



AGENDA

PENINSULA CORRIDOR JOINT POWERS BOARD

Bacciocco Auditorium, 2nd Floor
1250 San Carlos Avenue, San Carlos CA 94070

January 7, 2010 – Thursday

10:00 a.m.

1. Pledge of Allegiance
2. Swearing in of Omar Ahmad (Representing the City Selection Committee/
SanTrans)
3. Call to Order/Roll Call
4. Report from Nominating Committee – Election of 2010 Officers MOTION
5. Public Comment
Public comment by each individual speaker shall be limited to two minutes
6. Consent Calendar RESOLUTION
Members of the public or Board may request that an item under the Consent Calendar be considered separately
 - a) Approval of Minutes of December 3, 2009
 - b) Acceptance of Statement of Revenues and Expenses for November, 2009
 - c) Authorize Award of Contract to CAPtech, Inc. to Provide Coin Changers and Bill Vaults for a Firm Fixed-Price of \$341,814
7. Chairperson’s Report RESOLUTION
 - a) Resolution of Appreciation to Outgoing Chair, Don Gage
8. MTC Liaison Report
9. Report of the Citizens Advisory Committee
10. Report of the Executive Director RESOLUTION
 - a) Resolution of Appreciation to Doug Johnson, San Carlos School District
 - b) Caltrain Performance Report – November 2009
 - c) Peninsula Rail Program Update
11. Authorize Amending and Increasing the Fiscal Year 2010 Capital Budget by \$73,625,000 for the San Bruno Grade Separation Project and the San Mateo Grade Crossing Safety Improvement Program from \$85,236,042 to \$158,861,042 RESOLUTION

- 12. Authorize the Filing of an Application in the Amount of \$19,203,000 to Request 2010 Regional Transportation Improvement Program Funds for the San Bruno Grade Separation Project RESOLUTION
- 13. Adoption of 2010 State and Federal Legislative Program MOTION
- 14. Legislative Update INFORMATIONAL
- 15. Fiscal Year 2009 Comprehensive Annual Financial Report INFORMATIONAL
- 16. Correspondence
- 17. Board Member Requests
- 18. Date/Time of Next Meeting
 Thursday, February 4, 2010, 10 a.m. at San Mateo County Transit District Administrative Building, Bacciocco Auditorium, 2nd Floor, 1250 San Carlos Avenue, San Carlos, CA 94070

- 19. General Counsel Report
 - a) Closed Session: Real Estate Negotiations – Pursuant to Government Code 54956.8:
 Agency Negotiators: David J. Miller and Brian Fitzpatrick
 Under Negotiation: Price and Terms of Purchase
 Property and Negotiating Parties:

Owner	Address/Location	APN
Welch Family Partnership	104 San Bruno Avenue	020-111-150
Usman and Fatima Shaikh	111 San Bruno Avenue	020-121-360
Federick J.Firpo Trust	Huntington Avenue	020-111-140
Lester and Rhoda Kaplan	222 San Bruno Avenue	020-193-360
Paul and Rita Kaplan		
Huntington Park Realty Company	25 foot strip adjacent to Westerly of First Avenue and Easterly of RR tracks	NA
Artichoke Joes	659 Huntington Avenue	020-131-570
Artichoke Joes	205 Angus Avenue	020-131-410
City and County of San Francisco	Angus and Huntington Avenue	SBE 845-41-5
	San Mateo and Huntington Avenues	SBE 846-41-5

- 20. Adjourn

INFORMATION FOR THE PUBLIC

All items appearing on the agenda are subject to action by the Board. Staff recommendations are subject to change by the Board.

If you have questions on the agenda, please contact the JPB Secretary at 650.508.6242. Agendas are available on the JPB Website at www.caltrain.com.

Location, Date and Time of Regular Meetings

Regular meetings are held at the San Mateo County Transit District Administrative Building located at 1250 San Carlos Ave., San Carlos, which is located one block west of the San Carlos Caltrain Station on El Camino Real. The building is also accessible by SamTrans bus Routes: 260, 295, 390, 391, and KX.

The JPB meets regularly on the first Thursday of the month at 10 a.m. The JPB Citizens Advisory Committee meets regularly on the third Wednesday of the month at 6 p.m. at the same location. Date, time and place may change as necessary.

Public Comment

If you wish to address the Board, please fill out a speaker's card located on the agenda table and hand it to the JPB Secretary. If you have anything that you wish distributed to the Board and included for the official record, please hand it to the JPB Secretary, who will distribute the information to the Board members and staff.

Members of the public may address the Board on non-agendized items under the Public Comment item on the agenda. Public testimony by each individual speaker shall be limited to two minutes and items raised that require a response will be deferred for staff reply.

Accessibility for Individuals with Disabilities

Upon request, the JPB will provide for written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in public meetings. Please send a written request, including your name, mailing address, phone number and brief description of the requested materials and a preferred alternative format or auxiliary aid or service at least two days before the meeting. Requests should be mailed to the JPB Secretary at Peninsula Corridor Joint Powers Board, 1250 San Carlos Avenue, San Carlos, CA 94070-1306; or emailed to board@caltrain.com; or by phone at 650.508.6242, or TDD 650.508.6448.

Availability of Public Records

All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body will be available for public inspection at 1250 San Carlos Avenue, San Carlos, CA 94070-1306, at the same time that the public records are distributed or made available to the legislative body.

Draft

**Peninsula Corridor Joint Powers Board
Board of Directors Meeting
1250 San Carlos Avenue, San Carlos CA 94070**

**Minutes
December 3, 2009**

MEMBERS PRESENT: M. Church, J. Cisneros, S. Elsbernd, N. Ford, D. Gage (Chair), J. Hartnett, A. Lloyd, K. Yeager

MEMBERS ABSENT: A. Kalra

MTC LIAISON: S. Lempert

STAFF PRESENT: G. Cardona, C. Cavitt, M. Espinosa, B. Fitzpatrick, G. Harrington, C. Harvey, R. Haskin, R. Lake, M. Martinez, N. McKenna, D. Miller, K. Rothschild, M. Scanlon, M. Simon

Legal Counsel David Miller said Executive Director Michael Scanlon and he request an item be added to today's agenda pertaining to lighting changes proposed by the City of Palo Alto at the East Meadow Grade Crossing. Mr. Miller said under the Brown Act and JPB's Rules of the Board, items may be added to an agenda that are not on the posted agenda when there is a need to take immediate action and the need for action came to the attention of the agency subsequent to the posting of the agenda. Mr. Miller said in this case, the request by the city came after the posting of the agenda and in his view there is a need for immediate action that warrants the Board's consideration. Mr. Miller said if the Board agrees to add the item to the agenda the matter will be brought up under the Executive Director's report.

A motion (Ford/Church) to add the emergency item was approved unanimously.

PUBLIC COMMENT

Jean Znidarsic, Palo Alto, presented the Board a petition from a group of concerned Palo Alto parents who would like the trains to slow down at the East Meadow Crossing.

Pat Giorni, Burlingame, said bike tags are now available. She wished Director Jim Hartnett best wishes and hopes Burlingame Councilmember Jerry Deal is appointed to his seat. Ms. Giorni said the October bike reading packet had over 95 bumps and the November packet had over 248 bumps. She said there was not a single walk-on passenger denied boarding, only bicycle passengers.

Vic Ojakian, Palo Alto, said over the last several weeks he has spoken to communities experiencing suicide clusters and he is not surprised the petition has been brought forward. He said suicide clusters do not happen during a certain timeframe and staff needs to stay vigilant on this issue.

Shirley Johnson, San Francisco Bicycle Coalition (SFBC), thanked staff and the Board for the increased bicycle capacity in 2009.

Mike Swire, Belmont, thanked staff for the increased bicycle capacity, but there is not enough seating for bicyclists in the bike car. He suggested that stickers be placed in the bike cars reserving seats for bicyclists and ask the conductors to make announcements asking non-cyclists to not sit in the bike car.

Jim Bigelow, Redwood City, recognized Director Hartnett for his excellent work on the Redwood City Council, the JPB, SamTrans and his activities within and outside the county.

Jeff Carter, Burlingame, wished the Board and staff Happy Holidays and best of luck to Director Hartnett.

CONSENT CALENDAR

The Board approved the following items:

- a) Approval of Minutes of November 5, 2009
- b) Acceptance of Statement of Revenues and Expenses for October 2009
- c) Authorize Annual Adoption of Investment Policy and Authorization to Invest Monies with the Local Agency Investment Fund
- d) Authorize Disposition of Vader (5000) Mobile Train Washer

CHAIRPERSON'S REPORT

Appointment of Nominating Committee for 2010 Officers

Chair Gage appointed Directors José Cisneros, Art Lloyd and Ash Kalra to the nominating committee for the 2010 officers.

Resolution of Appreciation to Outgoing Board Member, Jim Hartnett

Chair Gage thanked Director Hartnett for his many years of service on the JPB and presented him with a resolution of appreciation and a train plaque.

MTC Commissioner Sue Lempert said she hopes the City Selections Committee picks someone who will be the champion of Caltrain and transit as Director Hartnett has been.

Director Lloyd said Director Hartnett will be missed as he is a solid, sensible and practical voice on this Board.

Director Nate Ford thanked Director Hartnett for his leadership, years of service and will be greatly missed.

Director Mark Church congratulated Director Harnett on his long and distinguished career and many years of public service. He said it has been a pleasure to work with Director Harnett on this Board and the many other boards they served together. Everyone owes Director Harnett a debt of gratitude for his sound judgment and thoughtful approach to difficult problems. Director Church said Director Harnett has left the community a better place.

Director Sean Elsbernd said Director Harnett is the perfect example of professionalism and truly a model public servant who is committed to his community.

Director Ken Yeager said it was wonderful working with Director Harnett and his departure is one of the best arguments against term limits.

Director Cisneros said Director Harnett will be truly missed.

Director Hartnett thanked everyone for the generous comments and he is humbled by them. He praised his colleagues for their dedication. He praised Caltrain as an organization that is always looking for opportunities ahead and not backwards, especially in the area of sustainability. Director Hartnett said this organization is blessed with leadership and employees who are extraordinary. He has never been affiliated with such a high quality organization with such great people and will truly miss it, but he will continue to be a strong advocate for Caltrain.

A motion (Lloyd/Ford) to approve a Resolution of Appreciation to outgoing Director Hartnett was approved unanimously.

METROPOLITAN TRANSPORTATION COMMISSION (MTC) LIAISON REPORT

Ms. Lempert reported:

- MTC is considering an increasing bridge tolls for trucks and charging carpools to help pay for the seismic upgrades on the Dumbarton and Antioch bridges.
- MTC has revised its advisory committee structure.

REPORT OF THE CITIZENS ADVISORY COMMITTEE (CAC)

Bruce Jenkins reported:

- The CAC wished Director Hartnett well on his future endeavors.
- A nominating committee of Mr. Jenkins, Paul Bendix and John Hronowoski was appointed and nominations for the 2010 Chair and Vice-Chair will be announced at the December meeting.
- Presentations were given on the Short-Term Transit Plan, Amtrak Satisfaction Survey and the new Caltrain Web site.

REPORT OF THE EXECUTIVE DIRECTOR

Mr. Scanlon reported the following:

- On behalf of staff wished Director Hartnett best wishes and praised him for being reflective, respected and resilient.
- Monthly Performance Statistics – October 2009
 - a. Total Ridership was 1,039,342, a decrease of 10.4 percent.
 - b. Average Weekday Ridership was 38,174, a decrease of 9 percent.
 - c. Total Revenue was \$3,553,368, a decrease of 5.9 percent.
 - d. On-time Performance was 94.4 percent, an increase of 1.5 percent.
 - e. Caltrain Shuttle Ridership was 5,935, a decrease of 6 percent.
- Year-to-date Performance Statistics ending October 2009
 - f. Total Ridership was 4,235,994, a decrease of 10.5 percent.
 - g. Average Weekday Ridership was 39,742, a decrease of 10.1 percent.
 - h. Total Revenue was \$14,984,557, a decrease of 5.4 percent.
 - i. On-time Performance was 94.1 percent, an increase of 0.5 percent.
 - j. Caltrain Shuttle Ridership was 5,638, a decrease of 9.9 percent.

Director Sean Elsbernd asked how the ridership and revenue numbers compare with the Fiscal Year 2010 budget. Mr. Scanlon said revenues are within the projections of the FY2010 budget.

Peninsula Rail Program Update

Peninsula Rail Program Bob Doty made the following points:

- The Context Sensitive Solutions Program will be extended beyond Diridon Station to incorporate the rest of San Jose.
- The American Recovery and Reinvestment Act (ARRA) funding tracks will be announced around the first of the year.
- There were no significant technical comments on the draft waiver request submitted to the Federal Railroad Administration (FRA). Staff will be presenting this package formally to the FRA and anticipate it will be recommended the document go directly to the Safety Board.
- The High Speed Rail Board is considering reopening the environmental document for the corridor known as Pacheco Alignment to refine and correct certain omissions in the document.

Public Comment

Pat Giorni, Burlingame, said there are no public meetings for the Peninsula Rail Program.

Mr. Doty said there have been a number of public meetings and maybe the tool hasn't been used to communicate these meetings.

Ms. Lempert said she has been attending the community meetings and they are absolutely packed.

Suicide Prevention Update

Executive Officer Public Affairs Mark Simon said staff continues to work closely with the City of Palo Alto, local health care and mental health professionals on the psychology of suicides. He said one factor in breaking this cycle of tragic behavior is to change the physical dynamic of the location where its occurring. Mr. Simon said a number of activities are underway including a group of residents from Palo Alto who sit watch at the East Meadow Crossing from 7 p.m. to 1 a.m. Staff is preparing to train this group in Operation Lifesaver to ensure they conduct themselves safely around the railroad tracks. The City of Palo Alto has hired a security firm to patrol the area and the San Mateo County Transit Police continue to have a high level presence at the sight.

Deputy CEO Chuck Harvey said the City of Palo Alto would like to add four additional high intensity lights adjacent to the East Meadow Crossing. One of the four municipal poles is on JPB property. Staff has reviewed this from a technical perspective and sees no operational issues with the addition of these lights. Mr. Harvey said staff has determined this is an enhancement to the crossing by providing additional lighting for pedestrians, bicyclists and motorists and is recommending the Board authorize approval for this work to proceed.

Ms. Lempert asked what the association is between increased lighting and people taking their lives. Mr. Harvey said experts say changing lighting levels may discourage people and help patrols.

Mr. Scanlon said this will change the physical dynamic of the crossing and staff is going above what is required of the JPB. Staff doesn't know if it will work, but it will help.

This item was unanimously approved by the Board.

Concerning the petition presented to the Board, Mr. Harvey said staff has analyzed the impacts of slowing the trains down at the East Meadow Crossing. Mr. Harvey said trains travel at 79 miles per hour in this area. To slow down the trains to 5 miles per hour would raise a series of issues: cascading schedule delays, disruption of the instances where trains pass one another, loss of connections for passengers, a requirement for additional crews and equipment, eliminating the ability to keep one train set in emergency reserve.

Public Comment

Ted Crocker, Burlingame, said there is a definite disconnect in the High Speed Rail public outreach. He said 95 percent of his neighbors have no idea what stage this project is at. Mr. Crocker believes local government is to blame and the public meetings are held at very inconvenient times.

Chair Gage asked if there is a general Web site for this issue. Mr. Doty said the regional Web is being created now, but currently information is being posted on the Caltrain Web site.

Director Hartnett said staff shouldn't beat themselves up on this issue. There is not a gap in terms of information and there is a long way to go in the process. In Redwood City there have been multiple presentations on the outreach process and a strategic process has been approved by the Redwood City Council which includes significant outreach. Director Hartnett said when there is standing room only at these meetings it shows there is outreach.

Director Lloyd said there is an organization called Bay Area Transportation News that people can subscribe to for this type information.

Jeff Carter, Burlingame, commended Caltrain for working on the suicide issue. Mr. Carter said the Peninsula Rail Program outreach could be better but he does receive e-mails from the City of Burlingame. He said there is still a lot of misinformation out there and the good information needs to get out to the cities.

Director Cisneros asked if staff could post stickers on the bike trains telling customers there is priority seating for cyclists. Mr. Scanlon said this is a very delicate area when you start telling people where they can sit on an open system. He will have his operations and law enforcement staff look at this issue.

Ted Crocker, Burlingame, said there is an excellent compatibility blog for Caltrain with links for the various cities along the Peninsula, but Burlingame is not included.

Shirley Johnson, SFBC, said there is a conductor who makes announcements asking those without bicycles to not sit in the bike cars and urged that Caltrain ensure all conductors make the same announcement.

REPORT OF THE EXECUTIVE DIRECTOR (continued)

- Glad to see SFBC recognized the Bikes on Board program. All of the work has been done on the bike cars including the three additional Bombardier cars. Eight of the 15 gallery car consists have two bike cars and there are two bike cars on every Bombardier consists. Staff hopes this will alleviate a lot of the bumps, but this is not peak season. The primary concern

is not the availability of seats, but the dwell times involved with loading and unloading bicycles.

- All horns have been retrofitted.
- For the first three home Stanford football games an additional 7,300 passengers were carried, including 4,400 for the Big Game.
- The day after Thanksgiving service carried an additional 1,800 riders.
- The reading file contains the monthly safety and security report.
- The annual Holiday Train is this weekend.
- Wished the Board and public a happy and safe holiday.

AUTHORIZE AWARD OF CONTRACT TO MAZE & ASSOCIATES ACCOUNTANCY CORPORATION FOR FINANCIAL AUDIT SERVICES FOR A TOTAL NOT-TO-EXCEED COST OF \$181,200

Director of Contracts and Procurement Cheryl Cavitt said Staff Coordinating Council recommends award of contract to Maze & Associates Accountancy for financial services over a three-year base period. The contract will provide the JPB with independent audit services as required by the JPB bylaws, the U.S. Office of Management and Budget and the Federal Transit Administration (FTA).

A motion (Ford/Hartnett) to award a contract to Maze & Associates Accountancy for financial audit services was approved unanimously by roll call.

AUTHORIZE AWARD OF CONTRACT TO S.J. AMOROSO CONSTRUCTION COMPANY, INC. FOR THE SOUTH TERMINAL AND SANTA CLARA STATIONS IMPROVEMENT PROJECT FOR A TOTAL AMOUNT OF \$24,127,000

Ms. Cavitt said Staff Coordinating Council recommends award of contract to S.J. Amoroso Construction for station improvements at the South Terminal and Santa Clara stations. Improvements at the Santa Clara Station include a new center platform and a pedestrian tunnel. The South Terminal work includes construction of two additional platforms and four platform tracks to accommodate future expanded service.

Public Comment

Mark Duncan, Menlo Park, asked about the underpass being added to the Santa Clara Station.

Mr. Harvey said there have been extensive discussions with Santa Clara Valley Transportation Authority (VTA) to accommodate the tunnel, but there is a funding issue with VTA.

A motion (Lloyd/Cisneros) to award a contract to S.J. Amoroso Construction for the South Terminal and Santa Clara stations improvement project was approved unanimously by roll call.

AUTHORIZE AWARD OF CONTRACT TO ARINC, INC. TO PROVIDE A RAIL OPERATIONS CONTROL SYSTEM INCLUDING AN INTEGRATED PREDICTIVE ARRIVAL/DEPARTURE SYSTEM (PADS) FOR A FIRM FIXED-PRICE OF \$4,799,942; AND MAINTENANCE AND SUPPORT AGREEMENTS

Deputy CEO Gigi Harrington said this is a request to award a contract to ARINC, Inc. for a new operations control system to replace the system installed by Digicon, Inc., which has gone out of business. The system will include a predictive arrival/departure system and is compatible with a

new electrified railroad system. This was a competitive procurement that began one year ago. Six proposals were received and staff narrowed it down to three and then conducted site visits.

A motion (Elsbernd/Yeager) to award a contract to ARINC, Inc. to provide a rail operations control system and maintenance and support agreements was approved unanimously by roll call.

Director Ford left at 11:24 a.m.

AUTHORIZE REJECTION OF ALL PROPOSALS FOR PROVIDING ENVIRONMENTAL PLANNING

Ms. Cavitt said Staff Coordinating Council is recommending the Board reject the three proposals that were received for environmental planning. She said none of the proposals submitted met the minimum requirements.

A motion (Elsbernd/Yeager) to reject all proposals for providing environmental planning was approved unanimously.

AUTHORIZE ADOPTION OF FISCAL YEAR 2009-2018 CALTRAIN SHORT RANGE TRANSIT PLAN (SRTP)

Mr. Scanlon said the plan before the Board is unchanged since the November meeting.

Manager of Planning and Research Marisa Espinosa said on page nine of the final document there is a typo that states the deficit as \$9 million, but it should actually read \$28 million.

Public Comment

Shirley Johnson, SFBC, said the SRTP assumes flat ridership for the next four years. This is not a plan for success. She said to be successful Caltrain must increase ridership and revenue. Ms. Johnson said the SRTP includes shuttles, but excludes bikes. She said shuttles and bikes are functionally identical so they both should be included in the plan. Ms. Johnson said the cheapest way to maximize ridership is to increase the station access mode that costs Caltrain the least per rider. The cheapest station access mode is non-motorized, either walking or biking. Ms. Johnson said increase onboard bike capacity so cyclists can fill empty seats. She requests the Board take no action on the SRTP because it needs to be reworked to include a plan for increasing onboard bike capacity.

Marc Brandt, San Francisco, said the greenest last mile is bicycles. Caltrain's recent modest increase in bicycle capacity has been very successful, but as soon as more bicycle capacity was added it was immediately filled. Mr. Brandt said the SRTP needs to include bicycles on board and asked that the Board take no action until this is added.

Jim Bigelow, Redwood City-San Mateo County Chamber of Commerce, said the Chamber strongly supports the adoption of the SRTP. He said it is consistent with getting to the 2025 Caltrain plan.

Gladwyn d'Souza, Belmont, said it is crucial to connect at both ends of transit and bicycles offer this option. He said the SRTP should acknowledge bicyclists.

Winnifred Homer-Smith, Burlingame, said Caltrain has done a wonderful job increasing bicycle capacity. The SRTP doesn't address the design of the cars for the new electrified system and how they will accommodate bicycles. Ms. Homer-Smith said the bicycle capacity needs to amount to 20 percent of the seats. She asked the Board to take this into account before approving the SRTP.

Dick Poe, Menlo Park, said Caltrain suffers a huge deficiency for the first and last mile. He said shuttles are not a solution and bikes are a bridge. Mr. Poe asked that bicycle carriage be made part of the SRTP.

Joe Ryan, San Francisco, said his bicycle is an important part of his commute and appreciates the increased capacity. Mr. Ryan said at a time when projections are calling for a stagnation of ridership he feels Caltrain should do everything possible to prevent the loss of paying customers, many of whom are cyclists. He asked the Board to not adopt the SRTP today and direct staff to include bikes in the final version.

Ed De Lanoy, San Carlos, said three-car consists would have lower fuel costs and less wear and tear on the trains.

Daniel Connelly, San Francisco, said Caltrain is not only a commuter service, but a public transit agency where there is a demand for weekend service. He is no longer able to ride his bike on the Peninsula on the weekends because of the minimal service.

Mari Hunter, San Francisco, said she is very impressed with Caltrain bicycle service and feels it would be detrimental to not address bike capacity. She said there needs to be a balance between bikes and seats.

Carlos Babcock, Silicon Valley Bicycle Coalition, said bike capacity needs to be part of the SRTP.

Mr. Scanlon said the Board has heard from loyal bike riders and staff is very committed to the bicycle community: This year bike capacity was increased 30 percent.

Mr. Scanlon said the SRTP is needs-based and a financially unconstrained look over a 10-year period required by the MTC to qualify for Federal and State funds. Mr. Scanlon said the SRTP reflects a \$29 million operating deficit over the 10 years. The SRTP is not the venue, and has not been traditionally the venue, to put in bicycle or any other substantive issue.

Mr. Scanlon said the planning department will be embarking on a comprehensive access program in 2010 and this is the right venue for the bicycle issue. Currently Caltrain carries 2,800 bikes a day and will do more, if necessary, once staff determines dwell times aren't affected. Caltrain remains committed to bikes and will make bikes front and center in the comprehensive access program by seeking input from the community.

Mr. Scanlon said staff needs to move forward to meet the deadline for the SRTP with MTC or risk the ability to leverage State and Federal money.

Director Yeager wants to ensure the bike issue is addressed. He feels there will be more cyclists in the community and staff needs to plan for this.

Director Hartnett said the bike issue needs to be dealt with in the comprehensive plan, but staff needs to be clear on the assumptions. Director Harnett said he could argue it would be cheaper to not have bikes on trains and have alternatives where bikers could get on trains without their bikes. He said it is not just hearing public comment and including people's comments in the process, but it is about having accurate information so the assumptions are clear.

Director Cisneros said he looks forward to the study and a more complete comprehensive plan of where the JPB is going to go with bikes. He said he doesn't like seeing people getting bumped, however people need to remember the SRTP is just a snapshot.

A motion (Lloyd/Hartnett) to adopt the FY2009-2018 SRTP was approved unanimously.

STATE AND FEDERAL LEGISLATIVE UPDATE

Government Relations Officer Kim Rothschild made the following report:

State Update

- The Assembly Transportation Committee will hold hearings to discuss the transit funding crisis.
- Assemblyman John Perez from Los Angeles looks like the front runner for Assembly Speaker replacing Karen Bass.

Federal Update

- SAFETEA-LU will be extended for another six months.
- Congress will be enacting a jobs bill early next year and \$47 billion worth of transportation projects have been identified.

QUARTERLY CAPITAL REPORT

No discussion.

CORRESPONDENCE

None.

BOARD MEMBER REQUESTS

Director Lloyd said the head car going north and the last car going south should be for bicyclists only and non-bicyclists could occupy the other four cars.

DATE/TIME/PLACE OF NEXT MEETING

Thursday, January 7, 2010, 10 a.m. at San Mateo County Transit District Administrative Building, Bacciocco Auditorium, 2nd Floor, 1250 San Carlos Avenue, San Carlos, CA 94070

GENERAL COUNSEL REPORT

Mr. Miller said from the standpoint of an attorney Director Hartnett's service as an attorney is very lofty and he personifies and serves as a role model.

- e) Closed Session: Real Estate Negotiations – Pursuant to Government Code 54956.8:
Agency Negotiators: David J. Miller and Brian Fitzpatrick
Under Negotiation: Price and Terms of Purchase
Property and Negotiating Parties:

Owner	Address/Location	APN
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Artichoke Joes	205 Angus Avenue	020-131-410
City and County of San Francisco	Angus and Huntington Avenue	SBE 845-41-5
	San Mateo and Huntington Avenues	SBE 846-41-5

Mr. Miller said for the record the purpose of the closed session has to do with the San Bruno Grade Separation Project and its various real estate acquisition needs.

Adjourned to closed session at 11:58 a.m.

Reconvened to open session at 12:07 p.m.

Mr. Miller said for the record the Peninsula Corridor Joint Powers Board has convened in closed session to consider real estate issues associated with the San Bruno Grade Separation Project. The specific parcels are listed on the agenda. Mr. Miller said instructions have been given to the real estate negotiating team in regards to these matters. He said there is no open public action at this time; however staff is asking the Board to consider the adoption of a resolution to ask SamTrans to provide right-of-way certification services on behalf of the JPB under a contract to be executed with SamTrans.

A motion (Hartnett/Lloyd) to execute a contract with SamTrans to provide right-of-way certification services on behalf of the JPB was approved unanimously.

ADJOURNED

Adjourned at 12:10 p.m.

PENINSULA CORRIDOR JOINT POWERS BOARD
STAFF REPORT

TO: Joint Powers Board

THROUGH: Michael J. Scanlon
Executive Director

FROM: Gigi Harrington
Deputy CEO

SUBJECT: **STATEMENT OF REVENUE AND EXPENSE FOR THE PERIOD
ENDING NOVEMBER 30, 2009 AND SUPPLEMENTAL INFORMATION**

ACTION

Staff proposes that the Board of Directors accept and enter into the record the Statement of Revenue and Expense for the month of November 2009 and supplemental information.

SIGNIFICANCE

Revenue: For November of Fiscal Year 2010, *Total Operating Revenue* (line 7) is \$106,157 or 0.5 percent **better** than budget. This is due to *Other Income* (line 5) which is **better** than budget by \$575,594 or 91.7 percent mainly due to an unbudgeted increase in shared track revenue which is offset by lower than anticipated *Farebox Revenue* (line 1) and *Parking Revenue* (line 2) which together were \$432,250 or 2.2 percent **worse** than budget. Compared to the prior year, *Total Operating Revenue* (line 7) is \$894,955 or 4.3 percent **higher**, due to *Other Income* (line 5) which is \$1,795,191 or 303.2 percent **higher** and is offset by *Farebox Revenue* (line 1) which is \$885,653 or 4.6 percent **lower**.

Expense: *Grand Total Expenses* (line 44) show a favorable variance of \$4,368,081 or 10.9 percent. *Total Operating Expense* (line 31) is \$3,958,961 or 11.1 percent **better** than budget. Within total operating expense *Contract Operating & Maintenance* (line 23) is \$1,773,841 or 7.1 percent **better** than budget and *Fuel* (line 25) is **better** than budget by \$1,623,915 or 28.2 percent. *Total Administrative Expense* (line 40) is \$409,119 or 10.1 percent **better** than budget.

Compared to prior year, *Grand Total Expenses* (line 44) are \$1,453,873 or 3.9 percent **lower**. The decrease in expense over the prior year is mainly due to *Fuel* (line 25) which is \$2,111,324 or 33.8 percent **lower** than the prior year.

Budget Revisions: There are no budget revisions this month.

Prepared by: Rima Lobo, Manager, Financial Services
David Ramires, Accountant

650.508.6274
650.508.6417

PENINSULA CORRIDOR JOINT POWERS BOARD

STATEMENT OF REVENUE AND EXPENSE

FISCAL YEAR 2010

NOVEMBER 2009

% OF YEAR ELAPSED **41.7%**

	MONTH	YEAR TO DATE				ANNUAL				
	CURRENT ACTUAL	PRIOR ACTUAL	CURRENT ACTUAL	REVISED BUDGET	% REV BUDGET	APPROVED BUDGET	REVISED BUDGET	% REV BUDGET		
(AS PROJECTED)										
REVENUE										
OPERATIONS:										
1	Farebox Revenue	3,315,349	19,185,559	18,299,906	18,524,320	98.8%	43,762,048	43,762,048	41.8%	1
2	Parking Revenue	172,908	872,825	875,033	1,082,869	80.8%	2,598,890	2,598,890	33.7%	2
3	Shuttles	81,807	444,110	433,606	457,710	94.7%	1,098,504	1,098,504	39.5%	3
4	Rental Income	137,278	695,213	688,926	702,010	98.1%	1,682,800	1,682,800	40.9%	4
5	Other Income	224,398	(592,047)	1,203,144	627,550	191.7%	1,492,090	1,492,090	80.6%	5
6										6
7	TOTAL OPERATING REVENUE	3,931,740	20,605,660	21,500,615	21,394,458	100.5%	50,634,332	50,634,332	42.5%	7
8										8
9	CONTRIBUTIONS:									9
10	AB-434-Peninsula Feeder Shuttle	83,333	430,981	416,667	416,667	100.0%	1,000,000	1,000,000	41.7%	10
11	Operating Grant	15,009	59,130	46,068	46,068	100.0%	2,316,867	2,316,867	2.0%	11
12	JPB Member Agencies	3,284,715	16,423,581	16,423,581	16,423,599	100.0%	39,416,585	39,416,585	41.7%	12
13	Other Sources	0	0	0	1,923,129	0.0%	3,787,512	3,787,512	0.0%	13
14										14
15	TOTAL CONTRIBUTED REVENUE	3,383,057	16,913,691	16,886,315	18,809,462	89.8%	46,520,964	46,520,964	36.3%	15
16										16
17	GRAND TOTAL REVENUE	7,314,796	37,519,351	38,386,930	40,203,920	95.5%	97,155,296	97,155,296	39.5%	17
18										18
19										19
20	EXPENSE									20
21										21
22	OPERATING EXPENSE:									22
23	Contract Operating & Maintenance	4,191,505	22,885,421	23,316,945	25,090,786	92.9%	60,425,885	60,425,885	38.6%	23
24	Shuttles (Including Peninsula Pass)	228,280	1,212,864	1,186,644	1,218,925	97.4%	2,926,620	2,926,120	40.6%	24
25	Fuel	882,210	6,253,912	4,142,588	5,766,503	71.8%	13,839,649	13,839,649	29.9%	25
26	Timetables & Tickets	0	75,423	57,708	80,317	71.9%	210,000	210,000	27.5%	26
27	Insurance	350,305	1,709,418	1,844,702	1,889,570	97.6%	4,535,000	4,535,000	40.7%	27
28	Facilities and Equipment Maintenance	110,916	462,155	427,933	576,388	74.2%	1,595,296	1,595,296	26.8%	28
29	Utilities	80,426	515,661	392,506	622,650	63.0%	1,502,400	1,502,400	26.1%	29
30	Services	92,023	375,661	377,289	460,139	82.0%	1,155,630	1,156,130	32.6%	30
31	TOTAL OPERATING EXPENSE	5,935,665	33,490,516	31,746,316	35,705,277	88.9%	86,190,480	86,190,480	36.8%	31
32										32
33	ADMINISTRATIVE EXPENSE:									33
34	Wages & Benefits	487,891	2,108,398	2,526,773	2,637,822	95.8%	6,318,279	6,323,513	40.0%	34
35	Board Of Directors	848	3,476	4,439	4,600	96.5%	12,300	12,300	36.1%	35
36	Professional Services	(403)	724,619	523,040	726,103	72.0%	1,976,628	1,951,594	26.8%	36
37	Communications/Marketing	10,901	76,135	69,437	109,389	63.5%	265,000	265,000	26.2%	37
38	Other Office Expense and Services	63,016	637,766	506,303	561,197	90.2%	1,289,734	1,309,534	38.7%	38
39										39
40	TOTAL ADMINISTRATIVE EXPENSE	562,253	3,550,393	3,629,992	4,039,111	89.9%	9,861,941	9,861,941	36.8%	40
41										41
42	Long Term Debt Expense	91,906	248,803	459,531	459,532	100.0%	1,102,875	1,102,875	41.7%	42
43										43
44	GRAND TOTAL EXPENSES	6,589,824	37,289,712	35,835,839	40,203,920	89.1%	97,155,296	97,155,296	36.9%	44

"% OF YEAR ELAPSED" provides a general measure for evaluating overall progress against the annual budget. When comparing it to the amounts shown in the "% REV BUDGET" column, please note that individual line items reflect variations due to seasonal activities during the year.



BOARD OF DIRECTORS 2009

DON GAGE, CHAIR
 SEAN ELSBERND, VICE CHAIR
 MARK CHURCH
 JOSÉ CISNEROS
 NATHANIEL P. FORD, SR.
 JIM HARTNETT
 ASH KALRA
 ARTHUR L. LLOYD
 KEN YEAGER

MICHAEL J. SCANLON
 EXECUTIVE DIRECTOR

PENINSULA CORRIDOR JOINT POWERS BOARD

INVESTMENT PORTFOLIO

AS OF NOVEMBER 30, 2009

TYPE OF SECURITY	MATURITY DATE	INTEREST RATE	PURCHASE PRICE	MARKET RATE
Local Agency Investment Fund (Restricted)	Liquid Cash	0.611%	\$ 2,000,000	\$ 2,003,121
Local Agency Investment Fund (Unrestricted)	Liquid Cash	0.611%	11,766,227	11,784,590
Investment Portfolio (Unrestricted)	Liquid Cash	1.955%	13,826,574	14,001,648
			\$ 27,592,801	\$ 27,789,359
Accrued Earnings for November 2009	\$28,592.72	(1)		
Cumulative Earnings FY2010	\$133,671.46			

(1) Earnings do not include prior period adjustments

* The market value of Local Agency Investment Fund (LAIF) was derived from the fair value factor of 1.001560611 as reported by LAIF for quarter ending September 30, 2009.

** The Portfolio and this Investment Report comply with the Investment Policy and the provisions of SB 564 (1995). The Joint Powers Board has the ability to meet its expenditure requirements for the next six months.

**PENINSULA CORRIDOR JOINT POWERS BOARD
STAFF REPORT**

TO: Joint Powers Board

THROUGH: Michael J. Scanlon
Executive Director

FROM: Gigi Harrington C. H. (Chuck) Harvey
Deputy CEO Deputy CEO

SUBJECT: **AUTHORIZING AWARD OF A CONTRACT TO PROVIDE COIN
CHANGERS AND BILL VAULTS**

ACTION

Staff Coordinating Council (SCC) recommends that the Board:

1. Award a contract to CAPtech, Inc. of New Rochelle, NY to provide Coin Changers and Bill Vaults for a firm fixed-price of \$341,814 inclusive of taxes and delivery costs for a one-time purchase.
2. Authorize the Executive Director or his designee to execute the above referenced contract with CAPtech in full conformity with the terms and conditions of the solicitation documents.

SIGNIFICANCE

Award of this contract will provide the Peninsula Corridor Joint Powers Board (JPB) with the ability to procure necessary parts and materials for Caltrain's ticket vending machines (TVMs) to ensure a state of good repair that provides high reliability for customers. TVMs were originally installed at Caltrain stations in 1999 and were anticipated to have a life expectancy of 15 years. A mid-life review of the condition of the machines, conducted by LGR Corporation in 2007, determined an earlier than expected need to replace key components that have reached the end of their useful life. Failure to replace these components could lead to TVM failure causing lost revenue from passengers or increased service costs.

BUDGET IMPACT

Funding for the contract has been previously approved in prior year Caltrain Capital budgets. Staff does not anticipate additional funding will be required.

BACKGROUND

The JPB is purchasing 150 Coin Changers and 260 Bill Vaults for use in the TVMs. TVMs are installed at all Caltrain stations and collect the vast majority of Caltrain's revenue. The increased ridership during the life cycle of the components has translated into higher than projected ticket sales and has accelerated the wear and tear of components, prompting the need for replacement. These internal components are no longer available or offered with limited support by the original

equipment manufacturer (MEI/Sedeco); therefore, replacement parts have unusually long lead-times. The extended life of the TVMs must span to their scheduled replacement in Fiscal Year 2014. These new components have a projected useful life of five years.

An Invitation for Bids (IFB) for the purchase and delivery of the Coin Changers and Bill Vaults was advertised in a newspaper of general distribution and publication was made on Caltrain's procurement Web site. Three bids were received as shown below:

	Company	Total Bid Amount
	<i>Independent Cost Estimate</i>	\$554,050
1.	CAPtech, Inc.	\$341,814
2.	TWH Solutions, Inc.	\$377,787
3	Ventek Transit, Inc.	\$399,428

Staff reviewed the bids and determined that all bids were responsive to the solicitation requirements. CAPtech, Inc. was deemed to be the apparent low bidder with a bid that was 38 percent lower than the cost estimate. All bids were lower than the cost estimate and staff attributes that to the downturn in the economy and an effort by the companies to provide very competitive bids. Because this procurement offered little or no subcontracting opportunities, none of the bids included subcontractor or DBE participation.

Each of the bidders certified that they could not comply with the Buy America provisions of the solicitation because the Coin Changers and Bill Vaults are solely manufactured and assembled outside of the United States (US) in Geneva, Switzerland by MEI. Moreover, there are no Coin Changers or Bill Vaults compatible with the existing ticket vending machines provided by a different manufacturer. Accordingly, the JPB must purchase the Coin Changers and Bill Vaults engineered and manufactured by MEI. The FTA previously granted a waiver from the Buy America requirement on the Bill Vaults at the request of the manufacturer. Following bid opening, the JPB sought a similar waiver on the Coin Changers. The FTA granted a waiver for the Coin Changers on the grounds that it has the authority to do so when there is a finding that the items to be purchased are not produced in the US in sufficient and reasonably available quantities and of satisfactory quality. It is presumed that the condition exist to grant a non-availability waiver if no responsive and responsible bid is received offering an item produced in the US.

Staff and legal counsel determined that CAPtech, Inc. submitted a complete bid package and satisfied all the applicable legal requirements. References provided by the company indicated they provided a very competitive price, were responsive and on time or early with their services. Therefore, staff concludes that CAPtech, Inc. is appropriately qualified and capable of meeting the requirements of the contract and is the lowest responsive, responsible bidder.

Contract Officer: Roxanna Atkins	650.508.6256
Project Manager: Greg Moyer, Superintendent of Maintenance & Technical Services	650.508.7987

RESOLUTION NO. 2010-

**BOARD OF DIRECTORS, PENINSULA CORRIDOR JOINT POWERS BOARD
STATE OF CALIFORNIA**

* * *

**AUTHORIZING AWARD OF CONTRACT FOR
PURCHASE AND DELIVERY OF COIN CHANGERS AND BILL VAULTS TO
CAPTECH, INC. FOR A FIRM FIXED-PRICE OF \$341,813.69**

WHEREAS, the Peninsula Corridor Joint Powers Board (JPB) issued an Invitation for Bids for the Purchase and Delivery of Coin Changers and Bill Vaults for Caltrain ticket vending machines; and

WHEREAS, in response to the JPB's Invitation for Bids, three firms submitted bids; and

WHEREAS, staff and Legal Counsel have reviewed the bids and determined that CAPtech, Inc meets all of the qualifications and requirements of the bid documents and is the lowest responsive and responsible bidder; and

WHEREAS, Staff Coordinating Council recommends that a contract be awarded to CAPtech, Inc.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Peninsula Corridor Joint Powers Board hereby awards a contract to CAPtech, Inc. of New Rochelle, NY, for the Purchase and Delivery of Coin Changers and Bill Vaults for a firm fixed-price of \$341,813.69; and

BE IT FURTHER RESOLVED that the Executive Director, or his designee, is authorized to execute a contract on behalf of the Peninsula Corridor Joint Powers Board with CAPtech, Inc. in full conformity with all the terms and conditions of the solicitation documents.

Regularly passed and adopted this 7th day of January, 2010 by the following vote:

AYES:

NOES:

ABSENT:

Chair, Peninsula Corridor Joint Powers Board

ATTEST:

JPB Secretary

PENINSULA CORRIDOR JOINT POWERS BOARD
STAFF REPORT

TO: Joint Powers Board

THROUGH: Michael J. Scanlon
Executive Director

FROM: C.H. (Chuck) Harvey
Deputy CEO

SUBJECT: **KEY CALTRAIN PERFORMANCE STATISTICS NOVEMBER 2009**

For November 2009, Caltrain average weekday ridership (AWR) decreased 7.5 percent when compared to November 2008. AWR based on ticket sales was 36,775 for November 2009, a decrease of 2,968 compared to November 2008. The total number of passengers for the month of November 2009 was 950,672. This is a 5.6 percent decrease from last year's November total of 1,007,443. The declining economy, including the double-digit unemployment rate, is continuing to negatively impact ridership, however the decrease in AWR for November is slightly less than the 10 percent decrease seen in previous months.

In November 2009, on-time performance was 92 percent, as compared to 96.3 percent in November 2008. This represents a decline of 4.5 percentage points; and well short of achieving the JPB goal of 95 percent on-time. OTP for the month was impacted two fatalities (one for Caltrain), signal failures and two incidents at grade crossings involving vehicles.

Average weekday shuttle ridership was estimated at 5,270. System shuttle ridership is down 28.8 percent compared to the same month last year, however, there is a large variation among specific shuttles. The Marguerite shuttle showed the largest decline at 39.8 percent from the previous year, however this number is an estimate that is still being refined due to Stanford's transition back to a manual counting method. Other shuttles showed a 17.5 percent decline that is attributed to the local area economy impact on the companies directly served by these shuttles. For the station shuttles, the Millbrae-Broadway shuttle averaged 92 daily riders. The Tamien-San Jose shuttle averaged 50 riders per Saturday/Sunday. The Belmont-Hillsdale shuttle averaged 47 daily riders.

Table A shows performance indicators for November 2009. Graph A shows AWR for the past 13 months as compared to the rolling average.

Caltrain Promotions – November 2009

Holiday Train - The Holiday Train promotion kicked off in November with print and radio ads, distribution of posters to specific locations, Web button, news release, cover photo of Caltrain's Weekend Edition, and distribution of thousands of Holiday Train brochures throughout the Peninsula. Holiday Train is Toys for Tots' number one source for donations. The need for toys has risen to more than 50,000. The train operates Dec 5 and 6 and is a combined effort of hundreds of volunteers and corporate sponsors.

Opera at the Station – Visitors to San Jose Station were treated to a taste of high culture when Opera San Jose performed a free concert in the main lobby Nov. 18 in celebration of National Opera Week. Four singers, accompanied by a pianist, performed an hour-long concert featuring music from Rossini's *La Cenerentola* (Cinderella). The event was copromoted with VTA and included a news release, Web button, and advertisements on VTA buses and light rail vehicles. More than 60 people enjoyed the music and entered a drawing for tickets to a full performance.

Stanford Football – Hope of a promising season came to fruition for the Cardinal in 2009 as the team finished the season with an 8-4 record and a Sun Bowl bid. Stanford hosted three games during November, including the Big Game and Notre Dame, resulting in Caltrain carrying 7,266 extra riders. This year's promotion included a take one (paid for by Stanford), a Web button, and ads on the radio stations that broadcast Stanford and Cal games.

If the title of the contest between Stanford University and the University of California/Berkeley doesn't suggest the importance of the Big Game, the battle itself delivered the message to football fans everywhere. The 112th meeting between the cross-bay rivals turned out to be one of the best encounters in recent history and was decided with a minute and three seconds left on the clock. Caltrain's special service was promoted with ads on the Stanford and Cal radio stations, Web button, and news release. Ridership was up 72 percent from the 2007 Big Game as the Cardinal had record attendance of 50,510.

San Jose Sharks – The Sharks picked up where they left off last season and are currently leading the division. This year's cooperative promotion includes a print campaign in local newspapers, adcards on the trains, and a Web button. In addition, the Sharks purchased a train wrap to promote the team. Ridership is up 7 percent from this time last year.

California Redwoods – The inaugural season of the United Football League concluded with the California Redwoods ending their season with a loss to the Florida Tuskers. The Redwoods hosted three games: two at AT&T Park and one at Spartan Stadium in San Jose. Caltrain promoted service to the games with ads in the 96 Hours section of the *San Francisco Chronicle* and a news release. Caltrain had 509 extra riders for the last game and had more than 1,000 visitors to the Web page seeking information about the Redwoods.

Black Friday Service – Friday after Thanksgiving is identified by retailers as the day signifying a successful sales year and official start of the holiday shopping season. Caltrain operated a modified Saturday schedule including six express trains at times that appealed to commuters and shoppers alike. The campaign included radio ads, a Web button, and a news release. The Web site had 7,307 downloads of the schedule; with 718 visitors "clicking through" to the shopping page. The express departing San Jose at 10:55A arrived in San Francisco with 803 passengers.

Prepared by: Patrick Boland, Marketing Manager
Anthony E. Waller, Service Planner

650.508.6245
650.622.8026

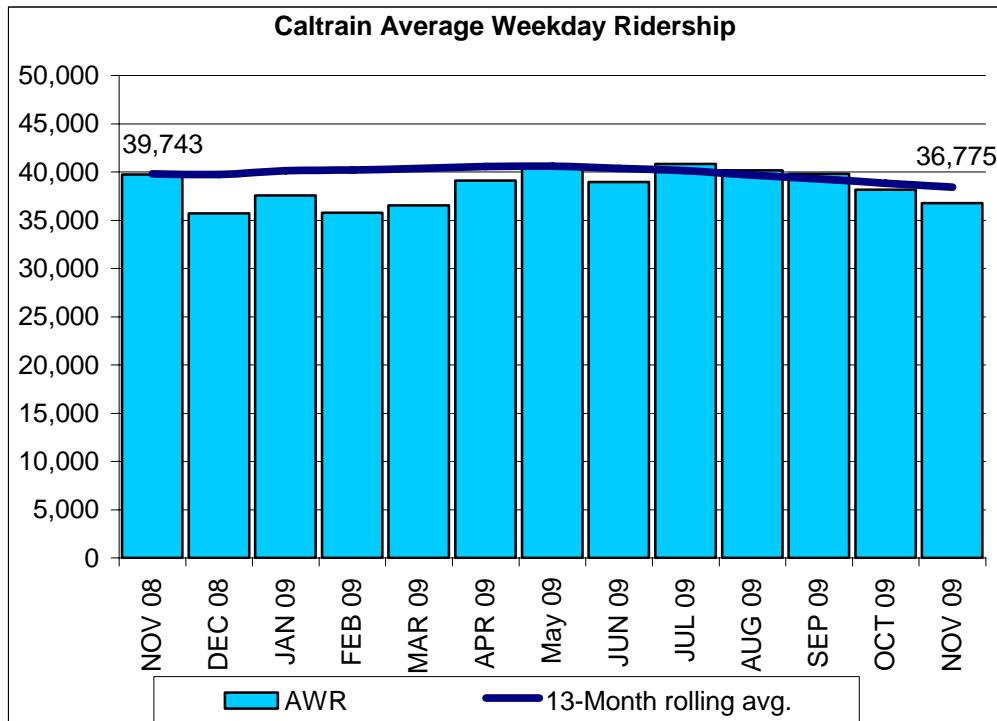
Table A

	FY 09	FY 10	%Change
Total Ridership	1,007,443	950,672	-5.6%
Average Weekday Ridership	39,743	36,775	-7.5%
Total Revenue	\$ 3,342,903	\$ 3,315,349	-0.8%
On-time Performance	96.3%	92.0%	-4.5%
Caltrain Shuttle Ridership	7,404	5,270	-28.8%

Year to Date

	FY 09	FY 10	%Change
Total Ridership	5,743,019	5,186,665	-9.7%
Average Weekday Ridership	43,308	39,149	-9.6%
Total Revenue	19,185,152	18,299,906	-4.6%
On-time Performance	94.1%	93.7%	-0.4%
<i>Average Caltrain Shuttle Ridership</i>	<i>6,488</i>	<i>4,377</i>	<i>-32.5%</i>

Graph A



**PENINSULA CORRIDOR JOINT POWERS BOARD
STAFF REPORT**

TO: Joint Powers Board

THROUGH: Michael J. Scanlon
Executive Director

FROM: Gigi Harrington
Deputy CEO

SUBJECT: **AUTHORIZATION TO AMEND AND INCREASE THE FISCAL YEAR
2010 CALTRAIN CAPITAL BUDGET**

ACTION

Staff Coordinating Council (SCC) recommends the Board increase the Fiscal Year 2010 Capital Budget by \$73 million for the San Bruno Grade Separation project and \$625,000 for the San Mateo Grade Crossing Safety Improvement program. As a result of these two changes, the total authorized amount for the FY2010 Caltrain Capital Budget would increase from \$85,236,042 to \$158,861,042.

SIGNIFICANCE

The FY2010 Caltrain Capital Budget is proposed to be amended as follows:

1. The scope of the San Bruno Grade Separation project includes elimination of three street-level grade crossings by lowering San Bruno, San Mateo and Angus avenues and raising the railroad tracks. Pedestrian underpasses will be built at Euclid, San Bruno and Sylvan Avenues. A new elevated Caltrain station between San Bruno and San Mateo avenues will replace the existing station at Sylvan Avenue. Streets and sidewalks, including those at Posy Park, also will be improved.

The JPB previously deferred the San Bruno Grade Separation project pending further work on the State of Good Repair program. This additional time allowed the project to be planned and funded in the context of potential high-speed rail development in the vicinity of the project area. With high-speed rail alignment potentially going through the project area, the project has now been designed to accommodate a two-track railroad over a multi-track footprint. The scope of the current project, however, contains only the portion that is required for Caltrain, and will be funded by sources that are under the control of the JPB.

The estimated total cost of the Caltrain San Bruno Grade Separation project is \$165 million. In addition to the \$27 million previously authorized by the Board, the proposed

amendment adds an additional \$73 million for the project, which will bring the authorized total to \$100 million. A portion of the \$73 million in additional budget authority will be used to award a preliminary contract for the construction of a box culvert for the San Bruno Grade Separation Project.

The remaining budget authority of \$65 million to fully fund the project will need to be secured later this spring, subject to funding discussion by the San Mateo County Transportation Authority (TA). Staff continues to pursue potential funding sources for the \$65 million, which include: \$19 million in State Transportation Improvement Program funds proposed to be programmed to the San Bruno Grade Separation project, potential additional federal stimulus funds, existing Measure A funds redirected or loaned from other programmed projects, and new Measure A funds that began collection on January 1, 2009 and for which programming policy is currently being developed by the TA.

2. The San Mateo Grade Crossing Safety Improvement program was previously budgeted in Fiscal Years 2007 and 2009 as part of a program in San Mateo County to enhance the grade crossing safety for pedestrians and drivers. Improvements include more clearly-marked pedestrian crossings with fencing and gates, improved sidewalks and pavement markings, and roadway medians. The Board previously authorized \$17.2 million for the project, and due to additional scope that added other safety features at a number of grade crossings, the revised total cost of the project is now \$17.825 million.

BUDGET IMPACT

No JPB member contributions are required for the proposed Capital Budget amendments. The funding sources required for the amendments are as follows:

1. The \$73 million budget amendment proposed for San Bruno Grade Separation project will be funded by a \$30 million grant from the State Proposition 1B Highway-Railroad Crossing Safety Account, \$10 million anticipated from the State Public Utilities Commission Section 190 (PUC 190) Grade Separation program, \$6.6 million in Federal Transit Administration funds, and \$26.4 million in Measure A sales tax funds from the San Mateo County Transportation Authority.

The \$6.6 million in Federal Transit Administration funds was previously budgeted for the eight Bombardier cars purchased in 2007. The purchase of the rail cars was funded 100 percent by farebox revenue bonds with no Federal participation; as a result, the \$6.6 million in Federal funds are now available to be re-directed to another Caltrain project that can provide an equivalent amount of local funds that can be placed into a Board-approved reserve account. The funds in the reserve account will then be used to partially fund the annual debt service for the farebox revenue bonds.

2. The \$625,000 additional authority required for the San Mateo Grade Crossing Safety Improvement program will be fully funded by approved Measure A sales tax funds from the San Mateo County Transportation Authority.

BACKGROUND

The Joint Powers Board approved the FY2010 Capital Budget on July 2, 2009 under Resolution No. 2009-38, in the amount of \$82,336,042 and subsequently amended it on September 3, 2009 and October 1, 2009 under Resolution Nos. 2009-40 and 2009-45. The proposed amendment as discussed above would increase the Capital Budget to an authorized total of \$158,861,042.

The JPB annually adopts a Capital Budget to accompany the Operating Budget. The purpose of the Capital Budget is to implement a balanced program of projects that gives the JPB the ability to meet its goals and objectives as set forth in the 10-year Short Range Transit Plan and the related Rapid Rail Plan.

Prepared by: April Chan, Director, Budgets and Grants

650.508.6228

RESOLUTION NO. 2010 –

**PENINSULA CORRIDOR JOINT POWERS BOARD
STATE OF CALIFORNIA**

* * *

**AUTHORIZING AMENDMENT TO THE FISCAL YEAR 2010 CAPITAL BUDGET
IN THE AMOUNT OF \$73,625,000 FOR A TOTAL BUDGET OF 158,861,042**

WHEREAS, pursuant to Resolution Nos. 2009-38, 2009-40 and 2009-45, adopted on July 2, 2009, September 3, 2009, and October 1, 2009, respectively, the Peninsula Corridor Joint Powers Board (“JPB”) adopted and subsequently amended the Fiscal Year 2010 Capital Budget for a total authorized budget of \$85,236,042; and

WHEREAS, two JPB capital projects, the Caltrain San Bruno Grade Separation Project and the San Mateo Grade Crossing Safety Improvement program, will require additional funding for Fiscal Year 2010; and

WHEREAS, the estimated total cost of the Caltrain San Bruno Grade Separation Project is \$165 million; and

WHEREAS, the Board previously authorized \$27 million for the project; and

WHEREAS, another \$73 million in budget authority is now required, a portion of which will be used to award a preliminary contract for the construction of a box culvert for the San Bruno Grade Separation Project; and

WHEREAS, the funding sources for this additional \$73 million in budget authority include \$30 million grant from the State Proposition 1B Highway-Railroad Crossing Safety

Account, \$10 million anticipated from the State Public Utilities Commission Section 190 Grade Separation program, \$6.6 million in Federal Transit Administration funds, and \$26.4 million in Measure A sales tax funds from the San Mateo County Transportation Authority; and

WHEREAS, following this authorization, the project will require future budget authority in the amount of \$65 million, which will be subject to funding discussions with the San Mateo County Transportation Authority; and

WHEREAS, the additional budget authority of \$65 million will be combined with this budget authorization to fully fund the San Bruno Grade Separation Project; and

WHEREAS, the Board previously authorized \$17.2 million for the San Mateo Grade Crossing Safety Improvement program; and

WHEREAS, due to the addition of safety features at a number of grade crossings, the program requires additional funding in the amount of \$625,000, for a total program budget of \$17.825 million; and

WHEREAS, the \$625,000 in additional funding will be provided by approved Measure A sales tax funds from the San Mateo County Transportation Authority; and

WHEREAS, the Staff Coordinating Council recommends that the JPB approve the amendments to the FY2010 Capital Budget to fund the projects as described above.

NOW, THEREFORE, BE IT RESOLVED that the Peninsula Corridor Joint Powers Board approves an amendment to the Fiscal Year 2010 Capital Budget to add \$73 million for the

Caltrain San Bruno Grade Separation Project, and \$625,000 for the San Mateo Grade Crossing Safety Improvement program, for a total authorized capital budget increase for FY2010 of \$73,625,000, from \$85,236,042 to \$158,861,042; and

BE IT FURTHER RESOLVED that the Board authorizes the Executive Director to take such additional actions as may be necessary to give effect to this resolution.

Regularly passed and adopted this 7th day of January 2010, by the following vote:

AYES:

NOES:

ABSENT:

Chair, Peninsula Corridor Joint Powers Board

ATTEST:

JPB Secretary

**PENINSULA CORRIDOR JOINT POWERS BOARD
STAFF REPORT**

TO: Joint Powers Board

THROUGH: Michael J. Scanlon
Executive Director

FROM: Gigi Harrington
Deputy CEO

SUBJECT: **AUTHORIZING THE FILING OF AN APPLICATION TO REQUEST
2010 REGIONAL IMPROVEMENT PROGRAM FUNDS IN THE
AMOUNT OF \$19,203,000 FOR THE SAN BRUNO GRADE SEPARATION
PROJECT**

ACTION

Staff Coordinating Council (SCC) recommends that the Board adopt a resolution authorizing the Executive Director, or his designee, to:

1. Submit an application to the Metropolitan Transportation Commission (MTC) for Fiscal Year 2011 Regional Improvement Program (RIP) funds, in an amount of \$19,203,000, for the San Bruno Grade Separation Project; and
2. Execute a Certification of Assurances and such other documents as may be necessary to implement the aforementioned Action.

SIGNIFICANCE

The proposed action would allow for the submittal of a funding application to the MTC through the City and County Association of Governments of San Mateo (C/CAG) for \$19,203,000 of RIP funding to be used to pay for a portion of the construction costs of the San Bruno Grade Separation Project. Funding for this request will come from San Mateo County's share of RIP programming in the MTC region.

The RIP funds were originally programmed to the South San Francisco Station Improvement project; however, due to on-going negotiation with Union Pacific Railroad (UPRR) over the relocation of its team tracks as well as modification to the UPRR yard in the project area and the potential impact by high speed rail development in the vicinity of the South San Francisco Caltrain station, the delivery of the South San Francisco Station Improvement project has been delayed until these issues can be resolved. In order not to jeopardize the RIP funding available from San Mateo County's share of programming, the funds are now proposed to be re-directed to the San Bruno Grade Separation project, which is scheduled to begin construction late summer this year.

BUDGET IMPACT

The estimated total cost of the San Bruno Grade Separation Project is \$165 million. The \$19.203 million is proposed to be programmed from RIP funds that are part of the funding strategy outlined for the project. The funding strategy is discussed in detail in another staff report included for Board action at today's meeting, which requests the Board's approval of an amendment to the Fiscal Year 2010 Caltrain Capital Budget for the San Bruno Grade Separation Project.

BACKGROUND

Each Regional Transportation Planning Agency (RTPA) in the state is responsible for developing a Regional Transportation Improvement Program (RTIP). As part of that process, the RTPA programs Regional Improvement Program funds. The MTC is the RTPA responsible for developing regional project priorities as part of the RTIP for the nine-county San Francisco Bay Area. Projects that are programmed by MTC for the 2010 RTIP will be submitted to the California Transportation Commission (CTC) for inclusion in the 2010 State Transportation Improvement Program (STIP). The MTC works with each county's Congestion Management Agency (CMA) in establishing regional funding priorities. The City/County Association of Governments (C/CAG) is the designated CMA in San Mateo County. JPB staff is working with both the MTC and C/CAG to satisfy state requirements associated with the above programming requests.

The scope of the San Bruno Grade Separation Project includes elimination of three street-level grade crossings by lowering San Bruno, San Mateo and Angus Avenues and raising the railroad tracks. Pedestrian underpasses will be built at Euclid, San Bruno and Sylvan Avenues. A new elevated Caltrain station between San Bruno and San Mateo Avenues will replace the existing station at Sylvan Avenue. Streets and sidewalks, including those at Posy Park, also will be improved.

Prepared by: April Chan, Director, Budgets and Grants

650.508.6228

RESOLUTION NO. 2010-

**BOARD OF DIRECTORS, PENINSULA CORRIDOR JOINT POWERS BOARD
STATE OF CALIFORNIA**

* * *

**AUTHORIZING THE FILING OF AN APPLICATION TO THE METROPOLITAN
TRANSPORTATION COMMISSION TO REQUEST REGIONAL
TRANSPORTATION IMPROVEMENT FUNDS IN THE AMOUNT OF \$19,203,000
FOR THE SAN BRUNO GRADE SEPARATION PROJECT**

WHEREAS, Staff Coordinating Council recommends that the Board of Directors of the Peninsula Corridor Joint Powers Board (JPB) authorize the filing of an application to the Metropolitan Transportation Commission (MTC) for \$19,203,000 in funding from the 2010 Regional Transportation Improvement Program (RTIP) for the San Bruno Grade Separation Project (Project) for the MTC 2010 RTIP, as authorized by MTC Resolution No. 3928 (herein referred to as Program); and

WHEREAS, SB 45 (Chapter 622, Statutes 1997) substantially revised the process for estimating the amount of state and federal funds available for transportation projects in the state and for appropriating and allocating the available funds to these projects; and

WHEREAS, as part of that process, MTC is responsible for programming projects eligible for Regional Improvement Program funds, pursuant to California Government Code Section 14527(b), for inclusion in the RTIP, and submission to the California Transportation Commission, for inclusion in the State Transportation Improvement Program; and

WHEREAS, MTC will review and include, if approved, 2010 RTIP projects in the Federal Transportation Improvement Program (TIP); and

WHEREAS, MTC has requested eligible transportation project sponsors to submit applications nominating projects to be programmed for Regional Improvement Program funds in the RTIP; and

WHEREAS, applications to MTC must be submitted consistent with procedures, conditions, and forms it provides transportation project sponsors; and

WHEREAS, the JPB is a sponsor of transportation projects eligible for Regional Improvement Program funds; and

WHEREAS, the application to be submitted to the MTC to request MTC program Regional Improvement Program funds for inclusion in the RTIP include the RTIP Project Programming Request (PPR), which provides a description and purpose of the Project along with its schedule and budget; and

WHEREAS, the Certification of Assurances included in the RTIP funding request, attached hereto and incorporated herein as though set forth at length, includes the certification by the JPB of assurances required by SB 45 in order to qualify the project listed in the RTIP project nomination sheet of the project application for programming by MTC; and

WHEREAS, as part of the application for 2010 RTIP funding, MTC requires any resolution adopted by the responsible implementing agency to state that the project will comply with the procedures specified in the “Timely Use of Funds Provisions and Deadlines” (MTC Resolution No. 3928, Attachment 1, Pages 14-15, and as may be further amended).

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Peninsula Corridor Joint Powers Board hereby:

1. Authorizes its Executive Director, or designee, to execute and file an application with the MTC to program Regional Improvement Program funds into the RTIP for the Project, in the amount of \$19,203,000; and
2. Approves the execution of assurances set forth in the Certification of Assurances included in the RTIP funding request, attached to this resolution; and
3. Agrees to comply with the provisions and requirements of the “Timely Use of Funds Provisions and Deadlines” (MTC Resolution No. 3928, Attachment 1, Pages 14-15, and as may be further amended), that the Project will be implemented as described in the complete application and in this resolution and, if approved, for the amount programmed in the MTC Federal TIP, and that in implementing the Project the JPB will comply with the requirements as set forth in the 2010 RTIP Policies and Procedures (MTC Resolution No. 3928); and
4. Finds and determines that it has reviewed the Project and has concluded that a) the JPB has adequate staffing resources to deliver and complete the Project within the schedule set forth in the PPR; b) the JPB is an eligible sponsor of projects in the State Transportation Improvement Program; c) the JPB is authorized to submit an application for State Transportation Improvement Program funds for Project; d) there is no legal impediment to the JPB making applications for Regional Transportation Improvement Program funds; and e) there is no pending or threatened litigation which might in any way adversely affect the proposed Project, or the ability of the JPB to deliver such Project; and
5. Directs that a copy of this resolution shall be transmitted to MTC in conjunction with the filing of the JPB application referenced herein; and

6. Authorizes that the Executive Director or designee is authorized to take any additional actions necessary to give effect to this resolution.

Regularly passed and adopted this 7th day of January, 2010 by the following vote:

AYES:

NOES:

ABSENT:

Chair, Peninsula Corridor Joint Powers Board

ATTEST:

JPB Secretary

RTIP Project Application
Certification of Assurances

The implementing agency certifies that the project for which Regional Improvement Program funding is requested meets the following project screening Criteria. **Please initial each.**

1. The project is eligible for consideration in the RTIP. Pursuant to Streets and Highways Code Section 164 (e), eligible projects include improving state highways, local roads, public transit, intercity rail, pedestrian, and bicycle facilities, and grade separation, transportation system management, transportation demand management, soundwall projects, intermodal facilities, and safety. _____
2. For the funds requested, no costs have/will be incurred prior to adoption into the STIP by the CTC.

3. A Project Study Report (PSR) or PSR equivalent has been prepared for the project. _____
4. The project budget included in Part 2 of the project application reflects current costs updated as of the date of application and escalated to the appropriate year. _____
5. The project is included in a local congestion management program (CMP). (Note: For those counties that have opted out of preparing a CMP in accordance with Government Code Section 65088.3, the project must be consistent with the capital improvement program adopted pursuant to MTC's funding agreement with the countywide transportation planning agency.) _____
6. The year of funding for any design, right-of-way and/or construction phases has taken into consideration the time necessary to obtain environmental clearance and permitting approval for the project. _____
7. The project is fully funded. _____
8. For projects with STIP federal funds, the implementing agency agrees to contact Caltrans and schedule and complete a field review within six months of the project being adopted or amended into the TIP.

9. For STIP construction funds, the implementing agency agrees to send a copy of the Caltrans LPP 01-06 "Award Information for STIP Projects – Attachment A" to MTC and the CMA, upon award. _____
10. The implementing agency agrees to be available for an audit of STIP funds, if requested. _____

The implementing agency also agrees to abide by all statutes, rules and regulations applying to the State Transportation Improvement Program (STIP), and to follow all requirements associated with the funds programmed to the project in the STIP. _____

These include, but are not limited to:

1. Environmental requirements: NEPA standards and procedures for all projects with Federal funds; CEQA standards and procedures for all projects programmed with State funds.
2. California Transportation Commission (CTC) requirements for transit projects, formerly associated with the Transit Capital Improvement (TCI) program. These include rules governing right-of-way acquisition, hazardous materials testing, and timely use of funds.
3. Federal Transit Administration (FTA) requirements for transit projects as outlined in FTA regulations and circulars.
4. Federal Highway Administration (FHWA) and Caltrans requirements for highway and other roadway projects as outlined in the Caltrans Local Programs Manual.
5. Federal air quality conformity requirements, and local project review requirements, as outlined in the adopted Bay Area Conformity Revision of the State Implementation Plan (SIP).

**PENINSULA CORRIDOR JOINT POWERS BOARD
STAFF REPORT**

TO: Joint Powers Board

THROUGH: Michael J. Scanlon
Executive Director

FROM: Mark Simon
Executive Officer, Public Affairs

SUBJECT: **2010 STATE AND FEDERAL LEGISLATIVE PROGRAM**

ACTION

Staff Coordinating Council (SCC) proposes Board adoption of the attached legislative program to guide Caltrain's advocacy efforts in Sacramento and Washington, D.C. over the course of the 2010 calendar year.

SIGNIFICANCE

The 2010 State and Federal Legislative Program sets forth the principles that will guide Caltrain's State and Federal advocacy efforts through the remainder of the State Legislative session and the 111th Congress. The program is intended to be broad enough to cover the wide variety of issues that will likely be considered and flexible enough to allow Caltrain, its staff, and its legislative advocates to respond swiftly and effectively to unanticipated developments. Adoption of the program provides our legislative delegation and our transportation partners with a Board-approved statement of Caltrain's priorities.

The 2010 Legislative Program is divided into a State section and also a Federal one.

Each section of the program consists of a summary of the key policy issues and a series of related goals and advocacy strategies.

The State Legislative Program is organized around five primary issues:

- State Budget and Transportation Funding
- Transportation Program Structure
- Climate Change and Air Quality Regulation
- Peninsula Rail Program
- Projects Delivery

The Federal Legislative Program is organized around eight primary issues:

- Surface Transportation Authorization
- Fiscal Year 2011 Transportation Appropriations
- Climate Change
- High Speed Rail

- Economic Recovery
- Transit Safety and Security
- Lease In Lease Out (LILO)/Sale In Sale Out (SILO) Transactions
- Troubled Asset Relief Program (TARP) Assistance for Local Government

In order to advance these goals, Government Affairs staff will work closely with the Board and Caltrain's State and Federal legislative consultants to implement a comprehensive advocacy approach. This approach will include:

1. Direct, consistent Board advocacy efforts with policymakers and their staff to encourage steps that will advance Caltrain's legislative priorities with an emphasis on funding.
2. Participation in coordinated advocacy efforts in collaboration with the California Transit Association, the American Public Transportation Association and other advocacy organizations
3. Creation of broad-based coalitions of local, regional and statewide stakeholders in support of targeted policy objectives
4. Efforts to educate and build awareness among stakeholders and the public to foster support for legislative goals

BUDGET IMPACT

There is no impact on the budget.

BACKGROUND

Staff actively monitors State and Federal legislative activity and will seek Board positions on selected bills as appropriate to further Caltrain's legislative objectives and to provide support for our advocacy efforts. Staff will supply updated reports summarizing relevant legislative and regulatory activities, allowing the Board to Track legislative developments and providing opportunities to take appropriate action on pending legislation.

Prepared by: Seamus Murphy, Manager, Government Affairs

650.508.6385

2010 LEGISLATIVE PROGRAM

S T A T E

<i>Issue</i>	<i>Goals and Background</i>	<i>Strategy</i>
1. State Budget and Transportation Funding	<p>A. Protect and restore traditional sources of transportation funding</p> <p>Given the State’s worsening fiscal condition, protecting transportation dollars for their intended purpose will once again be a top priority in 2010. The State continues to divert transportation funding to fulfill General Fund obligations and as the State’s budget shortfall increases, transportation funding is increasingly at risk of being cut. Since 2007, over \$3.4 billion has been diverted from the Public Transportation Account (PTA) and funding for the State Transit Assistance (STA) program has been eliminated until the 2012-13 fiscal year. The success of the California Transit Association’s (CTA) lawsuit against the diversion of spillover revenues presents an opportunity to gain some relief, but several steps are needed to implement its intended result.</p>	<ul style="list-style-type: none"> ● Support the full transfer of state gasoline sales tax revenues to the Transportation Investment Fund (TIF) ● Oppose the loan, transfer or diversion of the four core funding sources of funding for the PTA which include: Proposition 42, state sales tax on the Proposition 111 gas tax increase, state sales tax on diesel fuel and “spillover” revenue ● Support the CTA’s efforts to restore Public Transportation Account (PTA) funding for mass transportation purposes, including the STA program, and seek repayment of past diversions ● Advocate for the timely issuance, annual allocation and possible acceleration of funding from transportation bonds including those authorized through approval of the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B) and the Safe, Reliable High-Speed Passenger Train Bond Act (Proposition 1A)
	<p>B. Secure enhanced funding for public transportation</p> <p>California is suffering from an overall underinvestment in transportation infrastructure. The cost of constructing projects continues to increase while the gas tax, the historic foundation of transportation funding, has remained constant and therefore substantially eroded in value and purchasing power. Legislative proposals and policies are needed to ensure that adequate levels of funding are available for operating, maintaining, rehabilitating, and improving California’s transportation infrastructure.</p>	<ul style="list-style-type: none"> ● Support legislation that would increase and index the State’s gas tax so that it is adjusted for inflation ● Support legislation to impose an additional ¼% increase statewide for purposes of dedicating resources, as defined, pursuant to the Transportation Development Act (TDA) ● Support efforts to lower the two-thirds voter approval requirement for ballot measures that provide increased tax revenue for transportation purposes ● Support efforts that allow Mello-Roos Community Facilities Districts to finance public transit facilities and public transit services, including, but not limited to, operational expenses and maintenance of public transit equipment

2010 LEGISLATIVE PROGRAM

<p>2. Transportation Program Structure</p>	<p>A. State Transportation Improvement Program (STIP) reform</p> <p>SB 45 (Kopp) brought about various changes to the process for programming transportation dollars through the STIP. In general, this legislation simplified the programming process by consolidating nine separate state transportation funding pots into two broad categories, and devolving a significant amount of programming responsibility from the California Transportation Commission (CTC) to regional transportation planning agencies (RTPAs).</p>	<p>Support reforms that:</p> <ul style="list-style-type: none"> • Allow county shares and programming capacity to be calculated based on the STIP Fund Estimate by eliminating the four year county share period • Strengthen language in the existing law that compels the CTC to accept or reject Regional Transportation Improvement Plan's (RTIP) in their entirety • Establish clear criteria as to when the CTC may reject an RTIP • Allow local agencies to bond against their STIP county shares
	<p>B. Public Transportation Account (PTA) reform</p> <p>Revenues in the PTA are derived primarily from four sources: (1) sales tax on diesel fuel; (2) sales tax on 9 cents of the state excise tax on gasoline; (3) Proposition 42; and (4) spillover. On the expenditure side, how PTA revenues are allocated varies by funding source. In addition, these funds have been a primary source of diversion toward General Fund purposes.</p>	<p>Support reforms that:</p> <ul style="list-style-type: none"> • Clarify the definition of public transit to ensure that PTA dollars can only be used for mass transportation purposes and not for other expenditures historically covered by the General Fund • Establish a uniform method for PTA revenue distribution, regardless of funding source • Enact STA eligibility criteria/farebox recovery ratio formula improvements
<p>3. Climate Change and Air Quality Regulation</p>	<p>Ensure equitable implementation of AB 32 and SB 375</p> <p>In 2006 AB 32 (Nunez), the Global Warming Solutions Act, was passed making California the first state in the nation to attempt to cap its greenhouse gas emissions. AB 32 empowers the California Air Resources Board (CARB) to adopt rules and regulations to achieve this. Two years later, SB 375 (Steinberg) was enacted to put in place a framework for cutting vehicle miles traveled as a strategy for reducing greenhouse gas emissions from the transportation sector. Implementation planning for these regulations is ongoing.</p>	<p>Support implementation that:</p> <ul style="list-style-type: none"> • Reinforces the overarching goal to reduce greenhouse gas emissions from the transportation sector by promoting the use of clean transportation alternatives • Provides funding to support the role that public transportation and transit oriented development will play in meeting the State emissions mandates • Provides dedicated funding necessary to enable transportation planning agencies to meet specified emissions reduction targets and to accommodate increased service demand resulting from vehicle miles traveled (VMT) reduction efforts • Addresses and accounts for the potential erosion of a traditional transportation funding base through the reduction of taxable fuel consumption

2010 LEGISLATIVE PROGRAM

<p>4. High Speed Rail</p>	<p>Advance coordinated planning and funding efforts for the Peninsula Rail Program (PRP)</p> <p>The PRP was organized through an agreement between the Peninsula Corridor Joint Powers Board (Caltrain) and the California High Speed Rail Authority (CHSRA) to deliver high speed rail between San Jose and San Francisco. Recent voter approval of a statewide \$9 billion bond measure and unprecedented federal commitment in the form of economic recovery funds and annual appropriations offer substantial opportunity for the PRP to benefit.</p>	<ul style="list-style-type: none"> • Advocate that the FY 2010-11 State Budget include full funding for the CHSRA and support the full appropriation of funding included in the FY 2009-10 State Budget • Advocate for legislation that promotes the successful implementation of high speed passenger rail and improved commuter rail service along the Caltrain corridor between San Jose and San Francisco • Advocate for policies that help facilitate PRP public participation and community involvement efforts
<p>5. Project Delivery</p>	<p>Improve State transportation project delivery, financing, management and oversight policies</p> <p>Project delivery continues to be an area of focus. Oftentimes, transportation projects can take a considerable amount of time to complete. Project sponsors must maneuver through a multi-stage development and review process and delays are common. Therefore, it is important to explore different and innovative ways to expedite the delivery of transportation projects in order to control costs and provide the benefits of transportation improvements to the system's users more quickly.</p>	<ul style="list-style-type: none"> • Support legislation that would enhance transportation agencies' ability to benefit from public private partnerships • Support efforts to preserve and enhance innovative contracting alternatives available to transportation agencies • Support policies that streamline and expedite State approval processes, including Caltrans' exception process for improvements along State roadways

2010 LEGISLATIVE PROGRAM

F E D E R A L		
<i>Issue</i>	<i>Goals and Background</i>	<i>Strategy</i>
1. Surface Transportation Authorization	<p>A. Timing: Secure predictable federal transportation funding levels in advance of authorization</p> <p>Since the expiration of SAFETEA-LU in 2009, Congress enacted several extensions of the current authorization as they have struggled to address challenges before considering a six-year bill.</p>	<ul style="list-style-type: none"> ● Support efforts to gain swift approval of a full, multi-year surface transportation authorization act ● If necessary, support extension of the prior authorization in a manner that minimizes funding uncertainty and enhances overall infrastructure investment
	<p>B. Funding: Ensure that authorized funding will support long term transportation investment needs</p> <p>Under SAFETEA-LU, the overall funding level for highways, public transit, highway safety, motor carrier safety, and transportation research during the legislation’s six-year life was \$286.4 billion. While this amount was greater than previous authorizations, it fell far short of the level of federal investment needed to maintain the nation’s existing transportation infrastructure, as well as to expand its capacity in order to keep up with the steadily growing demand for transportation.</p> <p>According to a report issued by the National Surface Transportation Policy and Revenue Study Commission in January 2008: “Any effort to address the future transportation needs of the United States must come to grips with the sobering financial reality of such an undertaking. Estimates indicate that the U.S. needs to invest at least \$225 billion annually for the next 50 years to upgrade our existing transportation network to a good state of repair and to build the more advanced facilities we will require to remain competitive. We are spending less than 40 percent of this amount, and the current fuel-tax-based revenue mechanisms probably cannot be relied upon alone to raise the needed sums.”</p>	<p>Support American Public Transportation Association (APTA) principles including:</p> <ul style="list-style-type: none"> ● Authorization that more than doubles federal investment in public transportation, ensures that public transportation receives no less than 20 percent of federal surface transportation funding and provides no less than \$123 billion over the six year authorization period with a goal of doubling ridership in that time ● Funding guarantees that promote long range planning, financing and leveraging by ensuring that authorized funding is appropriated each year ● Efforts to reinforce the integrity of the Highway Trust Fund (HTF) by: <ul style="list-style-type: none"> ○ Increasing the purchasing power of the federal motor fuels user fee ○ Expanding the fee to alternative fuels to support a significant increase in federal public transportation investment ○ Restoring interest earning qualities to the HTF ○ Promote the establishment of innovative financing models including public private partnerships, tolling and revenues generated through greenhouse gas and vehicle mileage reduction efforts to supplement traditional federal transportation funding sources ○ Support dedicating a portion of a potential future nationwide sales or consumption tax to fund the Mass Transportation Account (MTA) ● Incentives to promote increased state and local transportation investment ● Provisions that allow for temporary operations funding that is additive to capital investment programs and available provided that certain conditions are met

2010 LEGISLATIVE PROGRAM

	<p>C. Programs: Establish program structure modifications and project delivery enhancements</p> <p>For the most part, SAFETEA-LU respected the basic program structure that existed previously. This program structure consists of a core highway program that is primarily formula-based, a core public transit program comprised of both formula and discretionary elements, and flexible funding programs that allow the states and metropolitan planning organizations (MPOs), such as MTC in the Bay Area, to move funds around in a manner that best meets local and regional mobility needs.</p>	<p>Support APTA principles including:</p> <ul style="list-style-type: none"> • Modification of the Bus and Bus Facilities Program to allow 50 percent of funds to be delivered by formula • A new Clean Fuels Aging Bus Replacement program at no less than \$100 million in its first year to fund alternative fuel bus procurements. Eliminate local match requirements for procurements • A simplified, two-tiered Fixed Guideway Modernization Program • A simplified New Starts/Small Starts Program with escalated funding thresholds and a streamlined approval process • Combining the New Freedom Initiative, Elderly and Disabled Program and Jobs Access and Reverse Commute Program to create a new Coordinated Mobility Initiative to address growing and evolving mobility needs • New funding to promote transportation workforce development efforts • Creation of a High Speed and Intercity Passenger Rail title with eligibility for peripheral commuter rail benefits, and funded at no less than \$50 billion • Strengthen public transportation’s role in regional planning efforts <p>Also support:</p> <ul style="list-style-type: none"> • Exploring the creation of a national infrastructure bank to fund projects of regional and national significance including high speed rail
	<p>D. Sustainability & Livability: Establish policies that reflect public transportation’s role in greenhouse gas reduction</p> <p>States continue to enact transportation and land use planning policies that encourage mixed-use, higher density, walkable development near transit. In addition, federal agencies have announced new partnerships intended to reduce VMT by promoting these goals on a national scale.</p>	<ul style="list-style-type: none"> • Advocate for the inclusion of funding that supports a Sustainable Communities Initiative partnership between the U.S. Department of Transportation, the U.S. Department of Housing and Urban Development and the U.S. Environmental Protection Agency to support coordinated integration of housing, transportation and land use planning and investment • Support the permanent extension of the 50-cent per gallon alternative fuel tax credit
<p>2. FY 2011 Transportation Appropriations</p>	<p>Secure full appropriation for public transportation programs at authorized levels and maximize discretionary funding opportunities</p> <p>Every year, Congress adopts at least 12 separate appropriations bills, including one for transportation. These measures provide the authority for federal agencies to spend money during the upcoming fiscal year for the programs they administer. In the case of surface transportation, the annual appropriations process is guided by funding and programs authorized in SAFETEA-LU until successor legislation is enacted.</p>	<ul style="list-style-type: none"> • Support a minimum appropriations level for federal surface transportation programs equal to the guaranteed spending levels authorized in SAFETEA-LU or its successor • Advocate for the highest possible levels of funding for individual programs within the highway and transit titles of SAFETEA-LU or its successor • Work with Congressional delegation to seek discretionary funding as appropriate

2010 LEGISLATIVE PROGRAM

<p>3. Climate Change</p>	<p>Ensure that federal climate change legislation provides funding to expand clean transportation programs and services</p> <p>Congress continues to work to pass legislation that would address climate change by reducing greenhouse gas emissions. Early indications are that this legislation will include a cap and trade system where emissions allowances would be traded in a market based system. A portion of the revenues generated through the sale of these allowances could be used to fund clean transportation projects. The transportation sector produces approximately one-third of the greenhouse gas emissions in this country, primarily in the form of carbon dioxide (CO₂) emissions generated by automobiles.</p>	<ul style="list-style-type: none"> • Advocate that climate change legislation includes a funding strategy that reflects the opportunity for greenhouse gas reduction through new investment in clean transportation alternatives • Support dedicated formula funding that promotes energy efficiency in transit operations • Support funding for planning and capital investment related to the promotion of transit oriented development opportunities and sustainable land use strategies that result in VMT reduction • Advocate that transportation planning and infrastructure receive its fair share of revenue from a cap-and-trade system, while also emphasizing that such revenue must be supplemental to, and not a substitute for, a robust federal surface transportation program
<p>4. High Speed Rail</p>	<p>Maximize federal investment in California’s High Speed Train Project with a focus on funding for the PRP</p> <p>With \$ 8 billion in funding for high speed passenger rail approved as a part of the American Recovery and Reinvestment Act of 2009 (ARRA) and additional funding likely to be approved in annual appropriations and the next surface transportation reauthorization act, California’s high speed rail project and the PRP have an opportunity to benefit.</p>	<ul style="list-style-type: none"> • Work with the California High Speed Rail Authority (CHSRA) to support the State’s application for a portion of \$8 billion included in the American Recovery and Reinvestment Act of 2009 (ARRA). • Advocate for CHSRA efforts to secure additional funding provided through annual appropriations including \$2.5 billion appropriated in FY 2010 • Advocate for the inclusion of at least \$50 billion for High Speed and Intercity Passenger Rail in the next surface transportation authorization act along with continued annual appropriations.
<p>5. Economic Recovery</p>	<p>Ensure that significant transportation infrastructure investment is included in any additional economic recovery or jobs creation legislation</p> <p>With high nationwide unemployment levels, Congress is likely to consider new economic stimulus measures designed to create jobs.</p>	<ul style="list-style-type: none"> • Advocate for the use of Troubled Asset Relief Program (TARP) funds to provide supplemental infrastructure investment in transportation capital programs • Work with APTA and the American Association of State Highway and Transportation Officials (AASHTO) in their efforts to support infrastructure investment by identifying potential jobs creating transportation projects • Demonstrate the jobs creation opportunities presented by transportation investment generally
<p>6. Transit Safety and Security</p>	<p>A. Monitor new proposed federal transit safety proposals</p> <p>The U.S. Department of Transportation recently announced a new safety program intended to provide more uniform regulation of light rail systems, but with potential to expand the program to cover bus transit operators as well.</p>	<ul style="list-style-type: none"> • Monitor newly proposed Federal Transit Administration (FTA) safety regulations including the Public Transportation Safety Program Act of 2009 • Gauge potential impacts on agency operations and priorities and respond accordingly

2010 LEGISLATIVE PROGRAM

	<p>B. Secure full appropriation of authorized transit security grants and maximize discretionary funding opportunities</p> <p>Security is a top priority for public transit agencies across the United States. Since the terrorist attacks of September 11, 2001, public transit agencies have spent more than \$2 billion on security and emergency preparedness programs from their own budgets. Although state and local governments, as well as public transit agencies, are doing what they can to improve security, it is important for the federal government to be a full partner in efforts to ensure the security of the nation's public transit users.</p>	<ul style="list-style-type: none"> • Promote appropriation of transit security grants in the FY 2011 U.S. Department of Homeland Security Appropriations Bill at authorized levels, separate from existing federal transit programs • Federal public transit security and safety funding should be provided at a 100 percent federal share with no match requirement • Work with Congressional delegation to seek discretionary funds as appropriate • Encourage consideration of transferring administration of transit security grant programs to the U.S. Department of Transportation • Allow agencies to be direct recipients of grant funding to encourage timely award and receipt of funds.
<p>7. LILO-SILO Transactions</p>	<p>Secure passage of legislation to minimize risk to affected public agencies</p> <p>Due to the recent financial crisis, several large financial firms experienced an unanticipated downgrade of credit ratings. Some of these firms served as guarantors of LILO and SILO transactions now in technical default due to the reduced ratings. Many of these transactions were encouraged and recommended by the FTA, and with dozens of transit agencies involved, legislative action is needed to resolve the situation without leaving transit agencies at risk.</p>	<p>Work with a coalition of affected transit agencies to promote legislation that would impose a 100 percent excise tax on penalties collected through transactions in technical default</p>
<p>8. TARP Assistance for Local Government</p>	<p>Seek TARP funding for reimbursement of local government losses resulting from the collapse of financial institutions</p> <p>Many transit agencies suffered huge investment losses during the 2008 financial collapse. While TARP funds were authorized to minimize these losses, no funds have been used for this purpose.</p>	<p>Promote legislation that would compel Treasury to reimburse local governments for losses as authorized in TARP</p>

**PENINSULA CORRIDOR JOINT POWERS BOARD
STAFF REPORT**

TO: Joint Powers Board

THROUGH: Michael J. Scanlon
Executive Director

FROM: Mark Simon
Executive Officer, Public Affairs

SUBJECT: **STATE AND FEDERAL LEGISLATIVE UPDATE**

ACTION

This report is for information only. No Board action is required.

SIGNIFICANCE

Staff will provide regular updates to the Board consistent with the approved Legislative Program.

STATE ISSUES

Local Taxpayer, Public Safety and Transportation Protection Act of 2010

In December, the California Attorney General's office released the Title and Summary for the initiative sponsored by the California Transit Association (CTA), the California League of Cities and the California Alliance for Jobs. The Title and Summary, which will describe the ballot measure in petitions during signature gathering and in voter education materials, reads:

**PROHIBITS THE STATE FROM TAKING FUNDS USED FOR
TRANSPORTATION OR LOCAL GOVERNMENT PROJECTS AND
SERVICES. INITIATIVE CONSTITUTIONAL AMENDMENT.**

Prohibits the State from shifting, taking, borrowing, or restricting the use of tax revenues dedicated by law to fund local government services, community redevelopment projects, or transportation projects and services. Prohibits the State from delaying the distribution of tax revenues for these purposes even when the Governor deems it necessary due to a severe state fiscal hardship.

Summary of estimate by Legislative Analyst and Director of Finance of fiscal impact on state and local government: Significant constraints on state authority over city, county, special district, and redevelopment agency funds. As a result, higher and more stable local resources, potentially affecting

billions of dollars in some years. Commensurate reductions in state resources, resulting in major decreases in state spending and/or increases in state revenues.

Receipt of the Title and Summary allows the initiative's sponsors to begin signature gathering efforts. Over 700,000 valid signatures will need to be submitted prior to April 23, 2010 in order for the initiative to qualify for the November 2010 ballot. It is expected that transit agency governing boards will receive requests from the campaign to endorse the measure shortly.

California Transit Association Lawsuit

On December 9th, the Superior Court of California issued its "Judgment After Remittitur" in the CTA's lawsuit, *Shaw v. Chiang*, over transit funding diverted as part of the 2007-08 state budget agreement. The document follows the Supreme Court's recent rejection of the state's petition to appeal the appellate court ruling that the diversions were illegal. While it declares that the state must make arrangements to restore the \$1.19 billion of spillover funding that was raided in the 07-08 budget, the judgment merely serves as a legal guide for ultimate resolution of the case. In practical terms, the final settlement is still subject to negotiations between the CTA and state officials. In conjunction with its legal team, the CTA has been working to draft the parameters of a proposed settlement. The judgment certainly continues the trend of legal rulings in favor of public transportation, but the final outcome is yet to be determined.

In the interim, the Administration has set aside \$1.9 billion in funding for the Public Transportation Account, but has also indicated that they will continue to look for opportunities to utilize these revenues to address general fund obligations where feasible and permissible. The CTA's objective is to restore and provide predictable and reliable funding, with an emphasis on acquiring revenue for operations following the State's elimination of the State Transit Assistance program through at least FY 2012-13.

High Speed Rail

On December 14, the California High Speed Rail Authority (CHSRA) released a revised business plan in accordance with the State's 2009 Budget Act. The plan outlines new federal funding opportunities and provides revised project cost and revenue projections. Unlike the previous plan, the project cost is expressed based on year-of-expenditure estimates totaling \$42.6 billion. In addition, the business plan provides a revenue projection based on a scenario that assumes a ticket price that is 83 percent of the average airline ticket rather than the 50 percent assumption used in the previous plan. Under this scenario, the project would generate \$950 million in revenue in the first year of service and \$2.87 billion per year by 2035.

The Senate Transportation and Housing Committee will review the business plan in a joint meeting with the Budget Subcommittee No. 2 on Resources Environmental Protection, Energy and Transportation on January 14 and in a subsequent meeting in Palo Alto on January 21. The Assembly Transportation Committee is scheduled to review the plan on January 11.

FEDERAL ISSUES

Jobs for Main Street Act of 2010 – (H.R. 2847)

Prior to adjourning for the holiday recess, the House approved the Jobs for Main Street Act of 2010. The legislation authorizes and appropriates \$75 billion intended to provide a second economic stimulus in an effort to reverse growing unemployment trends. The legislation is funded through revenues related to the Troubled Asset Relief Program (TARP) and contains \$37.3 billion in funding for U.S. Department of Transportation programs including:

- \$8.4 billion for Federal Transit Administration (FTA) programs
- \$27.5 billion in Federal Highway Administration (FHWA) programs

In addition, the legislation includes several other notable provisions:

- Enables recipients to use 10 percent of their formula apportionment in H.R. 2847 for operating costs
- Extends SAFETEA-LU through the end of FY 2010
- Allows for 100 percent federal funding for projects funded during FY 2010
- Restores interest-earning qualities to the Highway Trust Fund (HTF) and transfers \$19.5 billion from the General Fund of the Treasury to the HTF, with \$14.7 billion to the Highway Account and \$4.8 billion to the Mass Transit Account (MTA) to restore revenues from prior year interest

Senate leaders have indicated that they will consider jobs legislation when the Senate returns from the holiday recess period in January 2010.

Transportation Housing and Urban Development (THUD) Appropriations – (H.R. 3288)

On December 13, Congress approved the final FY 2010 THUD appropriations bill as a part of a \$1.07 trillion omnibus appropriations package using the THUD bill as the legislative vehicle. The bill, which was signed by the President shortly after its passage, includes a record \$10.7 billion in funding for transit programs. The bill also includes:

- \$1,250,000 for Caltrain's Positive Train Control (PTC) project
- \$50,000,000 in rail safety grants for nationwide PTC projects
- \$2.5 billion for High Speed and Intercity Passenger Rail

Surface Transportation Authorization Act (STAA) – (H.R. XXXX)

On December 19 Congress approved, and the President signed, another extension of SAFETEA-LU funding levels as a part of the FY 2010 Defense Appropriations Bill (H.R. 3326). The extension ensures that federal transportation funding programs will continue through February 28, 2010. In addition, the House approved a separate, one-year extension of SAFETEA-LU as a part the Jobs for Main Street Act as described above. Staff will continue to work with our federal advocates and the American Public Transportation Association as Congress crafts a long term strategy for new surface transportation authorization.

Prepared By: Seamus Murphy, Manager, Government Affairs

650.508.6388

**PENINSULA CORRIDOR JOINT POWERS BOARD
STAFF REPORT**

TO: Joint Powers Board

THROUGH: Michael J. Scanlon
Executive Director

FROM: Gigi Harrington
Deputy CEO

SUBJECT: **COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL
YEAR ENDING JUNE 30, 2009 – INFORMATION ONLY**

ACTION

Staff Coordinating Council (SCC) has attached a copy of the JPB Comprehensive Annual Financial Report (CAFR) for the 2009 fiscal year for informational purposes only. No policy action is required .

SIGNIFICANCE

The CAFR is prepared in accordance with the guidelines set forth by the Government Accounting Standards Board and is organized into four sections – Introductory, Financial, Statistical and Single Audit.

- The **Introductory** Section includes a Transmittal Letter and provides general information on the JPB's structure, personnel, economic outlook and finances.
- The **Financial** Section includes audited financial statements which provide detailed financial information as well as comparative financial data. The Management Discussion & Analysis (MD&A) is also found in the Financial Section. Along with the Transmittal Letter, the MD&A is of most interest to those looking for a narrative annual review of the JPB's finances.
- The **Statistical** Section provides a broad range of data covering key financial trends including revenue and debt capacity, economic and demographic data and operating information.
- The **Single Audit** Section provides the Independent Auditor's Report on Internal controls and compliance, and the Schedule of Expenditures of Federal Awards and Findings and Recommendations from the Auditors.

Together, all sections of the CAFR provide the detail as well as the perspective with which to assess the JPB's financial condition.

BUDGET IMPACT

There is no impact to the Budget.

BACKGROUND

The JPB contracts with an independent auditor to conduct yearly audits of the Financial Statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. The introductory section and the statistical section presented in the CAFR are not required by California Government Code to be reported as part of the audited financial statements of the JPB but are required when producing a CAFR which the JPB chooses to do in order to provide detailed information about the financial condition of the JPB in a form that is understandable to readers without a technical background in accounting or finance.

The CAFR is prepared and presented to the Government Finance Officers Association (GFOA) for their review, evaluation and to apply for the certificate of Achievement for Excellence in Financial Reporting which the JPB has received consistently over the last eleven years.

Prepared by: Patricia Reavey, Director of Finance

650.508.6434

Peninsula Corridor Joint Powers Board

San Carlos, California

A Joint Exercise of Powers Agreement among:

City and County of San Francisco
San Mateo County Transit District
Santa Clara Valley Transportation Authority



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2009



**PENINSULA CORRIDOR
JOINT POWERS BOARD**

San Carlos, California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2009

Prepared by the Finance Division

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Section I

INTRODUCTORY

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Board of Directors

Executive Management

Organization Chart

Map

Table of Credits

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November 30, 2009

To the Executive Director, Board of Directors of the Peninsula Corridor Joint Powers Board and the Citizens of San Francisco, San Mateo and Santa Clara Counties

San Carlos, California

**Comprehensive Annual Financial Report
Year Ended June 30, 2009**

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Peninsula Corridor Joint Powers Board (JPB) for the fiscal year July 1, 2008 through June 30, 2009. This transmittal letter provides a summary of the JPB's finances, services, achievements and economic prospects for readers without a technical background in accounting or finance. Readers desiring a more detailed discussion of the JPB's financial results may refer to the Management's Discussion and Analysis in the Financial Section.

Management assumes sole responsibility for all the information contained in this report, including its presentation and the adequacy of its disclosures. To the best of our knowledge, we believe this report to be complete and reliable in all material respects. To provide a reasonable basis for making this representation, we have established a comprehensive system of internal controls designed to protect the JPB's assets from loss, to identify and record transactions accurately and to compile the information necessary to produce financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not exceed the likely benefits, the JPB's internal control system intends to provide reasonable, but not absolute, assurance that the financial statements are free from material misstatement.

To test the performance of the internal control system, the JPB contracted for independent auditing services from Vavrinek, Trine, Day & Company, LLP, a certified public accounting firm licensed to practice in the State of California. The auditor expressed an opinion that the JPB's financial statements are fairly stated and in compliance with accounting principles generally accepted in the United States of America. This conclusion is the most favorable kind and is commonly known as an "unqualified" or "clean" opinion.

PROFILE OF THE ORGANIZATION

Purpose

The JPB is responsible for Caltrain passenger rail service on the San Francisco Peninsula and south into Santa Clara County. Caltrain operates a rail system that has been a central part of Peninsula communities for 146 years. The rail line currently extends from San Francisco 77 miles south to Gilroy, serving 32 stations. Spanning San Francisco, San Mateo and Santa Clara counties, Caltrain provides vital links to multiple transit properties in 20 cities.

**PENINSULA CORRIDOR JOINT POWERS BOARD
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOVEMBER 30, 2009**

Entity

The JPB is a legally separate and financially independent entity that is not a component unit of the County of San Francisco, the County of San Mateo, the County of Santa Clara or any other organization. Furthermore, the JPB has no component unit organizations under its control. Therefore, this comprehensive annual financial report and the financial statements contained within represent solely the activities, transactions and status of the JPB.

History

After two years of negotiations, the California Department of Transportation (Caltrans) and the Southern Pacific Transportation Company (Southern Pacific) executed a purchase-of-service agreement for maintaining passenger rail service between San Francisco and San Jose. Service under this agreement began in 1980 with Southern Pacific operating the trains while receiving subsidies from state and local agencies and with Caltrans providing contract administration, service planning, marketing, engineering, scheduling, fare management, customer support and performance monitoring.

In 1988, the City and County of San Francisco (CCSF), the San Mateo County Transit District (District) and the Santa Clara Valley Transportation Authority (VTA) commissioned a study that recommended transferring responsibility for the rail service from the state to the local level. The three parties accomplished this objective in October 1991, executing a joint powers agreement that formed the JPB. Two months later, the JPB purchased the rail right of way between San Francisco and San Jose (Mainline) and perpetual trackage rights between San Jose and Gilroy (Gilroy Extension) from Southern Pacific.

The JPB member agencies and the California Transportation Commission funded this acquisition. The JPB holds title to all right of way property located in the County of San Francisco. The JPB holds title to all right of way property in the County of San Mateo as tenants in common with the District. The JPB owns title to the right of way property in the County of Santa Clara from Palo Alto station to the Tamien station in San Jose. The County of Santa Clara holds the balance of the trackage rights south to Gilroy.

In July 1992, the JPB assumed control of the line from the State and commenced Caltrain passenger rail operations through a contractor, the National Railroad Passenger Corporation (Amtrak). In November 2001, Amtrak won a competitive bid for a new contract to run through Fiscal Year 2006. The JPB Board of Directors subsequently amended the contract in January 2005 to extend the term for an additional three years through June 30, 2009. In January 2008, the Board of Directors exercised the option to extend the contract for an additional year through June 30, 2010 and again in February 2009 through June 30, 2011.

Governance

The joint powers agreement established a nine-person board of directors that shapes the current and future direction of Caltrain. Various entities at the local level participate in appointing three persons to represent each of the member counties: San Mateo, Santa Clara and San Francisco. The JPB also created a nine-person Citizens Advisory Committee (CAC) composed of three citizens from each JPB county. The principal objective of the CAC is to articulate the interests and needs of current and future customers.

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Administration

The joint powers agreement designates the District as the managing agency to provide administrative and staff services for Caltrain under the direction and oversight of the JPB Board of Directors. The JPB reimburses the District for the direct and administrative costs incurred for Caltrain operations. Some administrative costs are determined by overhead rates approved by the Federal Transportation Administration (FTA). Currently, the District provides the following services:

The *Office of the District Secretary* is responsible for directing and overseeing all activities and for providing support to the Board of Directors.

The *Finance and Administration Division* is responsible for financial accounting and reporting, capital and grant administration and budgeting, operational budgeting, payroll and vendor disbursements, cash and investment management, debt management, revenue control, purchasing, contract administration, risk management, information technology, security, safety and human resources.

The *Operations, Engineering and Construction Division* is responsible for the overall management of Caltrain, including contractor oversight, right of way activities, fare and schedule administration, shuttle administration, service planning and quality assurance, and accommodations for persons with mobility impairments pursuant to the requirements of the Americans with Disabilities Act (ADA), management of all capital projects, including right-of-way maintenance, from conceptual engineering planning through construction and acceptance. The contract operator, Amtrak, provides train service, maintains equipment and property, and prepares financial and operational reports.

The *Office of the Peninsula Rail Program* is responsible for working in conjunction with the California High Speed Rail Authority to implement the Peninsula Rail Program along the Caltrain corridor.

The *Office of Planning and Development* is responsible for strategic planning and performance and property management.

The *Office of Public Affairs* is responsible for public information, media relations, legislative activities and community outreach.

The *Office of Customer Service and Market* is responsible for customer service, marketing, sales, advertising, market research, website and distribution services.

Budgetary Control

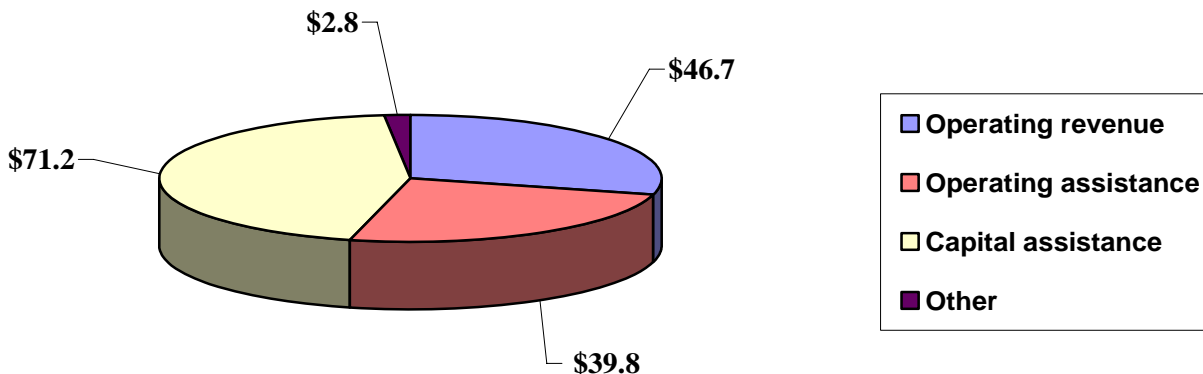
State law requires the JPB to adopt an annual budget by resolution of the Board of Directors. In the spring preceding the start of each fiscal year, staff presents an annual budget based on established agency goals, objectives and performance measures to the Board of Directors. The Board of Directors monitors budget-to-actual performance through monthly staff reports. The Financial Section of this report includes a supplemental schedule that compares actual results on a budgetary basis of accounting to the final adopted budgets.

Once adopted, the Board of Directors has the authority to amend the budget. While the legal level of budgetary control is at the entity level, the JPB maintains stricter control at division, departmental and line item levels to serve various needs. Cost center managers monitor budget-to-actual performance monthly on an accrual basis. The Board has delegated the authority to transfer budget amounts between divisions and departments to the Executive Director or his designee. However, any increase to the expenditure budget as a whole requires the approval of the Board. In addition, the JPB uses the encumbrance system to reduce budget balances by issuing purchase orders to avoid over-commitment of resources.

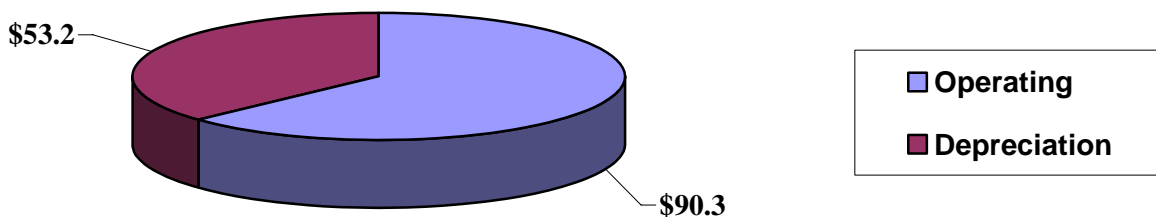
**PENINSULA CORRIDOR JOINT POWERS BOARD
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The JPB employs the same basis and principles for both budgeted and actual revenues and expenses, except that actual proceeds from the sale of fixed assets, unrealized investment gains and losses, depreciation and amortization and inter-fund transfers are not included in the budget. As a special purpose organization established pursuant to joint powers legislation, the JPB is not subject to the State of California’s Gann Act requiring adherence to an annual appropriation limit. The following pie charts show actual results for the major revenue and expense categories for Fiscal Year 2009.

**Peninsula Corridor Joint Powers Board
 2009 Revenues
 (\$ in millions)**



**Peninsula Corridor Joint Powers Board
 2009 Expenses
 (\$ in millions)**



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STRATEGIC PLANNING

Goals

The JPB strategic plan is an integral element in a partnership effort to address regional traffic congestion levels in the member-agency counties. With this purpose, the JPB is committed to the on-going improvement of the Caltrain system for customers and their communities. Acknowledging that the JPB must overcome financial constraints to succeed in delivering quality service, the strategic plan provides five policy goals as follows:

1. Satisfy passengers and build ridership
2. Invest wisely in system improvements
3. Promote regional connectivity and cooperation with other transportation providers
4. Partner with communities and broaden communication with the public
5. Develop a solid financial foundation that ensures long-term sustainability

The strategic plan was adopted in 2004. Moving forward, the strategic plan will be updated to address the greatest challenge to face the JPB. The California High Speed Rail (HSR) program was approved by the voters in 2008. The definition of how the HSR program will need to be integrated with the Caltrain goals is being defined while Caltrain continues with its projects related to infrastructure rehabilitation and improvements, station access, passenger comfort and operational efficiencies.

RECENT/CURRENT PROGRAMS AND PROJECTS

Regional Service Coordination

Caltrain is at the heart of the Peninsula transportation network and collaborates with other Bay Area transit agencies to provide connections between systems. These connections are with the District, the San Francisco Municipal Transportation Agency (SFMTA/Muni), the Bay Area Rapid Transit District (BART), VTA, Capitol Corridor, Altamont Commuter Express (ACE), Dumbarton Express and the Alameda-Contra Costa Transit District (AC Transit) as follows:

- *SamTrans Bus Service*: Passengers may connect to SamTrans at most stations in San Mateo County.
- *Muni Light Rail*: Passengers may connect to the Muni light rail N-Judah and T-Third lines across from the San Francisco Caltrain Station.
- *BART*: Passengers may connect to BART at the Millbrae Transit Center.
- *VTA Light Rail*: Caltrain passengers may connect to the VTA system at the Mountain View station and the Diridon and Tamien stations in San Jose.
- *VTA Bus Service*: Passengers may connect to VTA buses at most stations in Santa Clara County.
- *Amtrak's Capitol Corridor*: Passengers may connect to Caltrain at the San Jose Diridon station.
- *ACE*: Passengers may connect to Caltrain at the Santa Clara (temporarily suspended) and San Jose Diridon stations.
- *Dumbarton Express*: Passengers may connect to the DB Express at the Palo Alto station.
- *AC Transit*: Passengers may connect to the M-line at the Caltrain Hillsdale station.

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In addition to service connectivity, the JPB is actively participating with the Metropolitan Transportation Commission (MTC) in implementing the TransLink program, a regional fare collection program that allows passengers to use one smart card to purchase fare media from various Bay Area transit systems. Caltrain is currently conducting a “soft” launch, with the ultimate goal of a full “hard” launch offering the smart card to all of its customers in 2010.

Caltrain Shuttles

During Fiscal Year 2009, Caltrain operated 31 routes shuttling Caltrain riders to local employers. Average ridership grew by 659 passengers per day over the prior year to 6,116 persons per weekday.

Americans with Disabilities Act (ADA) Programs

Currently, 26 stations are wheelchair accessible to help mobility-impaired passengers board Caltrain rail cars. Every train has an accessible car. Some cars use lifts to board passengers with wheelchairs, while others board them from accessible ramps on the platform. In Fiscal Year 2009, wheelchair usage continued to increase over the prior year.

Caltrain Bicycle Program

Caltrain offers a comprehensive bicycle program that helps provide options for last-mile connection to the train station. Caltrain offers a range of bicycle options at the station, including more than 400 rack spaces, 1,100 lockers and staffed parking facilities. In September 2008, Caltrain adopted a *Bicycle Access and Parking Plan*, which identified bicycle programs and innovative strategies to improve bicycle access to the stations. Caltrain’s strategy is to encourage and promote bicycle access to stations by increasing and improving bicycle parking and pursuing innovative approaches to managing demand of the onboard bicycle program.

Caltrain maintains the most generous onboard bicycle program of all U.S. commuter rail operators. Every train has a guaranteed 20 or 40-bike space capacity.¹ There are no peak hour or direction restrictions, other than capacity. Approximately 7 percent of bicycle commuters, or 2,890 bicyclists each weekday, bring their bicycles onboard the train.² This program has proven to be so popular and well-used that even with relatively high onboard capacity a number of bicyclists are unable to board the train due to capacity constraints, particularly during peak periods, at stations with very high bicycle traffic volumes, and at the “earlier” stations of a peak direction. To accommodate for this growing demand for bicycles onboard the train, in February 2008, the JPB Board of Directors authorized a staff plan to increase bicycle capacity.

Fare Administration

Caltrain operates utilizing a “proof-of-payment” fare collection system that has increased internal controls and freed conductors from onboard ticket sales, allowing them to focus more on customer service and safety. This system standardizes zone distances and rates. The fare increases with the number of zones traveled.

Caltrain currently has six zones and four fare categories: one-way tickets, Day passes, 8-ride tickets and Monthly passes. All four fare categories are available to seniors, youth, disabled and Medicare cardholders at a 50 percent discount. Tickets are sold at two stations, Caltrain headquarters, by mail and at certain employment sites. Automated Ticket Vending Machines (TVMs) on station platforms account for the majority of Caltrain ticket sales.

¹ There are currently 24 space capacity on Bombardier train sets and 40 space capacity on Gallery car train sets. This capacity doubles if there are two bike cars in a train set.

² Caltrain 2009 Annual Passenger Count

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Parking

In 2009, the JPB implemented Pay-by-space (PBS) parking at all of its stations and the parking function was installed in the TVMs rather than through separate parking machines. Now customers who park at Caltrain lots will pay for parking by selecting the numbered space at the TVM. They do not need to return to the car to display a parking receipt.

State-of-Good-Repair Program

This program includes system-wide, scheduled improvements on infrastructure and tracks, bridges and signals and communication equipment, ticket vending and validation equipment, and preventative maintenance and strategic replacement of the Caltrain rolling stock. In order to ensure these assets are kept in a state of good repair, replacement and rehabilitation of these assets must be done at intervals as recommended either by industry or manufacturer standards. Otherwise, the cost of operating these assets would likely be much higher due to a number of factors, including potential higher outlay in their maintenance and costs associated with operational delays due to the assets increasingly being out of service or in a state of disrepair.

Caltrain Station Safety Improvement Program

The Caltrain Station Safety Improvement Program includes station redesign, grade crossing improvements and right of way fencing. The purpose of the program is to remove the “hold-out” rule at a number of Caltrain stations. These stations have narrow center island platforms, which have several negative impacts on Caltrain service, including customer safety concerns and schedule delays. Improvements to the stations will include demolition of existing narrow center platforms and construction of new outside boarding platforms, installation of center fencing between the existing mainline tracks through the platform area and installation of new signalized pedestrian at-grade crossings with pedestrian gates. Last year, projects were completed at the Burlingame and California Avenue stations. Beginning in Fiscal Year 2010, the Santa Clara station will be improved, leaving a total of four hold-out rule stations on the Caltrain line.

The grade crossing improvement program was developed to make grade crossings in San Mateo County safer for both vehicular and pedestrian traffic. This project is almost complete in San Mateo County with improvements made at 25 crossing locations. Improvements include striping, signage, signalized gates and roadway improvements such as medians. A companion project to improve the Santa Clara County grade crossing is slated to begin in December 2009.

FUTURE OF CALTRAIN – SYSTEM EXPANSION AND CONNECTIONS

Peninsula Rail Program

The Peninsula Rail Program was established to integrate Caltrain’s plans towards ensuring a vital commuter rail system throughout the 21st century, with the program to be implemented by the California High Speed Rail Authority on the Caltrain corridor. A number of projects that will support Caltrain’s service enhancements and interface with the eventual operation of High Speed Rail (HSR) service on the corridor include, but are not limited to, the following:

- Electrification
- Positive Train Control
- Terminal Station Upgrades
- Grade Separations.

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NOVEMBER 30, 2009**

Electrification consists of converting the existing Caltrain diesel engine mode of propulsion to electric power and rehabilitating the Caltrain right of way to accommodate electrification. The installation of a positive train control system, which is a federal mandate required to be in place by 2015, will help reduce the risk of train-to-train collisions and prevent trains from exceeding authorized speed limits. The upgrade of terminal stations will allow for improvements to accommodate both HSR and upgraded Caltrain service. Finally, grade separations at selected locations will improve safety by eliminating conflicts between trains and vehicular and pedestrian traffic.

Other System Expansion and Connections

Dumbarton Bridge Rail Service: This project is being administered by the JPB staff at the request of the San Mateo County Transportation Authority, the project sponsor. The project will extend commuter rail service across the Bay between the Peninsula and the East Bay by rehabilitating and reconstructing rail facilities on an existing railroad alignment and right of way. Service will consist of six trains originating from the East Bay and traveling west in the morning peak and six trains returning in the evening peak. The 10.7-mile West Bay portion of the project, which is currently under the ownership of the District, includes extending from Redwood City to the west approach of the Dumbarton Rail Bridge and building a Menlo Park station, the Dumbarton Bridge and extending from the east abutment of the bridge, across the Newark Slough Bridge to the Newark Junction and building a Newark station. The 9.8-mile East Bay portion of the project, which is under Union Pacific Railroad (UPRR) ownership, includes: from the Newark Junction to Jarvis Road; from Maple Road to Riverwalk Drive including the Centerville station; and from the Shinn Connection to Hayward, including the Union City station. A Niles Junction Connection Track is also an optional addition to the project.

This project has reached a significant milestone. Engineering design has progressed to 15 percent and the administrative draft environmental document is complete. The Policy Advisory Committee is currently determining the next steps for this project related to solidifying the project's funding plan and obtaining environmental clearance for the purpose of advancing the project to the next phase of design.

Transbay Transit Center/Caltrain Downtown Extension Project: The purpose of this project, headed by the Transbay Joint Powers Authority (TJPA), is to design, build, operate and maintain the new Transbay Transit Center and associated facilities in downtown San Francisco, including the extension of Caltrain 1.3 miles into the new Transit Center, and to make accommodations for HSR. This extension will link Caltrain to San Francisco's Transbay Terminal providing Caltrain customers easier access to the center of San Francisco.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

San Francisco, San Mateo and Santa Clara counties are consistently ranked among the most affluent in California. With an extremely diverse employment market in various industries, Caltrain's service area is not dependent on any one employment sector. This diversity of industry helps to ensure financial strength and stability for residents along the Caltrain corridor. However, the JPB continues to face a structural deficit in its operating budget. Each of the Member Agencies provide operating contributions to the JPB, which are intended to make up the amount necessary to cover deficits in the operating budget. This contribution has become increasingly more difficult for each member agency to make as individual funding sources become more limited.

More recently the economy in the region has begun to feel the effects of the deepened recession. By the end of Fiscal Year 2009, the unemployment rate in the three county region rose to 10.7 percent. As a commuter rail service, Caltrain's ridership can be affected by many economic factors including the unemployment rate.

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Recovery from this recession is likely to begin in late 2010. Some positive indicators include a recent consumer confidence survey in the state of California which shows that consumers are somewhat less pessimistic about the economy, monthly job losses have declined over the last couple of months and the housing market has shown signs of stabilizing as mortgage rates are down making housing more affordable. However this recovery is expected to move slowly.

Cash Management

The Board of Directors has adopted an investment policy as prescribed by California Government Code. This policy emphasizes safety and liquidity over return on investment. Within these parameters, the JPB pursues a prudent cash management and investment program to achieve maximum return on all available funds. The JPB's policy is to hold securities to maturity to avoid losses from a potential sale but will sell securities prior to maturity when prudent to do so. All of the JPB's unrestricted cash and investments as of June 30, 2009 were on deposit with either the Bank of America, the Bank of New York or with California State Treasurer's Local Agency Investment Fund (LAIF). All deposits are insured by the Federal Deposit Insurance Corporation (FDIC) or covered by collateral.

Risk Management

The JPB retains an independent consultant to conduct an actuarial study for the purposes of estimating outstanding losses and affirm compliance with the Governmental Accounting Standards Board. The JPB implements the recommendations and coordinates the annual insurance program. Current insurance policies provide public liability coverage to \$200 million in excess of the \$2 million self-insured retention. Staff monitors the program throughout the year.

Pension and other Post-employment Benefits

The joint powers agreement that created the JPB designated the District as the managing agency to provide staff services in support of the JPB's mission. District staff participates in the Public Employees Retirement System of the State of California, including post-retirement health benefits. However, since the staff supporting the JPB are legally employees of the District, the JPB has no retirement or post-employment benefits obligation except to pay costs based on District policy. The District intends to allocate post-employment benefit costs based on the full-time employees utilized to support Caltrain's services.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association (GFOA) recognized the JPB's 2008 Comprehensive Annual Financial Report for excellence in financial reporting and the Certificate of Achievement appears immediately following this transmittal letter. To be awarded a certificate, a report must be easy to read and efficiently organized, while satisfying both generally accepted accounting principles and applicable legal requirements. We believe our 2009 Comprehensive Annual Financial Report also meets the requirements for a Certificate of Achievement and have submitted it to the GFOA for evaluation. We would like to thank our independent audit firm, Vavrinek, Trine, Day and Company LLP, for its timely and expert guidance in this matter.

The employees of the JPB and its contracted service providers bring an effective combination of skill, experience and dedication to carrying out the agency's mission. Together, they plan, develop and finance the creation of a modern, coordinated multimodal transportation system offering convenient access to the many attributes of the Bay Area and beyond. Although we have concerns about the current prolonged recession, the

**PENINSULA CORRIDOR JOINT POWERS BOARD
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOVEMBER 30, 2009**

JPB expects the continued zeal and dedication of its transit professionals to meet the transportation challenges of the future.

A comprehensive annual financial report requires the dedicated effort of many individuals working together as a team. We would like to extend our grateful recognition to all the individuals who assisted in both the preparation of this report and the processing of financial transactions throughout the fiscal year. Finally, we wish to thank the Executive Director and the Board of Directors for their interest and support in the development of a reliable financial management and reporting system.

Respectfully submitted,



Virginia Harrington
Deputy CEO



Patricia Reavey
Director of Finance

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Peninsula Corridor
Joint Powers Board
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "M. L. Post".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

BOARD OF DIRECTORS

Representing City and County of San Francisco:

José Cisneros

Sean Elsbernd, Vice Chair

Nathaniel Ford

Representing San Mateo County Transit District:

Mark Church

Jim Hartnett

Arthur L. Lloyd

Representing Santa Clara Valley Transportation Authority:

Don Gage, Chair

Ash Kalra

Ken Yeager

EXECUTIVE MANAGEMENT

EXECUTIVE DIRECTOR

Michael J. Scanlon

EXECUTIVE OFFICERS

Virginia Harrington – Deputy CEO

Chuck Harvey – Deputy CEO

Rita Haskin – Executive Officer, Customer Service and Marketing

Marian Lee – Executive Officer, Planning and Development

Mark Simon – Executive Officer, Public Affairs

Bob Doty – Peninsula Rail Program Director

Martha Martinez - JPB Secretary

GENERAL COUNSEL

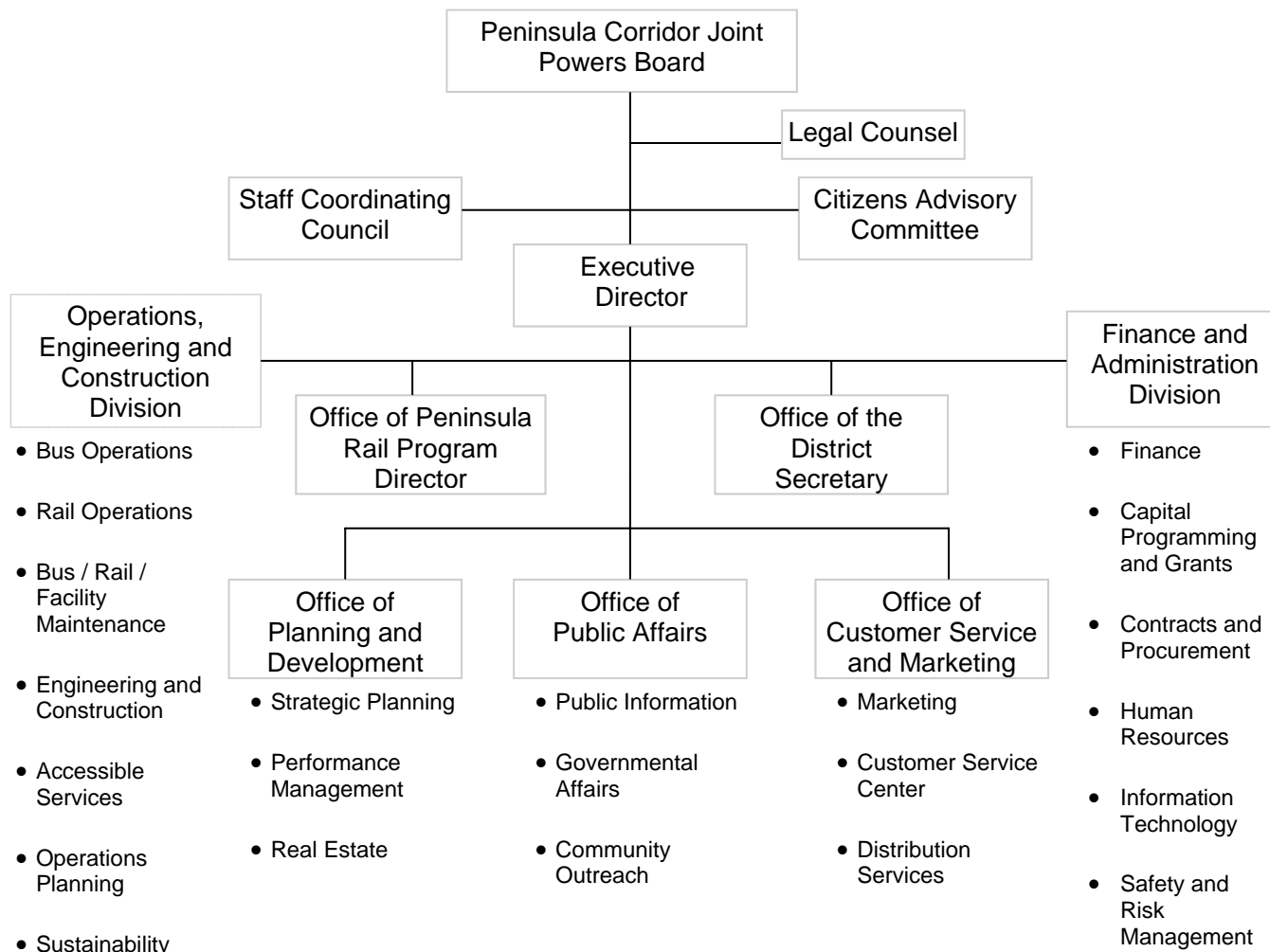
Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP

David J. Miller, Esq.

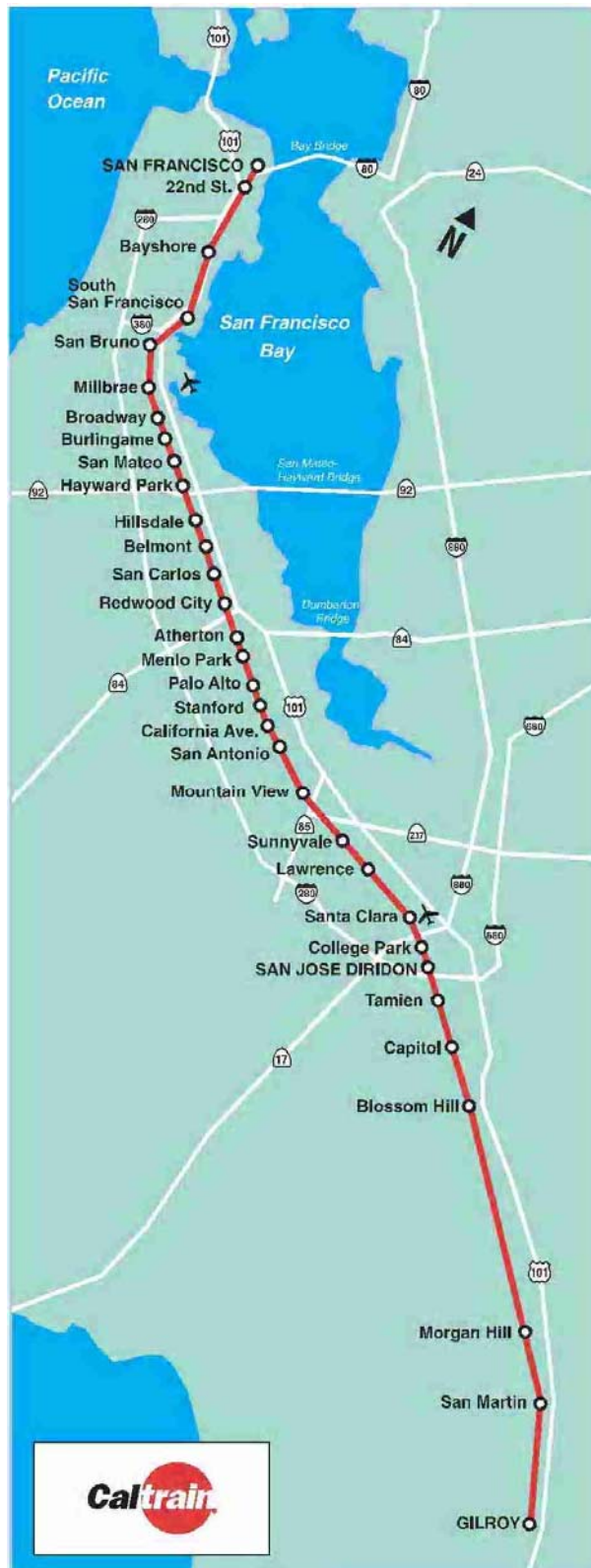
Joan Cassman, Esq.

**PENINSULA CORRIDOR JOINT POWERS BOARD
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 NOVEMBER 30, 2009**

ORGANIZATION CHART



**PENINSULA CORRIDOR JOINT POWERS BOARD
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOVEMBER 30, 2009**



**PENINSULA CORRIDOR JOINT POWERS BOARD
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOVEMBER 30, 2009**

TABLE OF CREDITS

The following individuals contributed to the production of the fiscal year 2009 Comprehensive Annual Financial Report:

Finance:

Manager, Capital & Grants Accounting	Donna Fong
Manager, Budgets	Eva Goode
Manager, General Ledger	Rima Lobo
Manager, Treasury	Lori Snow
Senior Accountants	Jeannie Chen
	Brian Lee
	Mary Manders
Senior Budget Analyst	Christina Tang
Senior Systems Accountant	Angustia Pacumio
Accountant	David Ramires

Audit Firm:

Partner	Leonard Danna
Partner	Ahmad Gharaibeh

Section II

FINANCIAL

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements:

- Statements of Net Assets
- Statements of Revenues, Expenses and Changes in Net Assets
- Statements of Cash Flows
- Notes to the Financial Statements

Supplementary Information

- Supplementary Schedule of Revenues and Expenses - Comparison of Budget to Actual (Budgetary Basis)
- Notes to Supplementary Schedule

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Peninsula Corridor Joint Powers Board

We have audited the accompanying basic financial statements of the Peninsula Corridor Joint Powers Board (JPB) as of and for the fiscal years ended June 30, 2009 and 2008. These financial statements are the responsibility of the management of the JPB. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the JPB as of June 30, 2009 and 2008 and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2009, on our consideration of the JPB's internal control over financial reporting and our tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management's discussion and analysis listed in the table of contents is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The introductory section, supplementary information, statistical section and Schedule of Expenditures of Federal Awards listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the JPB. The supplementary information and Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Vavrinek Trime Day + Co. LLP

Palo Alto, California
November 30, 2009

MANAGEMENT'S DISCUSSION & ANALYSIS

This discussion and analysis of the JPB's financial performance provides an overview of the JPB's activities for the fiscal year ended June 30, 2009 with comparisons to prior fiscal years ended June 30, 2008 and June 30, 2007. We encourage readers to consider the information presented here in conjunction with the transmittal letter contained in the Introductory Section and with the statements and related notes contained in the Financial Section.

FINANCIAL HIGHLIGHTS

- Total assets on June 30, 2009 stand at \$1,188.3 million, an increase of \$12.8 million or 1.1 percent compared to June 30, 2008 which increased \$52.2 million or 4.6 percent compared to June 30, 2007, primarily due to an increase in capital assets in both years.
- Total liabilities decreased by \$3.1 million or 4.8 percent to \$61.1 million at June 30, 2009 compared to June 30, 2008 and increased by \$15.9 million or 33.0 percent to \$64.2 million at June 30, 2008 compared to June 30, 2007. The 2009 decrease was mostly due to a decrease of \$9.4 million in accounts payable and accrued liabilities offset by an increase of \$3.4 million in deferred revenue, \$1.7 million in deferred member contributions and \$1.1 million in long-term self-insurance claims liabilities.
- Total operating revenues in 2009 were \$46.7 million, an increase of \$3.0 million or 6.8 percent compared to 2008 and an increase of \$5.8 million or 15.3 percent in 2008 compared to 2007. The 2009 increase is a result of increases in both ridership and fares during the year.
- Total operating expenses in 2009 were \$90.3 million, an increase of \$3.3 million or 3.8 percent over 2008 and an increase of \$9.4 million or 12.2 percent in 2008 compared to 2007. The 2009 increase was mainly due to an increase in the cost of contract services offset by a decrease in fuel costs.
- Nonoperating revenues, net of nonoperating expenses, decreased \$1.8 million or 4.2 percent to \$41.4 million in 2009 from 2008 and decreased \$1.9 million or 4.2 percent to \$43.2 million in 2008 compared to 2007. The 2009 decrease was mainly due to investment losses.
- In 2009, the JPB recognized \$71.2 million in capital contributions, a decrease of \$11.3 million or 13.7 percent from 2008. In 2008, the JPB recognized \$82.6 million in capital contributions, a decrease of \$8.7 million or 9.5 percent from 2007. Decreases in 2009 are mostly due to the decrease in right of way improvement costs and the costs related Centralized Equipment Maintenance and Operations Facility (CEMOF).
- Net assets at June 30, 2009 were \$1,127.3 million, up \$15.9 million or 1.5 percent from June 30, 2008 and net assets at June 30, 2008 were \$1,111.3 million up \$36.3 million or 3.4 percent from June 30, 2007, as capital assets, net of depreciation increased \$21.9 million and \$50.6 million during 2009 and 2008, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Section of this report presents the JPB's financial statements as two components: basic financial statements, and notes to the financial statements. It also includes supplemental information.

Basic Financial Statements

The *Statement of Net Assets* presents information on assets and liabilities, with the difference between the two reported as *net assets*. Changes in net assets over time may provide an indicator as to whether the financial position of the JPB is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Assets* reports how net assets have changed during the year. It compares related operating revenues and operating expenses connected with the JPB's principal business of providing rail service. Operating expenses include the cost of direct services to passengers, administrative expenses, contracted services and depreciation on capital assets. All other revenues and expenses are reported as nonoperating.

The *Statement of Cash Flows* reports inflows and outflows of cash, classified into four major categories:

- *Cash flows from operating activities* include transactions and events reported as components of operating income in the statement of revenues, expenses and changes in net assets.
- *Cash flows from non-capital financing activities* include operating grant proceeds as well as operating subsidy payments from third parties.
- *Cash flows from capital and related financing activities* include the borrowing and repayment (principal and interest) of capital-related debt, the acquisition and construction of capital assets, and the proceeds of capital grants and contributions.
- *Cash flows from investing activities* include proceeds from sale of investments, receipt of interest and changes in the fair value of investments subject to reporting as cash equivalents. Outflows in this category include the purchase of investments.

Notes to the Financial Statements

Various notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and are found immediately following the financial statements to which they refer.

Other Information

This report also presents certain *supplementary* information concerning compliance with the JPB's annual budget. This *supplementary* information, as well as associated notes are found immediately following the *basic financial statements* and the accompanying notes.

Analysis of Basic Financial Statements

Total assets increased by \$12.8 million or 1.1 percent to \$1.2 billion at June 30, 2009 compared to June 30, 2008 primarily due to the right of way improvements and rail vehicles and increased by \$52.2 million or 4.6 percent to \$1.2 billion at June 30, 2008 compared to June 30, 2007, due to right of way improvements. Current assets decreased by \$14.3 million or 24.1 percent to \$45.1 million in 2009 mainly due to fluctuations in cash and cash equivalents as a result of the implementation of a new investment program. In 2008, current assets increased by \$1.3 million or 2.3 percent to \$59.4 compared to 2007, primarily due to an increase in cash and cash equivalents and receivables.

PENINSULA CORRIDOR JOINT POWERS BOARD
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2009

Total capital assets, net of accumulated depreciation and amortization increased \$21.9 million or 2.0 percent at June 30, 2009 to \$1,137.7 million from \$1,115.8 million on June 30, 2008, and increased \$50.6 million or 4.8 percent from \$1,065.2 million in 2007 compared to 2008. Investments in capital assets, before depreciation, consists of acquisitions and improvements to the right of way (\$823.1 million or 58.8 percent), rail vehicles (\$275.3 million or 19.7 percent), facilities and equipment (\$118.9 million or 8.5 percent), intangible asset – trackage right (\$8.0 million or 0.6 percent) and construction in progress (\$173.5 million or 12.4 percent) in 2009. Investments in capital assets, before depreciation, consists of acquisition and improvements for right of way (\$809.7 million or 60.3 percent), rail vehicles (\$254.5 million or 19.0 percent), facilities and equipment (\$118.3 million or 8.8 percent), intangible asset – trackage right (\$8.0 million or 0.6 percent) and construction in progress (\$151.2 million or 11.3 percent) in 2008.

Total liabilities decreased by \$3.1 million or 4.8 percent to \$61.1 million at June 30, 2009 compared to June 30, 2008 and increased \$15.9 million or 33.0 percent to \$64.2 million at June 30, 2008 compared to June 30, 2007. The 2009 decrease was primarily due to a decrease in accounts payable and accrued liabilities. The 2008 increase was primarily due to an increase in farebox revenue bonds payable.

Total net assets stand at \$1,127.3 million at June 30, 2009 which represents an increase of \$15.9 million or 1.4 percent from June 30, 2008 and \$1,111.3 million at June 30, 2008, which represents an increase of \$36.3 million or 3.4 percent from June 30, 2007. Investments in capital assets, net of related debt is \$1,115.9 million at June 30, 2009, representing 99.0 percent of total net assets, \$1,062.9 million at June 30, 2008, representing 98.9 percent of total net assets and \$1,062.9 million at June 30, 2007, representing 98.9 percent of the total net assets.

PENINSULA CORRIDOR JOINT POWERS BOARD
NET ASSETS
(in thousands)

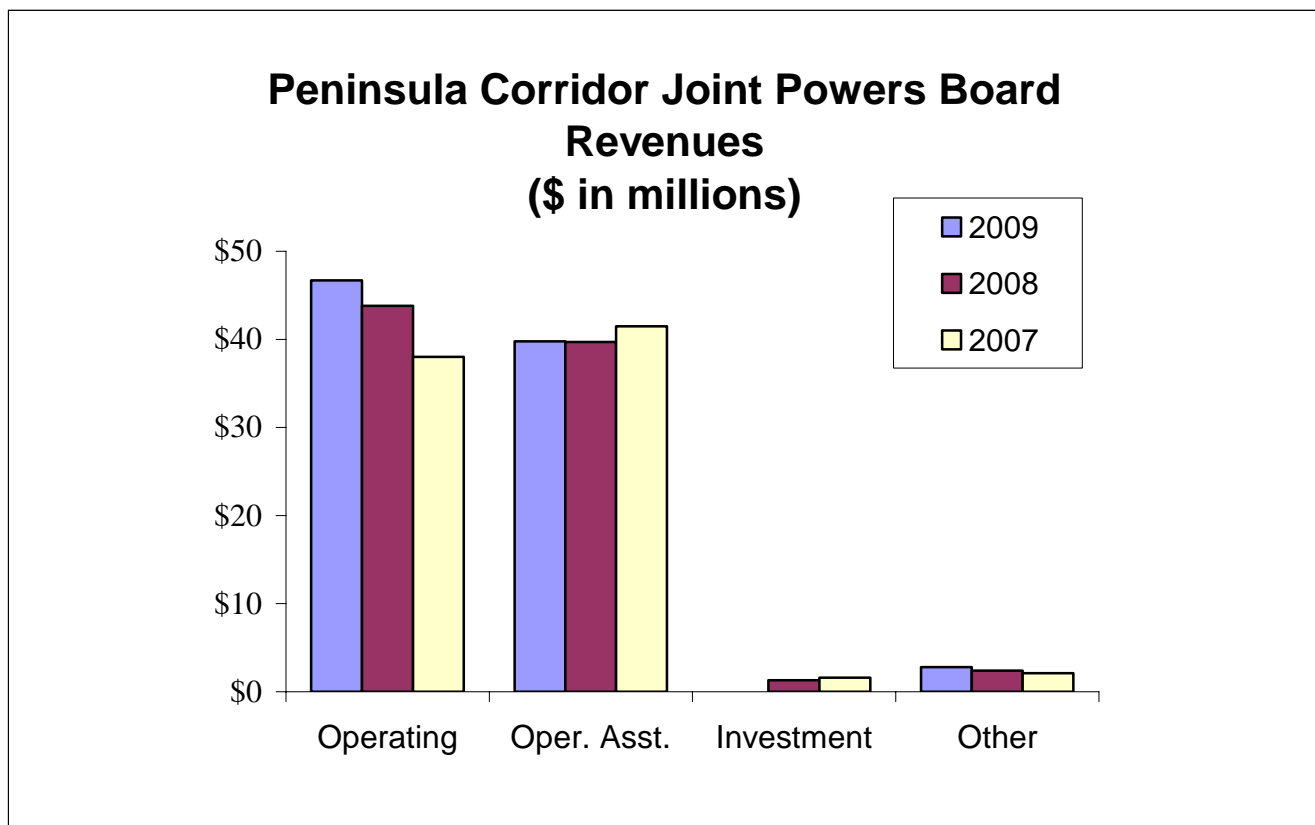
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current assets	\$ 45,058	\$ 59,364	\$ 58,041
Noncurrent assets	5,559	332	100
Capital assets, net of depreciation/amortization	1,137,721	1,115,795	1,065,162
Total assets	<u>1,188,338</u>	<u>1,175,491</u>	<u>1,123,303</u>
Current liabilities	35,082	39,235	45,111
Long-term liabilities	26,005	24,922	3,141
Total liabilities	<u>61,087</u>	<u>64,157</u>	<u>48,252</u>
Net assets			
Invested in capital assets, net of related debt	1,115,901	1,099,455	1,062,907
Restricted	376	529	296
Unrestricted	10,974	11,350	11,848
Total net assets	<u><u>\$ 1,127,251</u></u>	<u><u>\$ 1,111,334</u></u>	<u><u>\$ 1,075,051</u></u>

**PENINSULA CORRIDOR JOINT POWERS BOARD
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2009**

Revenues

Operating revenues grew to \$46.7 million in 2009, a \$3.0 million or 6.8 percent increase over 2008 and \$43.8 million in 2008, a \$5.8 million or 15.3 percent increase over 2007 due to the continued success of Baby Bullet express service, the reinvention of Caltrain in both years and a fare increase in 2009.

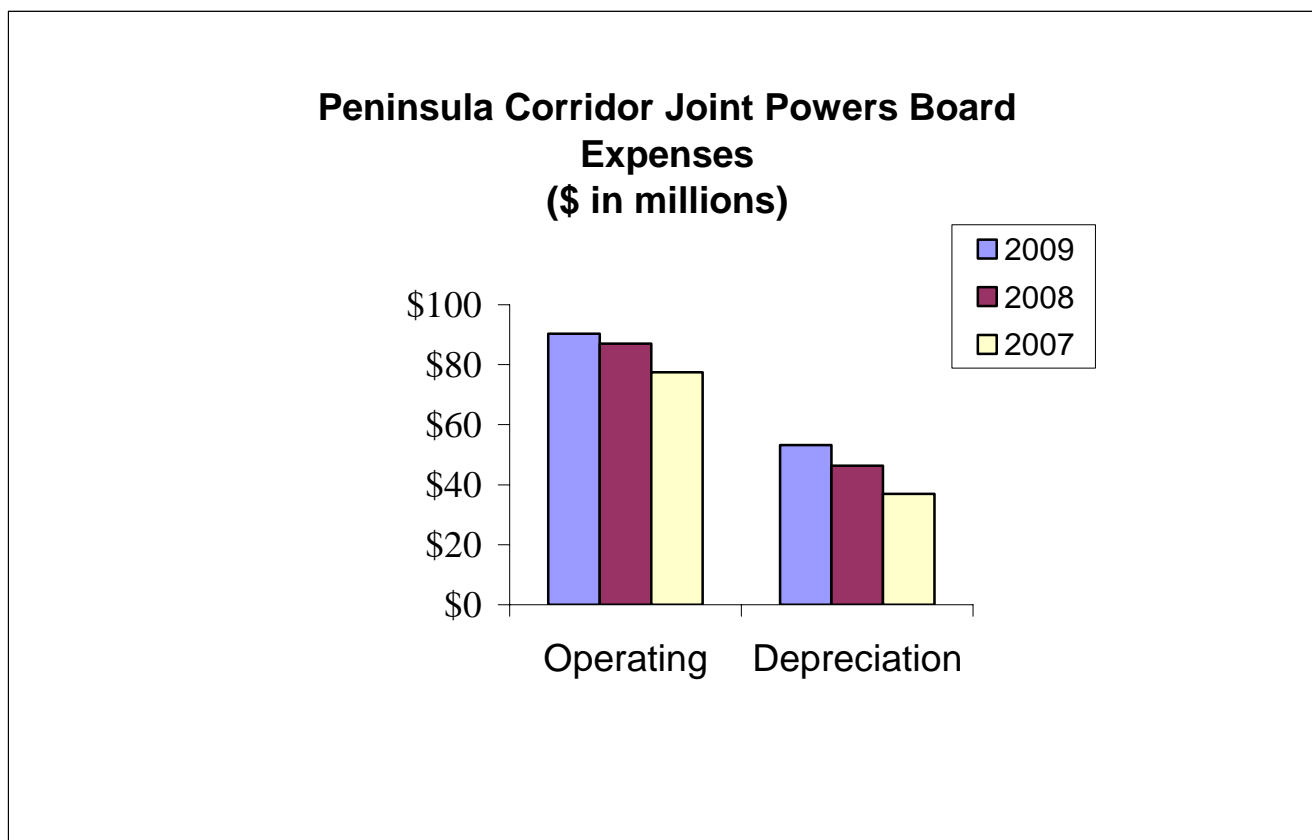
Nonoperating revenues decreased \$1.2 million or 2.7 percent to \$42.2 million at June 30, 2009 compared to June 30, 2008 and decreased \$1.9 million or 4.3 percent in 2008 compared to 2007.



Expenses

Total operating expenses of \$90.3 million in 2009 were \$3.3 million or 3.8 percent higher than 2008, and in 2008 \$9.4 million or 12.2 percent higher than 2007. Total operating expenses in 2009 consisted of \$61.2 million or 67.8 percent for rail operator contract services, \$10.7 million or 11.9 percent for fuel and \$18.4 million or 20.3 percent for other expenses combined. The largest component of 2008 and 2007 operating expenses was rail operator contract services at \$55.3 million and \$50.8 million which represent 63.6 percent and 65.5 percent of the total expenses respectively.

Depreciation and amortization for 2009 was \$53.2million, a \$6.9 million or 14.9 percent increase over 2008. In 2008, depreciation and amortization was \$46.3 million, a \$9.3 million or 25.2 percent increase over 2007.



PENINSULA CORRIDOR JOINT POWERS BOARD
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2009

PENINSULA CORRIDOR JOINT POWERS BOARD
CHANGES IN NET ASSETS
(in thousands)

	2009	2008	2007
Operating revenues:			
Passenger fares	\$ 43,272	\$ 38,399	\$ 33,058
Parking, shuttle and pass revenues	3,112	4,972	4,667
Other	335	389	236
Total operating revenues	<u>46,719</u>	<u>43,760</u>	<u>37,961</u>
Operating expenses:			
Contract services	61,172	55,341	50,799
Insurance	4,537	3,641	4,172
Fuel	10,742	14,377	10,876
Parking, shuttle and pass revenues	3,941	3,904	3,579
Professional service	916	780	583
Wages and benefits	5,384	5,708	4,719
Utilities and supplies	1,462	1,295	1,009
Maintenance services	252	308	457
Temporary services, rent and other	1,861	1,604	1,337
Total Operating expenses	<u>90,267</u>	<u>86,958</u>	<u>77,531</u>
Operating loss before depreciation and amortization	(43,548)	(43,198)	(39,570)
Depreciation and amortization	<u>(53,183)</u>	<u>(46,290)</u>	<u>(36,985)</u>
Operating loss	(96,731)	(89,488)	(76,555)
Nonoperating revenues			
Federal, state and local operating assistance	39,826	39,661	41,538
Rental income	1,661	1,577	1,485
Investment income (loss)	(486)	1,260	1,631
Other income	1,173	832	602
Total Nonoperating revenues	<u>42,174</u>	<u>43,330</u>	<u>45,256</u>
Nonoperating expenses	<u>(767)</u>	<u>(111)</u>	<u>(121)</u>
Net loss before capital contributions	(55,324)	(46,269)	(31,420)
Capital contributions	<u>71,241</u>	<u>82,552</u>	<u>91,222</u>
Change in net assets	15,917	36,283	59,802
Net assets - beginning of year	1,111,334	1,075,051	1,015,249
Net assets - end of year	<u><u>\$ 1,127,251</u></u>	<u><u>\$ 1,111,334</u></u>	<u><u>\$ 1,075,051</u></u>

**PENINSULA CORRIDOR JOINT POWERS BOARD
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2009**

Capital Projects

The JPB incurred capital expenditures of \$76.9 million and recognized related revenue in the form of capital contributions of \$71.2 million in FY 2009, which is \$11.3 million or 13.7 less than in FY 2008. The 2009 capital sources consist of federal grants (\$33.8 million or 44.0 percent), state grants (\$4.5 million or 5.8 percent), local assistance including the three member agencies (\$33.0 million or 42.8 percent), and debt financing (\$5.7 million or 7.4 percent). The JPB incurred capital expenditures of \$97.0 million and recognized related revenue in the form of capital contributions of \$82.6 million in FY 2008, which is \$8.7 million or 9.5 percent less than in FY 2007. The 2008 capital sources consist of federal grants (\$48.6 million or 50.1 percent), state grants (\$3.5 million or 3.6 percent), local assistance including the three member agencies (\$30.5 million or 31.4 percent) and debt financing (\$14.4 million or 14.9 percent).

Following is a summary of the JPB's major capital expenditures for 2009:

- Station improvement and repairs (\$15.1 million)
- System-wide track rehabilitation, signal, bridge and tunnel work (\$11.8 million)
- Caltrain passenger cars, accessories and improvements (\$9.6 million)
- Cost for grade crossing and separation along the Caltrain line (\$9.1 million)
- Station platform improvements (\$7.3 million)
- Bridge repairs and replacements (\$6.8 million)
- Communication equipment to improve the reliability, quality and speed of signal, data and voice transmissions (\$5.4 million)
- Preliminary engineering for electrifying the Caltrain line (\$3.9 million)
- Preliminary planning to provide an efficient transportation network in the most cost effective manner by 2015 (\$3.5 million)
- Safety related features at stations, grade crossings and along the tracks (\$1.8 million)

Additional information about the JPB's capital activities appear in *Note #6 - Capital Assets* in the *Notes to the Financial Statements*.

Debt

At the end of FY 2009, the JPB had \$23.1 million in outstanding farebox revenue bonds representing no change from the \$23.1 million outstanding at the end of fiscal year 2008. At the end of FY 2008, the JPB had \$23.1 million in outstanding debt, a \$20.7 million increase compared to the end of FY 2007. During FY 2008, the JPB issued farebox revenue bonds to finance the purchase of eight new rail cars and refinance the balance of the 1999 farebox revenue bonds. Principal payments are not scheduled to begin on the 2007 farebox revenue bonds until FY 2019. More information regarding the JPB's long-term debt activity can be found in *Note #9 - Farebox Revenue Bonds Payable* in the notes to the financial statements.

Economic Factors

The nation is experiencing one of the longest recessions on record since World War II and experts cannot agree on how long this recession will last. The San Francisco, San Mateo, and Santa Clara Counties region's economy has mirrored the struggles that have been facing the nation as a whole. The unemployment rate in the region shot up at a tremendous rate ending the fiscal year at 10.7 percent. Job losses were widely dispersed across industries. The rising unemployment rate accounts for the decrease in Caltrain ridership late in FY 2009. With this decrease in farebox revenue and a large structural deficit already apparent in the budget, this summer the JPB reduced service to a schedule with 90 total weekday trains this summer. Without a dedicated funding source, Caltrain will continue to struggle to meet the demands of the operating budget.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the JPB's finances and to demonstrate accountability for the funds it manages. Please direct any questions about this report or requests for additional information about JPB finances to: Peninsula Corridor Joint Powers Board, attn: Deputy CEO, 1250 San Carlos Avenue, San Carlos, California, 94070-1306.

PENINSULA CORRIDOR JOINT POWERS BOARD
STATEMENTS OF NET ASSETS
JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Notes 2 & 3)	\$ 16,295,095	\$ 32,497,640
Investments (Notes 2 & 3)	4,750,970	-
Due from other governmental agencies	16,310,759	20,029,352
Receivables from member agencies (Note 14)	2,047,126	977,410
Accounts receivable - other, net of allowance (Note 2)	2,726,537	5,033,840
Inventory (Note 2)	2,713,086	641,038
Prepaid expenses	30,000	-
Restricted investment with fiscal agents (Notes 2 & 3)	183,933	185,001
Total current assets	<u>45,057,506</u>	<u>59,364,281</u>
NONCURRENT ASSETS		
Investments (Notes 2 & 3)	5,249,158	-
Capital Assets		
Right of way improvements	596,170,264	582,783,380
Rail vehicles	275,326,181	254,536,600
Facilities and equipment	118,197,410	117,507,448
Office equipment	726,327	814,560
Intangible asset - trackage right (Note 4)	8,000,000	8,000,000
Sub-total	<u>998,420,182</u>	<u>963,641,988</u>
Less accumulated depreciation and amortization	(261,080,338)	(225,937,173)
Construction in progress (Note 2)	173,488,157	151,197,182
Right of Way	226,892,731	226,892,731
Capital assets, net (Note 6)	<u>1,137,720,732</u>	<u>1,115,794,728</u>
Bond issuance costs, net (Note 2)	310,047	332,372
Total noncurrent assets	<u>1,143,279,937</u>	<u>1,116,127,100</u>
TOTAL ASSETS	<u><u>\$ 1,188,337,443</u></u>	<u><u>\$ 1,175,491,381</u></u>

See accompanying notes to the financial statements.

PENINSULA CORRIDOR JOINT POWERS BOARD
STATEMENTS OF NET ASSETS (CONTINUED)
JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 16,245,744	\$ 25,684,054
Interest payable	275,719	275,719
Self-insurance claims liabilities (Note 10)	421,866	283,837
Deferred member contributions (Notes 2 & 14)	11,399,645	9,681,706
Deferred revenue (Note 2)	6,665,607	3,230,333
Other	73,326	79,468
Total current liabilities	<u>35,081,907</u>	<u>39,235,117</u>
NONCURRENT LIABILITIES		
Farebox revenue bonds payable - long-term (Note 9)	23,140,000	23,140,000
Self-insurance claims liabilities - long-term (Note 10)	2,864,981	1,782,019
Total noncurrent liabilities	<u>26,004,981</u>	<u>24,922,019</u>
Total liabilities	<u>61,086,888</u>	<u>64,157,136</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,115,901,188	1,099,454,901
Restricted for debt service and other	375,300	529,267
Unrestricted	10,974,067	11,350,077
TOTAL NET ASSETS	<u>\$ 1,127,250,555</u>	<u>\$ 1,111,334,245</u>

See accompanying notes to the financial statements.

PENINSULA CORRIDOR JOINT POWERS BOARD
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
OPERATING REVENUES:		
Passenger fares	\$ 43,271,656	\$ 38,398,608
Parking, shuttle and pass revenues	3,111,782	4,972,030
Other	335,167	389,286
Total operating revenues	<u>46,718,605</u>	<u>43,759,924</u>
OPERATING EXPENSES:		
Contract services	61,172,061	55,341,319
Insurance	4,536,943	3,640,554
Fuel	10,741,684	14,377,366
Parking, shuttle and pass expenses	3,941,404	3,904,112
Professional services	915,697	779,495
Wages and benefits (Notes 2 & 14)	5,383,557	5,708,394
Utilities and supplies	1,462,238	1,295,031
Maintenance services	251,728	308,311
Temporary services, rent and other	1,861,472	1,603,751
Total operating expenses	<u>90,266,784</u>	<u>86,958,333</u>
Operating loss before depreciation and amortization	(43,548,179)	(43,198,409)
Depreciation and amortization	(53,182,998)	(46,290,259)
OPERATING LOSS	<u>(96,731,177)</u>	<u>(89,488,668)</u>
NONOPERATING REVENUES (EXPENSES):		
Federal, state and local operating assistance (Note 7)	39,825,655	39,661,420
Rental income	1,660,773	1,577,378
Investment income (loss)	(486,376)	1,260,252
Interest expense	(766,596)	(111,019)
Other income	1,173,395	831,842
Total nonoperating revenues, net	<u>41,406,851</u>	<u>43,219,873</u>
Net loss before capital contributions	(55,324,326)	(46,268,795)
Capital contributions (Note 11)	71,240,636	82,551,951
CHANGE IN NET ASSETS	<u>15,916,310</u>	<u>36,283,156</u>
Net assets, beginning of year	<u>1,111,334,245</u>	<u>1,075,051,089</u>
Net assets, end of year	<u><u>\$ 1,127,250,555</u></u>	<u><u>\$1,111,334,245</u></u>

See accompanying notes to the financial statements.

PENINSULA CORRIDOR JOINT POWERS BOARD
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from passenger fares, passes and other	\$ 49,626,743	\$ 46,697,053
Payments to vendors for services	(83,931,402)	(75,684,361)
Payments to employees	(5,383,557)	(5,708,394)
Payments for insurance claims and premiums	(3,315,952)	(4,044,758)
Net cash used in operating activities	<u>(43,004,167)</u>	<u>(38,740,460)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating grants received	<u>39,131,960</u>	<u>37,608,680</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital contributions	73,879,617	81,983,674
Property additions/dispositions	(75,109,003)	(96,922,593)
Proceeds from notes issuances	-	23,691,664
Principal paid on bonds	-	(2,355,000)
Interest and fiscal charges paid	(773,964)	(638,904)
Net cash provided (used) capital and related financing activities	<u>(2,003,350)</u>	<u>5,758,841</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	185,001	24,552
Purchase of investments	(10,015,024)	-
Interest received	(496,964)	3,723,410
Net cash provided by investing activities	<u>(10,326,987)</u>	<u>3,747,962</u>
Net increase (decrease) in cash and cash equivalents	(16,202,544)	8,375,023
Cash and cash equivalents, beginning of year	32,497,640	24,122,617
Cash and cash equivalents, end of year	<u>\$ 16,295,096</u>	<u>\$ 32,497,640</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (96,731,177)	\$ (89,488,668)
Other nonoperating items	2,850,054	
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	53,182,998	46,290,259
Effect of changes in:		
Receivables	(202,804)	(75,994)
Receivables from member agencies	-	2,863,992
Prepaid expenses	(2,102,049)	85,905
Accounts payable, accrued liabilities and claims liabilities	(253,018)	1,434,915
Deferred revenue	257,970	133,013
Other liabilities	(6,142)	16,118
Net cash used in operating activities	<u>\$ (43,004,167)</u>	<u>\$ (38,740,460)</u>
NONCASH INVESTING ACTIVITIES:		
Increase (decrease) in fair value of investments	<u>\$ 350,147</u>	<u>\$ (2,790)</u>

See accompanying notes to the financial statements.

PENINSULA CORRIDOR JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

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Notes are essential to present fairly the information contained in the overview level of the basic financial statements. Narrative explanations are intended to communicate information that is not readily apparent or cannot be included in the statements and schedules themselves, and to provide additional disclosures as required by the Governmental Accounting Standards Board.

PENINSULA CORRIDOR JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE #1 - ORGANIZATION

In 1987, representatives of the City and County of San Francisco (CCSF), the San Mateo County Transit District (District) and the Santa Clara Valley Transportation Authority (VTA) formed the Peninsula Corridor Joint Powers Board (JPB) to transfer administrative responsibility for the Caltrain rail service from the State of California to the local level. In October 1991, a Joint Powers Agreement (Agreement) signed by the three parties (Member Agencies) stipulated the JPB membership and powers, specified financial commitments for each member, and detailed other administrative procedures, including designating the District as the managing agency.

The JPB acquired the rail corridor right of way between San Francisco and San Jose (Mainline) and perpetual trackage rights between San Jose and Gilroy (Gilroy Extension) from Southern Pacific Transportation Company in December 1991, with contributions provided by the District, the San Mateo County Transportation Authority, VTA, and the California Transportation Commission. The JPB holds title to portions of the Mainline located in San Francisco and Santa Clara County. During FY 1992, the District provided the initial contribution in the amount of \$8,294,000 and \$34,652,000 on behalf of the CCSF and VTA, respectively, to facilitate completion of the acquisition of the right of way. As a result, the JPB and the District are tenants in common as to all right of way property located in San Mateo County.

On October 31, 2008, all three of the JPB member agencies signed an agreement with the District to fully resolve all outstanding financial issues related to the acquisition of the right of way. Both CCSF and VTA have agreed to reimburse the District through a combination of gasoline tax “spillover” funds and population based “spillover” funds to be paid directly to the District from the Metropolitan Transportation Commission and revenue based “spillover” funds to be paid to the District from the San Francisco Municipal Transportation Agency (SFMTA) and VTA. The parties have agreed to make best efforts to allocate the funds in full within two to four years and, in no event, later than 10 years. When all payments have been received by the District, the District will reconvey to the JPB all of its interests in the title to the right of way.

The JPB assumed an expanded role in July 1992 as the State of California Department of Transportation (Caltrans) and the District coordinated the transfer of Caltrain operations and administration to the JPB. The JPB selected the National Railroad Passenger Corporation (Amtrak) as the contract operator and began operating the rail service July 1, 1992.

The JPB is governed by a nine-member Board representing the three Member Agencies. The Agreement establishing the JPB expired in 2001 but continues on a year-to-year basis, with withdrawal requiring one-year advance notice.

To ensure public involvement, the JPB established a Citizens Advisory Committee (CAC) comprised of three representatives from each of the JPB counties. The CAC’s principal function is to assist the JPB by articulating the interests and needs of transit users and potential customers.

NOTE #2 - SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying financial statements include the financial activities of the JPB only.

PENINSULA CORRIDOR JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE #2 - SIGNIFICANT ACCOUNTING POLICIES, *continued*

B. Implementation of Governmental Accounting Standards Board Statements

GASB Statement No. 49 - In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The requirements of this statement become effective for fiscal periods beginning after December 15, 2007. This statement did not have an impact on the JPB's financial statements.

GASB Statement No. 51 – In June 2008, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting standards for many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. The JPB has not determined its effect on the financial statements.

GASB Statement No. 52 – In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The guidance in this statement is effective for financial statements for reporting periods beginning after June 15, 2008, with earlier application encouraged. This statement did not have an impact on the JPB's financial statements.

GASB Statement No. 53 – In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement is intended to improve how state and local governments report information about derivative instruments – financial arrangements used by governments to manage specific risks or make investments – in their financial statements. The statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this statement also addresses hedge accounting requirement and is effective for financial statements with reporting periods beginning after June 15, 2009, with earlier application encouraged. The JPB has not determined its effect on the financial statements

GASB Statement No. 54 – In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements with periods beginning after June 15, 2010. This statement will not impact the JPB's financial statements.

PENINSULA CORRIDOR JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE #2 - SIGNIFICANT ACCOUNTING POLICIES, *continued*

C. Basis of Accounting

The accrual basis of accounting is utilized by the JPB. Under this method revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The JPB has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements, as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

D. Cash Equivalents

The JPB considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents (see Note 3).

E. Accounts Receivable – Other

During the course of normal operations, the JPB carries various receivable balances for services and rent. At June 30, 2009 and 2008, the Allowance for doubtful accounts included in Accounts receivable – Other, are \$424,437 and \$424,538, respectively.

F. Inventory

Inventory consists principally of spare parts that are recorded when purchased and expensed when used. Inventory is recorded at the lower of cost or market and is maintained by Amtrak as part of their contractual agreement.

G. Investments

Investment transactions are recorded on the trade date and are recorded at fair value. Fair value is defined as the amount that the JPB could reasonably expect to receive for an investment in a current sale from a willing buyer and is based on current market prices.

H. Restricted Investments with Fiscal Agents

Provisions of the JPB's trust agreements related to its farebox revenue bonds require that certain restricted investment accounts be established. These accounts are held by the fiscal agent and include funds for payment of principal and interest.

I. Property and Equipment

Property and equipment is recorded at cost or appraised value. The JPB defines capital assets as assets with a cost greater than \$5,000 and an estimated useful life in excess of one year. Donated assets are recorded at

PENINSULA CORRIDOR JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE #2 - SIGNIFICANT ACCOUNTING POLICIES, *continued*

estimated market value on the date donated. Major additions and replacements are capitalized. Maintenance repairs and additions of a minor nature are expensed as incurred.

The costs of acquisition and construction of equipment and facilities are recorded as construction in progress until such assets are completed and placed in service, at which time the JPB commences recording depreciation expense and amortization.

J. Depreciation and Amortization

Depreciation and amortization are calculated using the straight-line method over the following estimated useful lives:

- Right of way improvements - 3 to 40 years
- Rail vehicles – 10 to 36 years
- Facilities and equipment - 4 to 35 years
- Office equipment - 3 to 5 years
- Intangible assets – 42 years

K. Construction in Progress

Construction in progress consists of the following projects at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Station improvements	\$ 34,401,402	\$ 40,137,896
Grade Crossing and Separations	27,711,120	19,342,368
Electrification	23,432,723	19,579,503
System-wide Track Improvements	21,783,191	14,810,539
Platform Improvements	18,275,005	13,043,277
Communications	12,857,485	7,469,697
Bridges	12,357,256	7,187,969
Rolling stock - purchase/improvements	5,059,267	15,818,301
All Other	17,610,708	13,807,632
Total	<u>\$173,488,157</u>	<u>\$ 151,197,182</u>

Interest is capitalized on construction in progress in accordance with Statement of Financial Accounting Standards No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*. Accordingly, interest capitalized is the total interest cost from the date of the borrowing net of any allowable interest earned on temporary investments of the proceeds of those borrowings until the specified asset is ready for its intended use. The net interest capitalized in FY 2009 and 2008 is \$309,364 and \$499,943 respectively.

PENINSULA CORRIDOR JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE #2 - SIGNIFICANT ACCOUNTING POLICIES, *continued*

L. Bond Issuance Costs

Bond issuance costs are being amortized on a straight-line basis over the life of the related debt.

M. Deferred Member Contributions

Deferred member contributions are the result of advances from the Member Agencies. To the extent that these amounts exceed committed funds (see Note # 14), they may be refunded to the Member Agencies or used to offset future required contributions.

N. Deferred Revenue

Deferred revenue represents fares, rents and State assistance amounts received which have not yet been earned. Advance ticket sales are included as deferred revenue until earned.

O. Member Agency Assistance

Amounts received from Member Agencies for operations are recognized as revenues when operating and administrative expenses are incurred. Amounts received from Member Agencies for acquisition of assets or matching grants are recognized as capital contributions when capital expenditures are incurred.

P. Federal, State and Local operating Assistance

Federal, state and local operating assistance are recorded as revenue when operating expenses are incurred.

Q. Wages and Benefits

Personnel costs of the JPB represent allocated costs of the District's employees serving in the capacity as managing agency. Participation in pension plans, compensated absences, and postretirement health care benefits for these employees is administered by the District (see Note # 14).

R. Operating/Nonoperating Revenues and Expenses

The JPB distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from directly providing services in connection with the JPB's principal operations of commuter rail service. These revenues are primarily passenger fares, parking, shuttle and pass revenues. Operating expenses include the cost of sales and services, administrative expenses, contracted services and depreciation on capital assets. All other revenues and expenses (including member contributions) not meeting this definition are reported as nonoperating revenues and expenses.

S. Use of Estimates

The JPB's management has made a number of estimates and assumptions relating to the reporting of assets and liabilities, revenues and expenses, and the disclosures of contingent liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results may differ from those estimates.

PENINSULA CORRIDOR JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE #2 - SIGNIFICANT ACCOUNTING POLICIES, *continued*

T. Reclassifications

Certain comparative financial statement amounts from the prior year may have been reclassified to conform to the current year presentation.

NOTE #3 - CASH AND INVESTMENTS

Cash and investments as of June 30, 2009 and 2008 are classified in the Statements of Net Assets as follows:

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 16,295,095	\$ 32,391,890
Current investments	4,750,970	-
Long term investments	5,249,158	-
Restricted investments with fiscal agents	183,933	185,001
Restricted cash	-	105,750
Total cash and investments	<u>\$ 26,479,156</u>	<u>\$ 32,682,641</u>

Cash and investments as of June 30, 2009 and 2008 consist of the following:

	<u>2009</u>	<u>2008</u>
Cash on hand	\$ 573,792	\$ 852,233
Deposits with financial institutions	3,971,022	(3,154,153)
Investments	21,934,342	34,984,561
Total cash and investments	<u>\$ 26,479,156</u>	<u>\$ 32,682,641</u>

PENINSULA CORRIDOR JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE #3 - CASH AND INVESTMENTS, *continued*

The table below identifies the investment types that are authorized for the JPB by the California Government Code or the JPB's investment policy, where more restrictive. The table also identifies certain provisions of the California Government Code or the JPB's investment policy, where more restrictive, that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the JPB, rather than the general provisions of the JPB's investment policy.

Investments Authorized by the California Government Code and the JPB's Investment Policy

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	11 years	None	None
U.S. Agency Securities	11 years	None	None
Banker's Acceptances	180 days	15%	10%
Collateralized Time Deposits	1 year	30%	10%
Commercial Paper ¹	270 days	15%	10%
Negotiable Certificates of Deposit	5 years	10%	5%
Repurchase Agreements	1 year	None	50%
Reverse Repurchase Agreements	92 days	20% of base value	20%
Medium-term Notes	5 years	30%	10%
Mutual Funds	N/A	10%	5%
Money Market Mutual Funds	N/A	20%	10%
Asset backed securities	5 years	20%	5%
Local Agency Investment Fund (LAIF)	N/A	None	None
San Mateo County Investment Pool	N/A	None	None

¹ Additional 10% "for a total of 25%" or the Maximum Percentage of Portfolio if the dollar weighted average maturity of the entire amount does not exceed 31 days.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the JPB's investment policy. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk incurred when changes in market interest rates adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the JPB manages its exposure to interest rate risk is by purchasing a combination of short and long term investments and by timing cash flows from maturities so that a

PENINSULA CORRIDOR JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE #3 - CASH AND INVESTMENTS, *continued*

portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The JPB monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. With respect to this metric, the JPB policies are as follows:

- No investment shall be made in securities with a remaining useful life exceeding 11 years
- No more than 25 percent of the portfolio shall be invested in securities with a remaining life of 5 to 11 years
- The weighted average maturity of the portfolio shall not exceed five years

The JPB's weighted average maturity of its investment portfolio at June 30, 2009 was as follows:

Investment Type	Amount	Weighted Average Maturity (in years)
Repurchase Agreements	\$ 6,831,413	0.00
Local Agency Investment Fund (LAIF)	3,441,373	0.64
Corporate bonds	1,017,908	1.45
U.S. Agency Securities	6,731,200	1.11
U.S. Treasury Securities	2,251,020	0.79
Held by bond trustee:		
Money Market Mutual Fund	1,661,428	0.00
	\$ 21,934,342	
Portfolio Weighted Average Maturity		0.59

The JPB's weighted average maturity of its investment portfolio at June 30, 2008 was as follows:

Investment Type	Amount	Weighted Average Maturity (in years)
Repurchase Agreements	\$ 1,796,028	0.00
San Mateo County Investment pool	25,915,744	1.20
Held by bond trustee:		
Money Market Mutual Fund	7,272,789	0.05
	\$ 34,984,561	
Portfolio Weighted Average Maturity		0.90

PENINSULA CORRIDOR JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE #3 - CASH AND INVESTMENTS, *continued*

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the JPB's investment policy, or debt agreements, and the actual rating as of the fiscal years June 30, ended 2009 and 2008 for each investment type:

Investment Type	Amount	Exempt From Rating	Rating as of June 30, 2009	
			S&P Rating AAA	Not Rated
Repurchase agreements	\$ 6,831,413	\$ -	\$ -	\$ 6,831,413
Local Agency Investment Fund (LAIF)	3,441,373	-	-	3,441,373
Corporate bonds	1,017,908	-	1,017,908	-
U.S. Agency Securities	6,731,200	-	6,731,200	-
U.S. Treasury Securities	2,251,020	2,251,020	-	-
Held by bond trustee:				
Money Market Mutual Fund	1,661,428	-	-	1,661,428
	<u>\$ 21,934,342</u>	<u>\$ 2,251,020</u>	<u>\$ 7,749,108</u>	<u>\$ 11,934,214</u>

Investment Type	Amount	Rating as of June 30, 2008
		Not Rated
Repurchase Agreements	\$ 1,796,028	\$ 1,796,028
San Mateo County Investment Pool	25,915,744	25,915,744
Held by bond trustee:		
Money Market Mutual Fund	7,272,789	7,272,789
	<u>\$ 34,984,561</u>	<u>\$ 34,984,561</u>

PENINSULA CORRIDOR JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE #3 - CASH AND INVESTMENTS, *continued*

Concentration of Credit Risk

The investment policy of the JPB contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, U.S. Agency securities, mutual funds, and external investment pools) that represent five percent or more of the JPB's total investments at June 30, 2009 are as follows:

Issuer	Investment Type	Reported Amount
Federal Home Loan Mortgage Corporation	U.S. Agency Securities	\$ 2,000,000
Federal Home Loan Bank	U.S. Agency Securities	2,050,625
Federal National Mortgage Association	U.S. Agency Securities	2,180,625
		\$ 6,231,250

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the JPB will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the JPB will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the JPB's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure the JPB's deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

As of June 30, 2009 and 2008, the JPB had \$3,971,022 and (\$3,154,153) of deposits with financial institutions recorded on the financial statements which included excess bank balances of \$5,583,918 and \$590,119, respectively. These excess balances are uninsured because the cash balances are over the Federal Depository Insurance limits. However, due to California State Law, these excess balances are collateralized by securities pledged by the financial institutions holding the JPB's deposits.

Investment in San Mateo County Investment Pool

The JPB had investments in the San Mateo County Treasurer's Investment Pool (County Pool) at June 30, 2008 of \$25,915,744. The County Pool has established a treasury oversight committee to monitor and review the management of public funds maintained in the pool. Participant's equity in the investment pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on an amortized cost basis. Amortized premiums and accrued discounts,

PENINSULA CORRIDOR JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE #3 - CASH AND INVESTMENTS, *continued*

accrued interest and realized gains and losses, net of expenses, are apportioned to participants on a quarterly basis. This method differs from the fair value method used to value investments as unrealized gains or losses are not apportioned to pool participants. The JPB's investment in the County Pool are stated at fair value, available upon demand and considered cash equivalents.

The County Pool is a governmental investment pool managed and directed by the elected San Mateo County Treasurer. It is not registered with the Securities and Exchange Commission.

On September 15, 2008, Lehman Brothers Holdings filed for Chapter 11 bankruptcy protection. The San Mateo County Pool portfolio included \$155 million of Lehman Brothers Holdings investments at that time in both commercial paper and floating rate securities. The County Pool wrote off these investments as of September 30, 2008 consequently showing a loss of \$155 million out of the total portfolio of approximately \$2.6 billion. The JPB had approximately \$22 million invested through the County Pool as of September 30, 2008 and therefore incurred its percentage share of this loss on October 1, 2008. The loss the JPB incurred was approximately \$1.3 million. When the bankruptcy proceedings are finalized, all funds recovered by the County Pool will be distributed to the pool participants in proportion to their participation in the loss. The most current projected recovery value received by the JPB is \$0.17 on the dollar. However this will fluctuate until Lehman Brothers bankruptcy proceedings are finalized.

NOTE #4 - GILROY EXTENSION

The JPB acquired the Gilroy Extension trackage rights through contributions from the California Transportation Commission and VTA. The perpetual trackage rights to the Gilroy Extension are recorded at cost in the amount of \$8,000,000 as other assets. The rights are amortized over a period of 42 years. As of June 30, 2009 and 2008, accumulated amortization related to these trackage rights totaled \$3,155,200 and \$2,962,691, respectively.

NOTE #5 - CONTRIBUTED ASSETS FROM CALTRANS

In order to facilitate the purchase of the Mainline and the Gilroy Extension on a timely basis, and to provide for an orderly transition to local administration in a manner that would assure no service interruption, Caltrans and the JPB executed an agreement memorializing various commitments. Caltrans granted the JPB the right to use and control various real and personal properties. These properties included: stations, locomotives and passenger cars ("rolling stock"), inventories and other property associated with the Caltrain service. The agreement required that Caltrans transfer all of its rights, titles, and interests in these properties to the JPB, in accordance with Public Utilities Code Section 99234.7.

On April 4, 1996, the JPB's Board approved a resolution accepting transfer of rolling stock and station sites subject to certain terms and conditions outlined in the resolution. The transfer of rolling stock to the JPB was completed in December 1996, and the transfer of station sites was completed in May 1997. The rolling stock and station sites transferred were recorded at their appraised value as contributed capital in the amount of \$106,710,000 and \$60,432,365, respectively. Station sites consist principally of land and were capitalized as right of way.

PENINSULA CORRIDOR JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE #6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, was as follows:

	Balance at July 1, 2008	Additions	Deletions	Balance at June 30, 2009
Depreciable and amortized capital assets:				
Right of way improvements	\$ 582,783,380	\$ 29,860,342	\$ (16,473,458)	\$ 596,170,264
Rail vehicles	254,536,600	20,789,581	-	275,326,181
Facilities and equipment	117,507,448	2,168,104	(1,478,143)	118,197,409
Office equipment	814,560	-	(88,232)	726,328
Intangible Asset - Trackage Right	8,000,000	-	-	8,000,000
Total depreciable and amortized capital assets	<u>963,641,988</u>	<u>52,818,027</u>	<u>(18,039,833)</u>	<u>998,420,182</u>
Accumulated depreciation and amortization for:				
Right of way improvements	(131,155,771)	(35,686,919)	16,473,458	(150,369,232)
Rail vehicles	(76,232,012)	(12,266,738)	-	(88,498,750)
Facilities and equipment	(14,966,001)	(4,913,135)	1,478,143	(18,400,993)
Office equipment	(620,698)	(123,698)	88,232	(656,164)
Intangible Asset - Trackage Rights	(2,962,691)	(192,508)	-	(3,155,199)
Total accumulated depreciation and amortization	<u>(225,937,173)</u>	<u>(53,182,998)</u>	<u>18,039,833</u>	<u>(261,080,338)</u>
Capital assets nondepreciable:				
Right of way	226,892,731	-	-	226,892,731
Construction in progress	151,197,182	75,109,003	(52,818,028)	173,488,157
Total nondepreciable capital assets	<u>378,089,913</u>	<u>75,109,003</u>	<u>(52,818,028)</u>	<u>400,380,888</u>
Capital assets, net	<u>\$ 1,115,794,728</u>	<u>\$ 74,744,032</u>	<u>\$ (52,818,028)</u>	<u>\$ 1,137,720,732</u>

PENINSULA CORRIDOR JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE #6 - CAPITAL ASSETS, *continued*

Capital asset activity for the year ended June 30, 2008, was as follows:

	Balance at July 1, 2007	Additions	Deletions	Balance at June 30, 2008
Depreciable and amortized capital assets:				
Right of way improvements	\$ 496,553,504	\$ 86,229,876	\$ -	\$ 582,783,380
Rail vehicles	254,200,566	336,034	-	254,536,600
Facilities and equipment	23,548,742	94,057,860	(99,154)	117,507,448
Office equipment	716,982	126,200	(28,622)	814,560
Intangible Asset - Trackage Right	8,000,000	-	-	8,000,000
Total depreciable and amortized capital assets	<u>783,019,794</u>	<u>180,749,970</u>	<u>(127,776)</u>	<u>963,641,988</u>
Accumulated depreciation and amortization for:				
Right of way improvements	(100,572,895)	(30,582,876)	-	(131,155,771)
Rail vehicles	(65,495,421)	(10,736,591)	-	(76,232,012)
Facilities and equipment	(10,426,204)	(4,602,595)	62,798	(14,966,001)
Office equipment	(473,632)	(175,688)	28,622	(620,698)
Intangible Asset - Trackage Rights	(2,770,182)	(192,509)	-	(2,962,691)
Total accumulated depreciation and amortization	<u>(179,738,334)</u>	<u>(46,290,259)</u>	<u>91,420</u>	<u>(225,937,173)</u>
Capital assets nondepreciable:				
Right of way	210,962,152	15,930,579	-	226,892,731
Construction in progress	250,918,782	96,958,950	(196,680,550)	151,197,182
Total nondepreciable capital assets	<u>461,880,934</u>	<u>112,889,529</u>	<u>(196,680,550)</u>	<u>378,089,913</u>
Capital assets, net	<u>\$ 1,065,162,394</u>	<u>\$ 247,349,240</u>	<u>\$ (196,716,906)</u>	<u>\$ 1,115,794,728</u>

PENINSULA CORRIDOR JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE #7 - OPERATING ASSISTANCE

Member Agencies provide funding to the JPB. Net operating and administrative costs are apportioned on the basis of mutually agreed contribution rates, updated on an annual basis. Funding allocations for the years ended June 30, 2009 and 2008 were:

	<u>2009</u>	<u>2008</u>
District - Operating	41.92%	41.92%
VTA - Operating	40.28%	40.28%
CCSF - Operating	17.80%	17.80%

Federal, state and local operating assistance revenue amounts included in the Statements of Revenues, Expenses and Changes in Net Assets for the years ended June 30, 2009 and 2008 were:

	<u>2009</u>	<u>2008</u>
Member Agency local funds	\$ 38,688,342	\$ 38,283,743
Assembly Bill 434 operating assistance	1,017,177	1,034,355
Other	120,136	343,322
Total	<u>\$ 39,825,655</u>	<u>\$ 39,661,420</u>

NOTE #8 - CAPITAL ASSISTANCE

Capital expenditures are primarily funded by federal and state grants, contributions from Member Agencies, and proceeds from Farebox Revenue Bonds (See *Note #9 – Farebox Revenue Bonds Payable*). Costs of capital replacement and enhancement projects that are not covered by outside funding sources are allocated to the Member Agencies based upon the terms of the Agreement.

A. Member Agencies

On an annual basis, the Board determines the amount to be contributed to a Capital Contingency Fund to cover unanticipated necessary capital improvements. Each Member Agency is responsible for an equal share of these funds. Member Agency contributions to the Capital Contingency Fund were \$1,010,000 for each of the years ended June 30, 2009 and 2008. Of the Capital Contingency Fund, \$960,000 was contributed by the Member Agencies for Mainline services and \$50,000 was contributed by the VTA for the Gilroy Extension. In Fiscal Years 2009 and 2008 the JPB received capital reimbursements and capital advances from the member agencies totaling \$7,497,515 and 8,897,829 respectively. The unexpended amounts at 2009 and 2008 are shown as Deferred Member Contributions. (See *Note #14 – Related Parties*).

B. Federal and State Grants

At June 30, 2009, the JPB has 20 federal, eight state and 21 local grants that provide funding for Caltrain capital projects. Capital additions for the year ended June 30, 2009 applicable to these projects are \$71,240,636. The related federal participation is \$33,761,935.

PENINSULA CORRIDOR JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE #8 - CAPITAL ASSISTANCE, *continued*

The JPB has receivables of \$4,634,082 and \$10,881,864 at June 30, 2009 and 2008, respectively, for qualifying capital project expenditures under FTA grant contracts in excess of reimbursements, which is included in Due From Other Governmental Agencies. In addition, the JPB has receivables of \$2,615,172 and \$2,296,512 at June 30, 2009 and 2008, respectively, for qualifying capital project expenditures under various state grants, which is also included in Due From Other Governmental Agencies.

Under the terms of the grants, contributions for equipment sold or retired during its useful life are refundable to the federal government in proportion to the related capital grant funds received, unless the net book value or proceeds from sale is under grant-prescribed limits.

NOTE #9 - FAREBOX REVENUE BONDS PAYABLE

A. 1999 Series A Bonds

In October 1999, the JPB issued Farebox Revenue Bonds in the amount of \$3,820,000 to finance the acquisition of electrical power units for locomotives utilized for its Caltrain commuter rail service. These bonds, with interest rates ranging from 4.0 to 5.375 percent, were limited obligations of the JPB, payable from and secured by a pledge of its farebox revenues. Interest payments were due on April 1 and October 1 of each year. The bonds were scheduled to mature on October 1 of each year through October 1, 2014. In December 2007, a portion of the 2007 Series A Bond proceeds was used to fully pay and legally defease the 1999 Series A Bonds.

B. 2007 Series A Bonds

On October 31, 2007, the JPB issued \$23,140,000 in 2007 Series A Farebox Revenue Bonds with \$2,117,000 used to fully pay and legally defease the 1999 Series A Bonds and the balance, net of cost of issuance, was used to finance the acquisition of eight new rail cars. The 2007 Series A Bonds carry a coupon rate ranging from 4.0 to 5.0 percent and are payable from and secured by a pledge of farebox revenues. Interest payments are due on April 1 and October 1 of each year through October 1, 2037. Annual principal payments commence October 1, 2018 and continue through the maturity date of October 1, 2037.

The refinancing of the 1999 Series A Bonds extended the length of the existing debt service obligations by 14 years, from 2014 to 2028. The net effect to the JPB when comparing the old debt service requirement to the new debt service requirement is an economic gain of \$20,304 (the difference between the present value of the old and new debt service requirements).

Activity for the year ended June 30, 2009 is as follows:

	Balance at July 1, 2008	Additions	Reductions	Balance at June 30, 2009	Amounts Due within One Year
2007 Series A Revenue Bonds	\$ 23,140,000	\$ -	\$ -	\$ 23,140,000	\$ -

PENINSULA CORRIDOR JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE #9 - FAREBOX REVENUE BONDS PAYABLE, *continued*

Activity for the year ended June 30, 2008 is as follows:

	Balance at July 1, 2007	Additions	Reductions	Balance at June 30, 2008	Amounts Due within One Year
1999 Series A	\$ 2,355,000	\$ -	\$2,355,000	\$ -	\$ -
2007 Series A	-	23,140,000	-	23,140,000	-
Farebox Revenue Bonds	<u>\$ 2,355,000</u>	<u>\$ 23,140,000</u>	<u>\$2,355,000</u>	<u>\$ 23,140,000</u>	<u>\$ -</u>

Annual principal and interest payments are as follows:

Year Ending June 30:	Principal	Interest	Total
2010	\$ -	\$ 1,102,875	\$ 1,102,875
2011	-	1,102,875	1,102,875
2012	-	1,102,875	1,102,875
2013	-	1,102,875	1,102,875
2014	-	1,102,875	1,102,875
2015-2019	180,000	5,510,775	5,690,775
2020-2024	3,175,000	5,221,103	8,396,103
2025-2029	5,580,000	4,222,847	9,802,847
2030-2034	7,100,000	2,699,250	9,799,250
2035-2038	7,105,000	732,625	7,837,625
Total	<u>\$ 23,140,000</u>	<u>\$ 23,900,975</u>	<u>\$ 47,040,975</u>

NOTE #10 - SELF-INSURANCE

Insurance

The JPB is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The JPB is self-insured for a portion of its public liability and property damage liability. As of June 30, 2009, coverage provided by self-insurance and excess coverage is generally as follows:

Type of Coverage	Self-insurance (in aggregate)	Excess Coverage (in aggregate)
Public Liability	Up to \$2,000,000 per occurrence	Up to \$200,000,000 per occurrence
Property Damage	Up to \$2,000,000 per occurrence	Up to \$200,000,000 per occurrence

PENINSULA CORRIDOR JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE #10 - SELF-INSURANCE, *continued*

All property is insured at full replacement value. No settlement amounts have exceeded commercial insurance coverage for the last three years.

The unpaid claims liabilities are based on the results of actuarial studies and include amounts for claims incurred but not reported. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. Annual expense is charged using various allocation methods that include actual costs, trends in claims experience and number of participants. It is the JPB's practice to obtain full actuarial studies annually.

Changes in the balances of self-insured claims liabilities for public liability and property damage for the years ended June 30, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Self-insured claims liabilities, beginning of year	\$ 2,065,856	\$ 2,470,060
Incurred claims and changes in estimates	1,580,003	1,078,514
Claim payments and related costs	(359,012)	(1,482,718)
Total self-insured claims liabilities	<u>3,286,847</u>	<u>2,065,856</u>
Less current portion	(421,866)	(283,837)
Noncurrent portion	<u>\$ 2,864,981</u>	<u>\$ 1,782,019</u>

NOTE #11 - CAPITAL CONTRIBUTIONS

The JPB receives grants and capital contributions from the federal, state and local governments for the acquisition and improvement of property and other equipment. Capital grants and contributions used for capital purposes are recorded as capital contributions and the cost of the related assets is included in property and equipment.

Depreciation on assets acquired with capital contributions is included in the Statements of Revenues, Expenses and Changes in Net Assets. Capital contributions earned for the years ended June 30, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Contributions from the Federal government	\$ 33,761,935	\$ 48,601,953
Contributions from the State	4,492,838	3,486,252
Contributions from local governments	32,985,863	30,463,746
Total Capital Contributions	<u>\$ 71,240,636</u>	<u>\$ 82,551,951</u>

NOTE #12 - COMMITMENT AND CONTINGENCIES

A. Contract with Amtrak

In November 2001, the JPB and Amtrak executed an agreement for operation, maintenance and project support related to the JPB rail operations. The contract was established on a fixed-cost basis plus 4 percent of direct costs for overhead recovery. The agreement also included fixed-price quotations and overhead recovery rates for optional extra work requested at the discretion of the JPB. The JPB Board of Directors amended the contract in January 2005 to extend the term for an additional three years through June 30, 2009. In January 2008, the Board of Directors exercised the option to amend the contract for an additional year through June 30, 2010 and again in February 2009 through June 30, 2011.

Total expenses billed to the JPB by Amtrak for operating the rail service for the years ended June 30, 2009 and 2008 are recorded as Contract Services in the Statement of Revenues, Expenses and Changes in Net Assets.

B. Diesel Fuel Contract

In July 2003, the JPB awarded a five-year contract to Golden Gate Petroleum at an estimated amount of \$20,089,500. In April 2007, the contract was renegotiated and the JPB entered into a new two-year contract for an estimated amount of \$19,579,165. In May 2009, an amendment with an effective date of April 2009 and an expiration date of March 2010 was signed with a revised pricing method. In April 2009, the JPB Board authorized the first of three one-year option terms for an estimated amount of \$9,789,583.

Fuel costs incurred for the years ended June 30, 2009 and 2008 were \$10,741,684 and \$14,377,366, respectively.

C. Centralized Equipment Maintenance and Operations Facility (CEMOF) Construction Contract

The JPB contracted with Shimmick Construction Company Inc./Obayashi Corporation Joint Ventures for the construction of a state of the art equipment and maintenance shop for the handling of all light repairs to Caltrain commuter passenger railcar equipment for \$56,445,519. The work consisted of construction equipment maintenance and storage facility and other improvements on the west side of the mainline tracks, including the shop building, yard tracks, train washer, access roads, storage building, oil/water separator, and drum storage. The facility opened for operation in September 2007. The JPB issued a Final Acceptance letter in July 2009 to the contractor indicating that all contract work had been completed. The contractor submitted a final invoice in September 2009, which included a significant claim for additional compensation. The JPB released the remaining retention in October 2009 to the contractor and currently is in the process of evaluating the contractor's claim. Negotiations with the contractor are ongoing.

D. Litigation

As of June 30, 2009 and 2008, the JPB had accrued amounts that management believes are adequate to provide for claims and litigation which arose during the normal course of business. Other claims and litigations are outstanding for which the JPB cannot determine the ultimate and resulting liability, if any. However, the JPB's management believes the ultimate outcome of these claims and lawsuits will not significantly impact the JPB's financial position.

NOTE #12 - COMMITMENT AND CONTINGENCIES, *continued*

E. Leases

In September 2008, American International Group (AIG) was downgraded by both the Standard and Poor's and Moody's rating agencies. AIG is a guarantor on two of JPB's three active lease transactions (see *Note #13*) which are referred to as Sale In/Lease Out (SILO) transactions. The downgrade of AIG was a trigger point within the lease documents that requires the JPB to replace AIG as guarantor within 60 days with a guarantor acceptable to the equity investor, Wells Fargo Bank. Wells Fargo Bank originally granted the JPB a 30-day extension from November 10, 2008 to find an acceptable replacement and has since not responded to letters requesting an extension. In subsequent letters the JPB has included language stating that the JPB assumes that the request for extension meets with their approval unless we hear otherwise from them. Our most recent request for an extension was through December 31, 2009. The JPB continues to make every effort to replace AIG with an acceptable guarantor while supporting the American Public Transportation Association (APTA) in its effort in working towards a regulatory or legislative solution to the SILO and Lease In/Lease Out (LILO) problems which are being experienced throughout the transit industry nationwide. In the event the JPB is unable to replace AIG with an acceptable guarantor and relief is not experienced at the regulatory or legislative level or as a result of negotiations with Wells Fargo Bank, the JPB in a worse case scenario could be required to pay Wells Fargo Bank the net termination value on the leases. However, it is reasonably anticipated that this negative consequence can be averted.

In November 2008, Financial Security Assurance (FSA) was downgraded by Moody's rating agency from Aaa to Aa3 and in February 2009, Swiss Reinsurance Company (Swiss Re) was downgraded by Moody's rating agency from Aa3 to A1. FSA and Swiss Re are guarantors on one of JPB's active SILO transactions (see *Note #13*). The downgrade of FSA and Swiss Re were trigger points within the lease documents that requires the JPB to replace FSA and Swiss Re as guarantors within 45 days with guarantors acceptable to the equity investor, Banc of America Leasing & Capital LLC. Banc of America Leasing & Capital LLC has granted the JPB extensions through November 30, 2009. The JPB continues to make every effort to replace FSA and Swiss Re with acceptable guarantors. In the event the JPB is unable to replace FSA and Swiss Re with acceptable guarantors and relief is not experienced at the regulatory or legislative level or as a result of negotiations with Banc of America Leasing & Capital LLC, the JPB in a worse case scenario could be required to pay Banc of America Leasing & Capital LLC the net termination value on the leases. However, it is reasonably anticipated that this negative consequence can be averted.

NOTE #13 – LEASING TRANSACTIONS

A. Fiscal Year 2001 Sale-Leaseback

In November 2000, the JPB entered into a leasing transaction with respect to 14 Nippon Sharyo coach cars, six Nippon Sharyo cab cars and three GM F40PH-2 locomotives (collectively, the "Equipment"). The JPB leased the Equipment to a statutory trust under a Head Lease and simultaneously leased back the Equipment under a Sublease. The JPB received net proceeds in the amount of \$6,243,784, representing the difference between the appraised value of the Equipment and certain required deposits and expenses. Title to the Equipment remains on the books of the JPB at its original cost and is being depreciated over the original useful life determined at the date of acquisition. The net proceeds were recorded as Lease-Leaseback income. The JPB has an option to purchase the Equipment for an agreed upon purchase price in January 2025.

NOTE #13 – LEASING TRANSACTIONS, *continued*

B. Fiscal Year 2002 Sale-Leaseback

In September 2001, the JPB entered into a leasing transaction with respect to 21 Nippon Sharyo passenger trailer cars and seven GM-EMD locomotives (the “Equipment”). The JPB leased the Equipment to a statutory trust under a Head Lease and simultaneously leased back the Equipment under a Sublease. The leasing transaction terminated and restructured a portion of a 1996 leasing transaction (the “1996 Transaction”). The JPB received net proceeds in the amount of \$670,000 which represents the difference between the appraised value of the Equipment and termination costs associated with the 1996 Transaction, certain required deposits and expenses. The JPB had received net proceeds of \$3,983,106 from the 1996 Transaction. Title to the Equipment remains on the books of the JPB at its original cost and is being depreciated over the original useful life determined at the date of acquisition. The net proceeds have been recorded as Lease-Leaseback income for the year ended June 30, 2002. The JPB has an option to purchase the Equipment for an agreed upon purchase price in January 2026.

C. Fiscal Year 2002 Sale-Leaseback

In February 2002, the JPB entered into a leasing transaction with respect to 38 Nippon Sharyo trailer cars, 14 Nippon Sharyo cab cars and 13 GM F40PH-2 locomotives (the “Equipment”). The JPB leased the Equipment to a statutory trust under a Head Lease and simultaneously leased back the Equipment under a Sublease. The leasing transaction terminated and restructured the remaining portion of the 1996 Transaction that had not been previously terminated. The JPB received net proceeds in the amount of \$2,392,510 which represents the difference between the appraised value of the Equipment and termination costs associated with the remaining portion of the 1996 Transaction, certain required deposits and expenses. Title to the Equipment remains on the books of the JPB at its original cost and is being depreciated over the original useful life determined at the date of acquisition. The net proceeds have been recorded as Lease-Leaseback income for the year ended June 30, 2002. The JPB has an option to purchase the Equipment for an agreed upon purchase price in January 2026.

D. Retirement of Equipment under Safe Harbor Lease

In July 2005, the JPB Board of Directors authorized the retirement and sale of twelve 1952 Budd passenger trailers, two 1952 Budd cab control cars and one lot of spare parts. When the JPB acquired this equipment in 2000, it was subject to a 1982 Safe Harbor Lease pursuant to Internal Revenue Code Section 168(f)(8). The JPB sold this equipment to Grand Canyon Railway, Inc. of Flagstaff, Arizona for \$604,000. The JPB incurred sale costs of \$112,657, the majority of which went towards fulfilling its obligations under the Safe Harbor Lease and towards minimizing any related potential liabilities.

E. Tax Contingency

On May 17, 2006, the Tax Increase Prevention and Reconciliation Act of 2005 was signed into law. Pursuant to this Act, Code Section 4965 imposes a federal excise tax (the “New Excise Tax”) on the net income or proceeds of certain types of leasing transactions entered into by tax-exempt entities, including states and their political subdivisions such as the JPB. The JPB’s leasing transactions are described in Note 13 items A through D. The U.S. Treasury Department and the Internal Revenue Service (the “IRS”) have put forth some clarification as to which transactions are subject to the New Excise Tax. Some of the key points in the clarification documents affecting the JPB are as follows:

- Disclosure of these transactions to the IRS is not required if the transactions took place before May 16, 2006.

PENINSULA CORRIDOR JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE #13 – LEASING TRANSACTIONS, *continued*

- Only net proceeds reserved after August 15, 2006 are subject to tax.
- In relation to equity defeasance, no loan payments are subject to tax.

All of the JPB’s transactions took place before May 16, 2006. All proceeds from transactions were received prior to August 15, 2006. The JPB’s loan payments related to equity defeasance are not subject to tax. The JPB feels that this New Excise Tax will not have a material impact on its financial statements. required to pay Banc of America Leasing & Capital LLC the net termination value on the leases.

NOTE #14 - RELATED PARTIES

A. Operating Expenses paid to District

The District serves as the managing agency of the JPB, providing administrative personnel and facilities (see Note #1). The District is compensated based on actual costs incurred. Beginning in FY 1999, the JPB was also required to compensate the District for administrative overhead. Amounts due to the District as managing agency at June 30, 2009 and 2008 total \$1,577,609 and \$2,822,063, respectively, and are included in accrued liabilities. Total expenses billed to the JPB by the District which are included as operating expenses in the accompanying Statements of Revenues, Expenses and Changes in Net Assets are as follows:

	<u>2009</u>	<u>2008</u>
Wages and benefits	\$ 5,383,558	\$ 5,708,394
Rent, utilities, supplies and other	1,436,709	1,168,123
Total	<u>\$ 6,820,267</u>	<u>\$ 6,876,517</u>

B. Receivables from Member Agencies

The JPB is owed amounts from Member Agencies for grants and prior obligations. The balances at June 30, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
District	\$ 8,484	\$ 30,685
VTA	599,900	-
CCSF	1,438,742	946,725
Total	<u>\$ 2,047,126</u>	<u>\$ 977,410</u>

PENINSULA CORRIDOR JOINT POWERS BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE #14 - RELATED PARTIES, *continued*

C. Deferred Member Contributions

The JPB recognizes Member Agencies' advances as operating assistance or contributed capital when expenses are incurred or assets are purchased. Accordingly, some Member Agencies' payments are classified as Deferred Member Contributions. The balances at June 30, 2009 and 2008 are as follows:

	2009	2008
District	\$ 6,165,627	\$ 6,542,435
VTA	3,605,423	904,696
CCSF	1,628,595	2,234,575
Total	<u>\$ 11,399,645</u>	<u>\$ 9,681,706</u>
Committed for:		
Capital project development	\$ -	\$ 240,000
Centralized traffic control system	847	1,055
Farebox capital	185,866	97,940
Capital contingency fund	2,604,784	3,065,459
Capital contribution Member's local match	8,408,409	6,077,513
Total Committed	<u>11,199,906</u>	<u>9,481,967</u>
Uncommitted funds:		
District	100,000	100,000
VTA	(17,349)	(17,349)
CCSF	117,088	117,088
Total Uncommitted	<u>199,739</u>	<u>199,739</u>
Total	<u>\$ 11,399,645</u>	<u>\$ 9,681,706</u>

NOTE #15 – SUBSEQUENT EVENT

On July 17, 2009, the JPB entered into a diesel fuel price cap agreement with Deutsche Bank to hedge the cost of fuel which capped the price of fuel hedged by the JPB at \$2.00 per gallon saving the JPB approximately \$2.5 million in the FY 2010 budget. The JPB purchases fuel based on the weekly spot price for ultra-low sulfur diesel. This method leaves the JPB open to fluctuation in the market for diesel fuel. The goal for the fuel hedging program was to reduce volatility and uncertainty in the fuel budget for FY 2010. The JPB hedged 2.0 million gallons, which represents 50 percent of 11 months of estimated fuel consumption. In order to maximize the hedging program's potential for economic efficiency, the JPB partnered with the District, which hedged 1.0 million gallons. The agreement documents include a Credit Support Annex which provides protection to the JPB in the event that the rating of Deutsche Bank falls to or below A3/A-/A- by Moody's, Standard and Poor's or Fitch. Implementing a fuel hedging program at this time allowed the JPB to reduce uncertainty in the fuel budget for FY 2010 and to take advantage of the relatively low market prices on the closing date of the transaction. Staff will return to the Board with results of the FY 2010 fuel hedging program and a recommendation on whether to continue the program in FY 2011.

PENINSULA CORRIDOR JOINT POWERS BOARD
SUPPLEMENTARY SCHEDULE OF REVENUES AND EXPENSES –
COMPARISON OF BUDGET TO ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2009

	Budget		Variance
	(Unaudited)	Actual	Positive/ (Negative)
OPERATING REVENUES:			
Passenger fares	\$ 44,369,414	\$ 43,271,656	\$ (1,097,758)
Parking, shuttle and pass revenues	3,262,090	3,111,782	(150,308)
Other	339,600	335,167	(4,433)
Total operating revenues	<u>47,971,104</u>	<u>46,718,605</u>	<u>(1,252,499)</u>
OPERATING EXPENSES:			
Contract services	60,775,004	61,172,061	(397,057)
Insurance	4,535,000	4,536,943	(1,943)
Fuel	16,802,601	10,741,684	6,060,917
Parking, shuttle and pass expenses	4,037,991	3,941,404	96,587
Professional services	752,850	915,697	(162,847)
Wages and benefits	5,835,933	5,383,557	452,376
Utilities and supplies	1,747,840	1,462,161	285,679
Maintenance services	401,000	251,728	149,272
Temporary services, rent and other	2,135,384	1,861,549	273,835
Total operating expenses	<u>97,023,603</u>	<u>90,266,784</u>	<u>6,756,819</u>
Operating loss	<u>(49,052,499)</u>	<u>(43,548,179)</u>	<u>5,504,320</u>
NONOPERATING REVENUES (EXPENSES):			
Federal, state and local operating assistance	40,583,940	39,825,655	(758,285)
Rental income	1,604,340	1,660,773	56,433
Interest income	(287,270)	(836,523)	(549,253)
Interest expense	(766,596)	(766,596)	-
Debt service principal payment	(1,102,875)	(1,102,875)	-
Other income	(700,000)	1,173,395	1,873,395
Total nonoperating revenues	<u>39,331,539</u>	<u>39,953,829</u>	<u>622,290</u>
Net loss	<u>(9,720,960)</u>	<u>(3,594,350)</u>	<u>6,126,610</u>
CAPITAL OUTLAY:			
Capital assistance	148,844,629	71,240,636	(77,603,993)
Capital debt financing	-	5,681,557	5,681,557
Capital expenditures	(148,844,629)	(76,917,490)	71,927,139
Net capital outlay	<u>-</u>	<u>4,703</u>	<u>4,703</u>
DEFICIENCY OF REVENUES AND NONOPERATING			
INCOME OVER EXPENSES, CAPITAL OUTLAY AND			
DEBT PRINCIPAL PAYMENT			
	<u>\$ (9,720,960)</u>	<u>\$ (3,589,647)</u>	<u>\$ 6,131,313</u>

PENINSULA CORRIDOR JOINT POWERS BOARD
NOTES TO SUPPLEMENTARY SCHEDULE
YEAR ENDED JUNE 30, 2009

NOTE #1 - BUDGETARY BASIS OF ACCOUNTING

The JPB prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the Supplemental Schedule on the budgetary basis to provide a meaningful comparison of actual results with budget. In addition, certain budget amounts have been reclassified to conform to the presentation of actual amounts in the Supplemental Schedule. Budgeted amounts presented are the original adopted budget. The primary differences between the budgetary basis of accounting and GAAP concerns capital assets. Depreciation and amortization expense, and unrealized gains and losses under GASB Statement No. 31 are not budgeted per GAAP and budgeted capital expenditures are not recorded as expenses per GAAP.

NOTE #2 - RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

A reconciliation of the budgetary basis of accounting to GAAP is as follows:

Excess of expenses and capital outlay over operating revenues and nonoperating revenues		\$ (3,589,647)
<u>Reconciling Items</u>		
Debt service principal payment	\$ 1,102,875	
GASB 31 unrealized gain	350,147	
Depreciation and amortization of assets	(53,182,998)	
Capital debt financing	(5,681,557)	
Capital expenditures	<u>76,917,490</u>	
Subtotal reconciling items		<u>19,505,957</u>
Change in net assets, GAAP basis		<u>\$ 15,916,310</u>

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Section III

STATISTICAL

Financial Trends

- Net Assets and Changes in Net Assets

Revenue Capacity

- Revenue Base and Revenue Rate
- Principal Revenue Payers

Debt Capacity

- Ratios of Outstanding Bonds
- Bonded Debt
- Direct and Overlapping Debt and Debt Limitations
- Pledged Revenue Coverage

Demographics and Economic Information

- Population and Income
- Unemployment Rates
- Principal Employers

Operating Information

- Farebox Recovery and Miles
- Employees
- Capital Assets

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STATISTICAL SECTION

The Statistical Section of JPB's CAFR represents detailed information as a context for understanding the information in the financial statements, notes disclosure and supplementary information for assessing the JPB's economic condition.

Financial Trends

These schedules contain trend information to assist readers in understanding and assessing how the JPB's financial position has changed over time.

Revenue Capacity

These schedules contain information to assist readers in understanding and assessing the factors affecting the JPB's ability to generate passenger fares.

Debt Capacity

These schedules assist readers in understanding and assessing the JPB's debt burden and its capacity to issue future debt.

Demographic and Economic Information

These schedules present socioeconomic indicators to assist readers in understanding the environment within which the JPB's financial activities take place.

Operating Information

These schedules contain contextual information about the JPB's operations and resources to assist readers in using financial statement information as a tool to understand and assess the JPB's economic condition.

PENINSULA CORRIDOR JOINT POWERS BOARD
FINANCIAL TRENDS – NET ASSETS AND CHANGES IN NET ASSETS
FISCAL YEARS 2000 THROUGH 2009 (in thousands)

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
OPERATING REVENUES:				
Passenger fares	\$ 43,272	\$ 38,399	\$ 33,058	\$ 28,845
Parking, shuttle and pass revenues	3,112	4,972	4,667	4,164
Other	335	389	236	114
Total operating revenues	<u>46,719</u>	<u>43,760</u>	<u>37,961</u>	<u>33,123</u>
OPERATING EXPENSES:				
Contract services	61,172	55,341	50,799	48,662
Insurance	4,537	3,641	4,172	3,098
Fuel	10,742	14,377	10,876	10,350
Parking, shuttle and pass expenses	3,941	3,904	3,579	3,332
Professional services	916	780	583	544
Wages and benefits	5,384	5,708	4,719	4,081
Utilities and supplies	1,462	1,295	1,009	790
Maintenance services	252	308	457	314
Temporary services, rent and other	1,861	1,604	1,337	1,406
Total operating expenses	<u>90,267</u>	<u>86,958</u>	<u>77,531</u>	<u>72,577</u>
OPERATING LOSS BEFORE DEPRECIATION AND AMORTIZATION	(43,548)	(43,198)	(39,570)	(39,454)
DEPRECIATION AND AMORTIZATION	(53,183)	(46,290)	(36,985)	(30,743)
OPERATING LOSS	(96,731)	(89,488)	(76,555)	(70,197)
NONOPERATING REVENUES (EXPENSES):				
Federal, state and local operating assistance	39,826	39,661	41,538	41,125
Rental income	1,661	1,577	1,485	1,310
Interest income	(486)	1,260	1,631	1,411
Interest expense	(767)	(111)	(121)	(199)
Other income (expenses)	1,173	832	602	(378)
Total nonoperating revenues, net	<u>41,407</u>	<u>43,219</u>	<u>45,135</u>	<u>43,269</u>
Net loss before capital contributions	<u>(55,324)</u>	<u>(46,269)</u>	<u>(31,420)</u>	<u>(26,928)</u>
Capital contributions	71,241	82,552	91,222	122,520
Prior period adjustment	-	-	-	-
CHANGES IN NET ASSETS	<u>15,917</u>	<u>36,283</u>	<u>59,802</u>	<u>95,592</u>
Net Asset Components				
Invested in capital assets, net of related debt	1,115,901	1,099,455	1,062,907	1,008,343
Restricted	375	529	296	173
Unrestricted	10,974	11,350	11,848	6,733
Net Assets, end of year	<u><u>\$ 1,127,250</u></u>	<u><u>\$ 1,111,334</u></u>	<u><u>\$ 1,075,051</u></u>	<u><u>\$ 1,015,249</u></u>

Source: CAFRS.

This table presents revenues and expenses, contributions, depreciation and amortization and net asset components.

PENINSULA CORRIDOR JOINT POWERS BOARD
FINANCIAL TRENDS – NET ASSETS AND CHANGES IN NET ASSETS
FISCAL YEARS 2000 THROUGH 2009 (in thousands)

	2005	2004	2003	2002	2001	2000
\$	21,968	\$ 18,427	\$ 19,430	\$ 21,433	\$ 22,788	\$ 20,863
	3,676	3,718	3,202	2,686	2,805	2,666
	448	80	31	44	40	33
	<u>26,092</u>	<u>22,225</u>	<u>22,663</u>	<u>24,163</u>	<u>25,633</u>	<u>23,562</u>
	47,164	44,236	41,305	41,183	41,657	34,401
	3,607	3,251	2,538	3,649	3,200	2,787
	7,365	4,570	3,761	3,670	4,747	3,381
	3,754	4,430	4,477	4,876	4,925	4,648
	1,660	862	758	1,128	1,346	1,162
	4,224	4,270	4,111	3,718	2,859	2,332
	857	808	1,097	1,091	905	690
	259	30	89	171	29	556
	1,208	1,153	1,718	2,138	1,715	1,203
	<u>70,098</u>	<u>63,610</u>	<u>59,854</u>	<u>61,624</u>	<u>61,383</u>	<u>51,160</u>
	(44,006)	(41,385)	(37,191)	(37,461)	(35,750)	(27,598)
	(28,515)	(21,215)	(15,234)	(9,638)	(7,238)	(6,663)
	<u>(72,521)</u>	<u>(62,600)</u>	<u>(52,425)</u>	<u>(47,099)</u>	<u>(42,988)</u>	<u>(34,261)</u>
	35,393	33,057	32,193	34,000	30,622	23,638
	1,184	1,147	1,406	995	914	1,010
	2,126	1,443	2,801	3,567	4,995	2,114
	(908)	(1,484)	(1,028)	(1,248)	(3,562)	(1,176)
	4,750	1,277	3,294	151	2,782	2,011
	<u>42,545</u>	<u>35,440</u>	<u>38,666</u>	<u>40,598</u>	<u>35,751</u>	<u>27,597</u>
	(29,976)	(27,160)	(13,759)	(6,501)	(7,237)	(6,664)
	69,828	122,602	106,093	84,255	77,377	97,944
	-	2,468	-	7,554	-	-
	<u>39,852</u>	<u>97,910</u>	<u>92,334</u>	<u>85,308</u>	<u>70,140</u>	<u>91,280</u>
	915,004	873,775	753,944	671,881	605,210	532,113
	150	-	-	950	3,227	-
	4,503	6,030	27,951	16,730	(4,184)	2,000
\$	<u><u>919,657</u></u>	<u><u>879,805</u></u>	<u><u>781,895</u></u>	<u><u>689,561</u></u>	<u><u>604,253</u></u>	<u><u>534,113</u></u>

PENINSULA CORRIDOR JOINT POWERS BOARD
REVENUE CAPACITY – REVENUE BASE AND REVENUE RATE
FISCAL YEARS 2000 THROUGH 2009 (in thousands)

Fiscal year	2009	2008	2007	2006
Passenger fares (in thousands)	\$ 43,272	\$ 38,399	\$ 33,058	\$ 28,845
Revenue Base				
Number of passengers (in thousands)	11,359	10,915	10,264	9,005
Four-zone fare structure				
Full adult fare:				
One-way	\$ 7.75	\$ 7.50	\$ 7.50	\$ 6.75
Day Pass	15.50	15.00	15.00	13.50
10-ride	66.00 ^[2]	63.75	63.75	57.50
8-ride ^[1]	52.75	-	-	-
Monthly Pass	205.50	198.75	198.75	179.00
Eligible discount fare:				
One-way	\$ 3.75	\$ 3.75	\$ 3.75	\$ 3.25
Day Pass	7.75	7.50	7.50	6.75
10-ride	33.00 ^[2]	31.75	31.75	28.75
8-ride ^[1]	26.25	-	-	-
Monthly Pass	102.75	99.25	99.25	89.50

Source: CAFRs and National Transit Database.

[1] 8-ride tickets replaced 10-ride tickets effective March 2, 2009

[2] 10-ride fare increase effective January 1, 2009

This table presents passenger fares, number of passengers and four-zone revenue fare structure.

PENINSULA CORRIDOR JOINT POWERS BOARD
REVENUE CAPACITY – REVENUE BASE AND REVENUE RATE
FISCAL YEARS 2000 THROUGH 2009 (in thousands)

	2005	2004	2003	2002	2001	2000
\$	21,968	\$ 18,427	\$ 19,430	\$ 21,433	\$ 22,788	\$ 20,863
	8,121	6,625	6,710	8,138	9,925	8,735
\$	6.50	\$ 5.50	\$ 5.50	\$ 5.25	\$ 4.75	\$ 4.75
	13.00	11.00	11.00	N/A	3.50	3.50
	55.25	46.75	46.75	43.75	39.75	39.75
	-	-	-	-	-	-
	172.25	145.75	145.75	136.50	124.00	124.00
\$	3.25	\$ 2.75	\$ 2.75	\$ 2.50	\$ 2.25	\$ 2.25
	6.50	5.50	5.50	N/A	N/A	N/A
	27.50	23.50	23.50	N/A	N/A	N/A
	-	-	-	-	-	-
	86.00	73.00	73.00	103.00	93.50	93.50

**PENINSULA CORRIDOR JOINT POWERS BOARD
REVENUE CAPACITY – PRINCIPAL REVENUE PAYERS
FISCAL YEAR ENDED JUNE 30, 2009**

The JPB does not have major revenue payers as most of the operating revenues are derived from passenger fares.

PENINSULA CORRIDOR JOINT POWERS BOARD
DEBT CAPACITY – RATIOS OF OUTSTANDING BONDS
FISCAL YEARS 2000 THROUGH 2009 (in thousands)

Fiscal Year	Farebox Revenue Bonds	San Mateo County Personal Income	As a Percent of Personal Income
2009	\$23,140	\$53,413,393	0.043%
2008	23,140	51,851,663	0.045%
2007	2,355	50,347,246	0.005%
2006	2,590	46,881,900	0.006%
2005	2,815	42,846,390	0.007%
2004	3,035	39,408,618	0.008%
2003	3,245	36,466,977	0.009%
2002	3,445	36,736,603	0.009%
2001	3,640	39,395,344	0.009%
2000	3,820	41,730,460	0.009%

Source: CAFRs

Personal income data is from the U.S. Department of Commerce, Bureau of Economic Analysis, calendar year figures.

Data for 2008 and 2009 are based on an estimated 4 percent annual increase over 2007.

This table presents the capacity of the JPB to issue farebox revenue bonds based on the total personal income for San Mateo County.

PENINSULA CORRIDOR JOINT POWERS BOARD
DEBT CAPACITY – BONDED DEBT
FISCAL YEARS 2000 THROUGH 2009 (in thousands)

Fiscal Year	Farebox Revenue Bonds	Member Agency Operating Contributions	As a Percent of Member Agency Contributions
2009	\$23,140	\$38,688	59.8%
2008	23,140	38,284	60.4%
2007	2,355	37,154	6.3%
2006	2,590	36,072	7.2%
2005	2,815	34,749	8.1%
2004	3,035	34,047	8.9%
2003	3,245	34,047	9.5%
2002	3,445	33,450	10.3%
2001	3,640	32,031	11.4%
2000	3,820	30,761	12.4%

Source: CAFRs

This table presents the capacity of the JPB to issue farebox revenue bonds based on the total member contributions from the District, VTA and CCSF.

**PENINSULA CORRIDOR JOINT POWERS BOARD
DEBT CAPACITY – DIRECT AND OVERLAPPING DEBT AND DEBT LIMITATION
FISCAL YEAR ENDED JUNE 30, 2009**

The JPB does not have overlapping debt with other governments. Additionally, the JPB does not have a legal debt limit.

PENINSULA CORRIDOR JOINT POWERS BOARD
DEBT CAPACITY – PLEDGED REVENUE COVERAGE
FISCAL YEARS 2000 THROUGH 2009 (in thousands)

Year	Pledged Revenue	Debt Service			Debt Coverage
		Principal	Interest	Total	
2009	\$ 46,720	\$ -	\$ 1,103	\$ 1,103	42
2008	43,760	250	521	771	57
2007	37,961	235	123	358	106
2006	33,123	225	133	358	93
2005	26,092	220	143	363	72
2004	22,225	210	152	362	61
2003	22,663	200	161	361	63
2002	24,163	195	169	364	66
2001	25,633	180	176	356	72
2000	23,562	-	90	90	262

Source: CAFRs.

This table presents the relationship between total farebox revenue and total principal and interest payments, as well as the JPB's ability to meet its debt obligations.

**PENINSULA CORRIDOR JOINT POWERS BOARD
 DEMOGRAPHICS AND ECONOMIC INFORMATION – POPULATION AND INCOME
 FISCAL YEARS 2007 AND 2000**

	<u>2007</u>	<u>2000</u>	<u>Percent Change 2000 - 2007</u>
Total Population	706,984	707,161	0.0%
Persons Per Household	2.82	2.74	2.9%
Median Household Income	\$82,913	\$70,819	17.1%
Personal Income (in millions)	\$50,347 ^[1]	\$41,730	20.7%
Per Capita Income	\$71,753 ^[1]	\$58,905	21.8%
Minority Population:			
Black	23,292	24,840	-6.2%
Hispanic	162,508	154,708	5.0%
Asian	170,528	141,684	20.4%
Native American	3,480	3,140	10.8%
Total	<u>359,808</u>	<u>324,372</u>	<u>10.9%</u>
Percent of Minority Population to Total Population	50.9%	45.9%	11.0%
Population by Age:			
4 years and younger	47,076	45,374	3.8%
5 to 17 years	157,575	-	N/A
5 to 19 years	-	131,912	N/A
18 to 64 years	409,243	-	N/A
20 to 64 years	-	441,790	N/A
65-Plus	93,090	88,085	5.7%
Percent of Employed Residents to Total Population	80.1%	52.9%	51.4%
Percent of Residents Working Outside of San Mateo County	42.9% ^[2]	41.8% ^[2]	2.6%
Percent of People Commuting to the San Mateo County for Work	41.0% ^[3]	41.5% ^[2]	-1.2%

[1] Bureau of Economic Analysis, BEARFACTS 1996 - 2007, San Mateo, California [06081], most current information available.

[2] Metropolitan Transportation Commission

[3] San Francisco Business Times, "Transit agencies try to do more with less", August 29, 2008

Source: United States Census Bureau, American Community Survey and Bureau of Economic Analysis.

This table highlights San Mateo County's total population, median household income, per capita income, population by age and percentage of employed residents.

**PENINSULA CORRIDOR JOINT POWERS BOARD
DEMOGRAPHICS AND ECONOMIC INFORMATION – UNEMPLOYMENT RATES
FISCAL YEARS 2000 THROUGH 2009**

Calendar Year	Unemployment Rates
2009	9.0% ^[1]
2008	4.7%
2007	3.8%
2006	3.7%
2005	4.3%
2004	4.9%
2003	5.8%
2002	5.7%
2001	3.8%
2000	2.9%

Source: California Employment Development Department

[1] 2009 rate is as of June 2009.

This table presents the unemployment rates for San Mateo County for the past 10 years.

PENINSULA CORRIDOR JOINT POWERS BOARD
DEMOGRAPHICS AND ECONOMIC INFORMATION – PRINCIPAL EMPLOYERS
FISCAL YEARS 2009 AND 1999

Employers in San Mateo County	2009			1999		
	Number of Employees	Rank	Percent of Total County Employment	Number of Employees	Rank	Percent of Total County Employment
United Airlines	9,600	1	2.76%	17,400	1	4.46%
Genentech Inc.	8,250	2	2.37%	2,839	7	0.73%
Oracle Corporation	5,642	3	1.62%	14,000	2	3.59%
County of San Mateo	5,443	4	1.56%	4,761	3	1.22%
Kaiser Permanente	3,780	5	1.09%	N/A	-	N/A
Safeway Inc.	2,273	6	0.65%	1,973	10	0.51%
Electronic Arts	2,000	7	0.57%	N/A	-	N/A
San Mateo County Community College District	1,950	8	0.56%	N/A	-	N/A
Mills-Peninsula Health	1,800	9	0.52%	N/A	-	N/A
United States Postal Service	1,671	10	0.48%	2,937	4	0.75%
Raychem Corporation	N/A	-	N/A	2,900	5	0.74%
American Airlines	N/A	-	N/A	2,700	8	0.69%
Franklin Templeton Corporation	N/A	-	N/A	2,849	6	0.73%
CHW West Bay Hospital	N/A	-	N/A	2,373	9	0.61%
Total	42,409		12.18%	54,732		14.03%

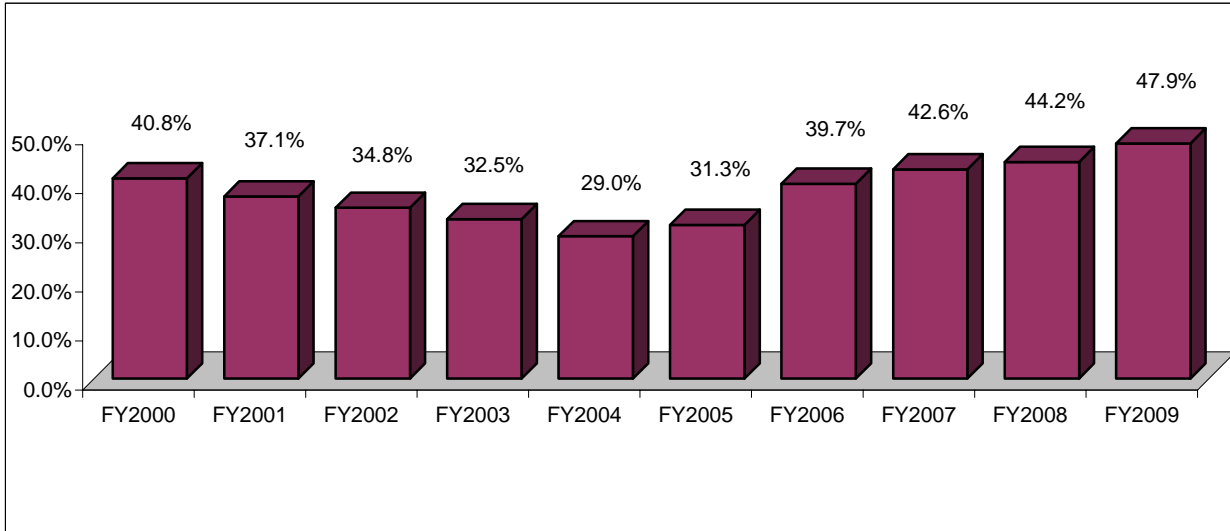
Source: County of San Mateo.

This table presents the top 10 principal employers in San Mateo County for 2009 and 1999.

PENINSULA CORRIDOR JOINT POWERS BOARD
OPERATING INFORMATION – FAREBOX RECOVERY AND MILES
FISCAL YEARS 2000 THROUGH 2009

FAREBOX RECOVERY

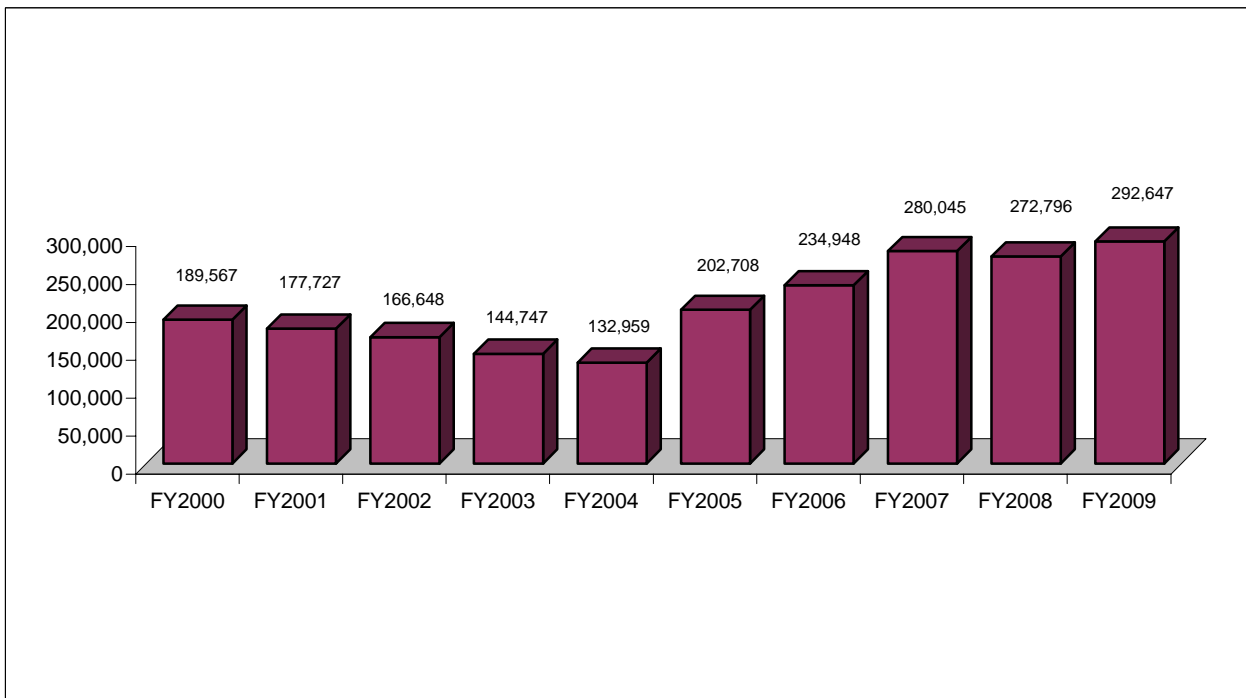
Farebox recovery table presents the relationship between total passenger fares and operating expenses. The Board-adopted farebox recovery rate goal range effective in Fiscal Year 2009 was 35 percent to 40 percent.



PASSENGER MILES

(in thousands)

Weekday passenger miles



Source: JPB's National Transportation Database.

PENINSULA CORRIDOR JOINT POWERS BOARD
OPERATING INFORMATION – EMPLOYEES
FISCAL YEARS 2002 THROUGH 2009

<u>DIVISION</u>	FULL-TIME EQUIVALENTS (FTEs)							
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
EXECUTIVE	0.65	0.60	0.60	-	-	-	2.25	2.00
ADMINISTRATION	12.35	12.50	13.20	14.05	13.24	7.59	19.51	13.55
COMMUNICATIONS	14.77	15.03	20.25	19.28	19.56	12.55	16.43	24.20
DEVELOPMENT	45.75	49.75	45.10	38.03	41.61	37.01	37.50	30.95
FINANCE	9.80	9.80	10.65	9.60	18.61	15.38	16.95	14.41
OPERATIONS	17.50	14.85	15.10	23.42	13.68	31.59	19.33	15.00
TOTAL FTEs	<u>100.82</u>	<u>102.53</u>	<u>104.90</u>	<u>104.38</u>	<u>106.70</u>	<u>104.12</u>	<u>111.97</u>	<u>100.11</u>

Note: Employee counts are for FTEs charged to the JPB. Data for 2000 and 2001 was not available.

Source: JPB's annual capital and operating budget.

This table presents the total full-time equivalents (FTEs) by division.

PENINSULA CORRIDOR JOINT POWERS BOARD
OPERATING INFORMATION – CAPITAL ASSETS
FISCAL YEARS 2000 THROUGH 2009 (in thousands)

	2009	2008	2007	2006
Depreciable and amortized capital assets				
Right of way improvements	\$ 596,170	\$ 582,783	\$ 496,553	\$ 375,566
Rail vehicles	275,326	254,537	254,201	253,033
Facilities and equipment	118,197	117,507	23,549	22,743
Office equipment	726	815	717	685
Intangible Asset - Trackage Right	8,000	8,000	8,000	8,000
Total depreciable and amortized capital assets	<u>998,419</u>	<u>963,642</u>	<u>783,020</u>	<u>660,027</u>
Accumulated depreciation and amortization				
Right of way improvements	(150,369)	(131,156)	(100,573)	(75,766)
Rail vehicles	(88,499)	(76,232)	(65,495)	(55,343)
Facilities and equipment	(18,401)	(14,966)	(10,426)	(8,689)
Office equipment	(656)	(621)	(474)	(378)
Intangible Asset - Trackage Right	(3,155)	(2,963)	(2,770)	(2,578)
Total accumulated depreciation and amortization	<u>(261,080)</u>	<u>(225,938)</u>	<u>(179,738)</u>	<u>(142,754)</u>
Nondepreciable capital assets				
Right of way	226,893	226,893	210,962	210,962
Construction in progress	173,488	151,197	250,919	282,583
Total nondepreciable capital assets	<u>400,381</u>	<u>378,090</u>	<u>461,881</u>	<u>493,545</u>
Capital assets, net	<u>\$ 1,137,720</u>	<u>\$ 1,115,794</u>	<u>\$ 1,065,163</u>	<u>\$ 1,010,818</u>

Source: CAFRs

This table presents the total nondepreciable capital assets, total depreciable capital assets and total accumulated depreciation and amortization.

PENINSULA CORRIDOR JOINT POWERS BOARD
OPERATING INFORMATION – CAPITAL ASSETS
FISCAL YEARS 2000 THROUGH 2009 (in thousands)

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
\$ 338,487	\$ 224,440	\$ 214,171	\$ 94,294	\$ 84,101	\$ 8,696
253,754	239,667	208,624	119,922	109,861	106,725
17,978	17,813	15,520	5,393	4,911	4,749
305	238	203	202	107	107
8,000	8,000	8,000	8,000	8,000	8,000
<u>618,525</u>	<u>490,158</u>	<u>446,518</u>	<u>227,810</u>	<u>206,980</u>	<u>128,277</u>
(56,312)	(40,317)	(29,830)	(20,383)	(16,310)	(11,163)
(46,557)	(35,753)	(26,847)	(20,773)	(16,118)	(10,274)
(6,877)	(5,417)	(3,866)	(4,447)	(3,762)	(1,836)
(262)	(199)	(120)	(119)	(87)	(55)
<u>(2,385)</u>	<u>(2,193)</u>	<u>(2,000)</u>	<u>(1,808)</u>	<u>(1,615)</u>	<u>(1,423)</u>
<u>(112,393)</u>	<u>(83,878)</u>	<u>(62,663)</u>	<u>(47,531)</u>	<u>(37,892)</u>	<u>(24,751)</u>
210,962	210,964	210,964	210,964	210,964	272,658
<u>200,597</u>	<u>259,424</u>	<u>180,571</u>	<u>290,275</u>	<u>229,282</u>	<u>166,675</u>
411,559	470,387	391,534	501,239	440,246	439,333
<u>\$ 917,691</u>	<u>\$ 876,667</u>	<u>\$ 775,390</u>	<u>\$ 681,518</u>	<u>\$ 609,333</u>	<u>\$ 542,859</u>

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Section IV

SINGLE AUDIT

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Schedule of Expenditures of Federal Awards

Notes to Schedule of Expenditures of Federal Awards

Summary of Auditor's Results

Financial Statement Findings and Recommendations

Schedule of Federal Award Findings and Questioned Costs

Status of Prior Year Findings and Recommendations



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS*

To the Board of Directors
Peninsula Corridor Joint Powers Board
San Carlos, California

We have audited the financial statements of the Peninsula Corridor Joint Powers Board (JPB) as of and for the year ended June 30, 2009, and have issued our report thereon, dated November 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the JPB's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the JPB's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the JPB's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the JPB's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the JPB's financial statements that is more than inconsequential will not be prevented or detected by the JPB's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the JPB's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the JPB's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Directors, management, federal granting agencies and the Controller of the State of California, and is not intended to be and should not be used by anyone other than these specified parties.

Varrinck Trime Day + Co. LLP

Palo Alto, California
November 30, 2009



REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Peninsula Corridor Joint Powers Board
San Carlos, California

Compliance

We have audited the compliance of the Peninsula Corridor Joint Powers Board (JPB) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The JPB's major federal programs are identified in the Schedule of Expenditures of Federal Awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the JPB's management. Our responsibility is to express an opinion on the JPB's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the JPB's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the JPB's compliance with those requirements.

In our opinion, the JPB complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the JPB is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the JPB's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the JPB's internal control over compliance.

A *control deficiency* in the JPB's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the JPB's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the JPB's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the JPB's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the JPB as of and for the year ended June 30, 2009, and have issued our report thereon dated November 30, 2009. Our audit was performed for the purpose of forming an opinion on the financial statements of the JPB. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors, federal awarding agencies and the Controller of the State of California, and is not intended to be and should not be used by anyone other than these specified parties.

Vawrinck Trime Day + Co. LLP

Palo Alto, California
November 30, 2009

**PENINSULA CORRIDOR JOINT POWERS BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009**

Capital Grants		
Grant Program	Federal Catalogue Number	Expenditures
U.S. Department of Transportation		
Federal Highway Administration		
STPLE-6170(018)	20.205	\$ (113,163)
BRLO-6170 (023)	20.205	268,368
BRLO-6170 (021)	20.205	273,263
BRLO-6170 (022)	20.205	211,308
Subtotal		<u>639,776</u>
Federal Transit Administration		
Federal Transit Cluster:		
Federal Transit Capital Improvements Grants ⁽¹⁾		
CA-03-0665	20.500	292,369
CA-03-0691	20.500	4,079,402
CA-05-0207	20.500	1,913,139
CA-05-0209	20.500	5,573,528
CA-05-0218	20.500	3,787,099
CA-05-0238	20.500	3,387,115
CA-15-X002	20.500	120,459
Subtotal		<u>19,153,111</u>
Federal Transit Formula Grants ⁽¹⁾		
CA-90-Y123	20.507	5,038,422
CA-90-Y246	20.507	3,382,807
CA-90-Y312	20.507	64,920
CA-90-Y379	20.507	19,570
CA-90-Y493	20.507	2,060,274
CA-90-Y592	20.507	2,596,188
CA-90-Y696	20.507	662,915
CA-90-X022	20.507	122,619
Subtotal		<u>13,947,715</u>
Transportation, Community, and System Preservation Program		
CA-26-0026	20.514	21,260
Total Expenditures of Federal Awards - Capital		<u><u>\$ 33,761,862</u></u>

(1) Major Program

PENINSULA CORRIDOR JOINT POWERS BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

Operating Grant		
Grant Program	Federal Catalogue Number	Expenditures
Federal Transit Administration		
Federal Transit Cluster:		
Federal Transit Formula Grants ⁽¹⁾		
CA-090-Y379	20.507	94,934
Total Expenditures of Federal Awards - Operating		<u>94,934</u>
Total Expenditures of Federal Awards		<u><u>\$ 33,856,796</u></u>

(1) Major Program

PENINSULA CORRIDOR JOINT POWERS BOARD
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the JPB. The JPB's reporting entity is defined in Note #1 of the JPB's financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies to the JPB are included in the accompanying schedule.

B. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note #2 of the JPB's financial statements.

C. Relationship to the Basic Financial Statements

Federal financial assistance is reported in the JPB's financial statements as operating assistance and capital contribution.

D. Relationship to Federal Financial Reports

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports. However, certain federal financial reports are filed based on cash expenditures. As such, certain timing differences may exist in the recognition of revenues and expenditures between the Schedule of Expenditures of Federal Awards and the federal financial reports.

PENINSULA CORRIDOR JOINT POWERS BOARD
SUMMARY OF AUDITOR'S RESULTS
YEAR ENDED JUNE 30, 2009

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiency identified not considered to be material weaknesses?	<u>No</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency identified not considered to be material weaknesses?	<u>No</u>
Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.500 and 20.507	Federal Transit Cluster
_____	_____
_____	_____
_____	_____

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,015,704</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**PENINSULA CORRIDOR JOINT POWERS BOARD
FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
YEAR ENDED JUNE 30, 2009**

There were no findings related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

**PENINSULA CORRIDOR JOINT POWERS BOARD
SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

There were no findings representing reportable conditions, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

**PENINSULA CORRIDOR JOINT POWERS BOARD
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
YEAR ENDED JUNE 30, 2009**

There were no prior year findings and recommendations.