



BRIEFING: MARCH 15, 2017 BOARD MEETING AGENDA ITEM #4

TO: Chairman Richard and Board Members

FROM: Jeff Morales, Chief Executive Officer

DATE: March 15, 2017

RE: Update on the Central Valley and San Francisco to San Jose Peninsula Corridor Segment Funding Plans

Background

At its December 2016 meeting, the Board designated the Central Valley Segment and San Francisco to San Jose Peninsula Corridor Segment (“Peninsula Corridor Segment”) as Usable Segments as defined in Streets and Highways Code Section 2704.01(g) and approved the Funding Plans for these segments pursuant to S&H Code section 2704.08(d). These approvals are necessary for the expenditure of Proposition 1A bond proceeds for construction activities, real property purchases, and electrification system acquisitions.

Since this action, the Funding Plans were sent concurrently to the Director of Finance and the Chair of the Joint Legislative Budget Committee as required by Proposition 1A. Under Proposition 1A, the Director of Finance is required to review the plans within 60 days of their submission and, after receiving any communication from the Joint Legislative Budget Committee, if the Director finds that the plans are likely to be successfully implemented as proposed, the Authority may enter into commitments to expend bond funds described in the Funding Plans.

Discussion

Central Valley Segment Funding Plan

The Joint Legislative Budget Committee provided its input on both plans to the Department of Finance on February 17. On March 3, the Director of the Department of Finance found that the Central Valley Segment Funding Plan, “is likely to be successfully implemented as proposed,” (the test prescribed in Proposition 1A) and as such granted approval for the Authority to enter into commitments to expend bond funds. This completes the process outlined in Proposition 1A, and the Authority will work with the Department of Finance and State Treasurer’s Office to begin selling bonds this spring.

Peninsula Corridor Segment Funding Plan

The total cost of the Peninsula Corridor Electrification Project is \$1.98 billion, of which \$647 million relies on approval of The Peninsula Corridor Joint Powers Board's (Caltrain) application to the Federal Transit Administration's (FTA) Core Capacity Program. Caltrain has spent two years going through the FTA's application process and is now waiting on a final decision regarding the federal government's commitment to a Full Funding Grant Agreement (FFGA).

The US Department of Transportation (USDOT) completed its review of the application and on January 18, 2017 forwarded it to Congress for a statutorily-mandated 30-day period before execution of the FFGA. On January 24, the fourteen Republican members of the California Congressional delegation wrote to USDOT Secretary Elaine Chao mistakenly stating that the Authority had applied for the grant to electrify the Caltrain corridor and urging her to withhold approval of the grant. On February 17, the FTA announced that it would be deferring a decision on the FFGA to allow the electrification project to be considered in conjunction with the development of the President's budget.

On February 27, Caltrain announced that it had negotiated an extension of the deadline for contractors to begin construction of the Peninsula Corridor Electrification Project while the agency awaits a decision from the FTA on the FFGA. The contractors agreed to extend the deadline for four months, from March 1 to June 30.

Subsequently, on March 3 the Director of the Department of Finance found that the plan, "would likely have been successfully implemented as proposed," and that, "Caltrain would have been able to enter commitments to expend the Proposition 1A bond funds" should the FTA not have deferred its decision on the FFGA. In the absence of the FFGA, and, "solely due to the federal decision," the Director had to defer action by Department of Finance on the plan. The Authority will continue to closely monitor the situation and work with partners to move this important project forward.

Recommendations

This is an information item; there are no staff recommendations at this time.

Attachments

- DOF Central Valley Funding Plan Determination Letter
- DOF Peninsula Corridor Funding Plan Determination Letter