



Proposed Term Sheet on How to Share Caltrain Operating Shortfalls by its Member Agencies



SamTrans Board of Directors Meeting | July 2, 2025

DISCUSSION OUTLINE

1. Background on Proposed Term Sheet
2. Decision Timeline
3. VTA Written Response to Proposed Term Sheet
4. Next Steps

Background on Proposed Term Sheet

Caltrain and its 3 Member Agencies have been discussing the Caltrain Joint Powers Agreement (JPA) amendment but recently paused it in light of SB63 decision needed. Among outstanding issues are:

- a. Member Agencies' share of CalPERS unfunded liabilities
- b. Removal of Managing Agency
- c. Deviating from Governance MOU that Caltrain must adhere to District's Employment Manual and Policies
- d. Capital and operating contributions from each Member Agency outside of SB63, including how Gilroy costs are to be handled
- e. Shared Services Agreement
- f. Budget approval process

Timeline

For the purpose of determining Member Agencies' shares in SB63, assuming San Mateo and Santa Clara are opting in:

- a. June 5 – VTA Board met to discuss Proposed Term Sheet. Subsequent to the VTA Board meeting, VTA transmitted a letter to the JPB Ad Hoc Committee (Gee, Heminger, and Abe-Koga)
- b. July 2 – SamTrans Board to meet and discuss Proposed Term Sheet. Board to decide if SamTrans should send a letter outlining its concerns to the JPB Ad Hoc Committee
- c. July 23 – Special JPB Board meeting to consider the Proposed Term Sheet
- d. August board meetings at the Member Agencies – to accept the Proposed Term Sheet approved at the July 23 JPB meeting

Elements of Proposed Term Sheet dated June 3, 2025

Each member contributes towards Caltrain operating deficit based on the following:

- All-day boarding
- Consideration of Measure RR amounts from each county
- Allocation of Gilroy costs to VTA

Example of how the formula would work:

Measure RR (\$120M) + Projected Deficit (\$75M) - Gilroy (\$15M) = Local need (\$180M)

SF: 24% All Day Boardings = Deficit Share (\$43M)

SMC: 34% All Day Boardings = Deficit Share (\$61M)

SCL: 42% All Day Boardings = Deficit Share (\$76M)

SF = \$43M - RR contribution (\$25M) = Remaining Share (\$18M) or 24%

SMC = \$61M - RR contribution (\$29M) = Remaining Share (\$32M) or 42.6%

SCL = \$76M - RR contribution (\$66M) + Gilroy (\$15M) = Remaining Share (\$25M) or 33.3%

Other terms of Proposed Term Sheet

- Budget must be approved by at least 5 members of Board, with at least one member from each county
- Budget is approved every 2 years. All day boarding information will be updated every budget cycle to calculate the new county shares. Will use the most recent 12-month data as of January preceding the start of the new biennial budget. (E.g. for budget approved on Jul 1, 27, will use the 12-mo data from Jan 1, 26 – Dec 31, 26)
- JPB to consult with VTA on Gilroy service, and provide VTA the “fully allocated cost”* of Gilroy. Approval of the Gilroy service level and budget amount must be done by at least 5 members, with at least one member from each county.
- In the event actual expenses < budgeted expenses, any residual/unused revenues will be put into reserve.
- In the event actual expenses > budgeted expenses, JPB staff will present a revised budget to the board to match available resources. Approval of the revised budget must be done by at least 5 members, with at least one member from each county.

* *“fully allocated cost” = O&M costs of operating Gilroy, and inclusive of an appropriate share of administrative cost.*

VTA Response to the Proposed Term Sheet:

- **Gilroy service – should be treated as part of the mainline service**
 - Ok to accept the costs for the purpose of SB63, but want this re-evaluated upon activation of certain events:
 - Battery electric trains south of Caltrain Mainline AND/OR
 - Extension south of Gilroy to Salinas
 - Wants any service to the north of line (e.g. to SF Portal) as separate service
 - VTA Board wants approval rights to Caltrain budget and Gilroy service level
- **Measure RR funds and potential new revenues to be attributed back to each county**
 - Wants this going forward “Employed at all times”
 - Any excess from each county, if not needed for Caltrain, to be applied to future operating or capital costs

SamTrans Proposed Response to the Proposed Term Sheet

- Reserve ALL our prior positions on the negotiating terms of the JPA, and deal only with the allocation formulas for the duration of the term of the regional measure, assuming 1) it is successful and 2) SM and SCL participate
- Deficit to be shared by the Member Agencies should be calculated after Measure RR funds are applied. Measure RR is a systemwide funding source.
- Continue sharing Gilroy service operating costs systemwide, consistent with the current status quo practice.
- Remaining deficit to be shared by the Member Agencies in accordance with the status quo formula: all day boardings from each county. SF/SM/SCL: 24%; 34%; 42% (vs. the proposed term sheet %s of SF/SM/SCL: 24%; 43%; 33%)

SamTrans Proposed Response (cont'd)

- Assuming we all participate in SB63, and employ the agreed-upon formulas:
 - In any one year during which actual expenses < budgeted, surplus remains with each county and be used to manage future Caltrain needs.
 - In any year where actual expenses > budgeted, require 1) budget reduction in the following year, 2) hold the subsequent year's budget flat, 3) request a formal accountability plan, and/or 4) enforce shared service use and reduce redundancy: Caltrain should fully leverage shared services and avoid duplicative standalone positions unless clearly justified.

Next Steps:

- Board provides direction on determining whether and what to include in a written response to the JPB Ad Hoc Committee
- July 23 JPB Board meeting deliberations, considering both VTA and SamTrans (and possibly SF) positions
- Continue to review and refine any cost or ridership data before the August 6 Board meeting
- August 6: Board to decide whether to opt-in SB63, and if so, determine appropriate formulas for Caltrain, BART and other expenditure items, including the formulas and conditions included in the July 23 JPB Term Sheet