



Peninsula Corridor Joint Powers Board

Citizens Advisory Committee

Report on Measure RR Tax Revenues and Expenses

Fiscal Year 2025 (July 2024 – June 2025)

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 2025, from July 1, 2024, through June 30, 2025. 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, 2025, 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 18, 2026. 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% 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 2025 was \$58.6 million, less than 30% of total operating 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.

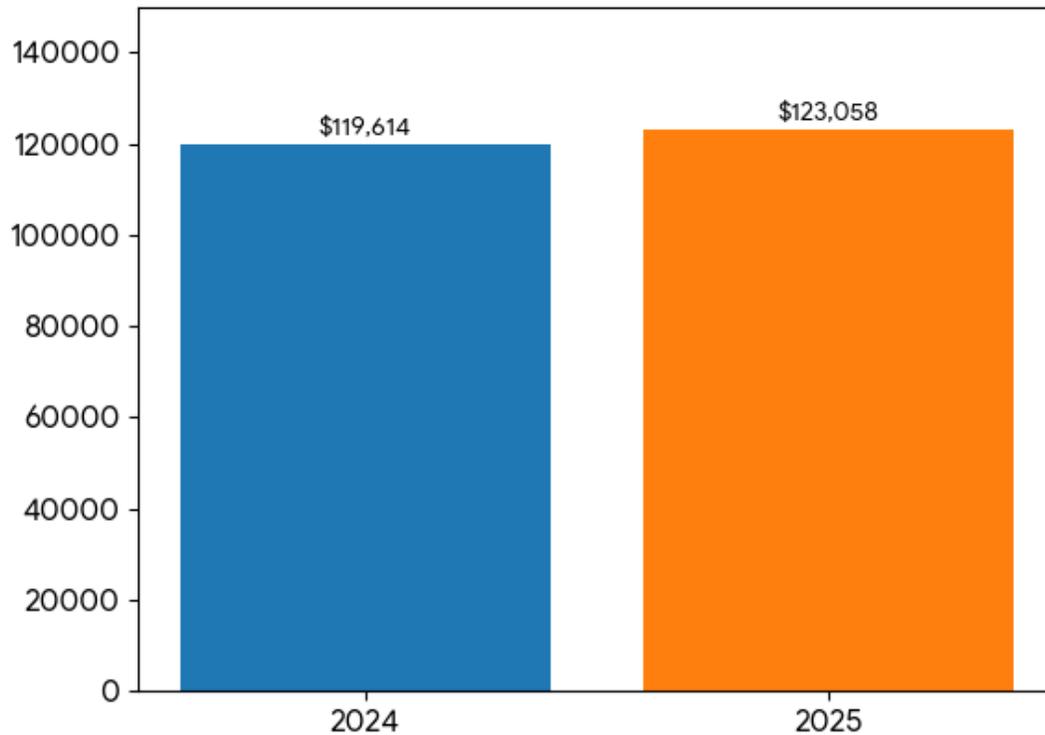
While this audit focuses on Fiscal Year 2025, the ongoing trend of reduced farebox revenue underscores the necessity of continued reliance on Measure RR funding to sustain Caltrain's operations in the coming years.

Section 3. Fiscal Year 2025 (FY25) Revenues and Expenses

A. Measure RR Revenues

A total of \$123.1 million in Measure RR transaction and use tax was realized and recorded in FY25, representing a 2.9% increase from FY24 as shown in figure 1. Of this total, \$101.5 million was received before June 30, 2025, and \$21.6 million was received in July and August 2025.

Figure 1: Measure RR Transaction and Use Tax (In Thousands)



B. Measure RR Allocations and Expenses

A total of \$128.3 million was spent primarily on operating expenses and critical agency initiatives, as shown in Figure 2. The excess expenditure of \$3.5 million over FY25 revenue was funded by unused reserves from FY24. The Measure RR funds recorded in FY25 were used as follows:

1. There was no new fund allocated in FY25 for capital programs. All FY25 capital programs expenses were funded by FY24 unused reserved.
2. \$125.3 million was spent on operating expenses.
3. \$0.8 million was spent on Business Strategy and Policy Development; \$0.7 million was spent on Historic Stations State of Good Repair (SOGR); \$0.6 million was spent on Grade Crossing Safety Improvement.
4. \$1.0 million was spent on various capital programs as shown in Figure 2 below.
5. -\$1.3 million for Rail Program Integration and Predictive Arrival Departure System (PADS) Gap Coverage Improvement projects reflect the reclassification of prior year's costs from Measure RR to eligible Transit and Intercity Rail Capital Program (TIRCP) bond proceeds and other state grant funding.

Figure 2: Measure RR Expenditures (In Thousands)

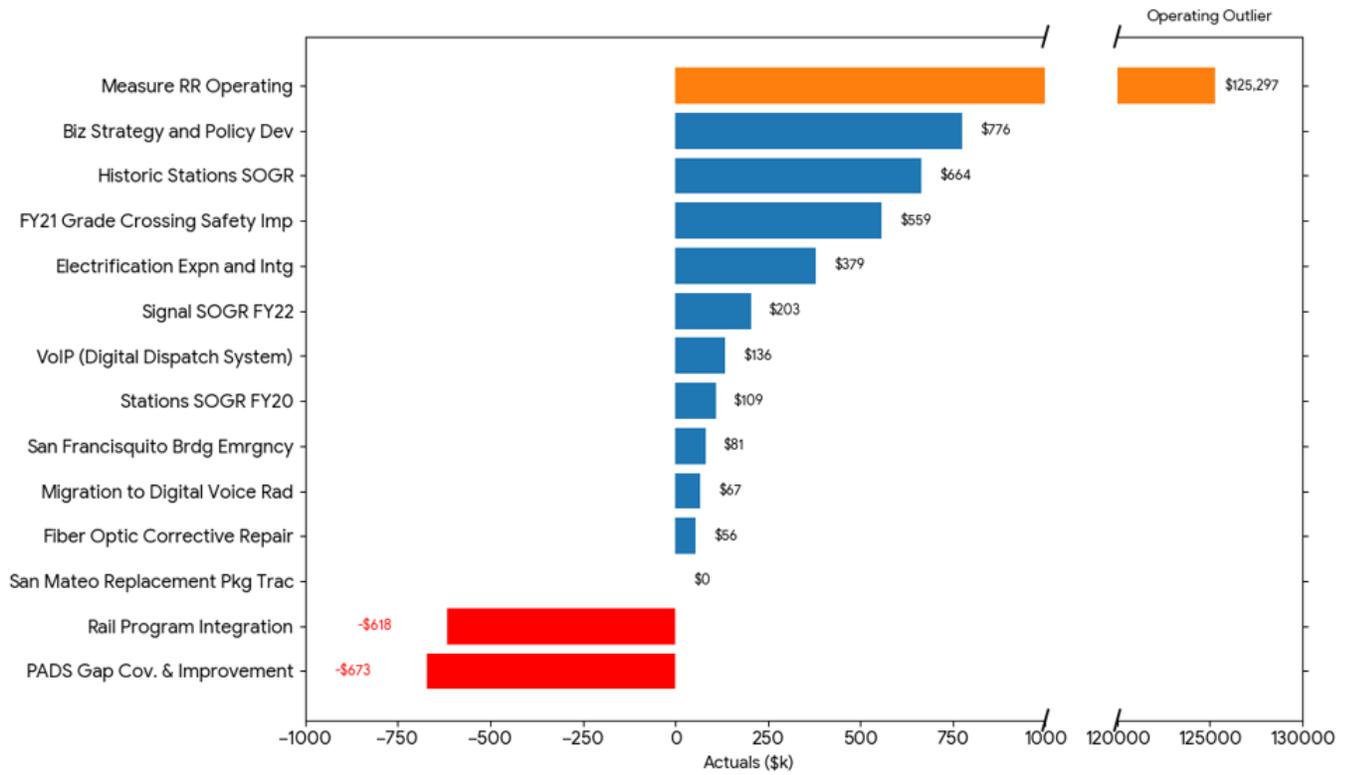
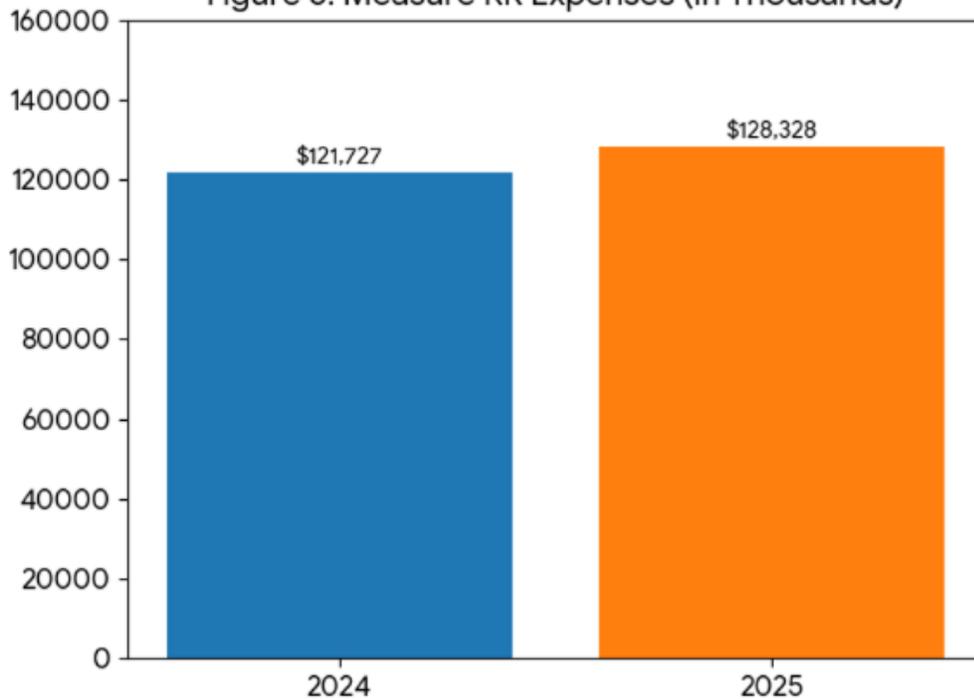


Figure 3: Measure RR Expenses (In Thousands)



C. Expenditure Detail and Consistency with Measure RR Core Principles

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

1. Operating Expenses (\$125.3 million, project 100789). These funds allowed Caltrain to continue to run its highest-ever level of service. Caltrain currently operates 112 weekday trains (104 electric trains between San Jose and San Francisco, and eight diesel trains with a transfer at San Jose Diridon for Gilroy). Caltrain operates 66 trains on both Saturday and Sunday between San Francisco and San Jose.
2. Biz Strategy and Policy Dev (\$776k, project 100619). This project supported the development of the Corridor Crossing Strategy. The Corridor Crossings Strategy (CCS) provides a cohesive corridor wide approach to funding and delivery of at-grade safety improvements as well as grade separation and closure projects as part of the Safety Enhancement Program and Elimination Program. The CCS aims at enhancing regional mobility, community and safety benefits.
3. Historic Stations SOGR (\$664k, project 100611). This project provides dedicated funding to address various repairs and ongoing maintenance needs at the seven Caltrain depots listed on the National Register of Historic Places. This work includes roof replacements, painting of the interior and exterior, plumbing, electrical, and any other necessary repairs. Repairs are coordinated with the South Bay Historical Railroad Society, which oversees preservation issues for most of Caltrain's historic depots to ensure that any proposed additions or alterations do not impair their historic character.
4. Grade Crossing Safety Improvements (\$559k, project 100563). This project improved safety at the Mission Bay, 16th St, Whipple, Ravenswood, and E. Meadow grade crossings by installing new pavement markers and markings, including the installation of a new pedestrian gate at the Mission Bay crossing.
5. Electrification Expansion and Integration (\$379k, project 100620). This project supported the development of the Corridor Crossing Strategy. The Corridor Crossings Strategy (CCS) provides a cohesive corridor wide approach to funding and delivery of at-grade safety improvements as well as grade separation and closure projects as part of the Safety Enhancement Program and Elimination Program. The CCS aims at enhancing regional mobility, community and safety benefits.
6. Signal SOGR (\$203k, project 100610). This project supports the rehabilitation or replacement of signal systems that have met and/or exceeded their useful life. The scope includes the following types of major activities: the replacement of outdated signal control and indication systems with current industry standard electronic components and associated software control programs; replacement of wayside signals; replacement of degraded signal wires, conduits, pull boxes; replacement of signal support structures such as signal cantilevers, bridges, poles and foundations; replacement of signal house structures and components such as batteries, relays, termination boards, control computers, electric power wiring and breakers, and other components necessary for the provision of signal system power; repairs to street

crossing mechanisms, including arms, lights, signs, foundations, auditory warning devices; and any other necessary upgrades for the signal system to function correctly.

7. VoIP Digital Dispatch System (\$136k, project 100615). This project is to perform a technology refresh of the obsolete Radio Dispatch System with digital components to utilize the JPB fiber network and the digital VoIP phones.
8. Stations SOGR (\$109k, project 100441). This project is used to maintain and enhance station appearance and functionality through ongoing initiatives such as signage replacement, addition of new bike stencils, graffiti abatement, vandalism repairs, pedestrian gate maintenance, safety improvements, bike locker installation, and storm drain and sump pump inspections.
9. San Francisquito Creek Bank Stabilization (\$81k, project 100762). This project stabilizes the north bank of San Francisquito Creek to prevent scour and erosion that could undermine the foundations of Caltrain's San Francisquito Creek Railroad Bridge. The work includes a temporary stabilization phase completed in November 2023 and a permanent stabilization phase consisting of engineered bank protection. All necessary environmental permits have been obtained, final designs are completed, and construction of permanent phase is scheduled to begin in second quarter of 2026 within the approved dry season work window.
10. Migration to Digital Voice Radio (\$67k, project 100432). The project is to implement a new network that enhances coverage along the track. The new VHF (Very High Frequency) network includes new sites co-located with the PTC sites, along with upgrades to several existing VHF sites.
11. Fiber Optic Corrective Repair (\$56k, project 100536). 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. Any used funds will be allocated to ongoing fiber compliance efforts. This work will include inner duct proofing the full 52 miles of the Right of Way to identify any issues within the fiber infrastructure.
12. San Mateo Replacement Parking Track (\$0.4k, project 100676). 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 track 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.

13. Rail Program Integration and Transition (\$598k spent, -\$1,216 reclass, net of -\$673k, project 100612). 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. Since Caltrain has electrified, this integration effort is still applicable to support electrified service.
14. PADS Gap Coverage & Improvement (\$777k spent, -\$1,450k reclass, net of -\$673k, project 100614). The objectives of this project are to 1) develop technical requirements for future PADS Modernization Program.; 2) add Stadler EMU into existing PADS; and 3) modernize and visualize the Xgate virtual server to provide server redundancy between SJCC and MPCC. 4) PADS Improvement: Enhance the Predictive Arrival Departure System (PADS) by improving arrival prediction accuracy, integrating additional data sources for both ROCS and PADS, enhancing train arrival and departure messaging, improving single tracking messaging, deploy industry-compliant GTFS real-time feed, and increasing system responsiveness.

Section 4. Future Measure RR Allocations

For the upcoming fiscal year, Caltrain anticipates that the vast majority of Measure RR proceeds will continue to subsidize critical operating costs. This allocation is essential to maintaining service stability and addressing the fiscal demands of the modern electrified rail system.

Strategic Operational Priorities

The transition to an electrified fleet has shifted Caltrain's financial landscape, making Measure RR funding a cornerstone of daily operations:

- **Sustaining Electrified Service:** Measure RR revenue is the primary vehicle for supporting the increased electricity and maintenance requirements of the traction electrification system introduced in 2024.
- **Enhanced Frequency:** This funding enables Caltrain to maintain the current electrified service schedule, including half-hourly weekend frequency, which is vital for meeting post-pandemic ridership growth.
- **Operating Stability:** Without this 0.125% sales tax support, the agency would face significant challenges in sustaining current service levels or providing reliable transit for essential workers and evolving commute patterns.

Fiscal Trends & Advocacy

As operating expenses continue to trend upward, rising by approximately \$6.6 million year-over-year, Caltrain staff remain focused on long-term sustainability. Alongside other Bay Area transit operators, Caltrain continues to aggressively advocate for external state funding and explore regional solutions to diversify revenue beyond short-term operational subsidies.

Attachment: FY25 Measure RR audit (Appendix A)