Staff also recommends a proactive 100 percent contract contingency to accommodate potentially significant increases in fuel prices and/or electrical service disruptions requiring Caltrain to use diesel locomotives in place of electric locomotives. Staff expects this flexibility would accommodate price and usage fluctuations through September 30, 2027, though the diesel fuel market, influenced by global crude oil prices and economic shifts, can be quite volatile (for example, OPIS prices for Red-dye ULSD fuel fluctuated by nearly 17 percent between 2022 and 2024).

Budget Impact

Funds for this contract are included in the Fiscal Years 2024-25 adopted operating budget and will be included in future operating budgets.

Prepared By:	Vanessa Mariano	Procurement Administrator II	03/25/2025
	Henry Flores	Director, Rail Vehicle Maintenance	03/25/2025

Resolution No. 2025-

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

* * *

Award a Cooperative Purchasing Contract to Mansfield Oil Company of Gainesville, Inc. to Supply Renewable and Standard Red-Dye, Ultra-Low Sulfur Diesel Fuel and Fueling Services through September 2027 for a Total Estimated Amount of $2,527,274

Whereas, the Peninsula Corridor Joint Powers Board (JPB) requires the furnishing of fuel and fueling services to its Centralized Equipment Maintenance and Operations Facility (CEMOF) in San Jose, San Francisco Rail Yard, and Gilroy Rail Yard to ensure continued, uninterrupted Caltrain operations; and

Whereas, Caltrain will continue to operate limited diesel-fueled trains post-electrification and during emergencies that affect electrified operations; and

Whereas, the JPB's existing contract for diesel fuel and fueling services will expire on June 30, 2025; and

Whereas, the Region 14 Education Service Center (ESC), as the lead agency, has competitively procured a cooperative agreement with Mansfield Oil Company of Gainesville, Inc. of Gainesville, Georgia (Mansfield) for furnishing of Renewable and Standard Red-Dye, Ultra-Low Sulfur Diesel Fuel and Fueling Services (Mansfield-NCPA Cooperative Contract), which is administered by National Cooperative Purchasing Alliance (NCPA) and is in effect through September 30, 2027; and

Whereas, entering into an agreement under the Mansfield-NCPA Cooperative Contract allows the JPB to procure favorably-priced fuel and fueling services that it generally could not receive through a standalone competitive procurement, from a known supplier; and

Whereas, per the JPB's Procurement Manual, to foster greater economy and efficiency, the JPB may utilize cooperative agreements for procurement of common goods and services and to consolidate the purchasing needs of participating agencies to obtain goods and services at prices generally available to only large-volume buyers and at prices lower than those the JPB could obtain through its normal purchasing procedures; and

Whereas, staff recommends that the Board award a cooperative purchasing contract to Mansfield for furnishing Renewable and Standard Red-Dye, Ultra-Low Sulfur Diesel Fuel and Fueling Services for a 27-month term, through September 30, 2027, for an estimated amount of $2,527,274, inclusive of all applicable fuel taxes, petroleum fees and freight charges; and

Whereas, staff also recommends establishing a 100 percent contract contingency to proactively address volatility in fuel prices and potential needs to operate additional diesel locomotives instead of electric trains in case of power-source disruptions.

Now, Therefore, Be It Resolved that the Board of Directors (Board) of the Peninsula Corridor Joint Powers Board hereby awards a cooperative purchasing contract to Mansfield Oil Company of Gainesville, Inc. for furnishing Fuel and Fueling Services for a 27-month term, through September 30, 2027, for an estimated amount of $2,527,274, inclusive of all applicable fuel taxes, petroleum fees, and freight charges; and

Be It Further Resolved that the Board authorizes the Executive Director or designee to execute a cooperative purchasing contract on behalf of the JPB with Mansfield in full conformity with the terms and conditions of Region 14 Education Service Center Contract #05-72, and in a form approved by legal counsel; and

Be It Further Resolved that the Board authorizes the Executive Director or designee to exercise contract amendments up to 100 percent of the Board approved estimated contract amount to account for higher fuel price fluctuations and/or increased fuel usage, which the JPB anticipates may occur over the duration of the contract term.

Regularly passed and adopted this 1st day of May, 2025 by the following vote:

Ayes:

Noes:

Absent:

____

Chair, Peninsula Corridor Joint Powers Board

Attest:

____

JPB Secretary

Peninsula Corridor Joint Powers Board
Staff Report

To:	JPB Finance Committee
Through:	Michelle Bouchard, Executive Director
From:	Kate Jordan Steiner, Chief Financial Officer
For:	May 2025 JPB Board of Directors Meeting
Subject:	**Receive Quarterly Financial Report for Fiscal Year 2025 Quarter 3 Results and Annual Outlook**

☐ 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 Fiscal Year 2025 (FY25) Quarter 3 (Q3) and a preliminary outlook for the remainder of FY25. This is an informational item.

Discussion

FY25 Q3 Year-to-Date

Caltrain ended FY25 Q3 with a deficit of $3.2 million, which is $14.2 million favorable compared to the budgeted deficit of $17.3 million. This favorable position is primarily the result of revenue gains from ridership recovery and investment income, combined with the timing of vendor invoicing and delayed expenses across multiple areas.

Sources: Total sources were $1.4 million (0.9 percent) above budget. Major contributing factors include:

- **Caltrain Fares:** $3.1 million favorable (11.5 percent above budget), driven by strong ridership recovery post-electrification. Ridership reached 55.9 percent of pre-pandemic levels in March, with March year-over-year growth of 57 percent.
- **Other Income:** $1.9 million favorable (64 percent), due to higher-than-budgeted investment income from the California Asset Management Program (CAMP).
- **Parking Revenue:** $0.6 million favorable (35.2 percent), reflecting increased demand.

These favorable variances were partially offset by:

- **LCFS (Low Carbon Fuel Standard)/LCTOP (Low Carbon Transit Operations Program)/SRA (State Rail Assistance) Revenues:** $2.4 million unfavorable (22.5 percent), primarily due to the timing of receipts of LCFS credits.
- **Measure RR Sales Tax:** $0.5 million unfavorable (0.6 percent), tied to slower-than-anticipated economic activity.

- **Go Pass Revenues:** $0.5 million unfavorable (4.4 percent), with continued softness in employer participation, staff are working to revamp the program.

Uses: Total uses were $12.6 million (7.3 percent) below budget. Much of this variance is related to the timing of expense:

- **Professional Services:** $3.6 million favorable due to timing delays in vendor invoicing.
- **Facilities and Equipment Maintenance:** $2.8 million favorable from deferred services and timing.
- **OCS (Overhead Contact System)/TPS (Traction Power System) Maintenance:** $1.9 million favorable with delayed invoices.
- **Debt Service:** $1.9 million favorable, due to interest timing.
- **Other Expenses & Services**: $0.9 million favorable, driven by software maintenance, equipment, financial services expenses, and recruiting costs.
- **Managing Agency Admin Overhead Costs**: $0.6 million favorable however we project updates to cost allocation plan by year-end.
- **Insurance; Claims, Payments, and Reserves:** Each came in favorably versus budget.

These favorable variances were partially offset by:

- **Fuel and Lubricants:** $0.6 million unfavorable; diesel use is up due to round-the-clock operation of two rescue units at CEMOF (Central Equipment Maintenance and Operations Facility), which move equipment daily and support EMU (electric multiple unit) tows and servicing.
- **Electric Traction Power:** $0.4 million unfavorable; we will continue to track post-budget revision.

FY25 Year-End Forecast (as of Q3)

The FY25 Year End Forecast projects Caltrain will end the year with a deficit of $30.0 million, or $0.6 million (1.9 percent) worse than the budgeted deficit of $29.4 million. This is due to declining Go Pass/sales tax revenue, delayed LCFS revenue, above budget claims, LOC (line of credit) interest expense, and security services; this is partially offset by strong farebox revenues, other income, and labor vacancy savings.

Forecast Source Highlights: Total Sources of funds are forecasted to be $0.2 million (0.1 percent) favorable to budget mainly driven by the following:

- **Fare Revenue** projected to exceed budget by $3.0 million (8.1 percent) due to continued strong ridership post electrification.
- **Other Income** expected to exceed budget by $3.0 million, mainly due to above budget interest income as we are able to maintain higher balances coupled with higher interest rates for longer than expected, and one-time insurance reimbursement.
- **Parking Revenue** trending $0.7 million favorable mainly due to strong ridership.

These favorable variances are partially offset by:

- **LCFS/LCTOP/SRA** credits projected to come in $3.1 million unfavorable due to standard processing times in verification and monetization of LCFS credits.

- **Measure RR Sales Tax** expected to finish approximately $2.2 million below budget, reflecting sales tax declines.
- **Go Pass** projected to come in $1.1 million below budget due to reduced employer participation**.**

Forecasted Uses Highlights: Total Uses of funds are forecasted to be $0.8 million (0.3 percent) unfavorable to budget due to the following:

- **Managing Agency Admin OH:** $1.0 million unfavorable ($0.1 million labor/$0.9 million non-labor) due to higher managing agency costs in the FY25 ICAP (Individual Career and Academic Plan), driven by added shared services FTEs (full-time equivalents), increased facilities and security costs, and Microsoft licensing.
- **Fuel and Lubricants:** $0.8 million unfavorable due to unexpected use of non-revenue rescue/shuttle locomotives.
- **Security Services:** $0.7 million unfavorable with increased contractual rates effective 2025 and additional guard presence.
- **Claims, Payments, and Reserves & Premiums:** $0.6 million unfavorable due to frequency and magnitude of claims and ensuring reserves align with evolving liabilities. This line can be volatile through year-end close.
- **Utilities & Electric Charges for Traction Power:** Favorable traction power costs from better-than-expected electric train efficiency are expected to be offset by higher water/sewer usage from increased ridership and more frequent pressure washing.

These unfavorable variances are partially offset by:

- **Facilities & Equipment Maintenance:** $1.6 million favorable mainly due to sales of diesel fleet to Peru reducing cost of storage and transportation, and reduction in Clipper operator charges which will be funded by Clipper float interest income.
- **OCS/TPS Maintenance:** $0.7 million favorable with reduction in consulting needs.
- **Wages and Benefits:** $0.6 million favorable driven by vacancies (offset by consultant costs backfilling vacant positions). Caltrain staff are continuing to assess if additional labor savings may be incurred with additional hiring delays.
- **Rail Operator Service:** $0.4 million favorable mainly driven by vacancies and below budget labor hours in Train Dispatch, Finance, Stations, and Traction Electrification Systems. Note that year-end inventory adjustments may reduce expenses when in-year purchases exceed materials used in that year, as the excess is capitalized as inventory.

<u>Budget Impact</u>

This is an informational item. There is no budget impact. Staff will continue to closely monitor sources and uses over the next month. If Caltrain expenses continue to trend over budget, a budget amendment will be brought in June to request additional budget authority.

Prepared By:	Kate Jordan Steiner	Chief Financial Officer	4/16/2025