

**STAFF REPORT FOR CALENDAR ITEM NO.: 8**  
**FOR THE MEETING OF: February 9, 2023**

**TRANSBAY JOINT POWERS AUTHORITY**

**BRIEF DESCRIPTION**

Presentation of 20-Year Financial Plan, including the Downtown Rail Extension Project Capital Cost Estimate & Funding Plan Update.

**SUMMARY**

The Federal Transit Administration (FTA) requires the preparation of a 20-year financial plan for projects seeking funding from the Capital Investment Grants (CIG) Program for transit expansion. FTA requires a financial plan for both the operation and capital maintenance of the existing infrastructure, as well as the capital and incremental operations and maintenance cost for the project. A companion item at this Board meeting is a recommendation to authorize the Executive Director to submit a request to FTA to advance the Downtown Rail Extension (DTX, now also known as The Portal) into the Engineering phase of the CIG process. This request will be accompanied by required documentation, including the TJPA's 20-year financial plan, Caltrain's 20-year financial plan, and the DTX project initial 20-year financial plan (collectively, "Financial Plan"). TJPA, Caltrain, and the San Francisco County Transportation Authority (SFCTA) have collaborated to prepare the DTX project initial 20-year financial plan, which incorporates the project cost estimate and funding plan.

The TJPA's 20-year financial plan and the DTX project initial 20-year financial plan are presented to the Board today for information and comment. Submittal of the request to advance into the Engineering phase of the CIG process will initiate FTA's review of the project's readiness to advance in the process and request CIG funds. The Board's adoption of the project's baseline budget and schedule is anticipated for August 2023, once FTA provides feedback on the project's readiness and before TJPA submits its request of CIG funds for the project.

**BACKGROUND**

Under state law and the Joint Powers Agreement creating the Transbay Joint Powers Authority (TJPA), the TJPA has primary jurisdiction with respect to all matters concerning the financing, design, development, construction, and operation of the Transbay Program, including the DTX. The TJPA has identified the FTA CIG - New Starts program as a substantial source of capital funding for the DTX.

At its April 8, 2021 meeting, the TJPA Board of Directors approved an acceleration modification to the DTX comprehensive work plan ("Accelerated Work Plan"); the accelerated plan identifies timing milestones for the CIG process. Consistent with the Accelerated Work Plan, on September 9, 2021, the TJPA Board authorized the Interim Executive Director to submit a letter and supporting information to the FTA for the purpose of requesting entry of the project into the Project Development (PD) phase of this CIG process. On December 3, 2021, the FTA approved the project's entry into the PD phase of the CIG process. Since that time, TJPA and DTX partner agencies have continued to advance PD activities in preparation for a February 2023 request to

FTA to enter the Engineering phase. As described in detail in a companion item at this Board meeting, FTA requires various project information to be submitted in conjunction with the request to enter Engineering, including a 20-year financial plan for the implementing agency and an initial 20-year financial plan for the project. This memorandum summarizes the approach and components of the TJPA's 20-year financial plan and DTX project initial 20-year financial plan, and reviews next steps.

## **FINANCIAL PLAN REQUIREMENTS AND APPROACH**

FTA requires CIG project sponsors to demonstrate their financial capacity to fund the construction and operation of a proposed project, while also continuing to deliver existing operations and fund other capital needs. The Financial Plan reflects the input of both TJPA and Caltrain. Although a planned beneficiary of the project, TJPA does not anticipate FTA to require future California High-Speed Rail Authority (CHSRA) operations to be considered in the Financial Plan at this time.

**Financial Plan Requirements:** The CIG program requires a financial plan for both the operation and capital maintenance of the existing infrastructure, as well as the capital and incremental operations and maintenance costs for the project, including at least five years of historical data. Thus, the Financial Plan for purposes of the CIG program is made up of TJPA's 20-year financial plan, Caltrain's 20-year financial plan, and the DTX project initial 20-year financial plan. The Financial Plan covers the 20-year period of the Agencies' operations between Fiscal Year (FY) 2022/23 and FY 2042/43, including the planned period of DTX delivery/construction and the initial period of Caltrain revenue service.

For the February 2023 request to enter Engineering, TJPA must demonstrate to FTA that existing operations can be sustained and adequate levels of capital improvements can be funded, and that 30 percent of the non-CIG capital funding for the DTX project has been committed to the project. With respect to the incremental operations and maintenance (O&M) cost, it is required to present a reasonable plan to secure funding commitments that will be necessary to fund operation of the expanded transit system in its opening year.

**Approach to Development of the Financial Plan:** The Financial Plan reflects the project team's current assessment of DTX's financial components, in a form consistent with FTA guidelines and requirements, as discussed further below. Inclusion of specific information, such as cost and revenue forecasts, in these materials does not, on its own, constitute a commitment of funding or an assumption of specific responsibilities or risks by TJPA, Caltrain, or any other partner or stakeholder. Such obligations and commitments are or will be codified through separate agreements and arrangements.

FTA will appoint a financial management oversight consultant (FMOC) to review the initial Financial Plan. Guided by this review, the initial Financial Plan and cost estimate may be revised, as necessary, and re-submitted to FTA as part of the August 2023 request for CIG funds. The Financial Plan may be updated periodically thereafter in support of securing the DTX Full Funding Grant Agreement (FFGA), targeted for execution by Spring 2025.

## TJPA's 20-YEAR FINANCIAL PLAN

As explained above, TJPA's 20-year financial plan is one of the three components of the total Financial Plan required under the CIG program. TJPA's 20-year financial plan covers the period of FY 2022/23 through FY 2042/43 and includes five years of actual expenditures and revenue. The financial plan includes the projected operating budget and capital expenditures for TJPA, exclusive of DTX from the date the project was accepted into the PD phase in December 2021. It includes the TJPA's Operating Projection and Capital Projection.

### **Operating Projection:**

As described above, as part of the CIG program, TJPA must demonstrate to FTA that existing operations can be sustained. TJPA's 20-year Operating Projection describes the projected operating revenue and expenditures, exclusive of DTX. It builds upon the FY 2023/24 Preliminary Operating Budget adopted by the Board in January 2023. Attachment 1, TJPA's 20-year Operating Projection, describes the projected operating revenues and expenditures, as well as reserves. Highlights of the Operating Projection are described below. Based on the Operating Projection, staff anticipates that existing operations can be sustained over the 20-year planning horizon.

### Operating Revenues

- *Regional Measure 2 and 3:* The TJPA receives annual reimbursements from the Metropolitan Transportation Commission (MTC) from Regional Measure (RM) 2 funds and anticipates receiving annual reimbursements from RM 3. In both cases, projections are based on the amounts and growth rates established in the authorizing legislation. TJPA currently receives \$3 million in temporary supplemental RM 2 support that is scheduled to end after FY 2024/25. Staff anticipates working with MTC to extend the supplemental allocation, but for the purposes of this projection we are including an additional \$1.5 million in bridge toll support in FY 2031/32. The \$5 million in RM 3 support does not include an escalation factor which results in a loss of purchasing power over time as all costs continue to increase with inflation.
- *Community Benefit District:* The East Cut Community Benefit District (CBD) was formed in 2015 as a special assessment district to fund specified services to improve quality of life in the neighborhood surrounding the transit center, including operation and maintenance of green spaces in the district. Under the CBD Management Plan, the CBD contributes 79.18% of eligible costs to operate and maintain the rooftop park. The initial term of the CBD is fifteen years, July 1, 2015, through June 30, 2030. The Operating Projection assumes a renewal of the CBD to continue providing funds for the operation and maintenance of the rooftop park, and that contributions continue at the 79.18% level.
- *Transit Operator Lease and Use Payments:* Lease and Use Payments, determined by any differential between operating costs and operating revenues, is anticipated to be covered by the transit operators utilizing the facilities, per the lease agreements with each operator. As other facility revenues such as rental and advertising revenue continue to improve, staff anticipate lease and use payments from AC Transit and San Francisco Municipal Transportation Agency (SFMTA) to decrease in the first few years of the plan, from \$5 million in FY 2023/24 to \$2.7 million in FY 2031/32. The anticipated end of the supplemental RM 2 allocation in FY 2025/26 and the gradual loss of purchasing power

by RM 3 results in an increase of Lease and Use payments over time. TJPA will continue to seek alternative funding sources to reduce the Lease and Use Payments.

- *Naming Rights Agreement:* The TJPA entered into a 25-year Naming Rights Agreement with Salesforce providing annual revenue of \$3.4 million in FY 2022/23. The agreement includes 3% annual escalation, and a 20% increase upon completion of DTX for the remainder of the term. The 20% increase is included as part of the incremental cost and revenue for DTX. The current term extends to FY 2042/43.
- *Retail Rents and Advertising:* Transit Center retail revenue and advertising revenue are important components of the agency's long-term financial plan but continue to recover slower than anticipated. Delays in tenant openings, slow downtown recovery, and continued adjusted rents for existing tenants are reflected in the projections. Staff is anticipating a full recovery by FY 2029/30.
- *Miscellaneous:* Other revenue included in the operating projection includes sponsorships and events, licensing fees, miscellaneous revenue, and interest income. The projection assumes limited growth from these sources until FY 2029/30.

### Operating Expenditures

The expense categories are consistent with the changes discussed during the adoption of the FY 2023/24 Preliminary Operating Budget, moving several categories to a separate capital budget, and continuing to separate Salesforce Transit Center costs from Salesforce Park costs. As shown in Attachment 1, the projections assume a long-term 3% growth in costs and seek to maintain service levels while maintaining a balanced budget.

- *Salesforce Transit Center:* This section includes projections for administration, asset management, physical security & security systems, cybersecurity, general maintenance, janitorial and utilities, insurance, and digital content management systems. As discussed in January, the budget projection meets existing staffing and service levels, and supports the full operation of the Transit Center.
- *Park Management, Programming, Maintenance, Janitorial, and Utilities:* Park expenses, mostly funded by the CBD contribution, are a prorated share of the Transit Center utilities, janitorial, and general maintenance. Public programming, landscaping and the contractual park management fee are also included in these costs. The projection assumes continuing current service levels and park programming.

### Operating Reserves

The TJPA's Reserve Policy sets a goal of \$500,000 in Emergency Reserve and 25% of the variable expense budget in O&M Reserve, which allows for sufficient working capital and a small cushion in the event revenues do not perform as expected, and is in line with FTA guidelines. The recent positive resolution of the legal action against RM 3 revenues will allow full funding of the O&M reserve in FY 2024/25. Thereafter, the Operating Projection assumes sufficient transfers to maintain the O&M reserve at 25%. In addition to fully funding the O&M reserve, the Operating Projection assumes transferring additional fund balance to the Capital Replacement Reserve to fund ongoing capital repair and maintenance costs for the Transit Center.

## **Capital Projection:**

As described above, as part of the CIG program, TJPA must demonstrate to FTA that existing capital assets can be maintained. Attachment 2, TJPA's 20-year Capital Projection, describes anticipated capital costs and revenues not dedicated to DTX. Highlights of the Capital Projection are described below. Based on the Capital Projection, staff anticipates that sufficient funds will be available to maintain the TJPA's existing assets in a state of good repair over the 20-year planning horizon.

In November 2022, the TJPA Board approved the agency's Capital Improvement Plan (CIP) policy to guide financial planning for the new Salesforce Transit Center's long-term maintenance. The 20-year Capital Projection presented here is consistent with the Board policy but is subject to further refinement as staff bring the agency's first CIP for TJPA Board approval in June 2023. Updated information will be shared with FTA and used to update the TJPA's Transit Asset Management (TAM) Plan.

## Capital Revenues

TJPA receives revenues for capital improvements from several sources, as described below.

- *AC Transit Capital Contributions:* Under the Lease and Use Agreement between AC Transit and TJPA, AC Transit committed to providing \$57 million (in 2011 dollars) to the TJPA for the construction and capital maintenance of the Transbay Program. AC Transit provided \$39.6 million for the design and construction of Phase 1 and has contributed \$500,000 per year for capital maintenance. The 20-year Capital Projection assumes that this annual contribution will continue.
- *Community Benefit District:* The East Cut CBD contributes 79.18% of eligible capital maintenance and improvements in the rooftop park. The Capital Projection assumes the CBD's renewal prior to its current expiration and future contributions continue covering a similar percentage of eligible park costs.
- *Developer Contributions:* The terms of the agreements with the Parcel F developer include provisions for the developer to reimburse TJPA for TJPA's design, construction, and legal costs associated with the construction of the Parcel F development.
- *Net Tax Increment:* In 2005, San Francisco established the Transbay Redevelopment Area encompassing portions of the area surrounding the Salesforce Transit Center, with the net tax increment generated from development of the formerly state-owned parcels pledged to the Transbay Program through 2050. Because the formerly state-owned parcels had a base value of \$0 when the redevelopment area was established, the full value of the new development—which was approximately \$3.2 billion in 2019—is included in the calculation of the net tax increment. The net tax increment is pledged to repay TJPA's 2020 Tax Allocation Bonds and is anticipated as a repayment source for a DTX construction loan. TJPA staff and financial advisors forecast that the net tax increment proceeds will exceed the debt service for the planned financings, and any excess net tax increment would be available for TJPA to use for capital maintenance and improvement needs.
- *Capital Replacement Reserve:* With the adoption of the CIP policy, the Board established a goal of having a capital replacement reserve equivalent to seven years of capital repair and maintenance costs. The Operating Projection adds funds to the Capital Replacement

Reserve to gradually meet and maintain the goal while providing for initial repair and maintenance.

- *Interest Earnings:* Interest earnings on the Capital Replacement Reserve were calculated at 2% per year. These interest earnings would be used for capital costs or retained in the reserve.
- *New Funding:* TJPA staff will continue to seek new sources of funds for capital maintenance and improvement costs. Local and Federal sources for the wayfinding improvements will continue to be a priority. Other sources could include Federal State of Good Repair, regional One Bay Area Grant (OBAG) program, and other discretionary sources.

### Capital Costs

The cost elements of the 20-year Capital Projection include the anticipated costs associated with maintaining the TJPA's existing assets in a state of good repair as well as known capital improvements. The cost information is summarized into the following cost categories:

- Facility maintenance for the Salesforce Transit Center, ramps, and bus storage facility
- Information technology equipment and systems
- Security equipment and systems
- Park maintenance
- Wayfinding enhancements
- Tenant improvements
- Parcel F design and legal support

TJPA surveyed staff and the asset management team for known cost and schedule information. Future costs were estimated based on an average of previous and near-term activities as well as lifecycle replacement schedules. A 3.5% annual escalation rate was applied to estimate Year of Expenditure (YOE) costs. The 20-year Capital Projection presented here is consistent with the Board policy but is subject to further refinement with the agency's first CIP that will be presented for TJPA Board approval in June 2023. Updated information will be shared with FTA and used to update the TJPA's TAM Plan.

### **DTX PROJECT INITIAL 20-YEAR FINANCIAL PLAN**

As explained above, the DTX project initial 20-year financial plan is one of the three components of the total Financial Plan required under the CIG program. The project initial 20-year financial plan covers the period of FY 2022/23 through FY 2042/43. The project initial 20-year financial plan includes the DTX Capital Plan and DTX Operating Plan.

#### **DTX Capital Plan:**

The DTX Capital Plan describes anticipated sources and uses of capital funding for the proposed DTX project. The DTX Capital Plan is made up of the project cost estimate and DTX capital funding plan. As explained above, the DTX Capital Plan reflects the project team's current assessment of DTX's financial components. Inclusion of specific information does not, on its own, constitute a commitment of funding or an assumption of specific responsibilities or risks by TJPA, Caltrain, or any other partner or stakeholder. Such obligations and commitments are or will be codified through separate agreements and arrangements.

The DTX Capital Plan is consistent with the project schedule and with the approved project delivery approach, both of which impact the timing of capital funding needs. The DTX Capital Plan provides a roadmap to the timing and dedication of specific funding sources and will be updated over time as competitive funding opportunities are identified and as specific funding commitments are made by funding agencies.

### **DTX Operating Plan:**

The DTX Operating Plan provides a 20-year forecast of the incremental O&M costs and funding for the DTX project. The purpose of the DTX Operating Plan is to demonstrate an approach to operating DTX without compromising operation of the existing system. The DTX Operating Plan reflects all operating costs associated with DTX, as described below; the plan does not make decisions with respect to agency responsibilities for specific operational functions or with respect to responsibilities to fund these functions. These responsibilities will be negotiated and codified through subsequent agreement(s).

With the implementation of DTX, Caltrain will have an extended corridor length, specifically the new connection from south of Fourth and Townsend Station to Salesforce Transit Center. The initial Financial Plan assumes a Caltrain operating plan consisting of weekday service of four trains per peak hour per direction (pphpd) to Fourth and Townsend and the Transit Center. Caltrain anticipates providing this service with the new electric multiple unit (EMU) fleet that will be introduced to the Caltrain corridor when the fully-funded Peninsula Corridor Electrification Project (PCEP) is completed in 2024, without triggering a need for additional rolling stock.

Under this service scenario, a total of six trains pphpd would be provided on the Peninsula Corridor between Fourth and King/Townsend and San Jose, consistent with Caltrain's separate/existing FFGA with FTA for PCEP. Caltrain's diesel fleet would provide two trains pphpd to the surface 4<sup>th</sup> and King Station, with four EMU trains pphpd continuing to the Transit Center via the new underground Fourth and Townsend Station. On January 31, 2023 Caltrain received all remaining funding from the State's Transit and Intercity Rail Capital Program to procure all EMUs to service PCEP. Caltrain has also submitted a grant request for replacement of additional diesel train consists. One additional EMU trainset beyond those replacements would be needed to provide Caltrain's recommended six EMU trains pphpd to the Salesforce Transit Center. Caltrain's Board-adopted Business plan Moderate Growth Scenario further contemplates eight EMU trains pphpd into the Transit Center. While the TJPA supports this growth scenario as a higher utilization of the investment made in the DTX, these increased frequencies are not currently contemplated in the 20-year Financial Plan or the planned submittal to the FTA.

### **PROJECT COST ESTIMATE**

The project cost estimate is an element of the DTX Capital Plan. The last comprehensive capital cost estimate for DTX was presented to the TJPA Board in 2016 and reflected the project's then-current design and assumed implementation timeline.

Over the course of 2022 and early 2023, TJPA has prepared a comprehensive "bottom-up" cost estimate for DTX, working in consultation with the San Francisco Peninsula Rail Program

Memorandum of Understanding Integrated Program Management Team (IPMT) and Executive Steering Committee (ESC). The process to develop this estimate included the following activities:

- **Construction cost estimate**, prepared by the DTX General Engineering Consultant (GEC) based on the recently completed 30 percent design and reflecting changes to project configuration, including project modifications resulting from the DTX Phasing Study (presented to the TJPA Board in September 2021 and adopted in December 2022) and from other project development analyses;
- **Staff and consultant in-depth review** for reasonableness and completeness;
- **Independent peer review**, conducted by an independent estimating firm, which validated the GEC estimate to within just over 4 percent of direct construction cost;
- **Escalation evaluation**, including review of economic forecasts and peer review of comparator projects/agencies; and
- **Risk Register and quantitative risk analysis**, to inform budgeted contingency levels, by identifying likelihood/severity of projects risks and forecasting cost/schedule impacts.

The current DTX project cost estimate, including locally funded costs for FTA PD phase activities, is \$6.68 billion in year-of-expenditure dollars (YOES), as shown in the below table. The cost estimate is based on the current project schedule, which contemplates completion of construction and commissioning in the fall of 2032, with 2033 as the first complete year of Caltrain operations. A more detailed breakdown of the project cost estimate is provided as Attachment 3 to this memorandum.

Category	Cost Estimate (millions of YOES)
Construction Costs	\$3,716
Right-of-Way Acquisition	\$340
Program-Wide Costs (Agency Costs and Professional Services)	\$904
Design and Construction Contingencies	\$1,226
Program Reserve	\$494
<b>Total</b>	<b>\$6,680</b>

**Exclusions:** The capital cost estimate excludes O&M costs and financing costs. On January 12, 2023, FTA published an update to the CIG policy guidance requiring the inclusion of financing cost as part of the request to enter the Engineering phase. Based on this recent guidance, the TJPA is working with its financial advisors to estimate the financing costs to be borne by the project for advancing FTA’s CIG grant funds to align the grant’s cashflow with projected expenditures. Financing costs to be borne by the project will be included in the DTX Baseline Budget, which will be brought forward to the TJPA Board prior to submitting the August 2023 request for CIG funds.

Other items that are currently excluded from the capital cost estimate:

1. Maintenance of way vehicles; and
2. Retrofits required for Caltrain’s vehicles to allow level boarding.

Capital costs for the Fourth and King enabling works are included in an allowance as preliminary engineering has just now begun for this element. Risk associated with this work has been assessed and included in the quantitative risk assessment considering the level of design development and work will be completed on an operating railroad.

**Estimate Review and Update:** The project cost estimate may be updated during 2023 to reflect changes stemming from FTA’s review of the project and its risks. In addition, the estimate may be adjusted to reflect upcoming consideration of value engineering opportunities and any other changes to project configuration adopted in advance of the August 2023 submittal to FTA, and the TJPA Board’s adoption of a Project Baseline Budget and Schedule.

### **DTX CAPITAL FUNDING PLAN**

The DTX capital funding plan is the other element of the DTX Capital Plan. SFCTA and TJPA have prepared a funding plan for DTX, in alignment with the project cost estimate, and in consultation with IPMT and other funding partners. The DTX capital funding plan relies upon a combination of multiple sources at local, regional, state, and federal levels. The foundation of the capital funding plan is a set of local funding sources, including multiple land-based sources implemented as part of the Transbay Program.

The table below summarizes the target funding amounts/ranges for major categories of capital funding. A more detailed breakdown of the capital funding plan is provided as Attachment 4 to this memorandum.

<b>Funding Source/Category</b>	<b>Est. Amount / Target Range (millions of YOES)</b>
FTA Capital Investment Grant	~\$3,300
Other Federal Programs (e.g., CRISI, Mega, FSP, etc.)	~\$600-700
State Transit Intercity Rail Capital Program (TIRCP)	\$560
High-Speed Rail (State/Federal Funds and/or CHSRA TBD)	\$550
MTC Regional Measure 3 (RM3)	\$325
Other/Future Regional Source(s)	TBD
Partner Agency Contributions to Project Dev./Engineering	\$12
Transit District Sources (CFD, Tax Increment, etc.)	~\$925
SFCTA Sales Tax (Prop K and Prop L)	~\$320
Regional Transportation Improvement Program (RTIP)	\$18
Other Local Sources	\$50
New/Expanded Local Sources and Private Sources	TBD
<b>Total Committed/Budgeted/Planned/Potential Funding</b>	<b>~\$6,700</b>

With the passage of San Francisco’s Proposition L in November 2022 and the recent favorable resolution of the RM 3 litigation, the DTX project can demonstrate that approximately \$1.06 billion of funding is currently committed to the project, or approximately 31 percent of the non-CIG funds required to complete the funding plan, which meets the threshold required for the

February 2023 request to enter Engineering. At the August 2023 milestone, 50 percent of the non-CIG funds must be committed or in budgeted status.

The DTX project initial 20-year financial plan identifies a CIG request of approximately 49 percent of project cost estimate, or approximately \$3.3 billion. The size of the CIG request will be finalized as part of the August 2023 request to FTA for these funds. Prior to execution of the FFGA, planned for Spring 2025, all non-CIG funding sources must be committed to the project. Non-CIG funds represent approximately \$3.38 billion, of which approximately \$1.06 billion has been secured, as described above.

Significant additional work will be required over the next 24 months to complete the capital funding plan and secure remaining funding commitments. This work will entail several streams of activity, including but not limited to: pursuing other competitive grants for which the project is eligible; undertaking coordinated advocacy at the state and federal levels; furthering the region’s prioritization and support of the project; and developing new and/or expanded local and regional funding sources.

A particular focus in the immediate term is furthering the State’s funding support for the project, by securing State TIRCP funding and by advancing coordinated work in partnership with CHSRA. There is not currently a confirmed funding source available to CHSRA to back the planned \$550 million capital investment to reflect the critical role of DTX in the statewide HSR system, and there is a need for continued advocacy for additional Federal and State investment, including potentially through extension of the State’s cap-and-trade program beyond its current legislated expiration of 2030.

At a local level, a number of strategies to further leverage existing funding sources, such as the Transbay District net tax increment, will be considered, along with assessment of the potential role of long-term financing mechanisms sponsored by the U.S. Department of Transportation (USDOT). Finally, the 2023 work program includes further assessment and decision-making with respect to additional value engineering opportunities, with the aim to reduce project capital cost.

### **INCREMENTAL O&M COSTS AND FUNDING PLAN**

The incremental O&M costs and funding plan are the essential elements of the DTX Operating Plan. Incremental O&M costs for the DTX project in its project first full year of operations (2033) have been preliminarily estimated at \$40 million per year in current-year dollars (2023\$). The below table summarizes these estimated O&M costs.

<b>Incremental O&amp;M Costs</b>	<b>Est. Annual Cost (Millions of 2023\$)</b>
Traincrews, Supervisors, Expenses, Operations and Dispatch Management, Administration, Safety, Finance, Timetables and Tickets, and Security	\$6.9
Rolling Stock (Diesel and EMU) Maintenance, Fuel, Lubricants, and Utilities	\$5.5
Stations, Track, OCS/TPS, Equipment Maintenance, and Spare Parts	\$23.4

<b>Incremental O&amp;M Costs</b>	<b>Est. Annual Cost (Millions of 2023\$)</b>
Insurance, Claims, Payments, and Reserves	\$1.2
Wages and Benefits	\$2.3
Professional Services	\$0.4
Other Office Expenses and Services	\$0.3
<b>Total</b>	<b>\$40.0</b>

The DTX project’s incremental operating cost estimate will be further refined over the course of 2023.

**Ridership Forecast:** Forecasts of future Caltrain ridership with completion of DTX have been prepared by SFCTA under the guidance of FTA staff, working in cooperation with Caltrain and TJPA. Ridership forecasts assume the above-described DTX service level of four trains pphpd to the Transit Center, as well as completion of PCEP in 2024.

For project evaluation, current FTA guidance is for project sponsors to forecast long-term (~2040) ridership with the assumption of full recovery from ridership declines experienced during the COVID-19 pandemic. For purposes of the DTX project initial 20-year financial plan, recovery of Caltrain’s pre-pandemic ridership growth trend is assumed to occur incrementally. This approach is consistent with FTA guidance with respect to 2040, while also being broadly consistent with medium-term (next 10 years) scenarios for recovery of Caltrain ridership. This approach does not, however, mitigate the underlying revenue risk associated with potential long-term lag in return to historic ridership growth trends.

**O&M Funding Approach:** FTA does not require a fully committed O&M funding plan for candidate CIG projects to advance through the development phase toward FFGA. As discussed above, FTA requires that sponsors demonstrate a reasonable plan to secure funding commitments to operate the transit system in its opening year.

The DTX Operating Plan accounts for incremental O&M revenue sources that can be attributed to DTX, including modest amounts of additional revenues from additional retail/commercial opportunities at the two new rail stations, as well as additional forecasted fare revenues due to DTX-induced ridership gains. Allocation of incremental fare revenue is to be negotiated between Caltrain and TJPA, including the calculation of the increment.

The DTX Operating Plan reflects a remaining O&M funding gap, which would decline over time to the extent Caltrain systemwide and DTX ridership were to return to pre-2020 trends. Still, even at pre-COVID level, the additional fare revenue associated with DTX would not have been expected to be sufficient to fully cover the project’s additional operating costs. Several potential funding sources are under consideration to close this gap, such as a fare zone surcharge for trips originating or destined for the Transit Center. The below table summarizes the known and potential O&M funding sources for DTX.

Category	O&M Funding Sources
<i>Known Sources</i>	<ul style="list-style-type: none"> <li>• Incremental Fare Revenue</li> <li>• Incremental Facility Revenues, including Naming Rights</li> </ul>
<i>Future/Potential Sources</i>	<p>Multiple potential sources, including:</p> <ul style="list-style-type: none"> <li>• Transit Center Fare Surcharge / Additional Fare Zone</li> <li>• Future local, sub-regional, or regional O&amp;M funding measure(s)</li> <li>• Additional commercial revenues</li> <li>• Future joint development revenue</li> <li>• Developer contributions / TDM programs</li> <li>• Other future TBD</li> </ul>

Staff will return to the TJPA Board with a more detailed O&M funding strategy report within the coming months.

Development of the DTX project initial 20-year financial plan is occurring in the context of major financial challenges confronting all Bay Area transit operators, including Caltrain, as federal COVID relief funds will be exhausted in the immediate term. This “transit fiscal cliff” is currently the subject of intensive regional and state-level policy development and advocacy. This future baseline funding context is reflected in the DTX project initial 20-year financial plan and remains a key risk for the DTX project. In addition, the DTX project is a major part of the recovery strategy for San Francisco and the region, with key components of the funding plan linked to this recovery.

**NEXT STEPS**

Completion of the DTX project initial 20-year financial plan, including the updated project cost estimate, is a major milestone for DTX, enabling the project to advance within the CIG process in pursuit of the single largest component of the DTX Capital Funding Plan. Submittal of this request will initiate FTA’s formal review of the project’s readiness to advance. FTA will review the Financial Plans and other deliverables to conduct a comprehensive assessment of the project’s cost, schedule, risk, and contingencies.

With respect to the Financial Plan, key issues for FTA’s review are expected to include, among other matters: reliability of local matching funds for the DTX project; future system-wide state-of-good repair investment levels; the O&M funding approach and baseline O&M funding need; ridership and fare revenue projections; and other key funding risks and uncertainties. In parallel, the project team will advance value engineering studies and development of new/expanded revenue sources. These activities are expected to result in adjustments to the Financial Plan, which will be re-submitted to FTA as part of the planned August 2023 request for CIG funding. Prior to the August 2023 submittal, the TJPA Board will consider adoption of the DTX project baseline budget and schedule, including reflection of the outcomes of the FTA readiness review, the ongoing work of the DTX project team, and discussions with project stakeholders.

**RECOMMENDATION:**  
Information only.

## **ATTACHMENTS**

1. TJPA's 20-year Operating Projection
2. TJPA's 20-year Capital Projection
3. DTX Cost Estimate
4. DTX Capital Funding Plan

	Actuals					Preliminary															
	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	Budget FY 2022-23	Budget FY 2023-24	Projection FY 2024-25	Projection FY 2025-26	Projection FY 2026-27	Projection FY 2027-28	Projection FY 2028-29	Projection FY 2029-30	Projection FY 2030-31	Projection FY 2031-32*	Projection FY 2032-33	Projection FY 2033-34	Projection FY 2034-35	Projection FY 2035-36	Projection FY 2036-37	Projection FY 2037-38
<b>Reimbursements</b>																					
RM2 Operating Assistance	7,838,235	8,091,807	9,263,843	8,319,621	8,122,468	8,467,504	8,969,367	9,178,295	6,394,535	6,618,344	6,849,986	7,089,735	7,337,876	7,594,702	7,860,516	8,135,635	8,420,382	8,715,095	9,020,123	9,335,828	9,662,582
RM3 Operating Assistance <sup>1</sup>	-	-	1,625,000	1,625,600	1,625,600	3,251,000	3,251,000	3,251,000	4,876,500	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Other Regional Grants	-	-	615,000	-	-	-	-	-	-	-	-	-	-	-	1,500,000	1,552,500	1,606,838	1,663,077	1,721,285	1,781,529	1,843,883
Federal Covid Relief Operating Grants	-	-	-	583,287	3,154,981	2,083,216	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
East Cut CBD Park Reimbursements	357,285	246,255	1,771,245	738,315	1,402,428	1,728,000	1,620,379	1,668,990	1,719,060	1,770,632	1,823,751	1,878,463	1,934,817	1,992,862	2,052,648	2,114,227	2,177,654	2,242,983	2,310,273	2,379,581	2,450,969
<b>Subtotal Reimbursements</b>	<b>8,195,520</b>	<b>8,338,061</b>	<b>13,275,088</b>	<b>11,266,823</b>	<b>14,305,477</b>	<b>15,529,720</b>	<b>13,840,746</b>	<b>14,098,285</b>	<b>12,990,095</b>	<b>13,388,976</b>	<b>13,673,737</b>	<b>13,968,199</b>	<b>14,272,693</b>	<b>14,587,564</b>	<b>16,413,164</b>	<b>16,802,362</b>	<b>17,204,873</b>	<b>17,621,155</b>	<b>18,051,681</b>	<b>18,496,938</b>	<b>18,957,433</b>
<b>Revenues</b>																					
Lease and Use Payments	-	321,985	5,894,686	7,626,697	4,473,636	4,880,000	5,050,699	5,227,226	6,190,383	5,419,681	5,024,044	4,398,551	3,171,355	3,266,496	2,691,592	2,772,340	2,855,510	2,941,176	3,029,411	3,120,293	3,213,902
AC Transit (Bus Storage Facility)	-	-	-	-	427,128	590,000	619,500	650,475	669,989	690,089	710,792	732,115	754,079	776,701	800,002	824,002	848,722	874,184	900,410	927,422	955,244
AC Transit Capital Contributions	-	-	-	500,000	500,000	500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General Fund Revenues	4,391,687	9,925,993	6,455,573	6,167,363	6,735,430	7,551,526	7,775,187	8,559,680	9,569,255	10,459,183	11,454,753	12,803,396	14,656,498	15,096,192	15,549,078	16,015,551	16,496,017	16,990,898	17,500,625	18,025,643	18,566,413
Other Operator Rents	444,560	340,222	277,585	218,400	255,607	239,000	247,365	256,023	264,984	274,258	283,857	292,373	301,144	310,178	319,484	329,068	338,940	349,108	359,582	370,369	381,480
Salesforce Naming Rights	1,010,000	3,037,567	3,037,567	3,037,567	3,278,181	3,376,526	3,477,822	3,582,157	3,689,622	3,800,310	3,914,320	4,031,749	4,152,702	4,277,283	4,405,601	4,537,769	4,673,902	4,814,119	4,958,543	5,107,299	5,260,518
Transit Center Rental Retail Revenue	8,834	18,200	1,026,214	1,377,059	1,904,329	2,500,000	2,500,000	2,900,000	3,400,000	3,900,000	4,500,000	5,200,000	6,200,000	6,386,000	6,577,580	6,774,907	6,978,155	7,187,499	7,403,124	7,625,218	7,853,975
Transit Center Advertising	52,719	-	917,166	8,016	183,825	1,000,000	1,000,000	1,250,000	1,500,000	1,750,000	2,000,000	2,500,000	3,200,000	3,296,000	3,394,880	3,496,726	3,601,628	3,709,677	3,820,967	3,935,596	4,053,664
Transit Center Sponsorship / Events	-	-	-	1,256,214	201,422	150,000	160,000	181,500	199,650	219,615	241,577	248,824	256,289	263,977	271,896	280,053	288,455	297,109	306,022	315,203	324,659
Neutral Host DAS Licensing Fees	1,250,000	864,583	127,297	122,703	558,422	125,000	125,000	125,000	250,000	250,000	250,000	257,500	265,225	273,182	281,377	289,819	298,513	307,468	316,693	326,193	335,979
Miscellaneous	1,625,574	5,232,357	428,691	17,840	332,703	35,000	35,000	35,000	35,000	35,000	35,000	36,050	37,132	38,245	39,393	40,575	41,792	43,046	44,337	45,667	47,037
Interest Earnings	-	433,064	641,055	129,565	20,941	126,000	230,000	230,000	230,000	230,000	230,000	236,900	244,007	251,327	258,867	266,633	274,632	282,871	291,357	300,098	309,101
<b>Subtotal Revenues</b>	<b>4,391,687</b>	<b>10,247,978</b>	<b>12,350,260</b>	<b>14,294,060</b>	<b>12,136,194</b>	<b>13,521,526</b>	<b>13,445,386</b>	<b>14,437,380</b>	<b>16,429,628</b>	<b>16,568,953</b>	<b>17,189,589</b>	<b>17,934,062</b>	<b>18,581,931</b>	<b>19,139,389</b>	<b>19,040,673</b>	<b>19,611,893</b>	<b>20,200,250</b>	<b>20,806,257</b>	<b>21,430,445</b>	<b>22,073,358</b>	<b>22,735,559</b>
<b>Total Resources</b>	<b>12,587,207</b>	<b>18,586,039</b>	<b>25,625,347</b>	<b>25,560,883</b>	<b>26,441,671</b>	<b>29,051,247</b>	<b>27,286,132</b>	<b>28,535,666</b>	<b>29,419,723</b>	<b>29,957,929</b>	<b>30,863,326</b>	<b>31,902,260</b>	<b>32,854,625</b>	<b>33,726,953</b>	<b>35,453,837</b>	<b>36,414,255</b>	<b>37,405,123</b>	<b>38,427,413</b>	<b>39,482,126</b>	<b>40,570,297</b>	<b>41,692,992</b>
<b>Expenditures</b>																					
Salesforce Transit Center	11,820,367	17,716,638	22,653,558	19,160,293	19,941,653	25,336,000	25,311,350	26,070,691	26,852,811	27,658,396	28,488,147	29,342,792	30,223,076	31,129,768	32,063,661	33,025,571	34,016,338	35,036,828	36,087,933	37,170,571	38,285,688
TJPA Administration	4,013,959	1,228,703	2,763,183	1,964,531	1,946,221	3,507,000	3,580,000	3,687,400	3,798,022	3,911,963	4,029,322	4,150,201	4,274,707	4,402,948	4,535,037	4,671,088	4,811,221	4,955,557	5,104,224	5,257,351	5,415,071
Asset Management Fee & Administration	1,567,211	2,730,022	1,950,198	1,244,686	1,233,460	1,582,000	1,582,000	1,629,460	1,678,344	1,728,694	1,780,555	1,833,972	1,888,991	1,945,660	2,004,030	2,064,151	2,126,076	2,189,858	2,255,554	2,323,220	2,392,917
Physical Security	1,011,043	6,538,837	7,162,077	5,899,135	6,147,126	7,731,000	7,750,000	7,982,500	8,221,975	8,468,634	8,722,693	8,984,374	9,253,905	9,531,522	9,817,468	10,111,992	10,415,352	10,727,812	11,049,647	11,381,136	11,722,570
Security Systems	-	-	-	432,928	324,258	868,000	889,700	916,391	943,883	972,199	1,001,365	1,031,406	1,062,348	1,094,219	1,127,045	1,160,857	1,195,682	1,231,553	1,268,499	1,306,554	1,345,751
Cybersecurity/IT	118,371	21,797	387,195	1,443,479	1,259,618	1,381,000	1,415,500	1,457,965	1,501,704	1,546,755	1,593,158	1,640,952	1,690,181	1,740,886	1,793,113	1,846,906	1,902,314	1,959,383	2,018,165	2,078,709	2,141,071
Transit Center General Maintenance	573,561	2,000,741	3,005,665	2,967,885	3,328,839	3,144,000	3,020,500	3,111,115	3,204,448	3,300,582	3,399,599	3,501,587	3,606,635	3,714,834	3,826,279	3,941,067	4,059,299	4,181,078	4,306,511	4,435,706	4,568,777
Transit Center Janitorial	220,197	1,579,918	1,785,945	1,293,222	1,331,065	1,782,000	1,782,000	1,835,460	1,890,524	1,947,240	2,005,657	2,065,826	2,127,801	2,191,635	2,257,384	2,325,106	2,394,859	2,466,705	2,540,706	2,616,927	2,695,435
Transit Center Utilities	944	42,843	1,683,384	1,577,035	1,223,270	1,621,000	1,621,000	1,669,630	1,719,719	1,771,310	1,824,450	1,879,183	1,935,559	1,993,626	2,053,434	2,115,037	2,178,488	2,243,843	2,311,158	2,380,493	2,451,908
Wayfinding Enhancements	-	-	-	-	102,368	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Digital Content Management & Wayfinding Systems	821,211	680,135	640,642	348,750	389,578	602,000	602,000	620,060	638,662	657,822	677,556	697,883	718,819	740,384	762,596	785,473	809,038	833,309	858,308	884,057	910,579
Capital Maintenance, Repair, Replacement	-	-	28,005	114,793	347,008	510,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	238,514	1,087,858	1,706,667	1,382,340	1,839,647	1,985,000	2,414,500	2,486,935	2,561,543	2,638,389	2,717,541	2,799,067	2,883,039	2,969,530	3,058,616	3,150,375	3,244,886	3,342,233	3,442,500	3,545,775	3,652,148
Bus Storage Facility	-	-	-	-	-	590,000	619,500	638,085	657,228	676,944	697,253	718,170	739,715	761,907	784,764	808,307	832,556	857,533	883,259	909,757	937,049
Other Consulting Services	508,877	700,970	322,516	491,509	469,194	33,000	34,650	35,690	36,760	37,863	38,999	40,169	41,374	42,615	43,894	45,210	46,567	47,964	49,403	50,885	52,411
Other Costs	2,746,477	1,104,813	1,218,081	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Salesforce Park	266,840	869,402	886,314	968,796	1,739,135	2,183,000	2,007,650	2,067,880	2,129,916	2,193,813	2,259,628	2,327,417	2,397,239	2,469,156	2,543,231	2,619,528	2,698,114	2,779,057	2,862,429	2,948,302	3,036,751
Park Management & Administration	186,160	798,000	698,250	131,500	479,040	520,000	520,000	535,600	551,668	568,218	585,265	602,823	620,907	639,534	658,720	678,482	698,837	719,802	741,396	763,638	786,547
Park Programming	80,680	71,402	188,064	39,153	214,119	317,000	330,000	339,900	350,097	360,600	371,418	382,560	394,037	405,858	418,034	430,575	443,492	456,797	470,501	484,616	499,155
Park Capital Maintenance	-	-	-	-	126,883	200,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Park General Maintenance	-	-	-	238,11																	

	Projection FY 2038-39	Projection FY 2039-40	Projection FY 2040-41	Projection FY 2041-42	Projection FY 2042-43
<b>Reimbursements</b>					
RM2 Operating Assistance	10,000,772	10,350,799	10,713,077	11,088,035	11,476,116
RM3 Operating Assistance <sup>1</sup>	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Other Regional Grants	1,908,419	1,975,214	2,044,346	2,115,898	2,189,955
Federal Covid Relief Operating Grants	-	-	-	-	-
East Cut CBD Park Reimbursements	2,524,498	2,600,233	2,678,240	2,758,587	2,841,344
<b>Subtotal Reimbursements</b>	<b>19,433,689</b>	<b>19,926,245</b>	<b>20,435,663</b>	<b>20,962,520</b>	<b>21,507,415</b>
<b>Revenues</b>					
Lease and Use Payments	3,310,319	3,409,629	3,511,918	3,617,275	3,725,793
AC Transit (Bus Storage Facility)	983,902	1,013,419	1,043,821	1,075,136	1,107,390
AC Transit Capital Contributions	-	-	-	-	-
General Fund Revenues	19,123,405	19,697,107	20,288,020	20,896,661	21,523,561
Other Operator Rents	392,925	404,712	416,854	429,359	442,240
Salesforce Naming Rights	5,418,334	5,580,884	5,748,310	5,920,760	6,098,382
Transit Center Rental Retail Revenue	8,089,594	8,332,282	8,582,250	8,839,717	9,104,909
Transit Center Advertising	4,175,274	4,300,532	4,429,548	4,562,435	4,699,308
Transit Center Sponsorship / Events	334,398	344,430	354,763	365,406	376,368
Neutral Host DAS Licensing Fees	346,058	356,440	367,133	378,147	389,492
Miscellaneous	48,448	49,902	51,399	52,941	54,529
Interest Earnings	318,374	327,925	337,763	347,896	358,333
<b>Subtotal Revenues</b>	<b>23,417,626</b>	<b>24,120,155</b>	<b>24,843,759</b>	<b>25,589,072</b>	<b>26,356,744</b>
<b>Total Resources</b>	<b>42,851,315</b>	<b>44,046,400</b>	<b>45,279,422</b>	<b>46,551,592</b>	<b>47,864,159</b>
<b>Expenditures</b>					
Salesforce Transit Center	39,434,259	40,617,286	41,835,805	43,090,879	44,383,605
TJPA Administration	5,577,523	5,744,849	5,917,195	6,094,710	6,277,552
Asset Management Fee & Administration	2,464,704	2,538,646	2,614,805	2,693,249	2,774,047
Physical Security	12,074,247	12,436,475	12,809,569	13,193,856	13,589,672
Security Systems	1,386,124	1,427,707	1,470,539	1,514,655	1,560,094
Cybersecurity/IT	2,205,303	2,271,462	2,339,606	2,409,794	2,482,088
Transit Center General Maintenance	4,705,841	4,847,016	4,992,426	5,142,199	5,296,465
Transit Center Janitorial	2,776,298	2,859,587	2,945,374	3,033,736	3,124,748
Transit Center Utilities	2,525,465	2,601,229	2,679,266	2,759,644	2,842,433
Wayfinding Enhancements	-	-	-	-	-
Digital Content Management & Wayfinding Systems	937,896	966,033	995,014	1,024,865	1,055,611
Capital Maintenance, Repair, Replacement	-	-	-	-	-
Insurance	3,761,712	3,874,564	3,990,801	4,110,525	4,233,840
Bus Storage Facility	965,161	994,116	1,023,939	1,054,657	1,086,297
Other Consulting Services	53,984	55,603	57,271	58,989	60,759
Other Costs	-	-	-	-	-
Salesforce Park	3,127,853	3,221,689	3,318,340	3,417,890	3,520,426
Park Management & Administration	810,143	834,447	859,481	885,265	911,823
Park Programming	514,129	529,553	545,440	561,803	578,657
Park Capital Maintenance	-	-	-	-	-
Park General Maintenance	871,916	898,074	925,016	952,767	981,350
Park Janitorial	397,282	409,200	421,476	434,120	447,144
Park Utilities	534,383	550,414	566,927	583,935	601,453
<b>Total Expenditures</b>	<b>42,562,112</b>	<b>43,838,975</b>	<b>45,154,144</b>	<b>46,508,769</b>	<b>47,904,032</b>
<b>Difference</b>	<b>289,203</b>	<b>207,425</b>	<b>125,278</b>	<b>42,823</b>	<b>(39,873)</b>
Transfer To / (From) Emergency Reserve	-	-	-	-	-
Transfer To / (From) O&M Reserve	309,918	319,216	328,792	338,656	348,816
Transfer To / (From) Capital Replacement Reserve	-	-	-	-	-
Transfer To / (From) Fund Balance	(20,716)	(111,791)	(203,515)	(295,833)	(388,688)
Cumulative Fund Balance	2,605,112	2,493,321	2,289,806	1,993,973	1,605,285
Cumulative O&M Reserve	10,640,528	10,959,744	11,288,537	11,627,193	11,976,008
O&M Reserve as % of Budget	25%	25%	25%	25%	25%

<sup>1</sup> Regional Measure 3 Operating Assistance are anticipated rein



**TJPA's 20-Year Capital I**

Project Costs	FY 2031-32*	FY 2032-33	FY 2033-34	FY 2034-35	FY 2035-36	FY 2036-37	FY 2037-38	FY 2038-39	FY 2039-40	FY 2040-41	FY 2041-42
Transit Center Phase 1	-	-	-	-	-	-	-	-	-	-	-
DTX / Phase 2	-	-	-	-	-	-	-	-	-	-	-
Facility Maintenance	1,719,403	1,779,582	1,841,867	1,906,332	1,973,054	2,042,111	4,973,196	2,187,560	2,264,125	2,343,369	2,425,387
IT (7 Year Cycle)	-	4,443,386	5,985,876	4,230,992	3,909,890	-	-	-	5,653,228	7,615,706	5,383,004
Security	907,928	209,862	296,483	298,549	202,650	1,636,783	444,428	4,301,282	394,963	240,684	1,056,751
Park Maintenance	173,088	197,484	331,413	151,107	261,181	323,739	212,769	242,758	407,391	185,749	321,058
Wayfinding Enhancements	-	-	-	-	-	-	-	-	-	-	-
Tenant Improvements	-	-	-	1,080,157	-	-	-	-	-	-	-
Parcel F	-	-	-	-	-	-	-	-	-	-	-
Intercity Bus Facility	-	-	-	-	-	-	-	-	-	-	-
Pedestrian Connector	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>2,800,419</b>	<b>6,630,313</b>	<b>8,455,639</b>	<b>7,667,138</b>	<b>6,346,774</b>	<b>4,002,633</b>	<b>5,630,393</b>	<b>6,731,601</b>	<b>8,719,707</b>	<b>10,385,508</b>	<b>9,186,199</b>
Funding Plan	FY 2031-32*	FY 2032-33	FY 2033-34	FY 2034-35	FY 2035-36	FY 2036-37	FY 2037-38	FY 2038-39	FY 2039-40	FY 2040-41	FY 2041-42
<b>LOCAL</b>											
2020 TABs Proceeds	-	-	-	-	-	-	-	-	-	-	-
TJPA General Fund Revenues	36,037	41,116	69,000	31,460	54,378	67,402	44,299	50,542	84,819	38,673	66,844
AC Transit Capital Contribution	-	-	-	-	-	-	-	-	-	-	-
CBD Park Payments	137,051	156,368	262,413	119,646	206,803	256,336	168,471	192,216	322,572	147,076	254,214
SF Prop AA	-	-	-	-	-	-	-	-	-	-	-
RM-2 Bridge Tolls	-	-	-	-	-	-	-	-	-	-	-
CFD funds	-	-	-	-	-	-	-	-	-	-	-
Capital Replacement Reserve	2,627,331	6,432,830	8,124,226	7,516,031	6,085,594	3,678,894	5,417,624	6,488,843	8,312,316	10,199,759	8,865,142
Dedicated Phase 1 Revenues	-	-	-	-	-	-	-	-	-	-	-
Dedicated Phase 2 Revenues	-	-	-	-	-	-	-	-	-	-	-
Developer Contributions	-	-	-	-	-	-	-	-	-	-	-
Net Tax Increment	-	-	-	1,080,157	-	-	-	-	-	-	-
TBD	-	-	-	-	-	-	-	-	-	-	-
Other Local	-	-	-	-	-	-	-	-	-	-	-
<b>Subtotal Local</b>	<b>2,800,419</b>	<b>6,630,313</b>	<b>8,455,639</b>	<b>8,747,295</b>	<b>6,346,774</b>	<b>4,002,633</b>	<b>5,630,393</b>	<b>6,731,601</b>	<b>8,719,707</b>	<b>10,385,508</b>	<b>9,186,199</b>
<i>Surplus (Shortfall)</i>	0	0	0	1,080,157	0	0	0	0	0	0	0

## ATTACHMENT 3 – DTX COST ESTIMATE

### DRAFT 2023 Full DTX Cost Estimate

*Subject to change due to FTA review and adjustments after FTA submittal in February 2023. Baseline budget to be adopted by TJPA Board in August 2023*

Category	Cost Estimate (\$m)
Utility Relocation	\$34
Demolition	\$8
Civil / Tunnel	\$2,336
Station Fit Out	\$698
Systems & Trackwork	\$526
Allowances	\$114
<b>Subtotal Construction</b>	<b>\$3,716</b>
ROW acquisition	\$340
Programwide	\$904
Design Contingency	\$856
Construction Contingency	\$370
Program Reserve	\$494
<b>Subtotal</b>	<b>\$2,964</b>
<b>GRAND TOTAL</b>	<b>\$6,680</b>

\* Estimate is presented in Year of Expenditure Dollars  
\*\*Values do not total due to rounding

**ATTACHMENT 4 – DTX CAPITAL FUNDING PLAN**

	Amount (YOES Millions)
<b>Currently Committed Funding Sources</b>	
<i>Regional</i>	
MTC Regional Measure 3	\$ 325
MTC Contribution to Engineering (via Prop K)	\$ 3
<i>Local and Caltrain</i>	
Caltrain FY22/23 Contribution to PD/Engineering	\$ 1.5
<i>SF Sales Tax</i>	
SFCTA Contribution to Engineering (via Prop K)	\$ 3
Other Prop K	\$ 18
Prop L	\$ 300
<i>Transit Center District Funds</i>	
CFD Bond Proceeds/Pay-Go (previous issuances)	\$ 32
CFD Bond Proceeds 2021B & 2022B	\$ 73
CFD Pay-Go Funds	\$ 28
CFD Future Proceeds Thru FY28/29	\$ 89
Tax Increment Bond Proceeds	\$ 114
Transit District Impact Fees	\$ 16
Developer Funds	\$ 62
<b>Subtotal</b>	<b>\$ 1,064</b>

	Amount (YOES Millions)
<b>Budgeted Funding Sources</b>	
<i>State</i>	
CHSRA Contribution to Engineering	\$ 3
<i>Local and Caltrain</i>	
Caltrain FY23/24 Contribution to Engineering	\$ 1.5
<i>Transit Center District Funds</i>	
Future CFD Funds	\$ 465
Additional Tax Increment Bond Proceeds	\$ 40
Land Sale Revenues	\$ 6
<b>Subtotal</b>	<b>\$ 515</b>

	Amount (YOES Millions)
<b>Planned Funding Sources</b>	
<i>Federal</i>	
Federal CIG New Start	\$ 3,300
Federal Non-CIG (e.g., MEGA, CRISI, FSP, etc.)	\$ 623
<i>State</i>	
TIRCP (Multi-Cycle)	\$ 560
High-Speed Rail (State/Federal Funds and/or CHSRA TBD)	\$ 550
<i>Local</i>	
Regional Transportation Improvement Program	\$ 18
Central SOMA Impact Fees and/or Other Local Source(s)	\$ 50
<b>Subtotal</b>	<b>\$ 5,101</b>

	Amount (YOES Millions)
<b>Potential/Future Funding Sources</b>	
<i>Regional</i>	
Regional Grants	TBD
Other Regional/County-Level Sources or Contributions	TBD
<i>Local</i>	
New/Expanded Transit District Sources	TBD
Other Future/Additional Local Sources	TBD
Passenger Facility Charge	TBD
Private Contribution or Investment	TBD
<b>Subtotal</b>	<b>TBD</b>
<b>Total</b>	<b>\$ 6,680</b>

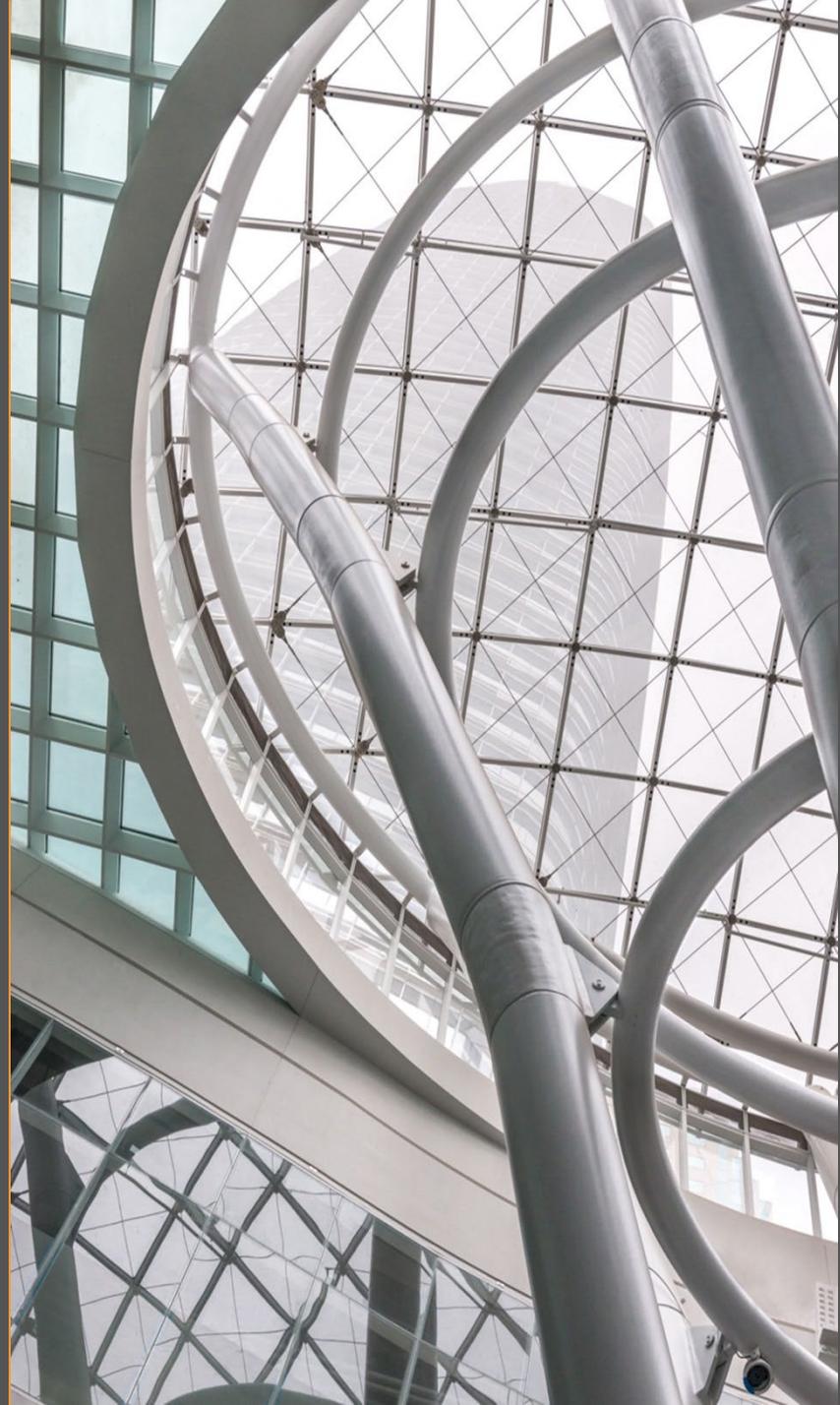
	Amount (YOES Millions)
<b>Funding and Cost</b>	
Federal CIG New Start – Planned	\$ 3,300
Currently Committed Funding	\$ 1,064
Total Estimated Capital Cost (subject to refinement)	\$ 6,680

49%  
31% of non-CIG

# 20-Year Financial Plan and Downtown Rail Extension Project Capital Cost Estimate & Funding Plan Update

TJPA Board

February 9, 2023



# Outline

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- 20-Year Financial Plan
  - Components and Requirements
- TJPA's Operating and Capital Projection
  - 20-Year Operating Projection
  - 20-Year Capital Projection, excluding Downtown Rail Extension (DTX)
- DTX Project Capital Cost Estimate
  - Developing the estimate: elements, process, and cost drivers
  - DRAFT Feb 2023 DTX Project Cost Estimate
- DTX Capital Funding Plan
  - Federal Transit Administration (FTA) Funding Grant Milestone 1
  - Strategic Considerations
- DTX Incremental Operating Costs and Funding Approach
  - DTX Incremental Operating and Maintenance (O&M) Costs
  - Incremental O&M Funding Approach

# 20-Year Financial Plan Components & Requirements

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## ■ Capital Plan

- Describes sources/use of capital funding for TJPA and Caltrain
- Demonstrates approach to deliver existing capital programs as well as implement DTX
- For February: demonstrate commitment of 30% of non-Capital Investment Grants (CIG) funding

## ■ O&M Plan

- 20-year forecast of O&M costs/funding for TJPA and Caltrain
- Demonstrates the approach of the agencies to fund the incremental cost of expanded system/facilities
- For February: present "reasonable plan to secure funding commitments" to fund operation of the expanded system

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# TJPA's 20-Year Financial Plan

# Operating Revenue Assumptions

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- Regional Measure (RM) 2 and 3
  - RM 2 allocations continue to grow at 2.1% per year
  - RM 2 supplemental allocation ends after Fiscal Year (FY) 2024/25. Additional support assumed in FY 2031/32
  - RM 3 allocations reach \$5 million per year, no escalation
- Community Benefit District (CBD)
  - CBD is renewed beyond its initial term (June 30, 2030) and continues to cover 79.18% of Salesforce Park's operating and maintenance costs
- Retail and Advertising Revenue
  - Delays in tenant openings, downtown recovery and adjusted rents continue impacting near term revenue. Full recovery by FY 2029/30
- Lease and Use Payments
  - Lease and Use payments decrease from \$5M in FY 2023/24 to \$2.7M in FY 2031/32. TJPA continues to seek alternative funding as gradual loss of purchasing power by RM 3 results in an increase of Lease and Use payments over time.

# Operating Expenditure Assumptions

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- Salesforce Transit Center

- Consistent with adopted FY 2023/24 Preliminary Operating Budget
- Meets existing staffing and service levels and supports full operation of the Transit Center
- Projections assume a long-term 3% growth in costs

- Salesforce Park

- Park expenses continue to be a prorated share of the Transit Center's expenses
- Public Programming, landscaping, and park management fee continue at current service levels

# Operating Reserve Assumptions

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- Emergency Reserve

- Funded at Reserve Policy level of \$500,000

- O&M Reserve

- Reaches Reserve Policy level of 25% by FY 2024/25 with transfers from RM 3 reimbursements

- Transfers to Capital Replacement Reserve

- Transfer unspent AC Transit Capital Contribution to Capital Replacement Reserve
- Transfer additional anticipated RM 3 reimbursements to Capital Replacement Reserve

# Capital Revenue Assumptions

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- AC Transit Capital Contribution
  - Assumes annual capital maintenance contribution continues at \$500,000 per year
- Community Benefit District (CBD)
  - CBD is renewed beyond its initial term (June 30, 2030) and continues to cover 79.18% of Salesforce Park's capital improvements and maintenance costs
- Net Tax Increment
  - Excess net tax increment after repayment of existing and planned financings would be available to fund the Capital Replacement Reserve
- Capital Replacement Reserve
  - Increases over time with transfer of excess net tax increment. Transfer additional anticipated RM 3 reimbursements to Capital Replacement Reserve

# Capital Expenditure Assumptions

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- Capital Improvement Plan (CIP) is consistent with Board approved policy, subject to further refinement during the CIP development process
- Near-term estimates based on staff and asset manager estimates
- Out years are based on average near-term needs, a 3.5% annual escalation rate, and lifecycle replacement schedules
- Cost categories include:
  - Closeout of Phase 1
  - Facility Maintenance, Information Technology and Security
  - Park Maintenance
  - Wayfinding Enhancements
  - Tenant Improvements, among others

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# **DTX Project Initial 20-Year Financial Plan**

# DTX Capital Cost Elements

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- Construction (measured) Design (2022 \$s) – line item focused: yards of concrete, pounds of steel, feet of wire, systems elements, excavation, etc.
- Design Contingency – allowance for known unknowns at 30% design
- Escalation – to Year of Expenditure by construction package
- Construction Contingency – allowance for unknown unknowns
- Right of Way – estimated cost for acquisitions, easements, and relocations
- Program-wide Costs – agency staff, design, program support, construction management, insurance, legal, etc.
- Program Reserve – TJPA allowance should escalation, change orders, claims exceed limits of contingency

# DTX Cost Review Process

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- 30% Design Estimate - prepared by General Engineering Consultant
- Staff review - staff and Program Management/Program Controls in-depth reasonableness and completeness review
- Independent Peer Review - conducted by an independent estimating firm
- Escalation Evaluation – informed by retained economic forecast consultant and compared with various transit agencies
- Risk Register - Quarterly Integrated Program Management Team (IPMT) risk assessments for likelihood and severity of cost and schedule impact, and monitoring of mitigations actions
- Quantitative Risk Analysis - Simulation of potential cost and schedule impacts of project risks identified in the Risk Register, used to inform budgeted project contingency dollars
- IPMT Engagement - participated in risk identification and assessment, provided guidance on escalation and contingency approach

# Key Assumptions for Draft Cost Estimate

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- Escalation – 6% for 2023, 3.5% thereafter
- Risk – based on IPMT Quarterly Risk register scoring
- Design and Construction Contingency - budgeted contingency dollars to a P65 level of confidence for completing on budget, per FTA OP40
- Program Reserve – 8% of total program costs (excluding program reserve)
- Program-wide Costs – 22.5% of escalated measured construction, design and construction contingency total
- Estimated cost is exclusive of financing costs, maintenance of way vehicles, level boarding vehicle retrofits, or additional rolling stock
  - Updated guidance from FTA requires inclusion of financing costs when requesting entry into Engineering phase. Staff is working to determine financing costs to be borne by the project for advancing FTA's CIG grant funds to align with projected expenditures

# Draft 2023 DTX Cost Estimate

Category	Cost Estimate (\$m)
Utility Relocation	\$34
Demolition	\$8
Civil / Tunnel	\$2,336
Station Fit Out	\$698
Systems & Trackwork	\$526
Allowances	\$114
<b>Subtotal Construction</b>	<b>\$3,716</b>
ROW acquisition	\$340
Program-wide	\$904
Design Contingency	\$856
Construction Contingency	\$370
Program Reserve	\$494
<b>Subtotal</b>	<b>\$2,964</b>
<b>TOTAL</b>	<b>\$6,680</b>

*Subject to change due to FTA review and adjustments after FTA submittal in February 2023. Baseline budget to be adopted by TJPA Board in August 2023*

\* Estimate is presented in Year of Expenditure Dollars

\*\*Values do not total due to rounding

# DTX Capital Funding Plan

<b>Funding Source/Category</b>	<b>Estimated Amount / Target Range (millions of YOES)</b>
FTA Capital Investment Grant (~49%)	~\$3,300
Other Federal Programs (e.g., CRISI, Mega, FSP, etc.)	~\$600-700
State Transit Intercity Rail Capital Program (TIRCP)	\$560
High-Speed Rail (State/Federal Funds and/or CHSRA TBD)	\$550
MTC Regional Measure 3 (RM3)	\$325
Other/Future Regional Source(s)	TBD
Partner Agency Contributions to Project Dev./Engineering	\$12
Transit District Sources (CFD, Tax Inc, Dev Funds, etc.)	~\$925
SFCTA Sales Tax (Prop K and Prop L)	~\$320
Regional Transportation Improvement Program (RTIP)	\$18
Other Local Sources	\$50
New/Expanded Local Sources and Private Sources	TBD
<b>Total Committed/Budgeted/Planned/Potential</b>	<b>~\$6,700+</b>

# DTX Capital Funding Plan

*Project must demonstrate commitment of at least 30% of non-CIG funds, in order to progress to FTA Engineering phase of CIG process*

<b>Funding and Cost</b>	<b>Amount (Millions of YOES)</b>	
Federal CIG – Planned	\$3,300	49%
Currently Committed Funds	\$1,064	31% of non-CIG
Estimated Capital Cost (Draft)	\$6,680	

<b>Currently Committed Sources</b>	<b>Amount (millions of YOES)</b>
MTC Regional Measure 3	\$325
MTC Contribution to Engineering (via Prop K)	\$3
Caltrain FY22/23 Contribution to PD/Eng	\$1.5
SFCTA Contribution to Eng (via Prop K)	\$3
SFCTA Other Prop K	\$18
SFCTA Prop L	\$300
CFD Funds (previous issuances)	\$32
CFD Bond Proceeds 2021B & 2022B	\$73
CFD Pay-Go Funds	\$28
CFD Future Proceeds (through FY28/29)	\$89
Tax Increment Bond Proceeds	\$114
Transit District Impact Fees	\$16
Developer Funds	\$62
<b>TOTAL</b>	<b>\$1,064</b>

# DTX Capital Funding Plan

## Strategic Considerations

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- Assuming a successful CIG FFGA and the Committed + Budgeted sources, the project would be 74% funded
- Significant additional work in next ~24 months to complete funding plan and secure remaining funding commitments needed for FFGA, including:
  - Pursuit of competitive grants at all levels
  - Coordinated state and federal advocacy
  - Regional prioritization and support
  - Development of new/expanded local funding sources (e.g., Tax Increment term extension)
  - Consideration of financing strategies (e.g., USDOT TIFIA)
  - Incorporation of capital cost savings from Value Engineering

# DTX Incremental O&M Cost Assumptions

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- Includes only TJPA and Caltrain operations
  - Future CHSRA operations not reflected; FTA evaluation based on initial condition during which Caltrain will be sole rail operator
- Completion of construction and commissioning in Fall 2032
  - First complete year of Caltrain operations in 2033
- Caltrain Service Plan:
  - 4 trains per peak hour per direction (pphpd) to Fourth & Townsend and Salesforce Transit Center
  - 6 trains pphpd between Fourth & Townsend/King and San Jose
  - Caltrain seeking grant for 3 of 4 additional electric replacement trainsets to increase service to 6 trains pphpd between San Jose and Salesforce Transit Center
- Ridership Forecast:
  - Completion of Caltrain electrification
  - Incremental ridership recovery from COVID over medium-term (next ~10 years)
  - Long-term (~2040) forecast consistent with FTA "STOPS" model

# Preliminary DTX Incremental O&M Cost

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<b>Cost Element</b>	<b>Cost (2023\$s) M</b>
Traincrews, Supervisors, Expenses, Operations and Dispatch Management, Administration, Safety, Finance, Timetables and Tickets, and Security	\$6.9
Rolling Stock (Diesel and EMU) Maintenance, Fuel, Lubricants, and Utilities	\$5.5
Stations, Track, OCS/TPS, Equipment Maintenance, and Spare Parts	\$23.4
Insurance, Claims, Payments, and Reserves	\$1.2
Wages and Benefits	\$2.3
Professional Services	\$0.4
Other Office Expenses and Services	\$0.3
<b>TOTAL</b>	<b>\$40.0</b>

# DTX Incremental O&M Funding Approach

- A fully-committed O&M funding plan is not required at this stage in the CIG process. FTA requires a “reasonable plan to secure funding commitments” to operate the transit system in opening year
- Financial Plan for February submittal will reflect known operating funding sources, remaining O&M shortfall and potential funding sources

Category	Sources
Known Sources	<ul style="list-style-type: none"> <li>■ Incremental Fare Revenue</li> <li>■ Incremental Facility Revenues, including Naming Rights</li> </ul>
Potential Additional Sources	<p>Multiple potential sources, including:</p> <ul style="list-style-type: none"> <li>■ Transit Center fare surcharge / additional fare zone</li> <li>■ Future local, sub-regional, or regional O&amp;M funding measure(s)</li> <li>■ Additional commercial revenues</li> <li>■ Future joint development revenue</li> <li>■ Developer contributions / Transportation Demand Management (TDM) programs</li> <li>■ Other future TBD</li> </ul>



# Questions?

**TJPA**  
TRANSBAY JOINT POWERS AUTHORITY

425 Mission Street, Suite 250 San Francisco, CA 94105 • 415.597.4620 • [www.tjpa.org](http://www.tjpa.org)