

**Peninsula Corridor Joint Powers Board
Board of Directors Special Meeting / Board Workshop
1250 San Carlos Avenue, San Carlos, CA 94070
Minutes of May 29, 2025**

Members Present: Pat Burt, David J. Canepa, David Cohen, Jeff Gee, Shamann Walton, Monique Zmuda, Rico E. Medina (Vice Chair), Steve Heminger (Chair)

Members Absent: Margaret Abe-Koga

Staff Present: L. Aldrete, M. Bouchard, A. Burnett (Bell Burnett & Associates), D. Covarrubias, C. Fromson, J. Harrison, M. Jones, K. Jordan Steiner, L. Lumina-Hsu, L. Millard-Olmeda, J. Passmann, O. Quintanilla Lopez, M. Stewart, M. Tseng, L. Zhang,

1. Call to Order

Chair Heminger called the meeting to order at 9:30 am.

2. Roll Call

Margaret Tseng, JPB Secretary, called the roll and confirmed a Board quorum was present.

3. Pledge of Allegiance / Safety Briefing

Chair Heminger led the Pledge of Allegiance.

4. Consideration of requests, if any, of Directors to participate remotely due to Emergency Circumstances – There were none.

5. Receive Updates Regarding Caltrain's Financial Outlook and Strategies to Regain Financial Resiliency

Chair Heminger provided opening remarks on the Board Workshops purpose addressing the upcoming fiscal cliff in Fiscal Year (FY) 2027.

a. Workshop Stage and Goal Setting

Michelle Bouchard, Executive Director, provided the presentation that included the following:

- \$67 million operating deficit anticipated for FY27
- Workshop goals: strategies to regain financial stability and resiliency, balance FY27 operating budget, Board priorities long term financial outlook, and effects on policy and resources

Li Zhang, Chief, Rail Commercial and Business, explained the assessment exercise on Caltrain staff and funding resources prioritizations: grow ridership, increase fare revenue, generate non-fare revenue, cost containment/reductions, funding advocacy efforts, and member agency contributions.

b. Receive Updates on Fiscal Years 2026 and 2027 Operating Budgets and 10-Year

Kate Jordan Steiner, Chief Financial Officer, Ladi Millard-Olmeda, Director, Budget and Financial Analysis, Alex Burnett, Principal, Bell Burnett & Associates, David Covarrubias, Deputy Chief Financial Officer, and Casey Fromson, Chief of Staff, provided the presentation that included the following:

- Projected operating deficits versus 10-year outlook for Strategic Financial Plan (SFP)
- Reduction efforts in FY26 operating expenses in labor and non-labor led to \$259 million proposed budget (0.03 percent unfavorable to SFP)
- Operating budget risks included increasing insurance premiums and claims, reduced sales tax recovery, electricity and fuel costs, Federal and California budgets and reduced funding for public transit
- Insurance underwriters confirmed Caltrain as an attractive candidate for insurance thus obtained favorable insurance rates
- Goal address funding shortfall while growing ridership and maintaining customer experience: cost containment, grow revenue (fare and parking fare increases), seek bridge funding
- Review Senate Bill (SB) 63 (Regional Transit Funding Measure) scenarios of measure succeeds, measure fails and get external support, and measure fails and no external funding
- SFP assumes service increases in FY29 and FY31
- Average annual deficit FY27 to FY35 is \$74 million; one-time \$55 million funding use in FY26 to balance budget will be exhausted
- SFP key revenue drivers are Measure RR and farebox which is 75 percent of total revenue; limited growth for revenue drivers except for farebox
- Measure RR funding agencies and their capacities to absorb a potential increase of Measure RR tax rates
- SFP key expense drivers increased in rail operations, wages and benefits, insurance and claims, and no increase in professional services
- Move away from reliance on professional services and increase self-performance; build in-house expertise
- Potential service cuts would negatively affect farebox revenue: decrease to hourly service estimated to decrease ridership by 30 to 50 percent with \$330 to \$550 million loss in farebox revenue
- Increased service increased ridership and farebox revenue

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

- Discussed scenario if SB63 measure succeeds but held in legal limbo; what is the agency's ability to borrow against revenue stream; bridge loans and assistance from agencies and State; internal cash flow adjustments; line of credit
- Discuss Regional Measure 3 (RM3) with Metropolitan Transportation Commission (MTC) for lessons learned; litigation; funds in holding
- Measure RR funds usage for capital budget
- Clarification on budget reduction around labor vacancies - not layoffs
- Project prioritization to balance budget; impacts on projects; contained capital program and State of Good Repair (SOG) projects next couple years
- Consultant contracts savings: staff reviewed work directives (WD), refined WD for more accurate estimates
- Federal government waiver allows Caltrain to now run extra service with electrification, waiver expires at end of 2027 and on ridership levels and actuals; assumption level of service remains same
- No current usage of reserves; using excess funding
- Fare increases paused through 2028; will restart and return to Board with new review of fare increases
- Member contributions and ability to absorb increases in contributions
- Self-insurance consideration; better level of protection by pooling risk through insurance outside agency
- Collective Bargaining Agreement with national railroads unions; assumption is two conductors per train set; fare enforcement, rider safety, ADA assistance, and bicycles; consideration of single conductor per train set, when savings would be realized, and negative consequences
- Increase in insurance premiums and claims; improved safety to mitigate insurance costs
- Increased service led to increase in ridership; seven-car train sets and potential reduction to four-car train sets
- Definition of weekend service; ridership levels on Mondays and Fridays; look at commute ridership levels and redefine commute service

c. Receive Updates on Strategies to Address the Operating Shortfall

Ms. Zhang; Ms. Fromson; Melissa Jones, Deputy Director, Caltrain Policy Development; Oscar Quintanilla Lopez, Director, Budgets and Financial Analysis; John Passman, Manager, Energy; and Laura Aldrete, Hatch Consultant, provided the presentation that included the following:

- Short-term strategies will not address near-term budget deficits
- Fare revenue
 - Pre-pandemic - farebox was 72 percent of revenue whereas today at 25 percent

- Base fare and zone upgrade fare increases upcoming in next three FY; increases included in budget
- Fare increases affect on equity and access
- Six-month lead time to implement additional fare changes
- Ridership growth
 - Weekend ridership highest in Caltrain history; first time having half hour service
 - Go Pass Program revitalization
 - Marketing and special event promotions: themed concert cars, partnership and promotions, marketing campaigns
 - City partnerships toolkits including station access, parking management, transit oriented developments
- Non-fare revenue strategies
 - Short term: special events; advertising and naming rights
 - Medium term: solar, energy storage systems, electric vehicle charging leasing; fiber optic cable and telecommunications leasing
 - Long term: transit oriented developments; commercial leasing
- Clipper 2.0 rollout; ability to accept different forms of payment

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

- Transit agency policies for yearly fare increases
- Polling ridership on effect of fare increases; last data of fare increases was pre-pandemic; data needed for total dollar value increase means to JPB revenue, effect on riders who travel across multiple zones
- Fare options: zone-based, station-to-station, distance-based; equity; fare enforcement
- Upcoming ridership data from Clipper 2.0

d. Receive Updates on Fiscal Years 2026 and 2027 Capital Budget and Funding Strategy

Due to time constraints, this subitem was not heard.

e. Discussion and Next Steps

Ms. Bouchard shared the timelines for strategy updates returning to the Board.

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- Caltrain presentations to member agencies on a regular schedule
- Caltrain presentation to member agencies prior to Senate Bill 63 considerations

Director Gee left the meeting at 12:00 pm.

Director Canepa left the meeting at 12:02 pm.

Public Comment

Aleta Dupree, Team Folds, commented on fare revenue, ridership numbers, and rider safety.

Roland commented on Federal Transit Administration train seating capacity requirement, operating shorter trains with less conductors, farebox recovery, and solar energy capture.

Adina Levin commented on Clipper 2.0 payment system, increased ridership opportunities, ability to use credit or debit cards, cost reduction opportunity, usage of shared services staffing, and ridership demographics.

6. Adjournment – The meeting adjourned at 12:04 pm.