



Memorandum

Date: 05.20.16 **RE:** Citizens Advisory Committee
May 25, 2016

To: Citizens Advisory Committee

From: Eric Cordoba – Deputy Director for Capital Projects *EC*
Maria Lombardo – Chief Deputy Director *mel*

Subject: **ACTION** – Adopt a Motion of Support to Authorize the Executive Director to Execute, with Conditions, a Seven Party Supplement to the 2012 Memorandum of Understanding that Adopted an Early Investment Strategy Pertaining to the Peninsula Corridor Electrification Project

Summary

The Caltrain Early Investment Program consists of three components: the Communications Based Overlay Signal System (CBOSS) to provide Positive Train Control; the electrification of the Caltrain line between San Jose and San Francisco; and the purchase of electric-multiple unit (EMU) vehicles to operate on the electrified railroad. It is one of Prop K's signature projects. In April 2012, the Transportation Authority Board authorized the Executive Director to execute a Memorandum of Understanding (MOU) with the California High-Speed Rail Authority, the Metropolitan Transportation Commission, and six other local and regional entities to establish a funding framework for a High-Speed Rail Early Investment Strategy for a blended system in the Peninsula Corridor. At the time, local contribution from each of the three Peninsula Corridor Joint Powers Board (PCJPB) member counties (San Francisco, San Mateo and Santa Clara) was \$60 million. The total Early Investment Program budget, established in 2009 and the basis of the 2012 nine-party MOU, was estimated at \$1.456 billion. That budget was based on a 2008 estimate. Subsequently, the initial budget was updated by Caltrain staff to reflect a cost estimate study conducted in 2014 and to account for received bids, resulting in a new projected cost of \$1.2.2 billion, an increase of \$755 million. The majority of the cost increase is attributable to the cost estimate study and the remainder from bid results. The new estimate includes \$316 million in contingency. This cost increase has triggered a need for a supplemental MOU to address the funding gap, which is the subject of this request. The supplemental MOU will increase each PCJPB members' contribution by \$20 million, to a total of \$80 million. In San Francisco, the Transportation Authority and the City would jointly cover the increase. We have \$3.9 million in Prop K funds remaining in the electrification line item. The source of the remaining funds is to be determined, but could include a potential new sales tax measure under consideration for the November 2016 ballot or City funds. This memo also provides an update on the overall program.

BACKGROUND

The Peninsula Corridor Joint Powers Board's (PCJPB) Electrification project will replace Caltrain's existing diesel service with a fully-electrified service from the 4th and King station in San Francisco to the Tamien station in San Jose. This project is one of the signature projects of the Prop K Expenditure Plan. It is also one of the main components of the Caltrain Modernization program, which provides the

commuter rail system with the strategic vision to improve system performance while minimizing equipment and operating costs, and is critical to the long-term financial sustainability of Caltrain.

2012 Memorandum of Understanding: On April 24, 2012, through Resolution 12-62, the Transportation Authority Board authorized the Executive Director to execute, with conditions, a Memorandum of Understanding (MOU) with the California High-Speed Rail Authority (CHSRA), the Metropolitan Transportation Commission (MTC), and six other local and regional entities to establish a funding framework for a High-Speed Rail Early Investment Strategy for a blended system in the Peninsula Corridor. The Early Investment Strategy, also known as the Early Investment Program, consists of three components: the Communications Based Overlay Signal System (CBOSS) (also known as Positive Train Control (PTC)), the electrification of the Caltrain line between San Jose and San Francisco, and the purchase of electric-multiple unit (EMU) vehicles to operate on the electrified railroad. The program will modernize the corridor, reduce train related emissions by up to 90 percent, provide faster and increased service to more stations, and prepare the Caltrain system for shared use with High-Speed Rail.

At the time, the total cost for the Early Investment Program was \$1.456 billion, with a \$60 million local contribution from each of the three PCJPB member counties (San Francisco, San Mateo and Santa Clara). The Transportation Authority has provided nearly \$21 million (mostly from Prop K, with \$4 million in Regional Improvement Program funds) and the City is covering the delta with the 2014 General Obligation bond.

DISCUSSION

The purpose of this memorandum is to update the Citizens Advisory Committee (CAC) on the status of the Early Investment Program and to request a motion of support for the execution of a supplement to the 2012 MOU (Attachment 1) to address a cost increase.

Budget: The total Early Investment Program budget, established in 2009 and the basis of the 2012 nine-party MOU was estimated at \$1.456 billion. That budget was based on a 2008 estimate done as part of the environmental review process. Subsequently, the initial budget was updated by Caltrain staff to reflect a cost estimate study conducted in 2014 and to account for received bids, resulting in a new projected cost of \$1.22 billion, an increase of \$755 million. Of this amount, \$655 million was the result of the cost estimate study and \$100 from bid results. The new budget includes \$316 million in contingency and \$120 million in escalation. The table below compares both budgets.

Early Investment Program Costs <i>(in \$ millions)</i>	2012 MOU	2016 MOU
CBOSS/Positive Train Control	\$231	\$231
Electrification	\$785	\$1,253
Vehicles - Electric Multiple Units	\$440	\$727
TOTAL	\$1,456	\$2,211

Funding: The 2016 Supplemental MOU funding plan is shown below, together with the original 2012 funding plan. The MOU commits each of the three PCJPB members (San Francisco, San Mateo and Santa Clara counties) to a local contribution of \$80 million each for the Early Investment Program for

the Peninsula Corridor, a \$20 million increase over the 2012 MOU.

Program Funding by Source (in \$ millions)	2012 MOU	2016 MOU
PCJPB Member Agency Contributions	\$180	\$240.0
JPB Local (San Mateo County Transportation Authority)	\$11.0	\$20.0
Caltrain PTC	\$4.0	\$4.0
<i>Subtotal Local</i>	<i>\$195.0</i>	<i>\$264.0</i>
Prop 1A Connectivity	\$106.0	\$106.0
Prop 1A High Speed Rail Authority	\$600.0	\$600.0
CHSRA Cap & Trade/Other		\$113.0
Cap & Trade TIRCP		\$20.0
Prop 1B Caltrain	\$24.0	\$24.0
<i>Subtotal State</i>	<i>\$730.0</i>	<i>\$863.0</i>
Federal Rail Administration (FRA)	\$17.0	\$17.0
FTA/FHWA prior/current obligations	\$45.8	\$45.8
FTA future obligations	\$440.0	\$315.0
FTA Core Capacity		\$647.0
<i>Subtotal Federal</i>	<i>\$502.8</i>	<i>\$1,024.8</i>
MTC Bridge Tolls	\$11.0	\$39.4
BAAQMD Carl Moyer*	\$20.0	\$20.0
<i>Subtotal Regional</i>	<i>\$31.0</i>	<i>\$59.4</i>
TOTAL	\$1,458.8	\$2,211.2

As noted above, the Transportation Authority has committed funds to cover \$20,860,000 of San Francisco's original \$60 million contribution, with the City's Prop A General Obligation bond (2014) covering the rest. The \$20 million increase in the local contribution will be covered by \$3.9 million in Prop K funds that are remaining in the Caltrain Electrification line item. The source for the remaining

funds has yet to be identified. The City and the Transportation Authority are jointly working to secure the funds. Sources could include a potential new sales tax measure under consideration for the November 2016 ballot or City funds. Other major sources of funds in the Early Investment Program are planned to come mainly from the CHSRA (\$113M), Federal Transit Administration (FTA) Core Capacity (\$647M), and MTC Bridge tolls (\$28M).

The MOU states that if overall program costs reflect financial commitment that is below the \$1.98 billion cost estimate, funding commitments from the parties to this Supplement will be reduced proportionally, and if overall program costs reflect a financial commitment that is above the funding plan of \$1.980 billion, or if the FTA Core Capacity funds are awarded at less than \$647 million, the parties to the Supplement will discuss with all parties to the 2012 Nine Party MOU how to secure additional funding beyond what is presently identified, and/or discuss project scope adjustments to match to funding availability.

The MOU also addresses other adjustments in the funding plan, the largest of which is a reduction in FTA transit formula funds that PCJPB needs to address state of good repair. These funds are proposed to be backfilled by the FTA Core Capacity funds, which PCJPB must secure through this competitive nationwide grant program.

As a precondition of the MOU, the parties have agreed on an oversight protocol (Attachment 2) under which the funding partners will be able to closely monitor the project, have access to all project information, and participate in the decision making process, especially when related to changes in scope, schedule or cost. We are already actively participating in oversight activities consistent with the new protocol.

Schedule: Caltrain is proceeding with the implementation of the Early Investment Program. Work is underway on the design/build contract for CBOSS, which is now in the testing and commissioning phase. Procurement for the electrification and vehicles contracts has been completed and Caltrain staff anticipates awarding both contracts in July 2016. A table with the significant milestones of the program going forward is shown below. As the contractors come on-board and Caltrain approves their schedules, a more detailed milestone list will be made available.

Caltrain Early Investment Program Milestones	
CBOSS Revenue Service Demonstration	October 2016
CBOSS Final Acceptance	April 2017
Electrification Design-Build Contract Award	July 2016
Electric Multiple Units Vehicle Award	July 2016
First Vehicle Delivered	July 2019
Revenue Service	Late 2020

Status: The project is environmentally cleared. The California Environmental Quality Act (CEQA) Environmental Impact Report (EIR) was certified in January 2015. On the National Environmental

Policy Act (NEPA) side, the FTA issued a Finding of No Significant Impact in 2009.

On January 27, 2012 the PCJPB issued the notice-to-proceed for the \$231 million CBOSS design-build contract. Construction is in the punch-list phase and work is concentrating on systems and operations testing. The Backup Central Control Facility is now complete and a successful switchover was conducted in early May. The Federal Rail Administration (FRA) Revenue Service Demonstration is anticipated for October 2016.

The procurement processes for the design-build electrification contract and for the EMU vehicles have been completed, and Caltrain is planning to award both contracts at its July 2016 Board meeting.

In accordance with the 2012 MOU, the Transportation Authority, together with the other signatories established the Peninsula Corridor Working Group, which is tasked with providing oversight and guidance to Caltrain. The group meets on a monthly basis to discuss progress and issues.

DBE/SBE Program: In December 2014, the PCJPB adopted a project-specific Disadvantaged Business Enterprise (DBE) goal of 5.2%. At the May 5 meeting of the PCJPB, staff presented their DBE goal-setting methodology and recommended a goal of 14% for Fiscal Years 2017-2019. This goal has been advertised for comments and the results will be presented to the PCJPB with a final recommendation. The final DBE goal is due to the FTA by August 1.

Challenges: The CBOSS project is six months behind schedule. Although testing is progressing well, a lot of work remains to be done in order for the contractor to conduct the Revenue Service Demonstration for the FRA by October 2016. Part of the demonstration is to show interoperability, and the Back Office System provider has announced that it will not have a passenger-rail compatible software upgrade until July, and the possibility exists that the provider will not complete the upgrade as scheduled.

In addition to the MOU subject of this request, the PCJPB needs to execute a series of funding agreements to secure full funding for the program on a timely manner. The State/CHSRA agreement is anticipated in the June/July timeframe, the Cap and Trade award is anticipated for August 2016, and the FTA Core Capacity grant is anticipated for December 2016. In order to maintain the schedule, Caltrain staff will be issuing limited notice-to-proceed (NTP) to both contractors in line with the funding on-hand. Since both contracts have a significant design component, work can proceed on that phase until all the funding is in place, at which time Caltrain will issue the full NTP.

ALTERNATIVES

1. Adopt a motion of support to authorize the Executive Director to execute, with conditions, a Seven Party Supplement to the 2012 Memorandum of Understanding that Adopted an Early Investment Strategy Pertaining to the Peninsula Corridor Electrification Project, as requested.
2. Adopt a motion of support to authorize the Executive Director to execute, with conditions, a Seven Party Supplement to the 2012 Memorandum of Understanding that Adopted an Early Investment Strategy Pertaining to the Peninsula Corridor Electrification Project, with modifications.
3. Defer action, pending further information or clarification from staff.

FINANCIAL IMPACTS

The Supplemental MOU would commit the City and the Transportation Authority to contribute an additional \$20 million in aggregate to the Early Investment Program. There is \$3.9 million remaining in

the Electrification line item in the Prop K Strategic Plan that have been included in the proposed Fiscal Year 16/17 capital budget, which is the subject of a separate CAC agenda item. The City and the Transportation Authority are jointly seeking to identify the remaining \$16.1 million which could include a potential 2016 sales tax measure or City funds.

RECOMMENDATION

Adopt a motion of support to authorize the Executive Director to execute, with conditions, a Seven Party Supplement to the 2012 Memorandum of Understanding that Adopted an Early Investment Strategy Pertaining to the Peninsula Corridor Electrification Project, as requested.

Attachments (2):

1. Attachment 1: Seven Party Supplement to the 2012 MOU
2. Attachment 2: Oversight Protocol

**SEVEN PARTY SUPPLEMENT TO
2012 MEMORANDUM OF UNDERSTANDING (MOU)**

**FINANCIAL COMMITMENTS TO ADDRESS FUNDING GAP FOR
THE PENINSULA CORRIDOR ELECTRIFICATION PROJECT**

BY AND AMONG THE FOLLOWING PARTIES (PARTIES)

SAN MATEO COUNTY TRANSPORTATION AUTHORITY (SMCTA)
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)
CITY AND COUNTY OF SAN FRANCISCO (CCSF)
SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY (SFCTA)
METROPOLITAN TRANSPORTATION COMMISSION (MTC)
PENINSULA CORRIDOR JOINT POWERS BOARD (JPB)
CALIFORNIA HIGH SPEED RAIL AUTHORITY (CHSRA)

RECITALS

WHEREAS, during the spring of 2012, the California High Speed Rail Authority (CHSRA) and the Peninsula Corridor Joint Powers Board (PCJPB), together with the Metropolitan Transportation Commission (MTC), the San Francisco County Transportation Authority (SFCTA), the Santa Clara Valley Transportation Authority (VTA), the City of San Jose, the City and County of San Francisco (CCSF), the San Mateo County Transportation Authority (SMCTA), and the Transbay Joint Powers Authority entered into a Memorandum of Understanding that adopted an early investment strategy pertaining to the Blended System in the San Francisco to San Jose Segment of the Peninsula Rail Corridor (the "2012 Nine-Party MOU"), a copy of which is attached hereto as Exhibit A and incorporated herein by this reference;

WHEREAS, the 2012 Nine-Party MOU identifies two principal inter-related projects as essential to the early investment strategy: (1) the Peninsula Corridor Electrification Project, including associated rolling stock acquisition (the PCEP), and (2) construction of an advanced signal system, commonly known as the PCJPB's "CBOSS" project, which will incorporate federally mandated Positive Train Control (collectively, the "Early Investment Projects");

WHEREAS, the Parties to the 2012 Nine-Party MOU agreed to work together to identify the appropriate amounts and types of local resources that may be used to support the completion of the Early Investment Projects and to coordinate efforts to obtain funding using a mutually agreed-upon strategy, and in the event that funding for the program is constrained by statute, rescission of existing law, change in funding requirements or eligibility, reduction in funding level or availability, the Parties agreed to take steps to notify each other as needed in a timely manner;

WHEREAS, \$125 million in FTA funds identified in the 2012 Early Investment Strategy funding plan included in the 2012 Nine-Party MOU is needed by the PCJPB to advance critical state of good repair improvements necessary to maintain existing Caltrain operations, and the PCJPB has requested to remove these funds from the early investment funding strategy, which would create a \$125 million funding gap; and

WHEREAS, a note to the 2012 early investment strategy funding plan included in the 2012 Nine-Party MOU indicated that other potential future funding sources could be substituted if secured;

WHEREAS, the PCJPB conducted a cost estimate study for the PCEP in 2014 to update the 2008 cost estimate on which the 2012 Nine-Party MOU funding strategy for the PCEP was based, and the PCJPB has since included additional program contingency to the PCEP, such that the total anticipated budget for the PCEP is up to \$1.980 billion, which includes costs covering the contracts, program management, and contingency costs;

WHEREAS, the Parties to this Seven-Party Supplement (Supplement) have met and discussed with all parties to the 2012 Nine-Party MOU additional funding needed for the PCEP to support contract award and have agreed to the funding commitments specified herein;

NOW, THEREFORE, it is mutually understood and agreed to by the PARTIES as follows:

1. To fully fund the PCEP, the parties to this Supplement commit to make the funding available to support the PCEP as set forth below. This funding is in addition to funding commitments

previously made by these parties in the 2012 Nine-Party MOU.

- a. The SMCTA will contribute an additional \$20 million;
- b. The VTA will contribute an additional \$20 million;
- c. The SFCTA and/or the CCSF will contribute an additional \$20 million;

(For SMCTA, VTA, and SFCTA and/or CCSF, each agency's contribution is contingent upon the \$20 million each from the other two JPB partners, with the exact manner and timing of the contributions to be worked out with the JPB.)

- d. The MTC will program \$28.4 million from Regional Measures 1 and 2;
 - e. The PCJPB will contribute \$9 million from funding provided by formula to Caltrain through the State of California's Low Carbon Transit Operations Program; and
 - f. The CHSRA will contribute an additional \$113 million.
2. The Parties to this Supplement also support the PCJPB's efforts to obtain \$647 million from FTA's Core Capacity Grant Program for the PCEP as a regional priority. The \$647 million would help provide funding needed for the PCEP, as well as funding to support a larger contingency set-aside for the PCEP program.
 3. The Parties to this Supplement understand PCJPB has requested \$225 million from the California State Transportation Agency's Transit & Intercity Rail Capital Program (Cap & Trade TIRCP) to help supplement funding needed for the PCEP, as contemplated in the 2012 Nine-Party MOU, as well as funding to replace the remaining Caltrain diesel vehicles with Electric Multiple Units (EMUs). The exact remaining number of vehicles to be replaced will be contingent on the final Cap & Trade TIRCP grant award.
 4. The parties to this Supplement also agree that, with the additional funding sources, \$125 million in FTA funds identified in the 2012 Early Investment Strategy funding plan will no longer be needed for the PCEP, and will instead be programmed by the MTC to the JPB to advance critical Caltrain state of good repair improvements through MTC's established regional Transit Capital Priorities process.
 5. The total anticipated amount of funding to be secured for the PCEP will be \$1.980 billion, which includes the funding sources outlined above in paragraphs 1, 2, and 3, along with the original funding sources in the 2012 Nine-Party MOU except the \$125 million noted in paragraph 4 above. The revised funding plan for the PCEP reflecting the changes described herein is attached as Exhibit B.
 6. The parties to this supplement agree to continue, through regular meetings, to provide opportunity for all nine parties to the 2012 Nine-Party MOU to discuss, review, and/or comment on relevant project matters and collectively provide advisory oversight to help advance the PCEP.
 7. If overall program costs reflect a financial commitment that is below the funding plan of \$1.980 billion, funding commitments from the parties to this Supplement will be reduced

proportionally according to their respective additional shares as stated in this Supplement.

8. In the event overall program costs reflect a financial commitment that is above the funding plan of \$1.980 billion, or if the FTA Core Capacity funds are awarded at less than \$647 million, the parties to this Supplement will discuss with all parties to the 2012 Nine-Party MOU how to secure additional funding beyond what is presently identified, and/or discuss project scope adjustments to match to funding availability.

9. The parties to the 2012 Nine-Party MOU will also discuss and agree on program oversight roles for the funding partners prior to the award of the PCEP contracts.

IN WITNESS WHEREOF, this MOU has been executed by the PARTIES hereto as of the day and year indicated next to each signature, with the final signature date constituting the effective date.

Jim Hartnett, Executive Director Peninsula Corridor Joint Powers Board and San Mateo County Transportation Authority	Date
Nuria Fernandez, General Manager/CEO Santa Clara Valley Transportation Authority	Date
Edwin M. Lee, Mayor City and County of San Francisco	Date
Tilly Chang, Executive Director San Francisco County Transportation Authority	Date
Steve Heminger, Executive Director Metropolitan Transportation Commission	Date
Jeff Morales, Chief Executive Officer California High Speed Rail Authority	Date

APPROVED AS TO FORM BY:

Attorney for Peninsula Corridor Joint Powers Board and San Mateo County Transportation Authority	Date
--	------

Attorney for Santa Clara Valley Transportation Authority	Date
--	------

Attorney for City and County of San Francisco	Date
---	------

Attorney for San Francisco County Transportation Authority	Date
--	------

Attorney for Metropolitan Transportation Commission	Date
---	------

Attorney for California High Speed Rail Authority	Date
---	------

MEMORANDUM OF UNDERSTANDING (MOU)

HIGH SPEED RAIL EARLY INVESTMENT STRATEGY FOR A BLENDED SYSTEM IN THE SAN FRANCISCO TO SAN JOSE SEGMENT KNOWN AS THE PENINSULA CORRIDOR OF THE STATEWIDE HIGH-SPEED RAIL SYSTEM

BY AND AMONG THE FOLLOWING PARTIES (PARTIES)

CALIFORNIA HIGH SPEED RAIL AUTHORITY (AUTHORITY)
METROPOLITAN TRANSPORTATION COMMISSION (MTC)
PENINSULA CORRIDOR JOINT POWERS BOARD (JPB)
SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY (SFCTA)
SAN MATEO COUNTY TRANSPORTATION AUTHORITY (SMCTA)
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA)
CITY OF SAN JOSE
CITY AND COUNTY OF SAN FRANCISCO
TRANSBAY JOINT POWERS AUTHORITY (TJPA)

Recitals

Whereas, the California High-Speed Rail AUTHORITY (AUTHORITY) is responsible for planning, building and maintaining an 800-mile statewide high-speed rail system and improved mobility through the development of safe, clean, reliable rail technology; and

Whereas, the AUTHORITY, in partnership with the Federal Railroad Administration is advancing a California High-Speed Train (HST) network that links the major metropolitan areas of the State of California utilizing corridors into and through Southern, Central and Northern California; and

Whereas, the AUTHORITY has responsibility for planning, construction and operation of high-speed passenger train service in California and is exclusively charged with accepting grants, fees and allocations from the state, from political subdivisions of the state and from the federal government, foreign governments, and private sources; and

Whereas, the AUTHORITY's 2012 Business Plan proposes to incrementally develop the HST system utilizing a blended system approach that will coordinate the development and operations of HST with existing passenger rail systems that improves, enhances and expands the integration of high-speed and regional/local passenger rail systems; and

Whereas, this blended approach requires a series of incremental investments in the Peninsula corridor to prepare for integrated service and operations and the AUTHORITY recognizes the need for a collaborative effort with regional and local agencies to identify early investment projects along existing rail corridors that improves service, improves safety and efficiency, and creates linkages between HST and local passenger rail service; and

Whereas, a blended system will remain substantially within the existing Caltrain right-of-way and will accommodate future high-speed rail and modernized Caltrain service along the Peninsula corridor by primarily utilizing the existing track configuration on the Peninsula; and

Whereas, this MOU is specific to project investments that upgrade existing rail service and prepare for a future high-speed train project that is limited to infrastructure necessary to support a blended system, which will primarily be a two-track system shared by both Caltrain and high-speed rail and will be designed to continue to support existing passenger and freight rail tenants; and

Whereas, local transportation improvement projects are required to be included in a Regional Transportation Plan (Plan), and the Metropolitan Transportation Commission, working closely with local agencies is charged with developing the Plan every four years to provide guidance for transportation investments within the Bay Area and with development of regional transportation strategies to address the needs of the San Francisco Bay Area; and

Whereas, on December 19, 2001, MTC adopted the Regional Transit Expansion Program of Projects (Resolution 3434) which includes the Transbay Transit Center Phase 2 Downtown Extension and Caltrain Electrification projects as regional priorities for transit expansion; and

Whereas, the Sustainable Communities and Climate Protection Act of 2008 (SB 375, Steinberg, Statutes of 2008) requires the Plan to include a Sustainable Communities Strategy (SCS), showing evidence of integrated planning, goals that establish and strengthen the crucial linkages between the economy, land use development and the regional transportation system to improve access to jobs, education, healthcare, and other amenities in ways that improve the overall quality of life in the Bay Area and the blended system on the Peninsula corridor in the California High-Speed Rail program are consistent with achieving SB 375 goals to reduce greenhouse gas emissions; and

Whereas, all Parties are involved in the planning, funding, construction and/or operation of heavy and light rail transit, buses, and/or commuter train services in the Peninsula corridor and are considering intermodal service integration, including linkages to the proposed HST service; and

Whereas, it is the intent and purpose of this MOU to strengthen the working relationship between the PARTIES to facilitate the development and implementation of passenger rail improvements that will improve local passenger rail service and operations while preparing designated HST corridors for eventual HST operation to achieve region wide systems integration of rail service in Northern California; and

Whereas, local transportation improvement projects are required to be environmentally evaluated according to CEQA and NEPA regulations and where necessary, existing environmental approval covering incremental improvements to the Peninsula corridor will be updated to reflect evolving local and regional conditions and concerns; and

Whereas, incremental improvements and the blended system project will be planned, designed and constructed in a way that supports local land use and Transit Oriented Development policies along the Peninsula corridor; and

Now, **THEREFORE**, it is mutually understood and agreed to by the **PARTIES** as follows:

To jointly support and pursue the implementation of a statewide high speed rail system that utilizes a blended system and operational model on the Peninsula corridor and that has its northern terminus at the Transbay Transit Center in San Francisco as specified in law, and its southern limit at Mile Post 51.4 at the Tamien Station in San Jose. The blended system will support and benefit operation of both Caltrain and future high speed train service.

To jointly recognize a defined set of Inter-related Program of Projects that are consistent with the AUTHORITY's phased implementation plan, are consistent with a blended system operation of the corridor and achieve objectives that include but are not limited to system capacity and connectivity for Caltrain, HST and freight, public safety, operational efficiency, effectiveness and connectivity.

To generally describe, identify and work to fully fund an Inter-related Program of Projects known as the Corridor Electrification Infrastructure Project, Advanced Signal System (also known as Positive Train Control), the Downtown Extension to the Transbay Transit Center, which is the Proposition 1A designated northern terminus of high-speed rail, new high-speed stations at San Jose Diridon Station and a Millbrae BART/Caltrain Station with a connection to San Francisco International Airport, and a Core Capacity project of needed upgrades to stations, tunnels, bridges, potential passing tracks and other track modifications and rail crossing improvements including improvements and selected grade separations required to accommodate the mixed traffic capacity requirements of high-speed rail service and commuter services.

To recognize that of the set of Inter-related Program of Projects, the most substantial and tangible early-investment benefits will be realized when two essential projects are identified for an Initial Investment Strategy to secure, at the earliest possible date, the benefits of the blended system for the traveling public and an Initial Investment Strategy is needed to provide the groundwork upon which future construction can more readily progress.

To recognize that the two Inter-related projects for Initial Investment Strategy are the Corridor Electrification Infrastructure Project that includes the needed rolling stock to operate revenue service; and the Advanced Signal System project and to adopt as part of this MOU, the funding plans needed to move as expeditiously as possible toward construction of these two essential projects.

To work toward the implementation of the Initial Investment Strategy to the maximum extent feasible and that the PARTIES shall endeavor to incorporate the Electrification Infrastructure and Advanced Signal System projects into their respective plans and that the AUTHORITY shall reflect this MOU in its Business Plan by December 31, 2012.

That the aforementioned projects will need to be environmentally analyzed and cleared according to CEQA and NEPA guidelines as appropriate, including updating and recirculation of the Caltrain Electrification EA/FEIR completed in 2009.

That the AUTHORITY will endeavor in good faith to secure approval and release of \$600 million of Proposition 1A funds and \$106 million of Proposition 1A “connectivity” funds consistent with the funding plans contained in this MOU as required to complete at the earliest possible date, the Corridor Electrification Infrastructure and Advanced Signal System projects.

That the AUTHORITY will endeavor in good faith to secure approval of Proposition 1A “connectivity” funds for Bay Area project sponsors consistent with and in accordance with the schedule and project expenditure plan approved and as amended by the California Transportation Commission.

That the AUTHORITY will work with funding partners to assist in seeking and releasing the funds necessary to implement the Electrification Infrastructure Project and Advanced Signal System project. Local agencies may provide local funds, real property, or in-kind resources as matching funds where matching funds are required to qualify for grant funds. PARTIES agree to work together to identify the appropriate amounts and types of local resources that may be used to support the completion of the Electrification Infrastructure Project and the Advanced Signal System Project.

That the AUTHORITY and appropriate PARTIES will coordinate to obtain funding using a mutually agreed-upon strategy. In the event that funding for the program is constrained by statute, rescission of existing law, change in funding requirements or eligibility, reduction in funding level or availability, the AUTHORITY and the PARTIES shall take steps to notify each other as needed in a timely manner.

FUNDING PLAN

Program Costs and Proposed Funding for Peninsula Corridor Projects: Electrification and Advance Signal System

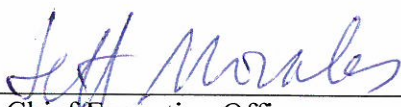
Program Costs <i>(in \$ millions, year of expenditure)</i>	
Advance Signal System / Positive Train Control (PTC)	\$231
Electrification and Electric Multiple Units (EMUs)	\$1,225
Total	\$1,456

Program Funding <i>(in \$ millions)</i>	
Source	Amount
JPB Contributions	\$180
JPB Local - Currently Available	\$11
Caltrain PTC	\$4
Subtotal Local	\$195
Prop 1A Connectivity	\$106
Prop 1A High Speed Rail Authority	\$600
Prop 1B Caltrain	\$24
Subtotal State	\$730
Federal RR Admin. for PTC	\$17
Federal Transit Admin prior/current obligations	\$43
Federal Transit Admin future obligations	\$440
Subtotal Federal	\$500
MTC Bridge Tolls	\$11
BAAQMD Carl Moyer	\$20
Subtotal Regional	\$31
Total	\$1,456


Funding Plan Notes:

1. Caltrain Joint Powers Board (JPB) Local Contribution is \$60 million from San Mateo sales tax, \$60 million from VTA sales tax, and \$60 million from San Francisco (\$23 million from sales tax, \$37 million from Regional Transportation Improvement Program (RTIP)/local/other). Each agency's contribution, including Proposition 1A Connectivity funds as outlined in Note 2, is contingent upon the \$60 million each from the other two JPB partners.
2. Prop 1A Connectivity is \$42 million from Caltrain, \$26 million from VTA, and \$38 million from BART (2nd priority for BART after receipt of \$150 million for railcars).
3. Prop 1B Caltrain is \$20 million Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA), \$4 million State-Local Partnership Program (SLPP).
4. FTA Prior/Current Obligations is \$16 million for electrification in prior years, \$27 million for EMUs in FY12.
5. FTA Future Obligations is \$315 million for electric multiple units (EMUs), \$125 million from fixed guideway caps. Funds will be programmed in accordance with MTC Transit Capital Priorities process between approximately FY2012-2013 and FY2022-2023.
6. Bridge Tolls is from Regional Measure 1 (RM1) West Bay Rail Reserve.
7. Bay Area Air Quality Management District (BAAQMD) funds to be confirmed.
8. Assumes that all local sources, Prop 1B PTMISEA, all federal sources, and bridge tolls can be used as match to Prop 1A funds, totaling \$726 million in matching funds for \$706 million in Prop 1A funds.
9. Other potential future funding sources could be substituted if secured, including federal Transportation Investment Generating Economic Recovery (TIGER) funds (such as current Caltrain application for \$44 million), State Interregional Transportation Improvement Program (ITIP) funds, and private financing.


IN WITNESS WHEREOF, this MOU has been executed by the PARTIES hereto as of the day and year indicated next to each signature, with the final signature date constituting the effective date.



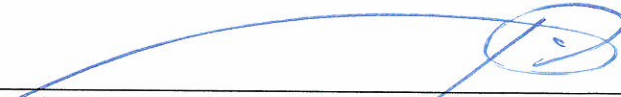
Jeff Morales, Chief Executive Officer
California High Speed Rail Authority | Date
9/18/2012



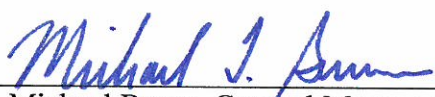
Steve Heminger, Executive Director
Metropolitan Transportation Commission | Date
9/18/2012




Michael J. Scanlon, Executive Director
Peninsula Corridor Joint Powers Board and
San Mateo County Transportation Authority | Date
9/21/2012



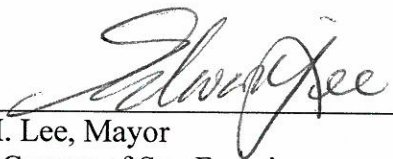
Jose Luis Moscovich, Executive Director
San Francisco County Transportation Authority | Date
10/15/12




Michael Burns, General Manager
Santa Clara Valley Transportation Authority | Date
11/27/12



Debra Figone, City Manager
City of San Jose | Date
12/12/12



Edwin M. Lee, Mayor
City and County of San Francisco | Date
1/15/13



Maria Ayerdi-Kaplan, Executive Director
Transbay Joint Powers Authority | Date
1/25/13

EXHIBIT B
FUNDING PLAN FOR PENINSULA CORRIDOR
ELECTRIFICATION AND ADVANCED SIGNAL SYSTEM PROJECTS
(\$ millions)

	9-Party MOU Funding Strategy	Changes in the 7-Party Supplemental MOU	Revised Costs & Funding Sources	CBOSS	PCEP
Projected Costs					
PCEP	1,225.0	755.0	1,980.0	-	1,980.0
CBOSS	231.0		231.0	231.0	-
Total	1,456.0	755.0	2,211.0	231.0	1,980.0
Funding Sources					
JPB Member Contributions	180.0	60.0	240.0	47.0	193.0
JPB Local	11.0	9.0	20.0	11.0	9.0
Caltrain PTC	4.0		4.0	4.0	
Subtotal Local	195.0	69.0	264.0	62.0	202.0
Prop 1A Connectivity	106.0		106.0	106.0	
Prop 1A HSRA	600.0		600.0		600.0
CHSRA Cap & Trade/Other		113.0	113.0		113.0
Cap & Trade TIRCP ¹		20.0	20.0		20.0
Prop 1B Caltrain	24.0		24.0	16.0	8.0
Subtotal State	730.0	133.0	863.0	122.0	741.0
FRA	17.0		17.0	17.0	
FTA/FHWA Prior/Current Obligations ²	45.8		45.8	29.8	16.0
FTA Future Obligations	440.0	(125.0)	315.0		315.0
FTA Core Capacity ³	-	647.0	647.0	-	647.0
Subtotal Federal	502.8	522.0	1,024.8	46.8	978.0
MTC Bridge Tolls	11.0	28.4	39.4		39.4
BAAQMD Carl Moyer	20.0		20.0		20.0
Subtotal Regional	31.0	28.4	59.4	-	59.4
Total	1,458.8	752.4	2,211.2	230.8	1,980.4

Notes

1. The parties to the Seven-Party Supplement to 2012 Memorandum of Understanding recognize that the JPB has requested State Cap & Trade TIRCP funds to help fund the PCEP. Of the \$225m requested, \$20m is identified to help close the funding gap in the \$1.98 billion project cost estimate for PCEP.

2. The \$2.8m represents a FHWA grant (Railway/Hwy Hazard Elimination) for the CBOSS project that was secured after the 2012 MOU execution. This amount is not included in the 7-party MOU since the funding is for the CBOSS project.

3. \$647 million in FTA Core Capacity funds would help close the funding gap for PCEP, as well as providing funding to support a larger contingency set-aside for PCEP.

Attachment 2

FUNDING PARTNERS OVERSIGHT PROTOCOL FOR CALTRAIN'S CAL MOD PROGRAM

(Electrification, Vehicles, CBOSS)

1. The Caltrain Project Management staff (CPMT) will have an open door policy with the Funding Partners' oversight representatives (Partners), who will have access to project Section Managers and available information. The Funding Partners and their oversight representatives understand that some information will be confidential and commit to honor that confidentiality by not sharing or divulging any information so defined.
2. The Partners will attend all progress meetings with the CPMT, to stay abreast of all project activities and when warranted, may also attend, as observers, partnering sessions and progress meetings with the contractor. The CPMT will provide a list of current and anticipated regularly scheduled meetings, and the Partners and CPMT will jointly determine the meetings that would be most useful.
3. Subject to FTA concurrence, the Partners will also attend meetings with the FTA and its PMO. It will be the responsibility of the Partners to secure FTA's agreement to such participation. The CPMT will make the first approach to the FTA.
4. The CPMT will make available to the Partners all project deliverables, reports, plans, procedures, and progress and cost reports for review and comment, which will be performed within the stipulated review period. Should the Partners not provide comments by the due date, the CPMT may assume that they are not forthcoming.
5. The Partners will review progress and cost reports and provide comments.
6. The Partners will participate in consultant selection panels and proposal/bid reviews.
7. The Partners will monitor quality through regular discussions with the Quality Assurance Manager.
8. The Partners will be members of the Risk Management team and participate in all Risk Management meetings and receive copies of the original risk register, its monthly updates, and reports.
9. The CPMT will institute a Configuration Management Board (CMB), with one representative each from San Francisco, CHSRA, and VTA as voting members, to review all proposed changes, regardless of whether they are owner, designer, or contractor originated, to determine merit, agree on quantum, and ultimately authorize all changes for the project. The Partners agree that their representative to the CMB will have the appropriate technical and Project Management background. No member of the CMB will have Veto power.
10. The Partners will provide support to the CPMT on funding and financing issues.
11. The Partners will review and approve project invoices submitted to their respective Agencies and assure that they are processed on a timely manner.
12. The Partners will assist the CPMT with development of grant amendments and funding requests which are submitted to their respective Agencies for approval.